



GDZ Elektrik Dağıtım Anonim Şirketi

(incorporated in and operating under the laws of the Republic of Türkiye)

Legal entity identifier (LEI): 984500B63B5766038A64

U.S.\$ 400,000,000 9.000% Senior Notes due 2029

Issue Price: 99.017%

GDZ Elektrik Dağıtım Anonim Şirketi (the “**Issuer**”) a company incorporated on February 28, 2005 and operating under the laws of the Republic of Türkiye, and registered with the Izmir Trade Registry Office under registration number 118242 is offering U.S.\$400,000,000 9.000% Senior Notes due 2029 (the “**Notes**”) (the “**Offering**”). The Notes will be constituted by a trust deed to be dated on or about October 15, 2024 (the “**Issue Date**”) between the Issuer and BNY Mellon Corporate Trustee Services Limited (the “**Trustee**”) (the “**Trust Deed**”).

Interest on the Notes will be payable semi-annually in arrear on April 15 and October 15 in each year, commencing on April 15, 2025. The Notes will mature on October 15, 2029 (the “**Maturity Date**”) at their principal amount together with accrued and unpaid interest. The Issuer may redeem all, but not part only, of the Notes at their principal amount, plus accrued and unpaid interest and additional amounts thereon, if any, if, as a result of a change of law, the Issuer becomes obliged to pay certain additional amounts. Upon the occurrence of certain events constituting both a Change of Control Event and a Change of Control Ratings Decline, the Issuer may be required to make an offer to Noteholders to purchase the Notes at a price of 101% of their principal amount, plus accrued and unpaid interest, if any. At any time from (and including) the Issue Date and prior to October 15, 2026, the Issuer may on one or more occasions, redeem all or a part of the Notes at the Make-Whole Premium, and thereafter the Issuer may redeem all or part of the Notes by paying the redemption prices set forth in this Offering Memorandum. In addition, at any time prior to October 15, 2026, the Issuer may on one or more occasions redeem up to 35% of the aggregate principal amount of the Notes at a redemption price equal to 109.000% of the principal amount of the Notes redeemed plus accrued and unpaid interest to the date of redemption with the net cash proceeds of an equity offering, *provided that* at least 60% of the original aggregate principal amount of the Notes originally issued remains outstanding immediately thereafter and the redemption occurs within 180 days of the date of the closing of such Equity Offering. For a more detailed description of the Notes, see “*Terms and Conditions of the Notes*” (the “**Conditions**”). Unless otherwise indicated, the capitalized terms used in this paragraph have the meanings ascribed to them in the Conditions.

There is currently no established trading market for the Notes and there is no assurance that a trading market in the Notes will develop or be maintained. Investors should make their own assessment as to the suitability of investing in the Notes. Application has been made to the Irish Stock Exchange plc trading as Euronext Dublin (“**Euronext Dublin**”) for the Notes to be admitted to the official list of Euronext Dublin (the “**Official List**”) and to trading on its Global Exchange Market (the “**GEM**”), which is the exchange regulated market of Euronext Dublin. The GEM is not a regulated market for the purposes of Directive 2014/65/EU (“**MiFID II**”). This Offering Memorandum constitutes the listing particulars in respect of the Notes to be admitted to the Official List and to trading on the GEM of Euronext Dublin and has been approved by Euronext Dublin. References in this Offering Memorandum to the Notes being “**listed**” (and all related references) will mean that the Notes have been admitted to the Official List and have been admitted to trading on the GEM. This Offering Memorandum does not constitute a prospectus for the purposes of Regulation (EU) 2017/1129 (the “**Prospectus Regulation**”). This Offering Memorandum has not been approved or reviewed by any regulator which is a competent authority under the Prospectus Regulation.

The Notes may not be sold outside Türkiye before the issuance is approved by the Capital Markets Board of Türkiye (the “**CMB**”) in its capacity as competent authority under the Capital Markets Law of the Republic of Türkiye, Law No. 6362 dated December, 6 2012 (the “**Capital Markets Law**”) for the issuance and sale of the Notes by the Issuer outside Türkiye. Application was made to the CMB and the issuance certificate (*ihraç belgesi*) relating to the Notes was approved by the CMB on August 28, 2024, and a written approval of the CMB relating to the Notes (which may be in the form of a tranche issuance certificate (*tertip ihraç belgesi*) or in any other form required under the applicable legislation) will be required to be obtained from the CMB on or before the Issue Date. The withholding tax rate on interest payments in respect of bonds issued by Turkish entities outside of Türkiye varies depending on the original maturity of such bonds as specified under decrees numbered 2010/1182 published on December 20, 2010 and numbered 2011/1854 published on June 29, 2011, and Presidential Decree No. 842 published on March 21, 2019 (the “**Tax Decrees**”). Pursuant to the Tax Decrees, (i) with respect to bonds with a maturity of less than one year, the withholding tax rate on interest is 7%, (ii) with respect to bonds with a maturity of at least one and less than three years, the withholding tax rate on interest is 3%, and (iii) with respect to bonds with a maturity of three years and more, the withholding tax rate on interest is 0%. Accordingly, the withholding tax rate on interest on the Notes is 0%. See “*Taxation—Certain Turkish Tax Considerations*.”

The Issuer expects the Notes to be rated BB- by Fitch Rating Ltd (“**Fitch**”) and B2 by Moody’s Investors Service, Ltd. (“**Moody’s**”). As at the date of this Offering Memorandum, each of Fitch and Moody’s is not established in the European Union (the “**EU**”), but credit ratings issued by each of Fitch and Moody’s have been endorsed by Fitch Ratings Ireland Limited and Moody’s Deutschland GmbH, respectively, each of which is an entity established in the European Union and included in the list of credit rating agencies registered in accordance with Regulation (EC) No. 1060/2009 on Credit Rating Agencies as amended by Regulation (EU) No. 513/2011 (the “**CRA Regulation**”). This list is available on the ESMA website (<http://www.esma.europa.eu/page/list-registered-and-certified-CRAs>) (last updated March, 27, 2023). A rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension or withdrawal at any time by the assigning rating organization.

Investing in the Notes involves a high degree of risk. See “Risk Factors” beginning on page 39.

THE NOTES HAVE NOT BEEN, AND WILL NOT BE, REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE “SECURITIES ACT”), OR THE SECURITIES LAWS OF ANY OTHER JURISDICTION. THE NOTES ARE BEING OFFERED AND SOLD (I) IN THE UNITED STATES ONLY TO QUALIFIED INSTITUTIONAL BUYERS (“QIBS”) AS DEFINED IN, AND IN RELIANCE ON, RULE 144A UNDER THE SECURITIES ACT (“RULE 144A”), AND (II) OUTSIDE THE UNITED STATES IN OFFSHORE TRANSACTIONS IN RELIANCE ON REGULATION S UNDER THE SECURITIES ACT (“REGULATION S”). THE NOTES ARE NOT TRANSFERABLE EXCEPT IN ACCORDANCE WITH THE RESTRICTIONS DESCRIBED UNDER “TRANSFER RESTRICTIONS.”

The Notes will be issued in registered form in the denomination of U.S.\$200,000 and integral multiples of U.S.\$1,000 in excess thereof. Delivery of the Notes will be made on or about the Issue Date. The Regulation S Notes will upon issue be represented by a single global certificate (the “**Unrestricted Global Certificate**”) in registered form, which will be deposited with a common depositary (the “**Common Depositary**”) for, and registered in the name of a nominee of the Common Depositary for, Euroclear Bank SA/NV (“**Euroclear**”) and Clearstream Banking S.A. (“**Clearstream, Luxembourg**”) on or about the Issue Date for the accounts of their respective accountholders. The Rule 144A Notes will be evidenced by a global certificate (the “**Restricted Global Certificate**”) and, together with the Unrestricted Global Certificate, the “**Global Certificates**”), which will be registered in the name of a nominee of, and deposited with a custodian for, The Depository Trust Company (the “**DTC**”). Ownership interests in the Global Certificates will be shown on, and transfers thereof will be effected only through, records maintained by DTC, Euroclear and Clearstream, Luxembourg (as applicable) and their respective participants.

Joint Bookrunners

Citigroup

Morgan Stanley

The date of this Offering Memorandum is October 11, 2024

The Issuer accepts responsibility for the information contained in this Offering Memorandum. To the best of the knowledge and belief of the Issuer, having taken all reasonable care to ensure that such is the case, the information in this Offering Memorandum is in accordance with the facts and this Offering Memorandum makes no omission likely to affect its import.

None of Citigroup Global Markets Limited and Morgan Stanley & Co. International plc (the “**Joint Bookrunners**”) nor any of their respective directors, affiliates, advisers or agents makes any representation or warranty, express or implied with respect to the accuracy or completeness of the information contained in this Offering Memorandum. No responsibility is accepted by the Joint Bookrunners or any of their respective directors, affiliates, advisers or agents for any act or omission of the Issuer or any other person (other than the relevant Joint Bookrunner) in connection with the issue and offering of the Notes. The Joint Bookrunners expressly do not undertake to review the financial condition or affairs of the Issuer during the life of the Notes or to advise any investor in the Notes of any information coming to their attention. Nothing contained in this Offering Memorandum is, is to be construed as, or shall be relied upon as, a promise, warranty or representation, whether to the past or the future, by the Joint Bookrunners or any of their respective directors, affiliates, advisers or agents in any respect. The contents of this Offering Memorandum are not, are not to be construed as, and should not be relied on as, legal, business or tax advice and each prospective investor should consult its own legal and other advisers for any such advice relevant to it.

No person is authorized to give any information or make any representation not contained in this Offering Memorandum in connection with the issue and offering of the Notes and, if given or made, such information or representation must not be relied upon as having been authorized by any of the Issuer, the Joint Bookrunners, the Trustee or any of their respective directors, affiliates, advisers or agents. The delivery of this Offering Memorandum does not and shall not under any circumstances imply that there has been no change in the business and affairs of the Issuer since the date hereof or that the information herein is correct as of any time subsequent to its date.

This Offering Memorandum does not constitute an offer to sell or a solicitation of an offer to buy the Notes by any person in any jurisdiction where it is unlawful to make such an offer or solicitation. The distribution of this Offering Memorandum and the offer or sale of the Notes in certain jurisdictions is restricted by law. This Offering Memorandum may not be used for, or in connection with, and does not constitute, any offer to, or solicitation by, anyone in any jurisdiction or under any circumstance in which such offer or solicitation is not authorized or is unlawful. In particular, this Offering Memorandum does not constitute an offer of securities to the public in the United Kingdom. No prospectus has been or will be approved in the United Kingdom in respect of the Notes. Consequently this Offering Memorandum is being distributed only to, and is directed at (i) persons who have professional experience in matters relating to investments and fall within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (as amended, the “**Order**”), (ii) high net worth entities, and other persons to whom it may lawfully be communicated, falling within Article 49(2)(a) to (d) of the Order, and (iii) those persons to whom an invitation or inducement to engage in investment activity (within the same meaning of Section 21 of the Financial Services and Markets Act 2000) in connection with the issue or sale of any securities may otherwise lawfully be communicated or be caused to be communicated (all such persons together being referred to as “**relevant persons**”). Any person who is not a relevant person should not act or rely on this Offering Memorandum or any of its contents. Persons into whose possession this Offering Memorandum may come are required by the Issuer and the Joint Bookrunners to inform themselves about and to observe such restrictions. Further information with regard to restrictions on offers, sales and deliveries of the Notes and the distribution of this Offering Memorandum and other offering material relating to the Notes is set out under “*Subscription and Sale*” and “*Transfer Restrictions*.”

The Notes have not been and will not be registered under the Securities Act or under the securities laws of any State of the United States or any other U.S. jurisdiction. Each investor, by purchasing a Note (or a beneficial

interest therein), agrees that the Notes (or beneficial interests therein) may only be reoffered, resold, pledged or otherwise transferred only upon registration under the Securities Act or pursuant to the exemptions therefrom described under “*Transfer Restrictions*.” Each investor also will be deemed to have made certain representations and agreements as described therein. Any resale or other transfer, or attempted resale or other attempted transfer that is not made in accordance with the transfer restrictions may subject the transferor and transferee to certain liabilities under applicable securities laws.

This Offering Memorandum has been prepared solely for use in connection with the Offering of the Notes. Distribution of this Offering Memorandum to any person other than the prospective investor and any person retained to advise such prospective investor with respect to its purchase is unauthorized, and any other disclosure of any of its contents, without the prior written consent of the Issuer and the Joint Bookrunners is prohibited. Each prospective investor, by accepting delivery of this Offering Memorandum, agrees to the foregoing and to make no photocopies of this Offering Memorandum or any documents referred to in this Offering Memorandum.

The Issuer has obtained the CMB Approval dated August 28, 2024 and numbered 48/1363 (the “**CMB Approval**”) required for the issuance of the Notes. In addition, the required tranche issuance certificate (*tertip ihraç belgesi*) relating to the Notes is expected to be obtained from the CMB on or prior to the Issue Date.

Pursuant to the CMB Approval, the offering of the Notes has been authorized by the CMB only for the purpose of the sale of the Notes outside of Türkiye in accordance with Article 15(b) of Decree 32 on the Protection of the Value of the Turkish Currency (as amended from time to time, “**Decree 32**,” the Capital Markets Law No. 6362 and Communiqué Serial VII, No 128.8 on Debt Instruments (the “**Communiqué on Debt Instruments**”)).

In addition, the Notes (or beneficial interests therein) may only be offered or sold outside of Türkiye in accordance with the CMB Approval. Under the CMB Approval, the CMB has authorized the offering, sale and issue of any Notes on the condition that no sale or offering of Notes (or beneficial interests therein) may be made by way of public offering or private placement in Türkiye. Pursuant to Article 15(d)(ii) of Decree 32, residents of Türkiye may purchase or sell Notes denominated in a currency other than Turkish Lira (or beneficial interests therein) in offshore transactions on an unsolicited (reverse inquiry) basis, *provided that* such purchase or sale is made in the financial markets outside of Türkiye through licensed banks and/or licensed brokerage institutions authorized pursuant to the Banking Regulation and Supervision Agency (the “**BRSA**”) and/or CMB regulations and the purchase price is transferred through licensed banks authorized under the BRSA regulations.

Pursuant to the Communiqué on Debt Instruments, the Issuer is required to notify the Central Securities Depository (*Merkezi Kayıt Kuruluşu Anonim Şirketi*) (the “**CSD**”), within three business days from the Issue Date, of the amount, issue date, ISIN, term commencement date, maturity date, interest rate, name of the custodian, currency of the Notes and the country of issuance. In case of any change to this information, including early redemption, the Issuer is required to notify the CSD, within three business day from the date of the relevant change.

Other than authorization by the CMB, the Notes have not been approved or disapproved by the U.S. Securities and Exchange Commission (the “**SEC**”), any State securities commission or any other U.S., Turkish, Irish, United Kingdom or other regulatory authority, nor have any of the foregoing authorities passed upon or endorsed the merits of the offering of the Notes or the accuracy or adequacy of this Offering Memorandum.

The language of the Offering Memorandum is English. Certain legislative references and technical terms have been cited in their original language in order that the correct technical meaning may be ascribed to them under applicable law.

NOTICE TO U.S. INVESTORS

This Offering Memorandum is being submitted on a confidential basis in the United States to a limited number of QIBs for informational use solely in connection with the consideration of the purchase of the Notes. Its use for any other purpose in the United States is not authorized. It may not be copied or reproduced in whole or in part nor may it be distributed or any of its contents disclosed to anyone other than the prospective investors to whom it is originally submitted.

For the offering, the Issuer and the Joint Bookrunners are relying upon exemptions from registration under the Securities Act for offers and sales of securities which do not involve a public offering, including Rule 144A. Prospective investors are hereby notified that sellers of the Notes may be relying on the exemption from the provision of Section 5 of the Securities Act provided by Rule 144A. The Notes are subject to restrictions on transferability and resale. Purchasers of the Notes may not transfer or resell the Notes except as permitted under the Securities Act and applicable U.S. State securities laws. See “*Transfer Restrictions*.”

The Notes have not been approved or disapproved by the Securities Exchange Commission (the “SEC”) or any other securities commission or regulatory authority in the United States, nor have the foregoing authorities approved this Offering Memorandum or confirmed the accuracy or determined the adequacy of the information contained in this Offering Memorandum. Any representation to the contrary is a criminal offense in the United States.

UK MIFIR PRODUCT GOVERNANCE/PROFESSIONAL INVESTORS AND ECPS ONLY TARGET MARKET

Solely for the purposes of each manufacturer’s product approval process, the target market assessment in respect of the Notes has led to the conclusion that: (i) the target market for the Notes is eligible counterparties, as defined in the FCA Handbook Conduct of Business Sourcebook (“COBS”), and professional clients, as defined in Regulation (EU) No 600/2014 as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018 (“EUWA”) (“UK MiFIR”); and (ii) all channels for distribution of the Notes to eligible counterparties and professional clients are appropriate. Any person subsequently offering, selling or recommending the Notes (a “distributor”) should take into consideration the manufacturers’ target market assessment; however, a distributor subject to the FCA Handbook Product Intervention and Product Governance Sourcebook is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the manufacturers’ target market assessment) and determining appropriate distribution channels.

UK PRIIPS REGULATION/PROHIBITION OF SALES TO UK RETAIL INVESTORS

The Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the United Kingdom (the “UK”). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client, as defined in point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of domestic law by virtue of the EUWA; or (ii) a customer within the meaning of the provisions of the Financial Services and Markets Act 2000 (the “FSMA”), and any rules or regulations made under the FSMA to implement the Insurance Distribution Directive (as defined below), where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of UK MiFIR. Consequently, no key information document required by the PRIIPs Regulation (as defined below) as it forms part of domestic law by virtue of the EUWA (the “UK PRIIPs Regulation”) for offering or selling the Notes or otherwise making them available to retail investors in the UK has been prepared and, therefore, offering or selling the Notes or otherwise making them available to any retail investor in the UK may be unlawful under the UK PRIIPs Regulation.

PRIIPS REGULATION/PROHIBITION OF SALES TO EEA RETAIL INVESTORS

The Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the European Economic Area (“**EEA**”). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of MiFID II; or (ii) a customer within the meaning of Directive 2016/97/EU (the “**Insurance Distribution Directive**”), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of Directive 2014/65/EU of the European Parliament and of the Council on markets in financial instruments, as amended (“**MiFID II**”). Consequently, no key information document required by Regulation (EU) No 1286/2014 (as amended, the “**PRIIPs Regulation**”) for offering or selling the Notes or otherwise making them available to retail investors in the EEA has been prepared and, therefore, offering or selling the Notes or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.

TURKISH TAX CONSIDERATIONS

The withholding tax rate on interest payments in respect of bonds issued by Turkish entities outside of Türkiye varies depending on the original maturity of such bonds as specified under the Tax Decrees. Pursuant to the Tax Decrees, (i) with respect to bonds with a maturity of less than one year, the withholding tax rate on interest is 7%, (ii) with respect to bonds with a maturity of at least one and less than three years, the withholding tax rate on interest is 3%, and (iii) with respect to bonds with a maturity of three years and more, the withholding tax rate on interest is 0%. Accordingly, the withholding tax rate on interest on the Notes is 0%. See “*Taxation—Certain Turkish Tax Considerations.*”

AVAILABLE INFORMATION

The Issuer has agreed that, for so long as any Notes are “restricted securities” within the meaning of Rule 144(a)(3) under the Securities Act, it will, during any period in which it is neither subject to Section 13 or 15(d) of the U.S. Securities Exchange Act of 1934, as amended (the “**Exchange Act**”) nor exempt from reporting pursuant to Rule 12g3-2(b) thereunder, provide to any holder or beneficial owner of such restricted securities or to any prospective purchaser of such restricted securities designated by such holder or beneficial owner or to the Principal Paying Agent (as defined herein) for delivery to such holder, beneficial owner or prospective purchaser, in each case upon the request of such holder, beneficial owner, prospective purchaser or Principal Paying Agent, the information required to be provided by Rule 144A(d)(4) under the Securities Act.

STABILISATION

In connection with the Offering of the Notes, the Issuer intends to appoint a stabilization manager which may (or may appoint persons acting on its behalf to) over-allot Notes or effect transactions with a view to supporting the market price of the Notes at a level higher than that which might otherwise prevail. However, stabilization may not necessarily occur. Any stabilization action may begin on or after the date on which adequate public disclosure of the terms of the offer of the relevant Notes is made and, if begun, may be ended at any time, but it must end no later than the earlier of 30 days after the issue date of the Notes and 60 days after the date of the allotment of the Notes. Any stabilization action or over-allotment must be conducted in accordance with all applicable laws and rules.

SUITABILITY OF INVESTMENT

Neither this Offering Memorandum nor any other information supplied in connection with the offering of the Notes (a) is intended to provide the basis of any credit or other evaluation or (b) should be considered as a recommendation by the Issuer or any of the Joint Bookrunners that any recipient of this Offering Memorandum or any other information supplied in connection with the offer or sale of the Notes should purchase the Notes. Each person contemplating making an investment in the Notes must make its own investigation and analysis of the creditworthiness of the Issuer and its own determination of the suitability of any such investment, with particular reference to its own investment objectives and experience, and any other factors that may be relevant to it in connection with such investment. In particular, each potential investor should:

- have sufficient knowledge and experience to make a meaningful evaluation of the Notes, the merits and risks of investing in the Notes and the information contained in this Offering Memorandum or any applicable supplement;
- have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the Notes and the impact such investment will have on its overall investment portfolio;
- have sufficient financial resources and liquidity to bear all of the risks of an investment in the Notes, including where the currency for principal and profit payments is different from the potential investor's currency;
- understand thoroughly the terms of the Notes and be familiar with the behavior of financial markets in which they participate; and
- be able to evaluate (either alone or with the help of a financial adviser) possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.

None of the Issuer, the Joint Bookrunners or any of their respective representatives is making any representation to any offeree or purchaser of the Notes (or beneficial interests therein) regarding the legality of any investment by such offeree or purchaser under applicable legal investment or similar laws. **Each investor should consult with its own advisers as to the legal, tax, business, financial and related aspects of an investment in the Notes.**

In connection with the offering of the Notes, the Joint Bookrunners are acting exclusively for the Issuer and no one else. Accordingly, in connection with the Offering of the Notes, the Joint Bookrunners will not be responsible to anyone other than the Issuer for providing the protections (regulatory or otherwise) afforded to their clients or for the giving of advice in relation to the Offering of the Notes.

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FORWARD-LOOKING STATEMENTS

This Offering Memorandum contains “forward-looking statements” which relate, without limitation, to any of the Issuer’s plans, objectives, goals, strategies, future events, future revenues or performance, capital expenditures, financing needs, plans or intentions relating to acquisitions, competitive strengths and weaknesses, plans or goals relating to financial performance and future operations and development, business strategy and the trends in the industry and the political and legal environment in which the Issuer operates and other information that is not historical information. The words “anticipates,” “estimates,” “expects,” “believes,” “intends,” “plans,” “may,” “will,” “should” and any similar expressions to identify forward-looking statements may be used herein. Prospective purchasers of the Notes are cautioned that actual results could differ materially from those anticipated in forward-looking statements.

The forward-looking statements contained in this Offering Memorandum are largely based on the Issuer’s expectations, which reflect estimates and assumptions made by the Issuer’s management. These estimates and assumptions reflect the Issuer’s best judgement based on currently known market conditions and other factors, some of which are discussed below. Although the Issuer believes such estimates and assumptions to be reasonable, they are inherently uncertain and involve a number of risks and uncertainties that are beyond the Issuer’s control. In addition, assumptions about future events may prove to be inaccurate. The Issuer cautions prospective purchasers of the Notes that the forward-looking statements contained in this Offering Memorandum are not guarantees of outcomes of future performance and the Issuer cannot assure any prospective purchasers of the Notes that such statements will be realized, or the forward-looking events and circumstances will occur.

By their very nature, forward-looking statements involve inherent risks and uncertainties, both general and specific, many of which are beyond the Issuer’s control and risks exist that the predictions, forecasts, projections and other forward-looking statements will not be achieved. These risks, uncertainties and other factors include, among other things, those described in the section headed “Risk Factors,” as well as those included elsewhere in this Offering Memorandum. Prospective purchasers of the Notes should be aware that a number of important factors could cause actual results to differ materially from the plans, objectives, expectations, estimates and intentions expressed in such forward-looking statements.

When relying on forward-looking statements, prospective purchasers of the Notes should carefully consider the foregoing factors and other uncertainties and events, especially in light of the political, economic, social and legal environment in which the Issuer operates. Such forward-looking statements speak only as of the date on which they are made. Accordingly, the Issuer does not undertake any obligation to update or revise any of them, whether as a result of new information, future events or otherwise. The Issuer does not make any representation, warranty or prediction that the results anticipated by such forward-looking statements will be achieved and such forward-looking statements represent, in each case, only one of many possible scenarios and should not be viewed as the most likely or standard scenario. These cautionary statements qualify all forward-looking statements attributable to the Issuer or persons acting on its behalf.

PRESENTATION OF FINANCIAL AND OTHER INFORMATION

Statutory Financial Statements

We maintain our books of account and prepare our statutory financial statements in TL in accordance with the requirements of the Turkish Commercial Code no. 6102 (the “TCC”) and Turkish tax legislation and the Uniform Chart of Accounts issued by the Ministry of Treasury and Finance of Türkiye.

Fiscal Periods and Dates

We have presented financial information as of and for the years ended December 31, 2021, 2022 and 2023 and as of and for the six months ended June 30, 2023 and 2024 in this Offering Memorandum.

Financial Statements

Our audited financial statements as of and for the years ended December 31, 2021, 2022 and 2023, including the notes thereto and the accompanying audit report thereon (the “Annual Financial Statements”) and our unaudited interim financial statements as of and for the six months ended June 30, 2024 with June 30, 2023 comparatives, including the notes thereto and the accompanying review report thereon (the “Interim Financial Statements”) and together with the Annual Financial Statements, the “Financial Statements”) are included in this Offering Memorandum beginning on page F-1. The Financial Statements and accompanying audit and review reports are convenience translations into English that were originally issued in Turkish. The Financial Statements prepared in accordance with Turkish Financial Reporting Standards (“TFRS”) and Turkish Accounting Standards (“TAS”) as promulgated by the POA.

In connection with the Offering and in accordance with the CMB requirements, we have made public our audited financial statements as of and for the years ended December 31, 2021, 2022 and 2023 and our unaudited financial statements as of and for the six months ended June 30, 2023 and 2024 which have been prepared and presented in accordance with TFRS and TAS. The Financial Statements and accompanying reports included in this Offering Memorandum are a convenience translation into English from the originally issued Financial Statements and accompanying reports, which were prepared in Turkish. The principles of TFRS are in line to those of International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”) and the interpretations as issued by the IFRS Interpretations Committee, except as follows:

- the format for presentation of financial statements is regulated by the Public Oversight Accounting and Auditing Standards Authority (“POA”) and there are some reclassification differences, such as the reclassification between finance income/expense and other income/expense and between prepaid expenses and other assets;
- through its official communiques, the POA has eliminated certain alternative accounting options available under IFRS, for example the impact of business combination of entities under common control transactions; and
- there is a difference in the application period between International Accounting Standards (IAS) 29, Financial Reporting in Hyperinflationary Economies (“IAS 29”) and TAS 29, Financial Reporting in Hyperinflationary Economies.

The Annual Financial Statements have been audited and the Interim Financial Statements have been reviewed by Güney Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik Anonim Şirketi (a member firm of Ernst & Young Global Limited), independent auditors, as stated in their reports included elsewhere in this Offering

Memorandum. Unless otherwise indicated, the financial information presented in this Offering Memorandum is extracted or derived from the Financial Statements.

TAS 29 Financial Reporting in Hyperinflation Economies

Entities applying TFRS have started to apply inflation accounting in accordance with TAS 29 Financial Reporting in Hyperinflation Economies as of financial statements for the annual reporting period ending on or after December 31, 2023, in line with the announcements made by the POA on November 23, 2023. TAS 29 is applied to the financial statements, including the consolidated financial statements, of any entity whose functional currency is the currency of a hyperinflationary economy. The Issuer has applied TAS 29 to the financial statements as of and for the year ended December 31, 2023, and the corresponding figures for the years ended December 31, 2021 and 2022 have been restated for the changes in the general purchasing power of Turkish Lira and, as a result, are expressed in terms of purchasing power of TL as of December 31, 2023 as per TAS 29. See Note 2.1 to the Annual Financial Statements. The Issuer has applied TAS 29 to the financial statements as of and for the six months ended June 30, 2024, and the corresponding figures for the six months ended June 30, 2023 have been restated for the changes in the general purchasing power of Turkish Lira and, as a result, are expressed in terms of purchasing power of TL as of June 30, 2024 as per TAS 29. See Note 2.1 to the Interim Financial Statements. Due to the differences in dates used for purchasing power of TL, the Annual Financial Statements are not immediately comparable to the Interim Financial Statements. See “*Appendix: Conversion of December 31, 2021, 2022 and 2023 Financial Statements*” for a conversion of financial statements for the years ended December 31, 2021, 2022 and 2023 from the purchasing power of Turkish Lira as of December 31, 2023 to the purchasing power of Turkish Lira as of June 30, 2024.

Non-TFRS Financial Measures

We have included certain measures in this Offering Memorandum that are not measures of performance under TFRS or any other generally accepted accounting principles. Certain of these measures are termed “non-TFRS measures” because they exclude amounts that are included in, or include amounts that are excluded from, the most directly comparable measure calculated and presented in accordance with TFRS or are calculated using financial measures that are not calculated in accordance with TFRS. These non-TFRS measures include EBITDA plus capital expenditure reimbursement, Net Debt, Net Debt/EBITDA plus capital expenditure reimbursement, Free Cash Flow and Net Working Capital. The non-TFRS financial measures included in this Offering Memorandum are unaudited supplementary measures that are not required by, or presented in accordance with, TFRS.

These measures are used by our management to monitor the underlying performance of our business and operations, in presentations to the Board of Directors and as a basis for strategic planning and forecasting, as well as monitoring certain aspects of our operating cash flow and liquidity. We believe that these and similar measures are widely used by certain investors, securities analysts and other interested parties as supplemental measures of performance and liquidity. The definitions of these non TFRS financial measures are defined below. For the reconciliation of these non-TFRS measures to the relevant figures in the Financial Statements, see “*Summary Historical Financial and Operational Data—Other Financial Data*” and “*Selected Historical Financial and Operational Data—Other Financial Data*.”

We calculate EBITDA plus capital expenditure reimbursement as the total of operating profit, depreciation and amortization and capital expenditure reimbursement which is collections from the revenue cap. We present EBITDA plus capital expenditure reimbursement because it is widely used within the industry by securities analysts, investors and other interested parties to evaluate the profitability of companies. EBITDA plus capital expenditure reimbursement eliminates potential differences in performance caused by variations in capital

structures (affecting net finance costs), tax positions (such as the availability of net operating losses against which to relieve taxable profits), the cost and age of tangible assets (affecting relative depreciation expense) and the extent to which intangible assets are identifiable (affecting relative amortization expense), while still including capital expenditure reimbursement (which is excluded from revenue). EBITDA plus capital expenditure reimbursement has limitations as an analytical tool. Some of these limitations are:

- it does not reflect our cash expenditures or future requirements for capital expenditure or contractual commitments;
- it does not reflect changes in, or cash requirements for our working capital needs;
- it does not reflect the significant interest expense, or the cash requirements necessary to service interest or principal payments, on our debt;
- although depreciation and amortization are non-cash charges, the assets being depreciated and amortized will often have to be replaced in the future, and EBITDA plus capital expenditure reimbursement does not reflect any cash requirements for such replacements; and
- it is not adjusted for all non-cash income or expense items that are reflected in our statements of cash flows.

We calculate Net Debt as Financial Borrowings less Cash and Cash Equivalents. Financial Borrowings comprises the short-term portion of long-term borrowings, other short-term financial liabilities, long-term borrowings and other long-term financial liabilities. We believe Net Debt is a useful indicator of our indebtedness, financial flexibility and capital structure because it indicates the level of borrowings after taking account of Cash and Cash Equivalents within our business that could be utilized to pay down the outstanding borrowings. We believe that Net Debt can assist securities analysts, investors and other parties to evaluate us. Net Debt and similar measures are used by different companies for differing purposes and are often calculated in ways that reflect the circumstances of those companies. Accordingly, caution is required in comparing Net Debt as reported by us to net debt of other companies.

We calculate Net Debt/EBITDA plus capital expenditure reimbursement ratio as total borrowings less cash and cash equivalents divided by EBITDA plus capital expenditure reimbursement. We believe Net Debt/EBITDA plus capital expenditure reimbursement ratio is a useful indicator because it assists in assessing a company's financial health, risk profile and debt repayment capacity.

We calculate Free Cash Flow as EBITDA plus capital expenditure reimbursement less financial income from financial assets related to concession contracts ("**Financial Income**") plus WACC income for the tariff year ("**WACC collection**") less capital expenditure plus other adjustments. We believe Free Cash Flow is meaningful to investors because it is a measure of our funds available for acquisition related payments, dividends to shareholders, share repurchases and debt repayment. The purpose of presenting Free Cash Flow is to indicate the ongoing cash generation within our control after taking account of the necessary cash expenditures of maintaining our capital and operating structure (in the form of payments of interest, corporate taxation and capital expenditure). Free Cash Flow does not reflect any restrictions on our transfer of cash or cash equivalents or any requirement to repay our borrowings and does not take into account cash flows that are available from disposals or the issue of shares. We therefore take such factors into account in addition to Free Cash Flow when determining the resources available for acquisitions and for distribution to shareholders.

We calculate Net Working Capital as Current Assets less Short-Term Liabilities. We believe Net Working Capital is a useful indicator of short term liquidity and operational efficiency.

Prospective investors should not place undue reliance on the non-TFRS measures presented herein and should not consider them as an alternative to:

- operating profit or net profit as determined in accordance with generally accepted accounting principles, or as measures of operating performance;
- cash flows from operating, investing or financing activities, as determined in accordance with generally accepted accounting principles, or as a measure of our ability to meet liquidity needs; or
- any other measures of performance under generally accepted accounting principles.

Since all companies do not calculate these measures in an identical manner, our presentation may not be consistent with similar measures used by other companies. These measures have limitations as analytical tools and should not be considered in isolation or as a substitute for analysis of our operating results as reported under TFRS. As a result, prospective investors should not place undue reliance on this data.

Financial information as at and for the twelve months ended June 30, 2024

In this Offering Memorandum, we also present summary unaudited financial data for the twelve months ended June 30, 2024. The unaudited financial data for the twelve months ended June 30, 2024 has been derived by subtracting audited statement of profit or loss data for the six months ended June 30, 2023 from audited statement of profit or loss data for the year ended December 31, 2023 and adding interim unaudited statement of profit or loss data for the six months ended June 30, 2024. The financial information for the twelve months ended June 30, 2024 is expressed in terms of purchasing power of Turkish Lira as of June 30, 2024. The financial information for the twelve months ended June 30, 2024 has been prepared for illustrative purposes only and is not necessarily representative of our results of operations for any future period at any future date, is not prepared in the ordinary course of our financial reporting and has not been audited or reviewed by our independent auditors.

MARKET AND INDUSTRY INFORMATION

This Offering Memorandum contains historical market data and forecasts that have been obtained from industry publications, market research and other publicly available information. Some information regarding market size, market share, market position, growth rates, economic performance, and other industry data pertaining to us and our business contained in this Offering Memorandum consists of estimates based on data reports compiled by professional organizations and on data from Government and other external sources.

Certain of the information contained in this Offering Memorandum in “*Risk Factors*,” “*Business*,” “*Management Discussion and Analysis of Financial Condition and Results of Operations*” and “*The Turkish Securities Market*” has been extracted from summaries of information and data publicly released by official sources in Türkiye. We have not independently verified this information.

Where third-party information has been used in this Offering Memorandum, the source of such information has been identified. The information provided from the sources referred to in this Offering Memorandum has been accurately reproduced and, as far as we are aware and have been able to ascertain from information published by such sources, no facts have been omitted which would render the reproduced information inaccurate or misleading. We have not, however, independently verified the information in industry publications, market research or other publicly available information provided by third parties, although we believe the information contained therein to be from a reliable source. None of the Issuer or any of the Joint Bookrunners represents that this information is accurate.

In some cases, there is no readily available external information (whether from trade and business organizations and associations, government bodies or other organizations) to validate market-related analyses and estimates, requiring us to rely on internally developed estimates. Although we believe our internal estimates to be reasonable, such estimates have not been verified by any independent sources and there can be no assurance as to their accuracy, or that a third party using different methods to assemble, analyze or compute market data would obtain the same results. Finally, behavior, preferences and trends in the marketplace may change.

We do not intend, and do not assume any obligation, to update third-party or internally derived industry or market data set forth in this Offering Memorandum. As a result, you should be aware that data in this Offering Memorandum and estimates based on such data may not be reliable indicators of future market performance or our future results.

CURRENCY PRESENTATION

In this Offering Memorandum, references to “**TL**” are to Turkish lira; references to “**dollar**” and “**\$**” are to the U.S. dollar; and references to “**euro**” or “**€**” are to the currency of the member states of the European Union (the “**EU**”) participating in the European Economic and Monetary Union.

ROUNDING ADJUSTMENTS

Certain figures included in this Offering Memorandum have been subject to rounding adjustments. Accordingly, the figures shown for the same item presented in different tables may vary slightly and figures shown as totals in certain tables may not be an arithmetic aggregation of the figures that precede them.

EXCHANGE RATE INFORMATION

We do not make any representation that the Turkish lira, U.S. dollar or euro amounts in this Offering Memorandum have been, could have been or could be converted into any currency at any particular rate, or at all. For a discussion of the effects of fluctuating exchange rates on us, see “*Management Discussion and Analysis of Financial Condition and Results of Operations—Key Factors Affecting Our Results of Operations—Foreign exchange rate exposure,*” “*Management Discussion and Analysis of Financial Condition and Results of Operations—Qualitative and Quantitative Disclosures on Risk—Currency Risk,*” and Note 23 to the Interim Financial Statements.

CERTAIN DEFINITIONS OF TERMS RELATING TO US AND OUR BUSINESS

In this Offering Memorandum, unless the context otherwise requires,

- “**2nd Distribution Period**” means the distribution period between 2011 and 2015
- “**3rd Distribution Period**” means the distribution period between 2016 and 2020
- “**4th Distribution Period**” means the distribution period between 2021 and 2025
- “**affiliate**” means any person who is an “affiliate” within the meaning of Rule 405 or Rule 501(b) under the Securities Act (as applicable in the context used)
- “**Amended Facility Agreement**” means the agreement dated October 7, 2024 which amended the Facility Agreement
- “**Articles of Association**” means our articles of association
- “**Aydem Group**” means Aydem Holding and its consolidated subsidiaries
- “**Aydem Holding**” means our indirect shareholder Aydem Holding Anonim Şirketi
- “**Bankruptcy and Enforcement Law**” means the Bankruptcy and Enforcement Law No. 2004, published in the Official Gazette no. 2128 on June 19, 1932
- “**Board of Directors**” means the Issuer’s board of directors
- “**Borsa İstanbul**” means Borsa İstanbul Anonim Şirketi
- “**CAGR**” means compounded annual growth rate, calculated as $[(\text{ending value}/\text{beginning value})^{1/\text{time}}] - 1$
- “**Central Registry Agency**” means Merkezi Kayıt Kuruluşu Anonim Şirketi, the custody center for Borsa İstanbul
- “**Closing Date**” means October 15, 2024
- “**CEO**” means Chief Executive Officer
- “**CFO**” means Chief Financial Officer
- “**CMB**” means the Capital Markets Board of Türkiye (*Sermaye Piyasası Kurulu*)
- “**COD**” means commercial operations date
- “**consumer**” means a user other than an electricity producer
- “**CPI**” means the consumer price index
- “**customer**” means a user to whom we distribute electricity and issue invoices in connection therewith
- “**Director**” means a member of the Board of Directors
- “**EFOR**” means Equivalent Forced Outage Rate
- “**EIA**” means Environmental Impact Assessment

- “**Electricity Market Balancing and Settlement Regulation**” means Electricity Market Balancing and Settlement Regulation (*Elektrik Piyasası Dengeleme ve Uzlaştırma Yönetmeliği*), published in the Official Gazette no. 27200 on April 14, 2009
- “**Electricity Market Capacity Regulation**” means Electricity Market Capacity Regulation (*Elektrik Piyasası Kapasite Mekanizması Yönetmeliği*), published in the Official Gazette no. 31693 dated December 18, 2021
- “**Electricity Market Connection and System Usage Regulation**” means (*Elektrik Piyasası Bağlantı ve Sistem Kullanım Yönetmeliği*), published in the Official Gazette no. 28896 on January 28, 2014
- “**Electricity Market Consumer Services Regulation**” means Electricity Market Tariff Regulation (*Elektrik Piyasası Tüketici Hizmetleri Yönetmeliği*) published in the Official Gazette No: 30436, dated May 30, 2018
- “**Electricity Grid Regulation**” means Electricity Grid Regulation (*Elektrik Şebeke Yönetmeliği*) published in the Official Gazette no. 29013 dated May 28, 2014
- “**Electricity Market Law**” means Electricity Market Law No. 6446 (*Elektrik Piyasası Kanunu*), published in the Official Gazette no. 28603 dated March 30, 2013
- “**Electricity Market Licensing Regulation**” means Electricity Market Licensing Regulation (*Elektrik Piyasası Lisans Yönetmeliği*) published in the Official Gazette No: 28809, dated November 2, 2013
- “**Electricity Market Tariffs Regulation**” means Electricity Market Tariff Regulation (*Elektrik Piyasası Tarifeler Yönetmeliği*) published in the Official Gazette No: 31160, dated June 19, 2020
- “**EMRA**” means Energy Market Regulatory Authority (*T.C. Enerji Piyasası Düzenleme Kurumu*)
- “**Environmental Permit and Licenses Regulation**” means the Regulation regarding Environmental Permits and Licenses (*Çevre İzin ve Lisans Yönetmeliği*), published in Official Gazette no. 29115 on September 10, 2014
- “**EPIAŞ**” means Enerji Piyasaları İşletme Anonim Şirketi, the organized marketplace and market operator for spot transactions and balancing operations, along with settlement and reconciliation of market participants
- “**ESG**” means environmental, social, governance
- “**EU**” means European Union
- “**EÜAŞ**” means Elektrik Üretim Anonim Şirketi, the state-owned electricity generation corporation
- “**EY**” means Güney Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik Anonim Şirketi (member of Ernst & Young Global Limited)
- “**Facility Agreement**” means our loan agreement with Türkiye İş Bankası Anonim Şirketi Denizli Ticari Şubesi, Yapı ve Kredi Bankası Anonim Şirketi İstanbul Kurumsal Bankacılık Merkezi Şubesi, Türkiye Vakıflar Bankası T.A.O. Denizli Ticari Şubesi, Türkiye Garanti Bankası Anonim Şirketi and Türkiye Sınai Kalkınma Bankası Anonim Şirketi
- “**Financial Reporting Communiqué**” means the Communiqué on the Principles regarding Financial Reporting in Capital Markets II-14.1 (*Finansal Raporlama Tebliği (II-14.1)*)
- “**General Assembly**” means our general assembly

- “**Government**” means the government of Türkiye
- “**GW**” means gigawatt, one GW equals one billion watts
- “**GWh**” means gigawatt hour
- “**ISIN**” means International Securities Identification Number
- “**Issuer**” means GDZ Elektrik Dağıtım Anonim Şirketi, the issuer of the Notes
- “**IT**” means Information Technology
- “**KW**” means kilowatt, one KW equals 1,000 watts
- “**kWh**” means kilowatt hour
- “**Labor Law**” means Labor Law (*İş Kanunu*) No. 4857, published in the Official Gazette No. 25134 on June 10, 2003
- “**Law of Fees**” means Law of Fees (*Harçlar Kanunu*) No.492 published in the Official Gazette No.11756 on July 17, 1964
- “**MENR**” means Ministry of Energy and Natural Resources
- “**Ministry of Labor**” means the Ministry of Labor and Social Security (*Çalışma ve Sosyal Güvenlik Bakanlığı*) of Türkiye
- “**MW**” means megawatt; one MW equals one million watts
- “**MWh**” means megawatt hour
- “**Occupational Health and Safety Law**” means Occupational Health and Safety Law (*İş Sağlığı ve Güvenliği Kanunu*) No. 6331, published in the Official Gazette no. 28339 dated June, 6 2012
- “**OEM**” means Original Equipment Manufacturer
- “**Offering**” means the offering of the Notes
- “**POA**” means Public Oversight Accounting and Auditing Standards Authority
- “**Principal Shareholder**” means GDZ Enerji Yatırımları Anonim Şirketi
- “**Principal Shareholder and GEDİZ EPSAŞ Facility**” means the loan agreement signed between Gediz Elektrik Perakende Satış Anonim Şirketi and Principal Shareholder and Türkiye İş Bankası Anonim Şirketi Denizli Ticari Şubesi, Yapı ve Kredi Bankası Anonim Şirketi İstanbul Kurumsal Bankacılık Merkezi Şubesi, Türkiye Vakıflar Bankası T.A.O. Denizli Ticari Şubesi, Türkiye Garanti Bankası Anonim Şirketi and Türkiye Sınai Kalkınma Bankası Anonim Şirketi
- “**Principles and Procedures for Determining Electricity Market Distribution System Investments**” means Principles and Procedures for Determining Electricity Market Distribution System Investments (*Elektrik Piyasası Dağıtım Sistemi Yatırımlarının Belirlenmesine İlişkin Usul ve Esaslar*) published in the Official Gazette dated October 28, 2020 and numbered 31288
- “**Renewable Energy Law**” means the Law on the Utilization of Renewable Energy Resources for the Purpose of Electricity Generation published in the Official Gazette dated May 18, 2005 and numbered 25819”
- “**TAS**” means Turkish Accounting Standards

- “**TCC**” means the Turkish Commercial Code (*Türk Ticaret Kanunu*) no. 6102, published in the Official Gazette no. 27846 on February 14, 2011
- “**TEİAŞ**” means Türkiye Elektrik İletim Anonim Şirketi, the state-owned electricity transmission corporation
- “**TEK**” means Türkiye Elektrik Kurumu, the state-owned electricity company
- “**Tender Offer Communiqué**” means the Tender Offer Communiqué II-26.1 (*Pay Alım Teklifi Tebliği* (II-26.1))
- “**theft and loss**” means the gap between the electricity input and output within a specific distribution region, due to unaccrued invoices to the users
- “**TOR Agreement**” means transfer of operation rights agreement
- “**Türkiye**” means the Republic of Türkiye
- “**TWh**” means terawatt hours. A terawatt is one trillion watts
- “**user**” means a customer or person who uses the electricity that we distribute, including persons for whom we cannot accrue invoices (i.e., due to theft and loss)
- “**VAT**” means value-added tax
- “**WACC**” means weighted average cost of capital
- “**Waste Management Regulations**” means (*Atık Yönetimi Yönetmeliği*), published in the Official Gazette no. 29314 on April 2, 2015
- “**Turkish law**” means the laws and all secondary regulations of Türkiye
- “**We,**” “**our,**” and “**us**” means the Issuer

SUMMARY

This summary highlights selected information from this Offering Memorandum and may not contain all of the information that is important to you. You should carefully read the entire Offering Memorandum, including the statements in “Risk Factors” and the Financial Statements, before making an investment decision.

Overview

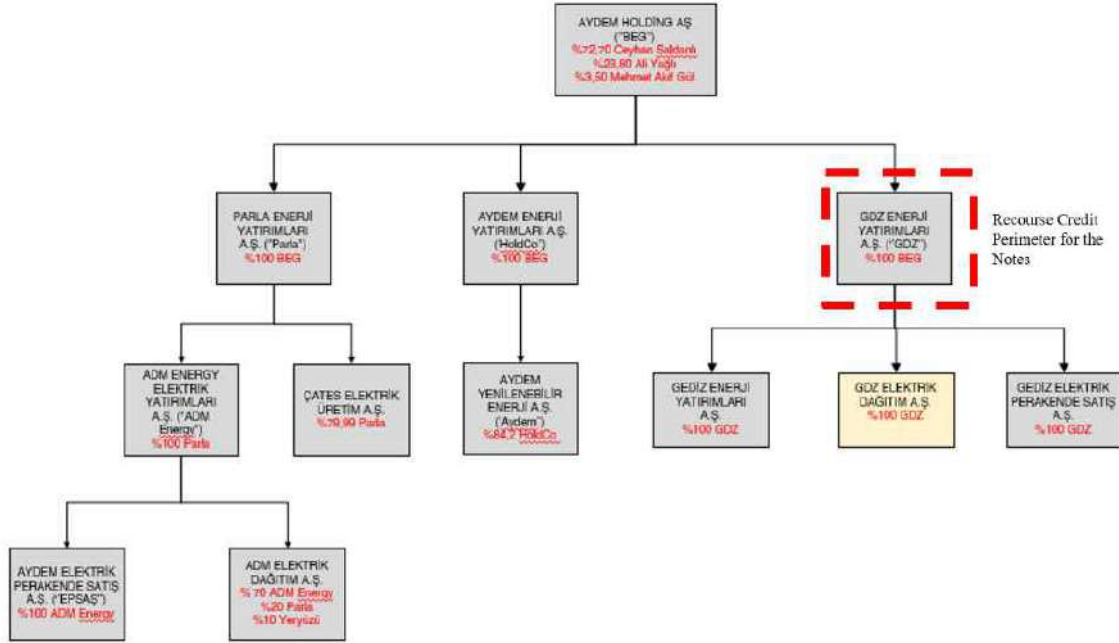
As the exclusive operator of the electricity distribution network in the regions of İzmir and Manisa, we operate Türkiye’s fourth largest distribution network in terms of electricity consumption (15.6 TWh consumed, reflecting a market share of 8.07% as of December 31, 2023) and fourth largest distribution network in terms of subscribers (with a market share of 7.70% as of December 31, 2023) (Source: Issuer information, 2023 EMRA Yearly Sector Report (<https://www.epdk.gov.tr/Detay/Icerik/3-0-23/aylik-sektor-raporu>) and Turkstat). We are an integral part of the Turkish electricity network in the 4th largest distribution region in Türkiye and we strive to ensure the effective distribution of electricity to our customer base (Source: 2023 EMRA Market Development Report; (<https://www.epdk.gov.tr/Detay/Icerik/3-0-24-3/elektrik-yillik-sektor-raporu>)). As of December 31, 2023, we delivered electricity from the transmission system to approximately 3.8 million users and our distribution network spanned approximately 84,100 km, covering an area of 25,783 km² and encompassing two provinces, 47 districts, and 2,391 neighborhoods. We have experienced a steady increase in our customer base, with a subscriber CAGR of 3% between 2021 and 2023.

Our business is fully regulated, and our revenues are set by EMRA pursuant to the distribution tariff which we charge to our customers (the “**Distribution Tariff**”). In the years ended December 31, 2021, 2022 and 2023 and the six months ended June 30, 2023 and 2024 our revenue was TL 15,616 million, TL 24,114 million, TL 26,527 million, TL 15,390 million and TL 11,686 million, respectively, and our EBITDA plus capital expenditure reimbursement was TL 9.0 billion, TL 14.5 billion, TL 16.5 billion, TL 9.6 billion and TL 9.6 billion respectively.

Aydem Holding is our principal shareholder, through its 100% shareholding in GDZ Enerji Yatırımları Anonim Şirketi, our parent company, and one of Türkiye’s largest companies operating in the energy sector, in terms of installed capacity. Aydem Group is Türkiye’s first private hydroelectric power generation company, first private electricity distribution company and first integrated energy group (combining generation, distribution and retail activities). As of June 30, 2024, Aydem Group had 2,124 MW of installed capacity, approximately 5.6 million retail customers and 6.2 million users connected to its electricity distribution system (two distribution regions including ours and ADM Elektrik Dağıtım Anonim Şirketi), and in the year ended December 31, 2023, it had electricity sales of 25,250 GWh and distributed 26,653 GWh of electricity. As of December 31, 2023, Aydem Group had TL 113.3 billion in revenue and more than 11,200 employees. For further details of our relationship with Aydem Holding, see “*Related Party Transactions.*”

Our Structure

The structure of our Group is set out below:



As at the date of this Offering Memorandum, we do not have any subsidiaries. The Notes will not be guaranteed on the Issue Date but are subject to the provisions of Condition 4.13 (*Additional Guarantees*).

Our Strengths

We believe that we have several key strengths including the following:

A leading and fast-growing electricity distribution company in a strategic region in Türkiye

We are one of the largest electricity distribution companies in Türkiye, serving the country's fourth largest distribution region in term of electricity consumption (approximately 16 TWh in 2023, representing an 8% market share) and having the fourth-highest number of subscribers (with approximately 3.8 million subscribers in 2023) (Source: 2023 EMRA Market Development Report; (<https://www.epdk.gov.tr/Detay/Icerik/3-0-24-3/elektriklilik-sektor-raporu>)).

Türkiye has been one of the fastest growing European economies over the last decade and is also expected to be among the fastest growing European economies for the foreseeable future. As such, Türkiye is expected to continue being an important motor of economic growth in the region, with GDP expected to reach \$1 trillion in the medium term.

Our region encompasses two cities, İzmir and Manisa, which have robust market fundamentals. İzmir and Manisa are some of the fastest growing metropolitan regions in Türkiye, supported by growing industrial, tourism and real estate sectors and well-developed trade and transport infrastructure. İzmir is the third largest city in terms of population in Türkiye located by the coast and serves as an industrial and logistics hub. İzmir is one of the fastest growing cities by population and output in Türkiye and has benefited from recent trends initiated during COVID-19. It has consistently received net inflows of population and economic activity. Manisa, which is adjacent to İzmir, is one of the largest industrial cities in terms of its manufacturing capacity

and economic output in Türkiye and has significant growth potential. Between 2021 and 2023, our region grew faster in population and subscribers than Türkiye's average (1.2% compared to 0.8% and 5.2% compared to 5.1%, respectively) (Source: 2023 EMRA Market Development Report; (<https://www.epdk.gov.tr/Detay/Icerik/3-0-24-3/elektrikyllik-sektor-raporu>)). It is expected that the increase in the number of subscribers will continue driving growth in our overall network with more investments and maintenance activities needed to support the growing demand for electricity.

The average age of the electricity distribution network in Türkiye is younger than that of most European countries. Significant investment is required in terms of both expansion of the network and replacement in the upcoming tariff periods. Significant investment is also required to decrease the frequency and duration of outages, as well as to combat theft and loss, with these levels currently being higher than in other European countries. Continuous incentives and improvements will be required throughout the next regulatory periods, and we believe that we are well-positioned to take advantage of these.

Lastly, we have 8% of the total capital expenditure allowance for the 4th Distribution Tariff Period, which runs from 2021 to 2025 (representing TL 26.1 billion as at June 30, 2024, using June 30, 2024 prices), which we believe will enable us to significantly grow our asset base. We expect our regulatory asset base will continue to grow due to economic growth and favorable demographics in our region of operation.

Stable and guaranteed returns underpinned by a transparent regulatory framework

Our business model is a concession-based regulated network model in which each operator has exclusivity to be the sole electricity distributor in its own region. The priority of the regulator and policymakers is to ensure that the necessary expansion, renewal and improvement investments and maintenance activities are carried out in Türkiye's distribution network and that customer satisfaction and service quality reach international standards. In this context, the regulatory framework includes significant incentives. The regulator offers a real, pre-tax guaranteed return (WACC) on RAB and a reimbursement of capital expenditure over a ten-year period. This guaranteed return compares favorably to the risk-free rate, with real pre-tax WACC of 12.3% for the 4th Distribution Tariff Period. The spread between the real Turkish 10-year bond yield and the real, pre-tax WACC exceeded 57% in Türkiye on average between January 1, 2022 and June 1, 2024.

The WACC level determined by EMRA has shown a continuous upward trend in the last four Distribution Tariff Periods (9.35%, 9.97%, 11.91% and 12.30% in the 1st (2006 to 2010), 2nd (2011 to 2015), 3rd (2016 to 2020) and 4th (2021 to 2025) Distribution Tariff Periods, respectively, excluding the temporary increase between 2018 and 2020, as compared to the real Turkish 10 year bond yield average of 1.28%, 0.97 %, 0.21% and -32.11% in the same period). Similarly, EMRA has significantly increased the capital expenditure allowances it has approved based on the Distribution Tariff Period in line with the needs of Türkiye's distribution network. Our "real" investment budget at June 2024 prices has more than doubled in the 3rd and 4th Distribution Tariff Periods compared to the previous Distribution Tariff Period, going from TL 5.5 billion in the 2nd Distribution Tariff Period to TL 12.0 billion in the 3rd Distribution Tariff Period to TL 26.1 billion in the 4th Distribution Tariff Period.

We believe that the continuous increase for the WACC over the tariff periods and the significant increase in the capital expenditure allowances are important indicators of the commitment of the regulator and policymakers to the priorities mentioned above.

In addition to the above, the tariff regulations have various incentive mechanisms, including capital expenditure, operating expenditure, and theft and loss outperformances, quality performance bonus and other income streams (such as theft accrual detection), which promote non-guaranteed upsides through efficiencies.

By the end of 2025, we expect to achieve a significant growth in our real RAB at June 2024 prices, with 2.1x growth to TL 20.7 billion, from a TL 9.9 billion 2020 RAB level and a TL 3.9 billion 2015 RAB level, in each

case based on the June 2024 CPI Index, actual capital expenditure until 2020 and the 2021 to 2025 capital expenditure allowance, as announced by EMRA.

Strong operational and regulatory outperformance offering enhanced returns

We believe that the investments we have made and continue to make in our network (including investments to expand our regulated asset base) will improve our operational efficiencies (particularly by reducing our cost base in relation to regulated economic units and achieving quality bonuses and performance incentives). In addition, we believe that our compliance with our commitments under our concession agreements will enable us to sustainably increase our footprint in the electricity distribution sector in our region, provide customers with a reliable and efficient service and deliver a sustainable financial remuneration to our shareholders.

Our leadership in operational and financial performance can be demonstrated by multiple efficiency and quality indicators. We have a lower system average interruption duration index (“SAIDI”) indicator than average in Türkiye, at 771 minutes per year compared to 1,086 minutes per year in Türkiye in 2023. Our operational excellence and efficiency has also been demonstrated in our theft and loss ratio of 5.24%, compared to the average ratio in the Turkish distribution sector of 10.5% in 2023 (Source: 2023 EMRA Market Development Report; (<https://www.epdk.gov.tr/Detay/Icerik/3-0-24-3/elektrikyillik-sektor-raporu>)).

Between 2016 and 2023, we achieved a capital expenditure outperformance of approximately \$11.5 million per year on average (at June 2024 prices) by making less investment expenditures than calculated based on EMRA investment unit costs. Due to our economies of scale, we can optimize our procurement processes and also benefit from operational efficiencies.

Turkish regulations allow distribution companies to also cover their operating expenditure through operating expenditure allowances. We have been a consistent high achiever as shown by our \$19 million per year EBITDA plus capital expenditure reimbursement contribution from operating expenditure outperformance in the 3rd Distribution Tariff Period at June 2024 prices which allowed us to begin the current Distribution Tariff Period with \$14 million of operating expenditure outperformance. For further details, see – “*Management Discussion and Analysis of Financial Condition and Results of Operation – Key Factors Affecting Our Results of Operations – Operating expenditure outperformance.*”

EMRA also sets out a well-structured theft and loss policy, where theft and loss ratio targets vary based on regional characteristics. These targets are determined dynamically each year based on previous years’ actual ratios for each distribution region. We have demonstrated consistent outperformance compared to our regulatory targets even with expanding network and demographics.

Pursuant to our regulatory framework, we prioritize a balance between cost-efficiency and service excellence. We believe that this commitment has yielded strong results and we have achieved significant success not only in operational efficiency but also in quality performance. As a testament to our improvement, the quality factor performance bonus awarded in 2021 exceeded our 2018 bonus by over 50% in real terms. This accomplishment translated to a 3.5% bonus on our revenue requirement for 2021 which made us a top performer among all distribution companies. EMRA is currently conducting a review of 2022 and 2023, and we expect the quality performance percentages to be 3.9% and 3.1% for 2022 and 2023, respectively.

Robust profitability and capital structure combination of strong profitability, cash generation and robust balance sheet

We have been able to maintain steady and strong historical profitability, as measured by EBITDA plus capital expenditure reimbursements, which was TL 9.6 billion in the six months ended June 30, 2024, compared to TL 9.6 billion in the six months ended June 30, 2023 and which nearly doubled over the past three years reaching TL 16.5 billion in 2023 compared to TL 9.0 billion in 2021. This increase was one of the main contributors for an increasing net profit. From a leverage perspective, our net leverage measured by Net Debt/EBITDA plus

capital expenditure reimbursement has been decreasing. It was 0.5x in the twelve months ended June 30, 2024, compared to greater than 1.5x in 2021 to less than 0.6x in 2023. Moreover, we have a robust balance sheet, with TL 33.9 billion total assets as of June 30, 2024 of which 94% is composed of financial assets and receivables, and TL 28.9 billion total assets as of December 31, 2023, of which 92% is composed of financial assets and receivables.

The significant growth in RAB, corresponding regulatory returns and operational efficiency gains has led us to increase our EBITDA plus capital expenditure reimbursement from TL 8,970 million in 2021 to TL 16,535 million in 2023.

Experienced management team and governance with solid ESG credentials

We believe we have a significant advantage in the support of our main shareholder Aydem Group, which brings years of knowledge of the full electricity value chain (renewables, other generation, distribution, and retail). The strong brand positioning of Aydem Group in Türkiye allows us to benefit in areas of financing and relations with EMRA as well as employee acquisition and retention.

The Aydem Group has financially, and managerially independent group companies supported by ring-fenced financing arrangements. The strong energy expertise and long-term commitment from Aydem Group help foster our culture of best corporate practices, nurture our pursuit of higher operational efficiencies and further increase our brand recognition in the Turkish electricity market.

We are supported by an experienced management team with decades of experience in the energy sector and a workforce with extensive experience. This skilled workforce, together with a capable, regulatory-focused and pioneering management team, places us in a strong position to be an integral part of the future of the electricity market in Türkiye.

Our Strategy

Our goal is to ensure uninterrupted and quality energy supply in our distribution region, to continue expanding, renewing and improving our assets through the investment and maintenance activities required for the distribution network, and to focus on customer needs to create value for profitable growth and market share. We intend to implement the following strategic initiatives to achieve this objective:

Expand our leadership position in Turkish electricity distribution

The Turkish electricity distribution sector is divided into 21 regions, all of which have been privatized in the last ten years. As of December 31, 2023, we had a market share of 8.1% in terms of electricity consumption and we operate in an economically important region of the country.

Our business model is based on the privilege of operating rights, in which each distribution company has the exclusivity to operate a single network in its own region and is completely regulated. Therefore, we do not have competition for our activities and since the distribution tariff is determined and approved by EMRA we have predictable regulated revenues. Our right to operate the distribution region is long-term by nature and is valid until 2036. The contract can be renewed in accordance with the TOR Agreement.

Our subscribers increased from 3.1 million in 2016 to 3.8 million in 2023, making us the fourth largest distribution company in Türkiye (Source: 2023 EMRA Market Development Report; (<https://www.epdk.gov.tr/Detay/Icerik/3-0-24-3/elektrikyillik-sektor-raporu>)). Moreover, further growth in the number of subscribers is foreseen for the future as supported by strong demographic trends, in particular the increase in migration towards the west coast of Türkiye, i.e., İzmir. This growth and internal migration trend, along with the region's quality of life and the opportunities it offers, have continued to increase since the COVID-19 period in 2020. In line with the increase in the number of subscribers, we will seek to continue

growing our distribution network by continuing with capacity increases and expansionary investments as well as maintenance activities.

Capitalize on investment opportunities and growth potential supported by a transparent regulatory framework

Türkiye has a stable and well-established regulatory framework. Electricity distribution sector tariff regulations have been continuously developing since 2006 and the regulatory model is largely similar to regulations in many other countries.

In a comparison to many other comparable jurisdictions in Europe, Türkiye shows stronger outlook for demand and connections growth, which translate into more investments needed from the distribution companies. This means more capital expenditure needed and a larger asset base is being accumulated translation into earnings growth for the company. Türkiye's regulatory framework, compared to many other comparable jurisdictions in Europe, has a shorter capital expenditure reimbursement period and a higher, real and pre-tax return rate. It also encourages investment through a regulatory climate, a performance system that encourages service quality improvement, and corporate governance, transparency, and sustainability. We will seek to take advantage of these opportunities to further grow our business.

Focus on a strong and consistent operational and financial performance delivering attractive returns to shareholders

We have a strong performance history in terms of the outputs of our operations. In this context, we have achieved capital expenditure and operating expenditure outperformances, except under the unusual macroeconomic circumstances which occurred in 2022 and 2023. Furthermore, we have implemented significant improvements in quality performance and theft and loss ratio.

We benefit from incentives for achieving a theft and loss ratio below the target level set by the tariff regulations. The regulatory authority, EMRA established our target theft and loss ratio at 7.17% for 2023. We have one of the lower theft and loss ratios compared to Türkiye's average. Finally, operating expenditure outperformance has been an important incentive and contributor to our EBITDA plus capital expenditure reimbursement.

We aim to maintain this performance in the future by balancing the incentives from operating expenditure efficiency, quality performance, and theft accrual detection. We are fully dedicated to maintaining this performance going forward and we are also in constant dialogue with the regulator to improve the current regulatory framework and to define an appropriate level of these metrics that also incentivizes us to continuously improve our operations.

SUMMARY HISTORICAL FINANCIAL AND OPERATING DATA

The following tables set forth our summary historical financial and operating data as of the dates and for the periods indicated. The selected financial information as of and for the six months ended June 30, 2023 and 2024 have been derived from the Interim Financial Statements. The selected financial information as of and for the year ended December 31, 2023, 2022 and 2021 have been derived from the Annual Financial Statements.

The summary unaudited financial information for the twelve months ended June 30, 2024 presented in the table below has been derived by subtracting audited statement of profit or loss data for the six months ended June 30, 2024 from the audited statement of profit or loss data for the year ended December 31, 2023. The financial information for the twelve months ended June 30, 2024 is expressed in terms of purchasing power of Turkish Lira as of June 30, 2024. The financial information for the twelve months ended June 30, 2024 has been prepared for illustrative purposes only and is not necessarily representative of our results of operations for any future period at any future date, is not prepared in the ordinary course of our financial reporting and has not been audited or reviewed by our independent auditors.

The following summary financial and operating information should be read in conjunction with, and is qualified in its entirety by reference to, the Financial Statements and other relevant information included elsewhere in this Offering Memorandum. The summary historical financial information contained herein has been derived from the Financial Statements, which have been prepared and presented in accordance with TFRS. You should read the following information in conjunction with “*Presentation of Financial and Other Information*,” “*Management Discussion and Analysis of Financial Condition and Results of Operations*” and the Financial Statements.

The Issuer has applied TAS 29 to the financial statements as of and for the year ended December 31, 2023, and the corresponding figures for the years ended December 31, 2021 and 2022 have been restated for the changes in the general purchasing power of Turkish Lira and, as a result, are expressed in terms of purchasing power of TL as of December 31, 2023 as per TAS 29. The Issuer has applied TAS 29 to the financial statements as of and for the six months ended June 30, 2024, and the corresponding figures for the six months ended June 30, 2023 have been restated for the changes in the general purchasing power of Turkish Lira and, as a result, are expressed in terms of purchasing power of TL as of June 30, 2024 as per TAS 29. Due to the differences in dates used for purchasing power of TL, the Annual Financial Statements are not immediately comparable to the Interim Financial Statements. See “*Appendix: Conversion of December 31, 2021, 2022 and 2023 Financial Statements*” for a conversion of financial statements for the years ended December 31, 2021, 2022 and 2023 from the purchasing power of Turkish Lira as of December 31, 2023 to the purchasing power of Turkish Lira as of June 30, 2024. See also “*Presentation of Financial and Other Information—TAS 29 Financial Reporting in Hyperinflation Economies*.”

Statement of Profit or Loss

	For the year ended December 31,			For the six months ended June 30,		For the twelve months ended June 30, ⁽¹⁾
	2021	2022	2023	2023	2024	2024
	(audited)			(unaudited)		
Profit or Loss Statement						

	For the year ended December 31,			For the six months ended June 30,		For the twelve months ended June 30, ⁽¹⁾
Revenue.....	15,616	24,114	26,527	15,390	11,686	29,385
Cost of Sales.....	(5,897)	(8,001)	(7,204)	(3,838)	(2,599)	(7,747)
Gross Profit	9,719	16,113	19,323	11,552	9,087	21,638
General Administrative Expenses.....	(1,675)	(2,655)	(3,216)	(1,784)	(2,154)	(4,380)
Other Income from Operating Activities	101	145	102	19	1,232	1,340
Other Expenses from Operating Activities	(1,014)	(1,327)	(2,243)	(1,820)	(534)	(1,513)
Operating Profit	7,130	12,277	13,965	7,967	7,631	17,085
Finance Income.....	1,708	1,002	435	321	278	500
Finance Expense.....	(8,528)	(6,065)	(6,510)	(5,299)	(2,690)	(5,511)
Monetary Gain/(Loss).....	(785)	(1,614)	(3,812)	(1,688)	(2,176)	(5,209)
Income Before Tax	(475)	5,600	4,078	1,301	3,043	6,864
Tax Income/(Expense)	(340)	(975)	2,400	(872)	(978)	2,887
Current Tax Expense	(121)	52	(23)	(39)	—	11
Deferred Tax Income/(Expense).....	(219)	(1,027)	2,423	(832)	(978)	2,877
Net Profit/(Loss) for the Period	(815)	4,625	6,478	430	2,066	9,752

Note:

- (1) The financial information for the twelve months ended June 30, 2024 is expressed in terms of purchasing power of Turkish Lira as of June 30, 2024.

Statement of Financial Position

	As of December 31,			As of June 30,
	2021	2022	2023	2024
	(audited)			(unaudited)
	(TL millions)			
ASSETS				
Current Assets				
Cash and Cash Equivalents.....	23	139	32	14
Trade Receivables.....	2,924	2,309	4,911	5,491
<i>Due from related parties</i>	2,026	795	3,178	2,223
<i>Due from third parties</i>	898	1,514	1,733	3,268
Other Receivables.....	300	285	17	23
<i>Due from related parties</i>	275	267	—	1

	As of December 31,			As of June 30,
	2021	2022	2023	2024
		(audited)		(unaudited)
	(TL millions)			
<i>Due from third parties</i>	25	18	17	22
Financial assets related to concession arrangements.....	5,002	8,384	7,546	7,272
Inventories.....	827	666	890	818
Prepaid expenses.....	31	51	30	62
Current income tax asset.....	195	—	8	8
Other Current Assets.....	220	511	92	—
Total Current Assets	9,521	12,344	13,526	13,688
Non-Current Assets				
Trade receivables.....	—	—	—	1,213
<i>Due from third parties</i>	—	—	—	1,213
Other Receivables.....	2,380	1,406	87	165
<i>Due from related parties</i>	2,312	1,334	-	—
<i>Due from third parties</i>	69	73	87	165
Financial assets related to concession arrangements.....	8,172	11,953	14,028	17,933
Property, plant and equipment.....	20	15	9	9
Right of Use Assets.....	174	152	90	436
Intangible Assets.....	1	0	0	—
Prepaid expenses.....	3	8	4	4
Deferred Tax Assets.....	—	—	834	63
Other Non-Current Assets.....	566	12	294	342
Total Non-Current Assets	11,316	13,547	15,349	20,164
TOTAL ASSETS	20,837	25,891	28,874	33,853
LIABILITIES				
Short-term Liabilities				
Short-term portion of long-term borrowings	2,211	1,409	1,830	2,406
Other Financial Liabilities.....	153	86	86	95
Trade Payables.....	3,248	5,666	5,315	5,218
<i>Due to related parties</i>	160	994	505	416
<i>Due to third parties</i>	3,087	4,673	4,811	4,802
Payables for Employee Benefits.....	8	17	22	40
Other Payables.....	406	256	143	183
<i>Due to related parties</i>	259	24	0	109
<i>Due to third parties</i>	147	232	143	75

	As of December 31,			As of June 30,
	2021	2022	2023	2024
		(audited)		(unaudited)
	(TL millions)			
Deferred Income	989	129	1,287	1,265
Short-term Provisions	198	201	194	166
<i>Short-term Provisions for Employee</i>				
<i>Benefits</i>	36	46	57	—
<i>Other short-term Provisions</i>	162	155	137	166
Other Short-term Liabilities	139	241	219	167
Total Short-Term Liabilities	7,352	8,006	9,096	9,539
Long-term Liabilities				
Long-term Borrowings	10,737	8,572	7,440	8,094
Other Financial Liabilities	480	315	239	218
Other Payables	60	47	79	56
<i>Due to third parties</i>	60	47	79	56
Deferred Income	910	1,997	1,092	227
Long-term Provisions	87	94	111	160
<i>Unused vacation</i>	19	23	32	50
<i>Long-term Provisions for Employee</i>				
<i>Benefits</i>	69	71	79	110
Deferred Tax Liabilities	561	1,587	-	—
Total Long-term Liabilities	12,836	12,613	8,961	8,754
Total Liabilities				
Paid-in capital	510	510	510	510
Adjustment to share capital	4,379	4,379	4,379	5,588
Capital advance	-	-	142	—
Accumulated other comprehensive income items that will not be reclassified to profit or loss	—	(4)	1	2
<i>Remeasurement gains of defined benefit plans</i>	—	(4)	1	2
Restricted profit reserves	640	640	640	799
Accumulated profits/(losses)	(4,064)	(4,879)	(1,333)	6,595
Net profit/(loss) for the period	(815)	4,625	6,478	2,066
Total Equity	650	5,272	10,817	15,559
Total Equity and Liabilities	20,837	25,891	28,874	33,853

Statement of Cash Flow

	For the year ended December 31,			For the six months ended June 30,	
	2021	2022	2023	2023	2024
	(audited)			(unaudited)	
	<i>(TL millions)</i>				
Net cash flow from/(used in) operating activities.....	1,931	6,166	2,460	2,031	1,723
Net cash flow from/used in investing activities.....	(2,107)	(4,488)	(1,865)	(905)	(619)
Net cash flow from/(used in) financing activities.....	(449)	(1,478)	(660)	(866)	(1,126)
Cash and cash equivalents at the beginning of the period.....	738	23	139	173	40
Cash and cash equivalents at the end of the period.....	23	139	32	234	14
Inflation effect on cash and cash equivalents at the beginning of the period	(90)	(84)	(42)	(198)	(4)
Net increase/(decrease) in cash and cash equivalents.....	(715)	116	(107)	61	(26)

Other Financial Data

	For the year ended December 31,			For the six months ended June 30,		For the twelve months ended June 30, ⁽⁷⁾
	2021	2022	2023	2023	2024	2024
		<i>(TL millions, unless indicated otherwise)</i>				
EBITDA plus capital expenditure reimbursement ⁽¹⁾	8,970	14,520	16,535	9,565	9,580	20,640
Financial Borrowings ⁽²⁾	13,581	10,382	9,595	14,622	10,813	
Net Debt ⁽³⁾	13,559	10,243	9,563	14,388	10,799	
Net Debt/EBITDA plus capital expenditure reimbursement ⁽⁴⁾	1.5	0.7	0.6	1.5	1.1	
Free Cash Flow ⁽⁵⁾	2,339	786	4,068	3,308	2,216	3,982
Net Working Capital ⁽⁶⁾	2,170	4,338	4,430	3,099	4,149	

Notes:

- (1) We calculate EBITDA plus capital expenditure reimbursement as the total of operating profit, depreciation and amortization and capital expenditure reimbursement. The following table shows how we calculated EBITDA plus capital expenditure reimbursement for the periods indicated:

	For the year ended December 31,			For the six months ended June 30,		For the twelve months ended June 30, ⁽⁷⁾
	2021	2022	2023	2023	2024	2024
	<i>(TL millions)</i>					
Operating profit.....	7,130	12,277	13,965	7,967	7,631	17,085
Depreciation and amortization	73	88	102	59	208	275
CAPEX reimbursement.....	1,768	2,155	2,468	1,539	1,741	3,279
EBITDA plus capital expenditure reimbursement	8,970	14,520	16,535	9,565	9,580	20,640

Notes:

- (2) We calculate Financial Borrowings as the short-term portion of long-term borrowings, other short-term financial liabilities, long-term borrowings and other long-term financial liabilities. The following table shows how we calculate Financial Borrowings for the period indicated:
- (3) We calculate Net Debt as Financial Borrowings less Cash and Cash Equivalents. The following table shows how we calculated Net Debt for the periods indicated:

	For the year ended December 31,			For the six months ended June 30,	
	2021	2022	2023	2023	2024
	<i>(TL millions)</i>				
Short-term portion of long-term borrowings ...	2,211	1,409	1,830	2,083	2,406
Other short-term financial liabilities	153	86	86	127	95
Long-term borrowings	10,737	8,572	7,440	12,002	8,094
Other long-term financial liabilities	480	315	239	410	218
Total financial borrowings	13,581	10,382	9,595	14,622	10,813
Cash and Cash Equivalents	23	139	32	234	14
Net Debt	13,559	10,243	9,563	14,388	10,799

Notes:

- (4) Net Debt/EBITDA plus capital expenditure reimbursement ratio is calculated using total borrowings less cash and cash equivalents divided by EBITDA plus capital expenditure reimbursement.
- (5) We calculate Free Cash Flow as EBITDA plus capital expenditure reimbursement less Financial Income plus WACC collection less capital expenditure plus other adjustments. The following table shows how we calculate Free Cash Flow for the periods indicated:

	For the year ended December 31,			For the six months ended June 30,		For the twelve months ended June 30, ⁽⁷⁾
	2021	2022	2023	2023	2024	2024
	<i>(TL millions)</i>					
EBITDA plus capital expenditure reimbursement.....	8,970	14,520	16,535	9,565	9,580	20,640
Financial Income from Service Concession Arrangements.....	(6,856)	(14,255)	(14,142)	(8,122)	(6,636)	(16,149)
WACC Collection.....	1,121	1,395	1,626	1,014	1,133	2,147
Capital Expenditure.....	(2,095)	(4,487)	(1,865)	(905)	(619)	(2,039)
Other Adjustments*	1,198	3,613	1,914	1,756	(1,332)	1
Free Cash Flow.....	2,339	786	4,068	3,308	2,126	4,597

Notes:

(6) We calculate Net Working Capital as Current Assets less Short Term Liabilities. The following table shows how we calculate Net Working Capital for the periods indicated:

* Other Adjustments includes mostly tariff adjustment according to revenue cap.

	For the year ended December 31,			For the six months ended June 30,
	2021	2022	2023	2024
	<i>(TL millions)</i>			
Current Assets.....	9,521	12,344	13,526	13,688
Short Term Liabilities	7,352	8,006	9,096	9,539
Net Working Capital.....	2,170	4,338	4,430	4,149

Notes:

(7) The financial information for the twelve months ended June 30, 2024 is expressed in terms of purchasing power of Turkish Lira as of June 30, 2024.

Other Operating Data

	For the year ended December 31, ⁽¹⁾				
	2021	2022	2023	2024	2025
	<i>(TL millions)</i>				
BASE CPI (October 2020).....	487.38	487.38	487.38	487.38	487.38
Operational Expenditure Allowance ⁽²⁾⁽³⁾ ..	490	558	532	538	544
R&D Allowance	10	11	11	11	11

For the year ended December 31,⁽¹⁾

	2021	2022	2023	2024	2025
Regulated Asset Base Tariff Year					
Opening Value.....	2,073	2,707	3,239	3,689	4,055
Capital Expenditure Allowance ⁽⁸⁾	1,097	1,097	1,097	1,097	1,097
Capital Expenditure Reimbursement ⁽⁹⁾	463	565	647	732	801
Regulated Asset Base Tariff Year					
Closing Value ⁽¹⁰⁾	2,707	3,239	3,689	4,055	4,351
Regulated WACC.....	12.30%	12.30%	12.30%	12.30%	12.30%
Return on Average RAB (“WACC Income”) For Tariff Year⁽⁴⁾.....					
	294	366	426	476	517
Capital Expenditure Reimbursement & WACC Income (“Regulated Return”) ⁽⁵⁾.....					
	757	931	1,073	1,208	1,318
Tax Correction ⁽⁶⁾	72	73	62	62	57
Revenue Requirement ⁽⁷⁾	1,329	1,573	1,678	1,819	1,930
(June 2024)	2,319.29	2,319.29	2,319.29	2,319.29	2,319.29
Operational Expenditure Allowance ^{(2) (3)} ..	2,331	2,657	2,534	2,561	2,589
R&D Allowance	47	53	51	51	52
Regulated Asset Base Tariff Year					
Opening Value.....	9,864	12,880	15,413	17,556	19,296
Capital Expenditure Allowance ⁽⁸⁾	5,221	5,221	5,221	5,221	5,221
Capital Expenditure Reimbursement ⁽⁹⁾	2,205	2,688	3,078	3,482	3,812
Regulated Asset Base Tariff Year					
Closing Value ⁽¹⁰⁾	12,880	15,413	17,556	19,296	20,704
Regulated WACC.....	12.30%	12.30%	12.30%	12.30%	12.30%
WACC Income For Tariff Year ⁽⁴⁾	1,399	1,740	2,028	2,266	2,460
Regulated Return ⁽⁵⁾	3,604	4,428	5,106	5,748	6,272
Tax Correction ⁽⁶⁾	343	347	295	295	269
Revenue Requirement ⁽⁷⁾	6,323	7,486	7,985	8,656	9,183

Notes:

- (1) Source: EMRA Board Decision dated September 30, 2021 and numbered 10461.
- (2) “Operational Expenditure Allowance” refers to operating expenses granted by EMRA at the beginning of the tariff implementation period and includes Fixed Cost, Variable Cost and Planned Maintenance Budget.
- (3) EMRA, in its Board Decision dated September 14, 2023 and numbered 12075, decided to apply an additional update rate to the Operational Expenditure Allowances of distribution companies for 2022 and 2023, in addition to the CPI adjustment, resulting in an increase in our approved Operational Expenditure Allowance. With this decision, our operational expenditure allowance for 2022 and 2023 increased to TL 2,969 million and TL 3,171 million (as of June 30, 2024 prices), respectively.
- (4) WACC Income is calculated by multiplying “the Regulated WACC” and “the Average of Regulated Asset Base Tariff Year Opening and Closing Values.”
- (5) “Regulated Return” is calculated by taking the Total of Capital Expenditure Reimbursement and WACC Income.
- (6) EMRA announced that the Tax Correction amount will be “0” for 2024 and 2025. (Source: EMRA Board Decision dated December 28, 2023 and numbered 12320-1).
- (7) Revenue Requirement is calculated by Total of Operational Expenditure Allowance, R&D Allowance, Regulated Return and Tax Correction. See “Regulatory Overview—Revenue Requirement.”

- (8) Capital Expenditure Allowance is our initial capital expenditure budget approved by EMRA on an annual basis at the beginning of the Distribution Tariff Period. See “*Regulatory Overview—Distribution Tariff—Revenue Requirement—Capital Expenditures Component.*”
- (9) References to Capital Expenditure Reimbursement are to the regulated revenue stream that is a component of our regulated revenue. See “*Regulatory Overview—Revenue Requirement—Capital Expenditures Component.*”
- (10) Amounts are the closing values of the relevant year, have not been adjusted for inflation and are shown in October 2020 prices (CPI: 487.38) and June 2024 (CPI: 2,319.29) prices.

OVERVIEW OF THE OFFERING

Unless otherwise indicated, the capitalized terms used in this overview of the terms of the Notes but not defined herein have the meanings ascribed to them in the Conditions.

Issuer	GDZ Elektrik Dağıtım Anonim Şirketi
Legal Entity Identifier (LEI) of the Issuer	984500B63B5766038A64
Joint Bookrunners	Citigroup Global Markets Limited and Morgan Stanley & Co. International plc
Notes	U.S.\$400,000,000 9.000% Senior Notes due 2029
Issue Date	October 15, 2024
Issue Price	99.017%
Maturity Date	October 15, 2029
Interest	The Notes will bear interest from and including the Issue Date at a rate of 9.000% per annum payable semi-annually in arrear on April 15 and October 15 in each year, beginning on April 15, 2025.
Form and Denomination	<p>The Notes will be issued in denominations of \$200,000 and any integral multiple of \$1,000 in excess thereof.</p> <p>Notes offered and sold in reliance upon Regulation S will be represented by beneficial interests in the Unrestricted Global Certificate in registered form, without interest coupons attached, which will be delivered to the Common Depository for, and registered in the name of a nominee of the Common Depository for, Euroclear and Clearstream, Luxembourg. Notes offered and sold in reliance upon Rule 144A will be represented by beneficial interests in the Restricted Global Certificate, in registered form, without interest coupons attached, which will be deposited with the Custodian and registered in the name of Cede & Co. as nominee for DTC. Except in limited circumstances, individual certificates for the Notes will not be issued in exchange for beneficial interests in the Global Certificates. See “<i>Terms and Conditions</i>” and “<i>The Global Certificates</i>.”</p>
Guarantees	<p>As of the Issue Date, the Notes will not be guaranteed. If, at any time after the Issue Date, the Issuer incorporates or establishes any Subsidiary, the Issuer shall cause each such Subsidiary to accede as a Guarantor in accordance with Condition 4.13 (<i>Additional Guarantees</i>).</p> <p>The Issuer and the Guarantors (after eliminating intra-group transactions) shall comprise 100% of each of the Consolidated EBITDA, gross assets, net assets and turnover of the Group at all times and to the extent necessary cause any additional Subsidiaries of the Issuer and/or such Guarantors, on a joint and several basis with each other Guarantor, to unconditionally and irrevocably guarantee the due payment of all moneys</p>

payable by the Issuer and any other Guarantor under the Notes and the Trust Deed. See Condition 4.13 (*Additional Guarantees*).

Certain Covenants

The Conditions contain covenants that, among other things:

(i) limit the ability of the Issuer to:

- incur additional indebtedness and the layering of debt;
- make certain payments, including dividends and other distributions, with respect to outstanding share capital;
- create or incur certain Liens;
- enter into certain transactions with affiliates;
- sell, lease or transfer certain assets;
- effect a merger or consolidation of, or sell, all or substantially all of the assets of the Issuer and its Subsidiaries;
- make material changes to its business; and

(ii) requiring the Issuer to:

- publish on its website its audited and unaudited consolidated financial statements, and certain other financial information;
- maintain its business, registrations, recordings, filings, consents, licenses, approvals and authorizations;
- cause all property used in the conduct of its core business to be maintained and kept in good condition;
- maintain insurance;
- comply with all Environmental Laws and obtain and maintain any Environmental Licenses; and
- maintain an aggregate cash balance of at least U.S.\$25.0 million at all times (in U.S. Dollars).

Each of these covenants is subject to certain exceptions and qualifications. See Condition 4 (*Covenants*) for further information, including the important limitations and exceptions that relate to each covenant.

Withholding Tax

All payments of principal, premium and interest in respect of the Notes by or on behalf of the Issuer shall be made free and clear of, and without withholding or deduction for, or on account of, any present or future taxes, imposts, duties, levies, assessments or governmental charges (including any penalties, interest and additions to tax related thereto) of whatever nature imposed, assessed or levied by or on behalf of any Relevant Jurisdiction, unless such withholding or deduction of Taxes is required by law.

Subject to certain limited exceptions, in that event, the Issuer shall pay such additional amounts as will result in the receipt by the Noteholders of such amounts as would have been received by them if no such withholding or deduction had been required (including any deduction or withholding attributable to the additional amounts). See Condition 8 (*Taxation*).

Under current Turkish law, withholding tax at the rate of 0% applies on interest on notes with an initial maturity of three years and more. See “*Taxation—Certain Turkish Tax Considerations*.”

**Optional Redemption by the Issuer
(Premium)**

The Issuer may, at any time, redeem all or part of the Notes at a redemption price equal to 100% of the principal amount of such Notes, plus additional amounts, if any, and accrued but unpaid interest to, but excluding, the redemption date, plus the following applicable premium:

Applicable Period	Applicable Premium
From (and including) the Issue Date to (but excluding) October 15, 2026	the Make-Whole Premium
From (and including) October 15, 2026 to (but excluding) October 15, 2027	U.S.\$45.00 per U.S.\$1,000 of outstanding principal amount of Notes
From (and including) October 15, 2027 to (but excluding) October 15, 2028	U.S.\$22.50 per U.S.\$1,000 of outstanding principal amount of Notes
From (and including) October 15, 2028 to (but excluding) the Maturity Date	Nil

See Condition 7.4 (*Redemption at the Option of the Issuer (Premium)*).

**Optional Redemption by the Issuer
(Equity Offering)**

At any time prior to October 15, 2026, the Issuer may on any one or more occasions, redeem up to 35% of the aggregate principal amount of the Notes with the net cash proceeds of an Equity Offering at a redemption price equal to 109.000% of the principal amount of the Notes redeemed, plus accrued and unpaid interest and additional amounts, if any, to the date of redemption, provided that at least 60% of the aggregate principal amount of Notes originally issued (including any Further Notes) remains outstanding and the redemption occurs within 180 days of the date of the closing of such Equity Offering. See Condition 7.3 (*Redemption at the Option of the Issuer (Equity Offering)*).

Redemption for Taxation Reasons	The Issuer may redeem the Notes, in whole but not in part, at their principal amount plus accrued interest in the event of certain changes affecting taxation in any Relevant Jurisdiction. See Condition 7.2 (<i>Redemption for Taxation Reasons</i>).
Redemption at the Option of Noteholders (Change of Control)	Upon the occurrence of certain events constituting both a Change of Control Event and a Change of Control Ratings Decline, the Issuer is required to redeem any Note presented at the option of the holder thereof at a purchase price in cash of 101% of the principal amount of such Note, plus additional amounts, if any, accrued and unpaid interest to (but excluding) the Redemption Date. See Condition 7.5 (<i>Redemption at the Option of Noteholders (Change of Control)</i>).
Events of Default	<p>The Notes will be subject to certain Events of Default including (among others):</p> <ul style="list-style-type: none"> • non-payment of principal or interest under the Notes; or • failure to perform or observe certain of the Issuer’s limitations under the Notes and any of its other obligations under the Notes, the Trust Deed or the Agency Agreement; or • cross-acceleration by the Issuer, which individually or in the aggregate exceeds U.S.\$30,000,000 (or its equivalent in any other currency); or • judgments, orders or arbitration awards against the Issuer, which individually or in the aggregate exceeds U.S.\$30,000,000 (or its equivalent in any other currency); or • the Issuer, any Guarantor or any of their Material Subsidiaries is subject to liquidation, insolvency or other similar proceedings, save in connection with a Permitted Reorganization; or • if all or any substantial part of the undertaking, assets and revenues of the Issuer is condemned, seized or otherwise appropriated under the authority of any national, regional or local government, <p>in each case subject to important exceptions and cure periods (as applicable) and as further described in Condition 10 (<i>Events of Default</i>).</p>
Use of Proceeds	We will use the net proceeds of the Offering to prepay a portion of the existing debt, meet net working capital needs, and for capital expenditures. For further details, see “ <i>Use of Proceeds</i> .”
Listing and Clearing	Application has been made to Euronext Dublin for the Notes to be admitted to listing on the Official List and to trading on its Global Exchange Market.

The Notes have been accepted for clearance through DTC, Euroclear and Clearstream, Luxembourg with the following security codes:

Regulation S Security Codes:

ISIN: XS2911134604

Common Code: 291113460

CFI: DBFNFR

Rule 144A Security Codes:

ISIN: US36270TAA16

Common Code: 290873444

CUSIP: 36270T AA1

CFI: DBFNFR

Ratings The Notes are expected to be assigned a rating of “BB-” by Fitch and a rating of “B2” by Moody’s.

A credit rating is not a recommendation to buy, sell or hold the Notes (or the beneficial interests therein). Ratings may be subject to suspension, reduction or withdrawal at any time by the assigning rating organization.

Selling Restrictions The offering and sale of Notes is subject to applicable laws and regulations including, without limitation, those of the United States, the United Kingdom, the EEA and the Republic of Türkiye. See “*Subscription and Sale*.”

Transfer Restrictions The Notes have not been and will not be registered under the Securities Act or any State securities laws and beneficial interests therein may not be offered or sold within the United States except to QIBs in reliance upon the exemption from the registration requirements of the Securities Act provided by Rule 144A or otherwise pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act.

Interests in the Notes represented by a Restricted Global Certificate will be subject to certain restrictions on transfer. See “*Transfer Restrictions*.” Interests in the Notes will be shown on, and transfers thereof will be effected only through, records maintained by Euroclear and Clearstream, Luxembourg, in the case of Notes represented by the Unrestricted Global Certificate, and by DTC and its direct and indirect participants, in the case of Notes represented by a Restricted Global Certificate.

Governing Law..... The Notes, the Trust Deed, the Agency Agreement and any non-contractual obligations arising out of or in connection with any of them, are governed by, and shall be construed in accordance with, English law.

Trustee..... BNY Mellon Corporate Trustee Services Limited.

Registrar and Transfer Agent The Bank of New York Mellon SA/NV, Dublin Branch.

Principal Paying Agent The Bank of New York Mellon, London Branch.

Listing Agent	Walkers (Ireland) LLP.
Risk Factors	An investment in the Notes involves a high degree of risk. See “ <i>Risk Factors</i> .”

RISK FACTORS

Prior to making an investment decision, you should carefully consider all of the information in this Offering Memorandum, including, without limitation, the risks described below. The risks and uncertainties described below are those that we are aware of and that we currently believe could materially affect us and any investment you make in us. If any of these events occur you could lose all or part of your investment. Additional risks and uncertainties that either do not currently exist, that we are currently unaware of, or that we currently do not believe to be material may also become important factors that have a material adverse effect on our business, financial condition, results of operations and prospects and your investment. The order in which the risks are presented does not reflect the likelihood of their occurrence or their magnitude of potential impact on us.

You should also consider the other information set out elsewhere in this Offering Memorandum, including the Financial Statements that begin on page F-1 of this Offering Memorandum, and the information in the section titled “Management Discussion and Analysis of Financial Condition and Results of Operations” elsewhere in this Offering Memorandum. For additional information concerning Türkiye, its economy and other related matters, see “Exchange Rate Information,” “Business,” “Regulatory Overview,” “The Turkish Securities Market” and “Foreign Investment and Exchange Controls.”

Risks Relating to the Regulatory Environment

Any unfavorable changes in our regulated tariffs could have a material adverse effect on our business, financial condition, results of operations and prospects.

All our revenue is generated from our electricity distribution operations, and this revenue is set pursuant to the Distribution Tariff. The Distribution Tariff is determined by the Energy Market Regulatory Authority (“EMRA”) for all customers residing in our distribution region. EMRA sets the annual revenue requirement for distribution companies based on distribution tariffs. These amounts are announced by EMRA to cover the period known as the “tariff implementation period” or “**Distribution Tariff Period**,” and the current Distribution Tariff Period runs from 2021 until the end of 2025. The amount reflected in users’ bills for the Distribution Tariff is subject to updates by EMRA on a monthly or quarterly basis, to allow for the incorporation of fluctuations in market costs into the Distribution Tariff.

The Distribution Tariff comprises several components, including capital expenditure reimbursement determined based on capital expenditure allowance, the accumulated regulated asset base (“**RAB**”), return on RAB (“**WACC income**”), allowed operating expenditure, allowed research and development expenditures, an additional amount to account for theft and loss, other income streams specified by the regulation and certain pass-through items such as transmission fees and taxes.

EMRA calculates the capital expenditure allowance after reviewing the master plans prepared by distribution companies and doing any additional research that it deems necessary. It calculates the operating expenditure allowance based on our past performance and benchmark analysis, and determines theft and loss targets, which are based on the weighted average of the past three years’ actual theft and loss and the gross energy amounts and distributed amount. For further details on the calculation of the Distribution Tariff, see “*Regulatory Overview—Distribution Tariff.*”

The Distribution Tariff is subject to a revenue cap, which sets the maximum revenue that we can earn during a year. While calculating the revenue cap, EMRA considers the approved revenue requirement for the relevant tariff year, actual revenues and costs from previous periods, any deviations arising from the revenue ceiling approved for the relevant periods and other expenses and costs (such as uncontrollable operating expenses) that are foreseen for the relevant period. To address any disparities between the approved and actual revenue, correction mechanisms are applied and the excess revenue is returned to the tariff mechanism in two years. As

a result, our revenues cannot exceed the revenue cap, even if they would have otherwise been higher. In addition, if our costs increase and the correction mechanism does not fully account for this increase, we have limited ability to increase our revenues in response, and as a result our net profit could decrease. As of the date of this Offering Memorandum our revenue cap is TL 12.6 billion.

When the current Distribution Tariff Period expires or during the current Distribution Tariff Period, EMRA may decide to modify the parameters used in the calculation methodology in the event of (i) explicit changes in regulations or other legislation that may affect tariffs, (ii) license amendments leading to changes that explicitly impact tariffs, (iii) force majeure events or the cessation thereof, or (iv) significant changes in the fundamental data based on parameter values that may explicitly affect tariffs. Additionally, upon the conclusion of the Distribution Tariff Period, EMRA may implement comprehensive changes to both the calculation methodology and the relevant parameters for the new Distribution Tariff Period. Policy changes could also be made, such as ending the national tariff approach and introducing a regional tariff approach. Any such changes could result in a decrease in revenue obtained through the Distribution Tariff or a smaller increase than expected. Under these circumstances, distribution margins may be adversely affected by changes in the Distribution Tariff.

An adverse change in the amounts that we can charge under the Distribution Tariff could materially adversely affect our revenue and margins, and therefore our business, financial condition, results of operations and prospects.

Our operations are subject to extensive laws and secondary legislation and changes in such laws and secondary legislation could have a material adverse effect on our business, financial condition and results of operations.

Our operations are subject to extensive and complex Turkish laws and secondary legislation, including but not limited to those governing the electricity market. Changes in these laws or secondary legislation could have a material adverse effect on our business, financial condition, results of operations and prospects due to, among others:

- changes in the current tariff calculation methodology or in the variables, such as rates, mechanisms or ceilings for some tariff components, used to determine the Distribution Tariff;
- changes in laws and regulations relating to the grant, renewal, revocation or termination of electricity distribution license;
- imposition of additional obligations on distribution companies, such as additional technical obligations regarding investment plans, operational scope and principles for managing the electricity distribution network and additional insurance requirements;
- introduction of wider opportunities for decentralized, license exempt power generation (which allow certain facilities to generate energy based on renewable or conventional energy resources), which impose additional obligations (e.g., imposition of additional costs to support renewable energy generation, which may not be passed through to our customers) on our company and have an impact on electricity demand; and
- imposition of new taxes or increases in current tax levels, in terms of customers, such as increases in levels of value added tax resulting in an increase in the final price to our customers of electricity, which may result in a decrease in demand for electricity.

If the laws and regulations that govern our business become more restrictive or unfavorable to us, we could also incur additional compliance costs or be subject to new limitations on how we operate, which could have a material adverse effect on our business, financial condition, results of operations and prospects.

If we fail or are unable to comply with applicable laws and regulations, we may be subject to administrative fines or penalties or lose our distribution license.

Electricity distribution activities are subject to the Electricity Market Law No. 6446 (“EML”) and the related secondary legislation issued based on this law. In order to perform the aforementioned activities, the relevant distribution license must be obtained from EMRA and the license must be enforceable.

The regulations issued by EMRA, among other matters, impose organizational and operational restrictions on, and requirements with respect to, our electricity distribution operations, such as (i) the restriction that distribution companies may not engage in any activity other than distribution activity, except for the authorization by EMRA for the conduct of a non-market activity, the conduct of which, together with the distribution activity, will lead to efficiency gains, (ii) limitations on the distribution companies’ ability to hold shares in other legal entities operating in the electricity market, (iii) limitations on our ability to hold shares in other legal entities operating in the electricity distribution market, (iv) limitations on the amounts of the tariffs charged to our customers and (v) organizational and operational restrictions.

If we fail or are unable to comply with such restrictions or regulatory requirements or with any regulatory requirements set forth under the applicable electricity market laws and regulations, we may be subject to administrative fines or penalties as a result of customer complaints or otherwise which would have a material adverse effect on our business, financial condition, results of operations and prospects.

If regulatory requirements are not complied with, we are at risk of being sanctioned by the EML. The first sanction that may be imposed in this context is an administrative fine. Administrative fines are imposed when the EML determines that (i) the information provided to EMRA (in cases of information requests or on-site inspection) is incorrect, incomplete or misleading, or that no information is provided at all, (ii) when a company is found to violate the provisions of the EML, secondary legislation or license provisions, (iii) when a company acts outside the scope of its license and (iv) when a company continues or repeats a violation despite a warning. If the violation is repeated within two years administrative fines are applied at the two times the previous fine. Our company may be subject to administrative fines as a result of violating the provisions of the legislation which may adversely affect our activities, financial status and operational results.

Our company conducts its distribution activities in the electricity market in accordance with our distribution license. Another type of sanction that can be applied in accordance with the EML is the cancellation of licenses. Our distribution license may be cancelled by EMRA in the case of a serious violation. Licenses will be cancelled (i) if it is not possible to correct the false documents or misleading information submitted to EMRA or the conditions of the license, or if the contrary situation is not corrected within thirty days despite the written notice for correction, (ii) if the conditions on which the license was granted cease to exist during the validity of the license, or it is determined that these conditions never existed from the beginning, and/or (iii) if deception or false statements against the law are detected in requests and transactions conducted within the scope of the EML. Further, if the amount of the imposed administrative fine reaches 10% of the gross income in the financial statements of the licensee company for the previous fiscal year, the license may also be cancelled.

EML includes various special sanctions for legal entities holding distribution licenses, in addition to monetary fines and license cancellations. Accordingly, if it is determined that our regulated activities within the scope of distribution have significantly disrupted or lowered the quality of our activities subject to regulation, or if violations of regulations have become habitual, or if insolvency is detected or anticipated, EMRA may decide to take the following measures (i) remove some or all members of the board of directors and appointment of new members, (ii) secure financial compensation for services and investments that were not fulfilled as required by the tariff, primarily from revenues generated by our other activities, supplemented by dividend income from existing shareholders, and ultimately from the assets of our registered shareholders, and/or (iii) implement measures or sanctions that could lead to the cancellation and termination of our distribution license. Following

the decision by EMRA to implement measures and/or sanctions as outlined in (i) and (iii), EMRA also has the ability to lift the measures and/or sanctions or to apply other measures and/or sanctions.

Termination of our license would lead to termination of the transfer of operating right agreement (“**TOR Agreement**”) and would require us to dispose of our operating rights to utilize the electricity distribution network and related assets and to cease our electricity distribution operations, which would have a material adverse effect on our business, financial condition, results of operations and prospects.

We have been and will continue to be subject to audits by various regulators and violations may be detected as a result of these audits.

Our activities are overseen by a number of Turkish regulators. EMRA is the regulatory authority that conducts audits and examinations over companies active in the electricity market and imposes sanctions for any violations of applicable laws and regulations. If we fail or are unable to comply with applicable laws and regulations, EMRA can initiate a pre-investigation or investigation against us. Following the completion of any such investigations, EMRA may in addition to requiring us to cease any such non-compliance impose administrative fines both of which could have a material adverse effect on our business and results of operations.

In addition to EMRA, in accordance with EML and TOR, Ministry of Energy and Natural Resources (“**MENR**”) and Türkiye Elektrik Dağıtım Anonim Şirketi (the “**TEDAŞ**”) are also authorized to conduct audits on our distribution activities. Pursuant to Article 15 of the EML, MENR conducts audits on us through TEDAŞ and notifies EMRA of the audit reports. As a result of these audits, any fines imposed by EMRA or remedial actions taken may adversely affect our business processes, financial status and operational results.

For example, in July 2023, EMRA initiated an investigation against us based on its audits of our operations in 2021. In April 2024, EMRA concluded the investigation and found that we were not in compliance with the Regulation on Purchasing and Sales Transactions of Electricity Distribution Companies. As a result, it issued an administrative fine against us of TL 2.4 million (which we have since paid) (see also “*—We and members of our senior management are involved in a number of legal proceedings relating to our distribution operations*”).

We may also be subject to tax audits which may expose us to additional tax liabilities and compliance costs. Therefore, audits by the tax authorities could have a material adverse effect on our business, financial condition, results of operations and prospects.

We must comply with our obligations under the TOR Agreement.

After the legal separation of distribution and retail sales activities, we, TEDAŞ and the Principal Shareholder agreed to amend the relevant TOR Agreement to allow for the transfer of the retail sales assets and facilities operated by us to the Principal Shareholder. However, there has not been any transfer to the Principal Shareholder of the assets whose ownership and/or right of use belongs to TEDAŞ and which are in our use within the scope of the TOR Agreement.

Although we do not own the distribution facilities and assets acquired under the TOR Agreement during the agreement period, as well as the electricity distribution facilities we have built/will build and the assets we have acquired/will acquire, we do have the operational rights over the facilities and assets acquired during the contract period.

In adherence to the TOR Agreement, should any breach, whether partial or complete, occur on our part, TEDAŞ will extend a 90-day grace period for us to rectify the specific obligation and cease the breach of the TOR Agreement. This situation will promptly be reported to EMRA. Failure to implement the necessary measures deemed appropriate by TEDAŞ within this timeframe, non-fulfillment of our obligations, or continued violation of the TOR Agreement may lead to the termination of the TOR Agreement by TEDAŞ through written notification. In the event of payment insolvency or the submission of a concordat offer, TEDAŞ reserves the

right to terminate the TOR Agreement. The automatic termination of the TOR Agreement will occur if our distribution license is cancelled or in the event of bankruptcy, without the need for prior notice, warning, or a grace period. If the TOR Agreement is terminated, we will forfeit our rights related to unrecovered investment costs through the tariff, and TEDAŞ is absolved of any obligation to make payments to us. Therefore, termination of the TOR Agreement would have a material adverse effect on our business, financial condition, results of operations and prospects.

Risks Related to Our Industry and Business

We may be exposed to risks due to possible unethical behavior or unlawful conduct of our employees, suppliers, contractors or other third parties.

We seek to ensure that our employees, suppliers, contractors, and other third parties involved in our operations will refrain from engaging in behavior contrary to our compliance policies or applicable laws. We seek to enforce these standards by including related obligations in our procurement contracts with suppliers and monitoring supplier behavior accordingly, we cannot guarantee that this will be successful. Unethical conduct or violations of anti-corruption rules, international sanction regulations, and various laws and regulations by our employees, suppliers, contractors, or other third parties may result in significant fines, prevent us from participating in specific projects, or lead to the termination of existing contracts. In the past, we have discontinued sourcing from suppliers suspected of not adhering to our policies and procedures. Although we intend to continue to act in the same manner in the future, we may be adversely affected by reputational damage if suppliers do not comply with or are suspected of not complying with applicable laws, rules, or procedures. Violations of this nature by our employees, suppliers, representatives, or third parties can have a negative impact on our business, financial condition, results of operations and prospects.

The loss of key personnel or the inability to attract and integrate key individuals and qualified employees into our organization may limit our growth and adversely affect our operations.

The success of our business, including technical personnel, relies on the experience of key employees such as management, executive directors, and other pivotal staff and the services they provide. Additionally, a significant portion of our knowledge base is internally developed, making it challenging to replace with external resources. Our top management is committed to retaining key employees and preserving the accumulated knowledge, however there is fierce competition for qualified employees with the expertise to effectively manage a large organization like ours, along with technical or industry-specific skills. The recruitment of key personnel by competing firms or the inability to attract, motivate, and retain key individuals and qualified employees, especially when needed for the expansion of our operations, may lead to the loss of our knowledge base and leadership capabilities. Each of these situations has the potential to adversely impact our business, financial condition, results of operations and prospects.

We are party to collective bargaining agreements, and labor unrest or increased direct labor and related benefit costs could adversely affect us.

On May 16, 2024, we signed a collective bargaining agreement with TES-İŞ which is effective from March 1, 2024 to February 28, 2026. As of June 30, 2024, 441 of our employees (44%) were union members. Although strikes and lockouts are illegal for electricity distribution businesses and we believe that our relations with our employees are generally good, there can be no assurance that new collective bargaining agreements will be reached once the current collective bargaining agreement expires or negotiations will be completed without union or works council actions or on terms satisfactory to us. Furthermore, any new collective bargaining agreement may include provisions that are stricter or more unfavorable to us, such as significant wage increases, side benefits or additional payment obligations, which could result in us incurring additional costs. We may also face demands for wage increases from, or other kinds of disputes with, our employees. Any such labor

unrest and negotiations with the labor union or any other labor unrest could have a material adverse effect on our business, financial condition, results of operations and prospects.

Our indebtedness and financial liabilities have the potential to negatively impact our operations, financial position, and results of operations.

As of June 30, 2024, we had outstanding total financial borrowings of TL 10,813 million. This debt is held in hard currencies, of which TL 10,333 million, or U.S.\$314 million, was a bank loan in U.S. dollars, and is primarily associated with financing investments. The implications of our debt on our operations could include the following:

- reduce the availability of our cash flow to fund working capital, capital expenditures, acquisitions and other general corporate purposes because of our debt service obligations;
- limit our ability to obtain additional financing and potentially increase the cost of any additional financing;
- increase our exposure to foreign exchange fluctuations and changes in interest rates;
- force us to restructure or refinance all or a portion of our debt on or before maturity; and
- limit our flexibility in planning for, or reacting to, and increasing our vulnerability to, changes in our business, the industry in which we operate and the general economy.

Any of these factors could impact our ability to generate cash flow and meet our payment obligations under our debt. This, to some extent, is subject to general economic and regulatory factors as well as other factors that are beyond our control. Upon the occurrence of any event of default due to non-payment, our lenders could, while such event of default remains unwaived, cancel the availability of the financing, accelerate all outstanding amounts under the financing arrangements or realize the collateral, which may include share pledges or movable pledges. Enforcement of share pledges may result in a transfer of shares held by the Principal Shareholder to third parties (see “—*Our indirect shareholder Aydem Holding is guarantor to its subsidiaries’ financial indebtedness and the Principal Shareholder has provided a share pledge over our shares representing the majority of our share capital in favor of our creditors and the Principal Shareholder and Gediz EPSAŞ’s creditors.*”). Furthermore, if our undertaking regarding the assignment of our distribution license is enforced we will have to terminate our electricity distribution operations.

Any of these factors and other consequences that may result from our indebtedness could have an adverse effect on our business, financial condition, results of operations and prospects.

We are subject to risks relating to foreign exchange rate fluctuations.

We are exposed to significant risks arising from foreign exchange rate fluctuations, as almost all of our debt obligations and a significant portion of the materials we purchase for our distribution activities are denominated in U.S. dollars, while our revenue is earned in Turkish Lira. As the exchange rate between these currencies can be highly volatile, any depreciation of the Turkish Lira relative to the U.S. dollar could materially and adversely affect our ability to service our debt obligations. This currency mismatch between our revenue and debt could lead to increased debt service costs in Turkish Lira terms and reduce our profitability and cash flows, and we do not engage in hedging strategies to mitigate this foreign exchange risk.

Any of the foregoing could have a material adverse effect on our business, financial condition, results of operations and prospects.

We are required to comply with certain financial and other restrictive covenants under our existing loan agreements.

We are subject to restrictive covenants under the Amended Facility Agreement, which ranks *pari passu* with the Notes in terms of seniority, including restrictive covenants relating to change of control provisions, certain conditions to make new investments, a prohibition on the transfer of receivables, and a prohibition on pledging our assets for the benefit of third parties other than existing Creditors. See “*Management’s Discussion and Analysis of Results of Operations and Financial Condition—Liquidity and Capital Resources.*” As of June 30, 2024, we had TL 10,813 million in financial borrowings.

A breach of any of those covenants or the occurrence of certain specified events (such as non-payment) will, subject to applicable cure periods and other limitations, result in an event of default under the Amended Facility Agreement. Upon the occurrence of any event of default under the Amended Facility Agreement, the Creditors may, while such event of default remains unwaived, cancel the availability of the financing, accelerate all outstanding amounts under the Amended Facility Agreement and enforce the share pledge over our shares owned by the Principal Shareholder. For additional details, see “—*Our indirect shareholder Aydem Holding is guarantor to its subsidiaries’ financial indebtedness and the Principal Shareholder has provided a share pledge over our shares representing the majority of our share capital in favor of the Principal Shareholder and Gediz EPSAŞ’s creditors*” and “*Management’s Discussion and Analysis of Results of Operations and Financial Condition—Liquidity and Capital Resources—Loan Facility—Facility Agreement.*”

A default or event of default under the Facility Agreement could lead to an event of default and acceleration under other debt instruments, including the Notes, that contain cross-default or cross-acceleration provisions. If our Creditors, including those under the Facility Agreement, accelerate the payment of amounts owing under these debt instruments, it could result in the acceleration of amounts payable under the Notes. If this were to occur, there can be no assurance that our assets would be sufficient to fully repay those amounts, or that we would be able to satisfy our liabilities as they become due.

Any of the foregoing could have a material adverse effect on our business, financial condition and results of operations.

Our indirect shareholder Aydem Holding is guarantor to its subsidiaries’ financial indebtedness and the Principal Shareholder has provided a share pledge over our shares representing the majority of our share capital in favor of the Principal Shareholder and Gediz EPSAŞ’s creditors.

As of June 30, 2024, our indirect shareholder Aydem Group’s total indebtedness was \$3.1 billion. Aydem Group has completed a financial restructuring of approximately \$4.6 billion with its lenders, which also covers the financial restructuring of our outstanding debt to our lenders. Aydem Holding is a guarantor to all financing arrangements of its subsidiaries, including ours. There can be no assurance that other companies within Aydem Group will be able to satisfy their respective obligations and liabilities under the relevant financing arrangements. If an event of default occurs under such financing arrangements and the loans are accelerated, Aydem Holding may be forced to dispose its shares in the Principal Shareholder, which could lead to a change of control at the Principal Shareholder level, which could in turn result in a change of control of the Issuer. See “—*Risks Related to the Notes—The shares representing the Issuer share capital is pledged by the Issuer’s shareholder.*”

There is a first ranking share pledge in favor of our lenders and the Principal Shareholder and Gediz EPSAŞ’s lenders over the shares representing 82.5% of our share capital held by the Principal Shareholder. If an event of default occurs under the Principal Shareholder and Gediz EPSAŞ Facility or the Facility Agreement and if the loans are accelerated, the Principal Shareholder may be forced to dispose its shares in the Issuer, which could lead to a change of control of the Issuer, and the pledged shares may be sold by the pledgees through

private auction, enforcement proceedings, negotiated tendering, or on Borsa İstanbul, at a discounted price lower than the market price.

Any of the foregoing could have a material adverse effect on our business, financial condition and results of operations.

Any increase in the cost of the electrical equipment, materials and labor costs we need for our capital expenditures, or any decrease in the unit prices set by EMRA could adversely affect us.

Our electricity distribution business requires a substantial amount of investments and capital expenditures. The capital expenditure allowance for distribution companies is one of the most important components of the Distribution Tariff pursuant to which we generate our revenue. While determining the Distribution Tariff via the “revenue cap” methodology, EMRA sets unit prices for certain capital expenditure items such as transformer feeders, underground cables, aluminum and steel conductors, and distribution panels (see—“*Regulatory Overview—Distribution Tariff*”).

These unit prices are updated annually based on the methodology that EMRA has approved. When unit prices are low, we can procure materials and utilize outsourced labor at a lower cost than the unit prices set by EMRA and keep the difference between our actual costs and the cost calculated based on unit prices. However, our investments and capital expenditures require a significant amount of electrical equipment, materials and labor costs which depend on various factors beyond our control including economic conditions in Türkiye. For example, the price of equipment and materials are often subject to inflation, fluctuations in the foreign exchange rates, variations in the supply and demand in the commodity markets and other economic factors. Also, labor costs may vary due to changes in the minimum wage rates. If the costs of the necessary items exceed the unit prices set by EMRA, or if EMRA decreases the unit prices we may not be able to source materials we need at a cost lower than the unit prices set by the tariff. In either case we will not be able to generate operational profit from unit price savings and may incur material losses. Therefore, any negative developments with respect to the unit prices set by EMRA or the costs we incur for our capital expenditures would have a material adverse effect on our regulated distribution revenue and, therefore, on our business, financial condition, results of operations and prospects.

The Distribution Tariff is based on forecasts created by us and EMRA and failure to make accurate forecasts could have a material adverse effect on our business, financial condition and results of operations and prospects.

The Distribution Tariff we implement is determined by EMRA based on forecast parameters created by us and EMRA, including the forecast distributed energy, Consumer Price Index (“CPI”) forecast linked to the revenue requirement update, and predictions for operating expenditure items which are beyond our control. If there is a misalignment between our forecast for distributed electricity energy and the figures accepted by EMRA as the basis for calculations, our cash flows may be adversely affected through the implementation of the price equalization mechanism. The impact on our cash flows could escalate when forecast and realization-based adjustments are factored into distribution companies’ tariff calculations after two years. Similarly, EMRA revises the revenue requirement amounts considered in distribution companies’ tariff calculations for the respective year based on the CPI. Discrepancies between this forecast and the realized CPI, especially when factoring in adjustments after two years exert pressure on cash flows. For example, EMRA initially forecast that the CPI for June 2022 would increase to 688.9 (reflecting a 26% increase compared to the same month of the previous year) and factored this CPI into its revenue cap calculations for 2022. However, the actual CPI was 977.9 (a 79% increase compared to the same period of the previous year). Despite EMRA’s initiative to mitigate this impact by incorporating half of the deviation, which would typically be rectified in 2024, into the tariff calculations for 2023, this discrepancy significantly affected our operational activities and cash flow management. The discrepancy between the forecasted and the realized CPI and its adverse impact on our cash

flows resulted in us (along with several other electricity distribution companies in Türkiye) delaying our payments to TEİAŞ under the system usage agreement. As of June 30, 2024, the total principal amount of debt due to TEİAŞ was TL 3.1 billion. Although we have not yet been subject to any sanctions from EMRA due to this outstanding debt, we pay a monthly default interest of 5.9% on the outstanding indebtedness. If the discrepancy between the forecasted and the realized CPI keeps growing, this could have an adverse impact on our ability to make the delayed payments to TEİAŞ, which in turn, could result in incurring higher interest and financing costs and sanctions imposed by EMRA (see also “—If we fail or are unable to comply with applicable laws and regulations, we may be subject to administrative fines or penalties or lose our distribution license” and “Regulatory Environment—Sanctions”).

Moreover, unexpected increases in operating expenditure items which are out of our control (i.e. transmission fee costs or taxes) are treated as forecasts by EMRA in Distribution Tariff and may negatively impact cash flow within the tariff mechanism, where deviations in these items are also subject to adjustments after two years. As a result, we might need to seek additional financing to cover our cash flow needs, thereby incurring further financing costs, and EMRA’s tariff adjustments may not always sufficiently cover these financing costs. As a result, our business, financial condition, results of operations and prospects could be materially adversely affected.

We may not be able to sustain our capital expenditure and operating expenditure efficiency.

As part of our business strategy, we aim to generate profit by incurring lower capital expenditure and operating expenditure than we are allocated by EMRA. Our ability to sustain capital expenditure and operating expenditure efficiency depends on our ability to, among other things, procure electrical equipment, materials and labor costs we need for our capital expenditures at a lower cost than the unit prices set by EMRA and to procure operational services necessary for our operations at a lower cost than the prices set by EMRA.

Historically, we were able to maintain capital expenditure and operating expenditure efficiency until 2022. For example, in the 3rd Distribution Tariff Period, savings from our operating expenditure being below the EMRA allocation level contributed TL 629 million in revenue, and as a result we started 2021 with TL 453 million in additional operating expenditure allowance. For the years ended December 31, 2021, 2022 and 2023, 41%, 30% and 27% of our EBITDA plus capital expenditure reimbursement, respectively, was due to capital expenditure reimbursement and operating expenditure outperformance. Based on June 2024 prices, we achieved operating efficiency of TL 600 million in 2020, the last year of the 3rd Distribution Tariff Period and TL 453 million in 2021, the first year of the 4th Distribution Tariff Period.

However, we could not keep our capital expenditure and operating expenditure costs below the forecast levels set by EMRA in 2022, due to the inadequacy of EMRA investment unit cost levels in the face of rapidly increasing global commodity prices in 2022, as well as the volatility in CPI and the labor and input cost increase specific to the distribution sector being above the CPI increase rate. EMRA later reviewed and revised the investment unit prices for 2022 and has also announced that it will review the investment unit prices for 2023. It has also decided to apply an additional update rate to the approved operating cost budget for 2022 and 2023 in addition to the CPI increase, thereby increasing the approved operating cost budget. The decisions taken by EMRA regarding both investment unit prices and operating expenditure allowances have partially addressed the capital expenditure and operating expenditure inefficiencies reflected in the financial statements for 2022 and 2023. However, there is no guarantee that we will be able to sustain our capital expenditure and operating expenditure outperformance, or that EMRA will adequately compensate us for future increases in cost levels. If we are unable to sustain our capital expenditure and operating expenditure efficiency, this could have a material adverse effect on our business, financial condition, results of operations and prospects.

We may be unable to make the capital expenditures necessary for the running of our business.

We incur capital expenditures related to network investments (e.g., replacement and improvement investments), meter reading investments, network management investments, and environmental security and other obligatory investments. The time and costs involved in such activities can be affected by several factors like obtaining necessary approvals and permits, shortages of, or price increases in construction materials and the availability of suitable materials and equipment. Any of these factors may lead to delays in or prevent the completion of our capital expenditures. Any delays in our capital expenditures could also lead EMRA to impose sanctions on us which would have a material adverse effect on our business, financial condition, results of operations and prospects. For the years ended December 31, 2021, 2022 and 2023 and the six months ended June 30, 2024, our capital expenditures were TL 2,614 million, TL 5,597 million, TL 2,326 million and TL 905 million, respectively.

EMRA has the authority to approve changes to the total approved capital expenditure allowance and budget revisions between investment characteristics within the capital expenditure allowance during the tariff period. Distribution companies have some flexibility in managing their capital expenditure allowances. They can spend up to 10% more on specific investment characteristics within the tariff period, if the overall expenditure stays within 5% of the total approved capital expenditure allowance for that period, without needing EMRA's authorization. Any expenditures exceeding these predefined limits are prohibited without prior permission from EMRA. When there are unauthorized expenses, the surplus amount is not factored into tariff calculations.

If we need additional investment budget beyond our approved capital expenditure allowance, we can apply to EMRA for approval. However, approval is not guaranteed. EMRA may approve the request with conditions or deny it altogether. Failure to obtain EMRA's approval for the additional budget, or our inability to fulfill the conditions specified by EMRA, may impede our ability to execute our planned investments. Moreover, if the conditions set by EMRA are not fully met, some of the capital expenditures may not be included in tariff calculations. This could adversely affect our operations, financial performance, and business activities.

We are also required to obtain provisional acceptance of TEDAŞ with respect to technical standards within the authorization of MENR, and the approval of EMRA with respect to compliance with applicable regulations for their realized investments (i.e., the investments recorded under the accountings) regarding capital expenditures. We may face delays in the receipt of provisional acceptance of TEDAŞ, which may require us to spend an extended period of time completing our investments. In addition, if we fail to comply with the mandatory technical requirements, EMRA may not approve our investments and we may not be able to get the reimbursement from such investments (through the Distribution Tariff). This would in turn impact our ability to capitalize on investment opportunities and growth potential as well as our operational and financial performance (see "*Our Strategy*").

Furthermore, until the Offering closes and we repay certain outstanding indebtedness (as set out in further detail in "*Use of Proceeds*") we cannot make capital expenditures in excess of our capital expenditure budget without the approval of our lenders, and there can be no assurance that our lenders will approve any such additional capital expenditure.

In addition, third party subcontractors that we have selected for the realization of investment activities may encounter unexpected financial and technical problems specific to them which may delay the realization of our targeted investments which could have a material adverse effect on our business, financial condition, results of operations and prospects.

We are exposed to collection risks arising from distribution system utilization fees and unauthorized consumption accruals.

We secure our existing and future receivables from retail electricity sales companies (suppliers) and producers using the distribution system in our region by obtaining cash or non-cash collateral. However, the collateral may be insufficient to cover the amount we are owed. We may initiate enforcement proceedings and make provisions for the portion of our overdue receivables from retail sales companies and producers that cannot be covered by the collateral received from such counterparties. Similarly, we may make provisions for the receivables we cannot collect under the scope of illegal assessment. We retrieve the portion of our overdue receivables for which provisions have been made but remain uncollectible, through the Distribution Tariff two years after they become doubtful.

Despite the existence of cash or non-cash collateral mechanisms, mechanisms intended to compensate us for the collection risks arising from receivables sent to enforcement through tariffs and the application of late payment interest when there is a delay in our receipt of receivables, we may nonetheless experience a failure to collect receivables in a timely manner. This could adversely affect our business, financial condition, results of operations and prospects.

In addition, we are unable to initiate execution proceedings when we are a creditor of public companies or public institutions which could have a material adverse effect on our business, financial condition, results of operations and prospects.

Technological changes in the electricity market may affect the demand for our distribution operations.

Technologies used in the energy sector are evolving rapidly and may have a negative impact on our electricity distribution operations. If unlicensed electricity generation and related technologies continue to develop our customers may start to generate their own energy which could reduce the amount of electrical energy drawn from our distribution system which would adversely affect our activities, financial condition and operations.

In addition, technological developments may reduce electricity consumption. For example, the TEİAŞ System Usage Management Project involves simulating power transfer between transformer centers, analyzing post-transfer statuses, and predicting energy distribution based on temperature correlations. The Transformer-Based Theft and Loss Project calculates unbalanced loading on transformers, determining actions to balance and contribute to energy efficiency. The Lighting Management System Project aims to reduce LED lighting energy consumption up to 70% through remote control and energy level adjustments, ensuring optimal brightness levels based on daylight and location via automatic remote lighting control. Any such development could reduce our need for infrastructure investments which could result in a reduction in our recoveries from capital expenditure and adversely affect our earnings from distribution operations.

In addition, if additional incentives are provided to renewable energy generating companies, it is possible that additional costs may be imposed on distribution companies by regulatory authorities, which could adversely affect our business, financial condition and operations.

As the revenue that distribution companies can generate is guaranteed by regulation, a decrease in demand may increase the “revenue to be collected per unit of energy,” leading to a gradual increase in distribution fees and additional burdens on users who do not install renewable facilities. To ensure a balanced distribution of this burden, future regulatory mechanisms may need to shift towards a more equitable model, with some of the revenue needs of distribution areas being met by distributed producers.

Furthermore, the spread of the ‘prosumer’ model and technological changes in the electricity market may reduce the need for new investments in the distribution system by reducing demand for the distribution network, which

could decrease our capital expenditure reimbursement and could have a material adverse effect on our business, financial condition, results of operations and prospects.

Demand for our distribution operations may decrease due to an increase in the number of organized industrial zones or consumers switching to transmission level supply.

Customers of distribution companies are the users who are connected at the distribution level and benefit from the distribution network. However, certain industrial users, which comprise 24% of our total users, may choose to connect to the grid at the transmission level, and when they do so they become customers of the transmission company, TEİAŞ, rather than distribution network customers. When this happens, the customer pays only the transmission fee and not the distribution fee (which includes a transmission system usage fee).

Organized Industrial Zones (“OIZs”), which can obtain an OIZ distribution license directly from EMRA and are connected to the grid at the transmission level, can have a similar impact. While OIZs are not direct competitors of distribution companies, users may choose to locate within an OIZ because of their various economic benefits. In particular, industrial consumers may prefer to locate within an OIZ in order to benefit from these incentives.

Users who receive their electricity through the distribution system may prefer to switch to the transmission system. In addition, existing or potential distribution system users (industrial customers) may be located in an OIZ that has been or will be established within our distribution region. Any such development may result in a reduction in the amount of electricity distributed or a slowdown in the growth trend of electricity distribution.

As distribution companies’ revenues are guaranteed through the Distribution Tariff, if deviations occur due to changes in demand levels resulting in the inability to meet the revenue cap, such deviations are eliminated through correction mechanisms defined in the tariff. However, decreases in demand may increase the “revenue to be collected per unit of energy,” leading to a gradual increase in distribution fees and additional burdens on users as well as the reduction in the need for new investments. Furthermore, the positioning of users connected to the grid at the distribution level within the transmission system or within OIZ’s may reduce the need for new investments in the distribution system.

Any developments that lead to a decrease in the repayments we can obtain from investment expenditures by reducing the need for infrastructure investments in the distribution network could adversely affect our business, financial condition, results of operations and prospects.

Distribution operations are inherently risky and subject to hazards that could result in accidents or disruptions and subject us or our employees to civil or criminal charges.

Our electricity distribution operations are subject to certain inherent hazards and risks, such as:

- incidents, accidents and fires;
- electric arcs or other losses of electricity as a result of technical malfunctions;
- damage caused by third parties, including from construction and utilities equipment and other surface users;
- man-made disasters such as terrorism;
- damage to the underground and aerial lines, transformers and poles; and
- natural disasters, such as earthquakes, floods, storms, landslides and other adverse weather conditions and hazards.

Our distribution region covers the provinces of İzmir and Manisa. The İzmir region has a significant forested area, with 40.2% of İzmir and 39.4% of Manisa consisting of forested areas as of 39.8%. Considering the climate characteristics and tourism activity, our distribution region is exposed to the risk of forest fires, especially during the summer season. Similarly, the İzmir province is located in the Western Anatolian Earthquake Zone and the region has a high earthquake risk as evidenced by the 6.6 magnitude earthquake experienced in 2020.

These risks could result in death or personal injury to our customers, employees and third parties and/or damage to, or the destruction of, our electricity distribution network or related assets all of which could have a material adverse effect on our business and results of operations. We are generally not able to predict the occurrence of these or similar events, and even if such events occur rarely, they may cause unanticipated accidents or disruptions in our electricity distribution activities. For the years ended December 31, 2021, 2022 and 2023 and the six months ended June 30, 2024, there is one pending death-related compensation claim due to the death of one of our employees (including contractor employees) and we experienced a total of six death-related workplace accidents. As a result of such lawsuits, we may be subject to compensation claims and administrative fines, and our board members or managers may be subject to criminal charges.

On July 12, 2024, an electrocution incident occurred in Alsancak, resulting in two fatalities. An indictment was filed in the İzmir 10th High Criminal Court against 42 defendants for the crime of manslaughter by conscious negligence. Of the 42 defendants, 12 are our employees. See “—*We and members of our senior management are involved in a number of legal proceedings relating to our distribution operations.*”

Despite having maintenance and emergency support infrastructure in place, such as emergency response units, to respond to emergency calls related to electricity theft and other urgent service requests, and despite having insurance coverage for these risks, incidents or disruptions that are not covered by insurance or result in losses exceeding the valid limits of insurance policies may occur. Such incidents or disruptions, which maintenance and repair activities and sudden intervention infrastructure may not be sufficient to mitigate or prevent, could have a material adverse effect on our business, financial condition, results of operations and prospects, as well as our reputation.

We are exposed to counter-party credit risk in distribution business.

We are required to purchase electricity from Elektrik Üretim Anonim Şirketi (the “EÜAŞ”) and the Energy Exchange İstanbul (“EPIAŞ”) and are exposed to counterparty credit risk of their general lighting customers.

MENR and TEDAŞ audit the accuracy of general lighting invoices (i.e., invoices issued by distribution companies within the scope of electricity supply services for the lighting of public areas such as avenues, boulevards, streets and overpasses) and there is a risk that such invoices may be partially rejected.

We are also exposed to credit risk for our receivables within the scope of our operation. As of June 30, 2024, we were party to 87,549 enforcement proceedings relating to uncollectible receivables (including theft invoices) which amounted to TL 1,696,068,502.

Our credit risk is mitigated by various mechanisms provided for in the relevant EMRA regulations. First, we sign a standard “Distribution System Use Agreement” published by EMRA with retail electricity companies (supply companies) and generators that use the distribution system in our region. Under this agreement, we take cash or non-cash securities from retail companies and licensed/unlicensed generators to secure our current and future receivables. As at June 30, 2024, the total amount of security obtained from these parties was TL 1,555,933,438. If the security is insufficient, we may be adversely impacted due to the difference between the maturity date and the repayment date of the receivables in question.

We may take legal action with respect to our overdue receivables from retail companies and generation companies that cannot be met with the security we have received from them, and we may set aside provisions

relating to these receivables. Although we recover the portion of our overdue receivables that become doubtful and remain uncollected after two years from the date they become doubtful through the Distribution Tariff, the two-year lag in payment may adversely affect our cash flows, as well as our broader business, financial condition, results of operations and prospects.

Under the Distribution Tariff mechanism, our revenue derived from the capital expenditure component is comprised of the total of the capital expenditure reimbursement and the WACC income. The capital expenditure reimbursement is structured on the approach that the tariff mechanism will return 10% of the investment amount annually over a 10-year period. However, the expenditure amount for the relevant investment is financed and realized within the same year. Therefore, our revenue derived from the capital expenditure component depends on our cash flows, the ease of credit utilization and conditions in the financial markets, as well as the development of commercial credit rates. In this aspect, we may be exposed to credit risk, especially in terms of cash management.

Additionally, a significant portion of the materials used in distribution sector investments is priced in foreign currencies, in particular the U.S. dollar. According to EMRA regulations, the acceptance of investment realization for the tariff is accrual-based so financial expenses such as exchange rates and maturity differences are not recognized by EMRA as investment expenditure. As such, unusual fluctuations in financial markets may adversely affect our business, financial condition, results of operations and prospects.

If our distribution license and the TOR Agreement are not renewed at the end of their terms, we will be required to cease our operations.

We are required to maintain electricity market license issued by EMRA to conduct our electricity distribution operations in Türkiye. We hold a distribution license (*dağıtım lisansı*) for our electricity distribution operations in our distribution regions. The distribution license granted for our region is valid until September 1, 2036.

We are required to apply to EMRA for renewal of our license within a minimum of 12 months and a maximum of 15 months prior to the expiration of the license. EMRA determines whether to renew the license for a minimum period of 10 years and a maximum period of 49 years. To renew our distribution license, we need to certify that we own the operating rights of the distribution network that are necessary for distribution operations.

The TOR Agreement expires simultaneously at the end of our license period. However, according to the TOR Agreement, if the distribution license expires or is cancelled for any reason before the end of its term, the TOR Agreement automatically terminates without the need for any notice or warning. In accordance with the TOR Agreement, the extension and/or renewal of the distribution license does not automatically extend or renew the TOR Agreement for the same period however we may request the renewal of the contract by applying to TEDAŞ at least one year before the expiration. TEDAŞ will then decide on the renewal of the TOR Agreement by evaluating this request within the framework of the legislation in force by taking into account the new conditions no later than 180 days before the expiration of the TOR Agreement, provided that we maintain the license conditions.

If the TOR Agreement is not extended, we may need to participate in a tender announced by the Privatization Administration for a new TOR Agreement and there is a risk that we may not win such tender. If we are unable to renew our license we will have to terminate our electricity distribution operations. Additionally, even if we win the mentioned tenders (and can demonstrate ownership of the operating rights of the relevant assets), EMRA may decide not to renew the distribution license which would require us to stop electricity distribution operations.

However, there is no regulation in the TOR Agreement or the applicable legislation on the method of calculation of such reimbursement and such reimbursement amounts may be insufficient to cover the capital expenditures

actually made by us, which could have a material adverse effect on our business, financial condition, results of operations and prospects.

Significant failures or breakdowns may occur in TEİAŞ’s transmission network and EÜAŞ may not be able to supply sufficient energy.

We are required to execute connection and system utilization agreements with Türkiye Elektrik İletim Anonim Şirketi (the “TEİAŞ”) for transmission services. We therefore depend on TEİAŞ for the transmission of electricity for our electricity distribution operations. If there is a major breakdown and/or disruption in TEİAŞ’s transmission network, this could have a material adverse effect on our business, financial condition, results of operations and prospects.

We are required to purchase electricity from EÜAŞ for the lost energy and general lighting. We have an Electricity Sales Agreement (“ESA”) with EÜAŞ to meet our electricity requirements. This agreement is typically renewed annually however EÜAŞ may revise the amount of electricity supplied to us and may provide less electricity than anticipated. In such a situation, we are required to procure electricity from EPİAŞ exposing us to fluctuations in electricity prices and cash flow risks. This is because we pay in cash and in advance to meet its electricity needs from these markets. In addition, pursuant to the ESA, in the event that (i) our license is revoked, we lose our qualifications as a market participant, or our registration as a market participant with EPİAŞ is deleted, (ii) we lose the qualifications required for the performance of the ESA and this situation is not remedied by us within 15 days following the notification of the other party (EÜAŞ), or (iii) we declare concordat or are declared bankrupt or liquidated and/or are unable to pay our debts as they fall due, the ESA will expire before its term and we shall pay termination compensation to EÜAŞ. If EÜAŞ fails to provide sufficient energy to us or terminates the ESA for any of the reasons listed above, we may not be able to procure enough electricity for our operations or may not be able to secure electricity under favorable conditions. This situation could have a material adverse effect on our business, financial condition, results of operations and prospects.

We may not be able to find adequate funding sources to finance our capital expenditure investments and working capital needs.

We have significant financing needs due to the high level of cash requirements of our operations. In particular, our capital expenditures for our distribution operations are highly capital intensive. Therefore, to provide adequate financing to fund our cash requirements, we use external financing from our related parties and third-party financial institutions. In addition, if there is a mismatch between when our liabilities become due and payable and when we generate sufficient revenues to cover these liabilities, we may need to seek external financing to cover any shortfall in available cash.

Our sources of funding and our ability to arrange adequate financing depend on several factors, some of which are beyond our control, including economic conditions, regulatory developments and availability of financing. In addition, any downgrade of our or Türkiye’s credit ratings may negatively affect our ability to find available funds. If we require additional funds, we may seek to raise them through private or public financing or through other sources. Furthermore, we may not be able to obtain sufficient financing from domestic or foreign financial institutions, on favorable terms or at all. This could have a material adverse effect on our business, financial condition, results of operations and prospects.

We provide collaterals (letter of guarantee, cash, etc.) to some competent authorities, including EÜAŞ, TEİAŞ, TEDAŞ and EPİAŞ to secure the performance of our obligations under the agreements we have signed. As of June 30, 2024, the total amount of collaterals given to EÜAŞ, TEİAŞ, TEDAŞ and EPİAŞ is TL 1,211,184,925. If we do not fulfil our obligations to those parties, non-cash collaterals can be converted into cash. Any failure to completely meet these commitments which are specific to us and not indicative of broader industry trends, and not due to extraordinary and uncontrollable conditions, could lead to the termination of agreements with

relevant parties. This could result in the termination of our distribution license and TOR Agreement, which could in turn result in the disposal of our operating rights to use the electricity distribution network and related assets and ultimately require us to cease our electricity distribution operations. Such actions would have a material adverse effect on our business, financial condition, results of operations and prospects.

Our failure to adequately protect private customer information or allegations regarding unauthorized use of such information could damage our reputation and brand.

In the ordinary course of business, we collect and store certain private information, such as names, telephone numbers, addresses, identity numbers and tax identity numbers of our customers. Therefore, we are subject to the Turkish data protection laws and regulations, mainly the Law on Protection of Personal Data (Law No. 6698) published in the Official Gazette dated April 7, 2016, and numbered 29677 (the “**Law on Protection of Personal Data**”). Any failure or interruption in, or breach of, security of the information technology (“**IT**”) or back-up systems we use, including cyber security incidents such as data breaches, intrusions, know-how and data privacy infringements and leakage, could lead to delays or platform or software shutdowns, causing loss of critical data or the unauthorized disclosure or use of our customers’ private information, which could result in legal actions, such as criminal proceedings, compensation claims or imposition of administrative fines. Because the techniques used to disrupt services and systems are rapidly changing, we may not be able to detect such attacks prior to their occurrence and may be unable to proactively implement preventative measures. Any failure or interruption in, or breach of, the IT systems resulting in a breach of data protection regulations could have a material adverse effect on our business, financial condition, results of operations and prospects, as well as our reputation and brand.

We may not be able to insure against all risks we face and may incur losses not covered by insurance.

We rely on our insurance coverage to insure against damages and losses to the electricity distribution network and related assets. Additionally, our personnel are also exposed to risks and hazards, which may include significant personal injury or death, severe damage to, or destruction of, distribution grid, network and equipment. The Electricity Licensing Regulation and the TOR Agreement require us to insure our assets related to electricity distribution activities with “all risk insurance” against natural disasters, fire, accidents, financial liability against third parties, terrorism, sabotage and other potential risks. We maintain our insurance coverage for three main areas, namely (i) all risk insurance, (ii) third-party liability and (iii) employer’s liability insurance. We expect to continue to maintain our existing insurance coverage and to purchase any additional insurance coverage as necessary for our operations however there can be no assurance that our insurance coverage provides us with sufficient coverage for all losses, events or incidents. Although we believe that we maintain adequate insurance coverage for all material risks to which we are subject to, should an uninsured loss or a loss in excess of our insured limits occur, we may lose the capital invested in, and the anticipated revenue from, the affected assets, which could have a material adverse effect on our business, financial condition, results of operations and prospects.

We and members of our senior management are involved in a number of legal proceedings relating to our distribution operations.

We are involved in legal proceedings and claims in the ordinary course of business, such as commercial lawsuits, customer claims, employee complaints and enforcement and debt collection proceedings. Further, we may be subject to various death-related compensation claims, both pecuniary and non-pecuniary. See “*Business—Legal Proceedings.*” As a result of such claims, we and our management may be exposed to criminal liability, and a material adverse result from any legal proceedings related to such claims could have a material adverse effect on our business, financial condition and our reputation. In addition, we may face civil or criminal liabilities or fines in the ordinary course of business as a result of injury or damages suffered by our employees or third parties, which may require us to make compensation payments in accordance with applicable

laws, which could have a material adverse effect on our business, financial condition, results of operations and prospects, as well as our reputation.

On July 12, 2024, an electrocution incident occurred in Alsancak, resulting in two fatalities. An indictment was filed in the Izmir 10th High Criminal Court against 42 defendants for the crime of manslaughter by conscious negligence. Of the 42 defendants, 12 are our employees and include Uğur Yüksel, a member of our Board of Directors and our General Manager, Necati Ergin, our Planning and Technology Director, and Sefa Pişkinleblebici, our Operations Director. The first hearing took place on September 5 and 6, 2024, and the next hearing is currently expected to take place in mid-November 2024. If convicted, the defendants could face imprisonment or be required to pay fines and we would be required to replace them. (See —*The loss of key personnel or the inability to attract and integrate key individuals and qualified employees into our organization may limit our growth and adversely affect our operations*”). In addition, while the Issuer is not named as a defendant in the criminal case, it is possible that relatives of the deceased individuals may initiate civil proceedings against us as a corporate entity or the above-named defendants seeking pecuniary and non-pecuniary damages. If found liable, we may be required to pay compensation to the relatives of the deceased. These criminal or any civil proceedings could have an adverse effect on our business or reputation. Further, subsequent to the electrocution incident, EMRA initiated an investigation against us based on audits of our premises it conducted in the relevant region on July 26, 2024. The investigation could result in sanctions imposed by EMRA, which could have an adverse effect on our business or reputation (see also “—*If we fail or are unable to comply with applicable laws and regulations, we may be subject to administrative fines or penalties or lose our distribution license*”, “—*We have been and will continue to be subject to audits by various regulators and violations may be detected as a result of these audits*” and “*Regulatory Environment—Sanctions*”).

Any significant breakdown in the electricity distribution network we operate could disrupt our delivery of electricity to our consumers.

We operate a complex electricity distribution network, which may experience operational or technical malfunctions. We may suffer significant interruptions in the electricity distribution network due to unfavorable weather conditions, any breakdown or collapse in the transmission system feeding our distribution network or otherwise. Although such breakdowns have not had a material effect on our business so far, any major breakdowns, either as a result of natural disasters (e.g., earthquakes, heavy storms or floods) or man-made disasters (e.g., terrorist attacks, sabotage, riots, fires or explosions), in any part of our complex electricity distribution network could lead to significant disruptions in our distribution and retail sale of electricity to our customers, which could have a material adverse effect on our business, financial condition, results of operations and prospects, as well as our reputation.

Some of our capital expenditures and operational expenditures regarding our distribution network as well as our meter-reading activities require the services of third parties.

Some of our capital expenditures such as for the expansion of our electricity distribution network and our operational expenditures, such as for the maintenance and repair of our electricity distribution network, and our meter-reading activities, require certain services and equipment that are provided by a limited number of reputable suppliers. We may be unable to procure the required services or equipment from these suppliers due to the bankruptcy of a supplier or a supplier’s failure to perform its obligations. In case of such failure, we may not be able to replace such suppliers in a timely manner or on terms favorable to us. If such third parties fail to fulfill their contractual obligations, we may not be able to collect payments from our customers in a timely manner. Therefore, any significant failure by our principal suppliers in performing their contractual obligations may have a material adverse effect on our business, financial condition, results of operations and prospects.

If we fail to meet our theft and loss targets, our regulated distribution revenue may decrease.

One of the main components of our Distribution Tariff, and therefore our National Tariff, is the cost of theft and loss. In order to encourage the distribution companies to take all necessary measures to reduce the target theft and loss ratios in their respective regions, EMRA grants a bonus payment for the distribution companies that achieve annual target theft and loss ratios below their annual targets set by EMRA. In 2021, 2022 and 2023 the theft and loss target ratios were 7.3%, 7.2% and 7.2%, respectively, compared to our actual theft and loss ratios of 6.4%, 5.0% and 5.2%, respectively. If we are unable to meet our theft and loss targets or to outperform these targets we may incur financial losses which would have an adverse effect on our regulated profit margin, business, financial condition, results of operations and prospects.

Our investment and operational activities are affected by seasonal fluctuations in electricity demand.

Our distribution activities are impacted by seasonal fluctuations. Electricity consumption typically increases during the winter months due to heating and lighting needs and during the summer months due to air conditioning and cooling requirements. Sudden increases in electricity demand, especially during the summer, can increase our need for energy and force us to buy energy from EPIAŞ which exposes us to fluctuations in electricity prices and cash flow risks. Harsh winter conditions or sudden temperature increases during the summer also bring operational challenges and require us to maintain a larger workforce and source additional materials to maintain service quality and electricity supply. Further, the distribution region where we operate is a tourist-intensive area and distribution investment activities slow as a result from the spring season until the end of the summer. Therefore, while we plan distribution investments and maintenance activities considering seasonal fluctuations unusual changes in seasonal conditions can have an adverse effect on our regulated profit margin, business, financial conditions, results of operations and prospects.

In addition, adverse weather conditions could result in increased rates of equipment failure and outages. Harsh winter conditions or sudden heat during the summer period and the resulting sudden increase in electricity demand bring operational challenges. In the face of such developments, we may need more than usual labor and materials to maintain service quality and a sustainable supply of electricity. In addition, incidental deterioration in service quality may expose us to quality performance penalties, revenue generated through the quality bonus and compensation payments in accordance with EMRA regulations. Furthermore, a sudden increase in electricity demand, especially during the summer period, may increase our need for lost energy. In this case, we may be forced to procure electricity from EPIAŞ in excess of the electricity it procures from EÜAŞ. This may expose us to fluctuations in electricity prices in the relevant markets and cash flow risks which could have an adverse effect on our business, financial condition, results of operations and prospects.

Our electricity distribution activities are subject to certain quality standards set by EMRA.

We are required to comply with technical, commercial and supply continuity quality standards set by EMRA with respect to their distribution activities. See “*Business—Our Operations-Distribution Operations—Quality Indicators.*” For example, in case of any electricity interruption exceeding the limits set by EMRA, we are required to pay compensation to the customers who experienced such interruption based on the duration and frequency of the interruption. Also, when we are not in compliance with certain commercial standards, we are required to pay compensation to the customers who incurred losses because of such non-compliance. Our adherence to quality standards is overseen by EMRA through both real-time monitoring via the EDVARS system and the submission of periodic reports in accordance with EMRA’s reporting standards. Furthermore, we are obligated to publicly disclose these reports on our website. Quality standards directly affect our revenues through both EMRA’s quality performance evaluations and quality compensation payment obligation practices. In addition, should we not comply with the relevant standards, we may be subject to administrative fines or customer complaints or claims due to any such non-compliance. Rectifying any such noncompliance with the mandatory quality standards could also require us to incur additional compliance costs, which could have a

material adverse effect on our business, financial condition, results of operations and prospects, as well as our reputation.

The quality bonus is determined by four metrics: supply continuity, user satisfaction, technical quality, and occupational health and safety. The maximum bonus is 5%, while the maximum penalty is -2.825%. In addition, EMRA introduced two general quality indicators: “the rate of in-house sourcing” and “public float.” These percentages are applied to the revenue requirement, the main driver of the Distribution Tariff. Therefore, negative quality performance impacts our revenue, which could have a material adverse effect on our business, financial condition, results of operations and prospects, as well as our reputation.

Any change in the financial reporting standards may negatively affect our financial condition.

We prepare our financial statements in accordance with TFRS. The financial reporting standards under TFRS and related accounting pronouncements, implementation guidelines and interpretations with regards to a wide range of matters that are relevant to our business, including but not limited to, revenue recognition, service concession agreements, business combinations, goodwill and related parties are highly complex and involve many subjective assumptions, estimates and judgments by our management. In addition, our financial statements are prepared based on certain assumptions of our management, such as assumptions regarding our capital expenditure performance, inflation rates and interest rates. Therefore, any changes in these rules or their interpretation or changes in underlying assumptions, estimates or judgments by our management could significantly change our reported or expected financial performance and may have a material adverse effect on our business, financial condition, results of operations and prospects.

Any failure or interruption in, or breach of, our information technology systems could significantly interfere with our operations.

We rely on our IT systems for the efficient conduct of our electricity distribution operations. In particular, we depend on the Supervisory Control and Data Acquisition (the “SCADA”) system, geographical information system (the “GIS”) and the automatic meter reading systems (the “AMR”) for the purposes of distribution system management and outage management. We use SAP’s Enterprise Resource Planning and Industry Standard Utilities systems. We also use outage management systems, enterprise asset management software, work force management system and customer relations management system for our operational requirements, such as field operations, customer relationship management, call center, capital expenditure planning and tracking and human resources operations. Any disruption to our arrangements with such IT service providers or other third parties providing IT related services or to our IT systems or our back-up systems could significantly interfere with our operations. We may not be able to prevent such disruptions or failures from occurring and may not be able to address them in an efficient manner or at all if they do occur. Further, any failure or interruption in, or breach of, security of the IT or back-up systems we use could also result in disruptions to our operations. Any cyber-security incident could cause harm to us, our reputation and our customers. As a result, any failure or interruption in, or breach of, the IT systems we use, including the occurrence of cyber-security incidents, may have a material adverse effect on our business, financial condition, results of operations and prospects, as well as our reputation and brand.

We may face adverse effects due to changes in tax legislation or implementation, including increases in tax rates.

We are subject to taxation in Türkiye, and our effective tax rate may be affected by changes in the Turkish tax laws or the interpretation of the Turkish tax laws, including those tax laws relating to the utilization of capital allowances, net operating losses and tax loss or credit carry forwards, and changes in management’s assessment of certain matters, such as the ability to realize deferred tax assets. We may also be subject to the imposition of new taxes or increases in current tax levels.

As of the date of this Offering Memorandum, our corporate tax rate stands at 25%. However, there is no guarantee that the corporate tax rate will remain unchanged in the future. Any future increase in our effective tax rate could potentially have a material adverse effect on business, financial condition, results of operations and prospects.

We have entered into, and will continue to enter into, related party transactions with our parent company, as well as other related parties.

In the ordinary course of business, we have engaged in, and intend to continue to engage in, transactions with our related parties. For example, sales to related parties constituted 63%, 35% and 50%, respectively, of our total net sales revenues in 2021, 2022 and 2023. In addition, although we have an independent and fully functional internal management and procedures, we receive certain outsourced services from our ultimate parent company, Aydem Holding, for various functions including strategic planning, finance and treasury management, investor relations management, risk management, corporate communication, health and safety, and IT systems. Aydem Holding invoices the costs incurred within this scope in accordance with transfer pricing regulations. For further details, see “*Related Party Transactions*.”

Since we are a monopoly in our distribution region, we are required to treat all power suppliers, including members of the Aydem Group, equally. We seek to do this by negotiating at arm’s length with all power suppliers and other contractual counterparties.

We believe that our prior and existing contracts and other transactions with related parties have been negotiated on an arm’s length basis and are in line with market terms. However, we may be subject to audit by the Turkish Competition Authority (the “**Competition Authority**”), and if they find that we violated our obligations in this regard, such as by failing to maintain an objective approach or treating Gediz EPSAŞ customers within the Aydem Group preferentially, we may be subject to administrative fines and financial compensation claims. In addition, tax authorities may conduct audits on our related party transactions and could allege that our related party transactions are not on an arm’s length basis, which could result in incurring additional taxes, penalties, interest and potential legal proceedings. Therefore, our related party transactions, individually or in the aggregate, could have a material adverse effect on our business, financial condition and results of operations.

Risks Related to Türkiye

Our business and financial situations are susceptible to the impact of economic and political developments in Türkiye. Additional risks and uncertainties relating to Türkiye that do not currently exist or that we are unaware of may also become important factors that could have a material adverse effect on our business, financial condition, results of operations and prospects.

Türkiye has been and likely will continue to be significantly negatively affected by uncertainty about the global macroeconomic environment and economic instability in Türkiye.

The Turkish economy has experienced a succession of financial crises and severe macroeconomic imbalances. These include substantial budget deficits, significant current account deficits, high rates of inflation and high real rates of interest. In addition, the Turkish economy remains vulnerable to both external and internal shocks, including volatility in oil prices, changing investor opinion, outbreaks of disease (e.g., SARS and the COVID-19 coronavirus) and natural events such as earthquakes (including the powerful earthquakes in southern Türkiye in February 2023, which resulted in over 48,000 fatalities and will require significant government expenditure for the recovery efforts).

Despite its economic development since 2001, Türkiye has experienced occasional economic difficulties and remains vulnerable to both external and internal shocks, including terrorist activity, domestic political

uncertainty and changing investor sentiment. High private sector debt levels and a substantial current account deficit may also contribute to economic vulnerability.

Global macroeconomic and geopolitical uncertainties, slowdown in capital flows to emerging markets and an increasingly protectionist approach to global foreign trade also continue to negatively affect the Turkish economy.

These factors have resulted in a substantial depreciation of the Turkish Lira against major foreign currencies. Domestic macroeconomic factors, including the current account deficit, high levels of unemployment (a seasonally adjusted 8.4% in May 2024), high levels of inflation and interest rate and currency volatility, remain of concern. These conditions have had, and likely will continue to have, a material adverse effect on our domestic business, financial condition and results of operations.

As of March 31, 2024, general government gross debt stock was TL 8,674 billion. The general government gross debt to GDP ratio has been volatile and was 39.7%, 41.8% and 31.7% as of December 31, 2020, 2021 and 2022, respectively. The Turkish government has sought to foster economic growth and, in September 2023, the Turkish Treasury published a three-year medium-term economic program (referred to as the “**Medium Term Program**”) under which GDP growth was anticipated to be 4.4% for 2023, 4.0% for 2024, 4.5% for 2025 and 5.0% for 2026; however, consumer inflation has surpassed the Central Bank’s target for 2023. Real GDP by purchasing power parity in Türkiye is expected to grow 5.6% per year from 2022 until 2028 (Source: EIU). While these growth targets have been set, there is no guarantee that these targets will be reached, and the successful implementation of the current and proposed economic and fiscal policies remains uncertain. Factors such as the Central Bank’s efforts to control inflation, simplify monetary policy, and maintain a lower funding rate, coupled with challenges like the current account deficit, macroeconomic conditions, and political factors, including changes in oil prices and uncertainties related to neighboring conflicts and political developments in Türkiye, add complexity to the economic outlook. Future negative developments in the Turkish economy and the risk of falling short of growth targets could impair our business strategies and have a material adverse effect on our business, financial condition, results of operations and prospects.

Türkiye’s economy may be impacted by adverse events in other emerging markets and other global markets.

Emerging markets such as Türkiye are subject to a greater risk of being perceived negatively by investors based upon external events (for example, volatility in the emerging markets, monetary policies in the United States and the Eurozone or a slowdown in China’s growth) than more developed markets are, and financial turmoil in any emerging market (or global markets generally) could have a “contagion” effect and disrupt the business environment in Türkiye. Moreover, financial turmoil in one or more emerging markets tends to adversely affect stock prices and the prices for debt securities in all emerging market countries as investors move their money to countries that are perceived to be more stable and economically developed. An increase in the perceived risks associated with investing in emerging economies could dampen capital flows to Türkiye and adversely affect the Turkish economy.

Our performance will continue to be influenced by conditions in the global economy. The outlook for the global economy over the near to medium term remains challenging, which also affects prospects for stabilization and improvement of economic and financial conditions in Türkiye. Investors’ interest in Türkiye may be negatively affected by events in other emerging markets or the global economy in general, which could have a material adverse effect on our business, financial condition, results of operations and prospects.

Political instability in Türkiye may adversely affect our business.

Negative changes in the government and political environment, including the failure of the Government to devise or implement appropriate economic programs, may adversely affect the stability of the Turkish economy and, in turn, our business, financial condition, results of operations and prospects.

Political instability in Türkiye poses potential risks to our business, and developments in the country may impact the demand for our operations. Türkiye has witnessed periods of political and social volatility, with notable changes occurring, including a shift to a presidential system through a 2017 referendum. Subsequent events, such as the replacement of the Central Bank governor and fluctuations in the Turkish Lira's value, have influenced market dynamics.

The Central Bank's policy rate underwent fluctuations, reaching 50% in March 2024 after several adjustments. The outcome of the general and presidential elections in May 2023 resulted in the AKP coalition retaining a parliamentary majority, and President Erdoğan securing a third term after a second-round victory.

After the presidential elections in May 2023, key appointments, including the new Central Bank governor, Dr. Hafize Gaye Erkan and Dr. Fatih Karahan, and Minister of Treasury and Finance, Mehmet Şimşek, indicated a commitment to orthodox economic policies. Following these appointments, significant rate increases signaling monetary tightening shows commitment to orthodox economic policies within the new economic leadership.

While the recent implementation of orthodox economic policies led to upgrades in Türkiye's outlook by S&P and Fitch, uncertainties surrounding the government's economic agenda and Central Bank independence have affected investor perceptions. Moody's downgraded Türkiye from B1 to B3 during the period from 2020 to the first half of 2023, and S&P's rating declined from B+ to B with a negative trend. However, on September 6, 2024, Fitch affirmed Türkiye's long-term foreign currency debt rating at BB- with stable outlook, S&P upgraded Türkiye's rating to B+ on May 3, 2024 and on July 19, 2024 Moody's upgraded Türkiye's rating to B1 with a positive outlook. As of the date of this Offering Memorandum, Türkiye is rated BB- by Fitch, B1 by Moody's and B+ by S&P.

The potential failure of the Central Bank and/or Turkish Treasury to implement effective policies may adversely impact the Turkish economy, consequently affecting our business, financial condition, and results of operations. Ongoing political developments could contribute to Turkish financial market volatility and impact investor perception, potentially hindering Türkiye's ability to adopt reforms, support economic growth, and manage domestic social conditions. Any perceived or actual political instability in Türkiye may lead to economic volatility, posing material adverse effects on our business, financial condition, and results of operations as well as value of the Notes.

Difficulties financing Türkiye's high current account deficit may result in declining economic growth and demand and consequently negatively affect our business.

Although Türkiye's growth dynamics, to a degree, depend upon domestic demand, Türkiye is also dependent upon trade with Europe. A significant decline in the economic growth of any of Türkiye's major trading partners, such as the European Union, could have an adverse impact on Türkiye's balance of trade and adversely affect Türkiye's economic growth. Türkiye has diversified its export markets in recent years, but the European Union remains Türkiye's largest export market. A decline in demand for imports into the European Union could have a material adverse effect both on Turkish exports and Türkiye's economic growth, resulting in an increase in Türkiye's current account deficit. Financing the current account deficit could be difficult in the event of a global liquidity crisis and/or declining interest from foreign investors. A widening current account deficit could result in an increase in Türkiye's borrowing levels, a decline in the CBRT's reserves and/or depreciation of the Turkish Lira.

Türkiye’s economy has been subject to significant inflationary pressures in the past and may become subject to significant inflationary pressures in the future.

Inflation in Türkiye has increased to high levels in recent years, with the most significant increases occurring in 2022 and 2023. Average annual change in CPI was 53.9%, 72.3% and 19.6% in 2023, 2022 and 2021, respectively. The corresponding PPI figures was 49.9%, 128.5% and 43.9% in 2023, 2022 and 2021, respectively. However, more recent data suggests that a disinflationary period began in the second half of 2024. As of June 30, 2024, the annual inflation rate dropped from 75.5% to 71.6%, and declined further to 61.8% as of July 31, 2024 due to base effects. Annual inflation is expected to drop further in the second half of 2024. In response to high inflation, the CBRT implemented a number of stabilising measures and maintained its tight monetary stance. In addition to increasing its main policy rate to 50.0% on 21 March 2024, the CBRT introduced macroprudential measures, such as liquidity sterilization tools and limits on the growth rate of loans, to strengthen monetary transmission mechanism. On 8 August 2024, the CBRT released the third Inflation Report of 2024 where it kept its inflation projections unchanged at 38.0%, 14.0% and 9.0% at the end of 2024, 2025 and 2026 respectively. In its communication, CBRT listed the underlying trend of monthly inflation and domestic demand as upside risks, whereas foreign currency denominated import prices and administered prices as downside risks to inflation outlook in 2024. In the most recent meeting on September 19, 2024, the Central Bank Monetary Policy Committee decided to keep the policy rate constant at 50%.

Inflationary pressures may lead to further government intervention in the economy, including the introduction of government policies that may adversely affect the overall performance of the Turkish economy. The various impacts of inflation thus may have a material adverse effect on our business, financial condition, results of operations and prospects.

Türkiye is affected by global and regional political unrest.

Türkiye is located in a region that has been subject to ongoing political and security concerns and regional unrest, particularly as its geographic location places it amidst ongoing political and security challenges in neighboring countries such as Iraq, Syria, Iran, and Ukraine. The potential risks associated with investing in the Turkish market have historically been influenced by political uncertainties in these regions. Recent instances of political instability, exemplified by the conflict in Gaza, internal conflicts in Syria and Iraq, and cross-border operations by Türkiye to counter terrorist activities, underscore the delicate geopolitical landscape.

The invasion of Ukraine by Russia in 2022 has added layer of complexity, with global economic and market conditions being significantly impacted by widespread sanctions imposed on Russia. The potential consequences, including increased inflation, volatility in interest and exchange rates, and disruptions in global supply chains, pose a material risk to Türkiye’s economy.

Türkiye’s complex relationship with Russia, as well as its membership in NATO, adds to the uncertainty regarding the impact of geopolitical events. The economic ties with Russia, demonstrated by tourist inflows, energy supply (particularly natural gas), construction partnerships, exports, and imports, highlight the interconnectedness of the Turkish economy with global developments.

Strained relations with the United States further contribute to the risk landscape, as recent developments in the region and Türkiye’s acquisition of defense systems from Russia have led to considerations of potential sanctions and limitations on defense acquisitions. The possibility of further sanctions and the unknown outcome of legal processes could impact financial markets and strain diplomatic ties.

In the context of the European Union, Türkiye’s agreements, particularly in managing refugee flows and conflicting claims in the Eastern Mediterranean, have faced challenges. Potential EU actions, such as abolishing the customs union, ending accession bids, or imposing additional sanctions, could significantly strain Türkiye-

EU relations, potentially restricting Türkiye's access to EU funding and negatively impacting the Turkish economy.

These ongoing developments, characterized by regional unrest and geopolitical tensions, have the potential to exert a negative influence on the Turkish economy. Such impacts could have material adverse effects on our business, financial condition, and results of operations, emphasizing the importance of closely monitoring the evolving geopolitical landscape.

Risks Related to the Notes

Covenants in our financing agreements and the Notes may limit our flexibility, and breach of such covenants may negatively affect its financial position

The Notes contain restrictive covenants that require the Issuer to abstain from certain actions. In addition, the terms of the Notes require that the Issuer complies with certain financial covenants or maintain certain financial ratios. These restrictive covenants and other requirements may affect the ability of the Issuer to obtain loans, pay dividends, dispose of or acquire assets or execute contracts out of the ordinary course of business, or create security. The Notes contain restrictive conditions imposing limitations on change of control, ownership, corporate structure, reorganizations and mergers. See "*Terms and Conditions.*"

The ability of the Issuer to comply with these covenants may be affected by events beyond their control, including prevailing economic, financial and industry conditions. If the Issuer breach any of these covenants, the Issuer could be in default under their credit facilities and other indebtedness. This may permit relevant lending banks or other relevant counterparties to such indebtedness to take certain actions, including potentially declaring all amounts under such indebtedness to be due and payable, together with accrued and unpaid interest and other fees, if any. This may also result in an event of default under the Notes, the Trust Deed and other of the Issuer's debt instruments. Borrowings under other debt instruments that contain cross-acceleration or cross-default provisions may also be accelerated and become due and payable as a result. If the debt under the credit facilities and other indebtedness or the Notes or any other material financing arrangement that the Issuer enters into were to be accelerated, the Issuer's assets may be insufficient to repay in full the Notes and such other indebtedness.

The Notes' optional redemption feature is likely to limit their market value

The Notes contain an optional redemption feature, which is likely to limit their market value. During any period when the Issuer may elect to redeem Notes, the market value of the Notes generally may not rise substantially above the price at which they can be redeemed. This also may be true prior to any redemption period. The Issuer may be expected to redeem the Notes when its cost of borrowing is lower than the interest rate on the Notes having taken into account the cost of redeeming the Notes. At those times, an investor generally would not be able to reinvest the redemption proceeds at an effective interest rate as high as the interest rate on the Notes being redeemed and may only be able to do so at a significantly lower rate. Potential investors should consider reinvestment risk in light of other investments available at that time.

The Issuer may not be able to finance a redemption at the option of the Noteholders upon a change of control

Upon the occurrence of certain events constituting both a Change of Control Event and a Change of Control Ratings Decline (as defined in the Conditions), the Issuer is required to redeem any Note presented at the option of the holder thereof at a purchase price in cash of 101% of the principal amount of such Note, plus additional amounts, if any, and accrued and unpaid interest to (but excluding) the redemption date.

If a Change of Control Event and a Change of Control Ratings Decline were to occur, there can be no assurance that the Issuer would have sufficient funds available at the time to pay the purchase price of the outstanding

Notes. Third-party financing may be required in order to provide the funds necessary for the Issuer redeem such Notes and to refinance any other indebtedness that would become payable upon the occurrence of such events. The Issuer may not be able to obtain such additional financing on terms favorable to it or at all. See Condition 7.5 (*Redemption at the Option of Noteholders (Change of Control)*). Any failure by the Issuer to offer to purchase the Notes would constitute a default under the Notes, which would, in turn, constitute a default under certain other indebtedness.

The change of control provisions contained in the Conditions may not necessarily afford Noteholders protection in the event of certain important corporate events, including a reorganization, restructuring, merger or other similar transaction involving the Issuer that may adversely affect Noteholders, because such corporate events may not involve a shift in voting power or beneficial ownership or, even if they do, may not constitute a Change of Control Event. Further, an occurrence of a Change of Control Event may not be accompanied by a Change of Control Ratings Decline, in which case the Issuer will not be under any obligation to redeem the Notes. Except as described in the Conditions, the Notes will not contain provisions that would require the Issuer to offer to repurchase or redeem the Notes in the event of a reorganization, restructuring, merger, recapitalization or similar transaction.

The shares representing the Issuer share capital is pledged by the Issuer’s shareholder.

The shares representing the Issuer’s share capital were pledged as security by the Principal Shareholder under the Principal Shareholder and GEDIZ EPSAŞ Facility and Facility Agreement. See “*Risks Related to Our Industry and Business—Our indirect shareholder Aydem Holding is guarantor to its subsidiaries’ financial indebtedness and the Principal Shareholder has provided a share pledge over our shares representing the majority of our share capital in favor of the Principal Shareholder and Gediz EPSAŞ’s creditors.*” While the Issuer intends to prepay certain of the Cash Loans under the Facility Agreement using a portion of the net proceeds of the Offering, the share pledge provided for the benefit of the Creditors of the Facility Agreement will remain effective. See “*Management’s Discussion and Analysis of Results of Operations and Financial Condition—Liquidity and Capital Resources—Loan Facility—Facility Agreement.*” An event of default under the Facility Agreement or under the financing arrangements of the Principal Shareholder could lead to the occurrence of such an event, which could constitute a Change of Control Event, which could have a material adverse effect on our business, financial condition, results of operations and prospects.

Group companies will be required to accede as Guarantors under the Notes in limited circumstances.

The Issuer and the Guarantors (after eliminating intra-group transactions) shall comprise 100% of each of the Consolidated EBITDA, gross assets, net assets and turnover of the Group (such requirement being the “**Guarantor Coverage Threshold**”). If, at any time, the Issuer and the Guarantors are not in compliance with the Guarantor Coverage Threshold, the Issuer and the Guarantors shall within 60 days cause any additional Subsidiaries of the Issuer and/or such Guarantors, on a joint and several basis with each other Guarantor, to unconditionally and irrevocably guarantee the due payment of all moneys payable by the Issuer and any other Guarantor under the Notes and the Trust Deed in order to comply with the Guarantor Coverage Threshold. See Condition 4.13 (*Additional Guarantees*) for further information.

There can be no assurance that the Trustee or Noteholders will have recourse to material assets and/or revenues of the Group in such circumstances, or, where a member of the Group accedes as a Guarantor, that Noteholders will be able to effectively enforce a claim against a Turkish Guarantor as a matter of Turkish law (see “*Limitations on Validity and Enforceability of the Turkish Collateral and the Turkish Guarantees and Certain Turkish Insolvency Law Considerations*”) or, in the case of any Guarantor that may be incorporated outside of Turkey, the laws of that jurisdiction.

Redemption prior to maturity for tax reasons

If the Issuer would be obliged to increase the amounts payable in respect of the Notes due to any change in or amendment to the laws or regulations of any Relevant Jurisdiction (as defined in the Conditions), the Issuer may redeem all outstanding Notes in accordance with the Conditions of the Notes. As with the optional redemption feature of the Notes referred to above, it may not be possible to reinvest the redemption proceeds at an effective interest rate as high as the interest rate on the Notes and this may only be possible at a significantly lower rate.

There is no public trading market for the Notes and an active trading market in respect of the Notes may never be established or may be illiquid and this would adversely affect the value at which an investor could sell their Notes

The Notes may have no established trading market when issued, and one may never develop. If a market does develop, it may not be very liquid. Therefore, investors may not be able to sell their Notes easily or at prices that will provide them with a yield comparable to similar investments that have a developed secondary market. If investments in the Notes are traded after their initial issuance, then they might trade at a discount to their initial offering price, depending upon prevailing interest rates, the market for similar securities, general economic conditions and the Issuer's financial condition. Although an application has been made to Euronext Dublin for the Notes to be admitted to listing on the Official List and to trading on its GEM, there can be no assurance that such applications will be accepted, that an active trading market will develop or, if developed, that it can be sustained. If an active trading market for investments in the Notes is not developed or maintained, then the market or trading price and liquidity of investments in the Notes may be adversely affected.

The market price of the Notes is subject to a high degree of volatility

The market price of investments in the Notes could be subject to significant fluctuations in response to actual or anticipated variations in the Issuer's operating results, adverse business developments, changes to the regulatory environment in which the Issuer operates, changes in power prices, changes in financial estimates by securities analysts and the actual or expected sale by the Issuer of other debt securities. In addition, in recent years the global financial markets have experienced significant price and volume fluctuations that, if repeated in the future, could adversely affect the market price of investments in the Notes without regard to the Issuer's financial condition or results of operations.

The market price of investments in the Notes is also influenced by economic and market conditions in Türkiye and, to varying degrees, economic and market conditions in emerging markets generally. Although economic conditions differ in each country, the reaction of investors to developments in one country may cause capital markets in other countries to fluctuate. Developments or economic conditions in other emerging market countries have at times significantly affected the availability of credit to the Turkish economy and resulted in considerable outflows of funds and declines in the amount of foreign investments in Türkiye. Crises in other emerging market countries may diminish investor interest in securities of Turkish issuers, including the Issuer's, which could adversely affect the market price of investments in the Notes.

The Conditions and the Trust Deed contain provisions which may permit their modification without the consent of all, or even a majority of, Noteholders and in certain limited circumstances without the consent of any Noteholders and without regard to the individual interests of particular Noteholders

The Conditions contain provisions for calling meetings of Noteholders to consider matters affecting their interests generally. These provisions permit defined majorities (which, under certain circumstances, may even amount to a minority of holders of the face amount of the Notes for the time being outstanding) to bind all Noteholders including Noteholders who did not attend and vote at the relevant meeting and Noteholders who voted in a manner contrary to the majority (or, as the case may be, in certain circumstances, the minority).

The Conditions and the Trust Deed also provide that the Trustee may, without the consent of the Noteholders, agree to: (i) any modification of any of the provisions of the Notes Documents (including, without limitation, the Trust Deed and the Conditions) which is in its opinion of a formal, minor or technical nature or is made to correct a manifest error or an error which in the opinion of the Trustee is proven; and (ii) any other modification (other than as mentioned in the Trust Deed) of the Conditions or the Notes Documents, or the waiver or authorization of any breach or proposed breach of, any of the Conditions or any of the provisions of the Notes Documents or determine that any Event of Default or Potential Event of Default shall not be treated as such if, in the opinion of the Trustee, the interests of the Noteholders would not be materially prejudiced thereby, *provided that* the Trustee shall not do so in contravention of an express direction given by an Extraordinary Resolution or a request made pursuant to Condition 12 (*Meetings of Noteholders, Modification, Waiver and Authorisation*).

Decisions of the holders of the required majority of the Notes bind all Noteholders

The conditions of the Notes will contain provisions for calling meetings of Noteholders to consider matters affecting their interests generally. These provisions will permit Noteholders holding defined percentages of Notes to bind all Noteholders, including Noteholders who did not attend and vote at the relevant meeting and Noteholders who voted in a manner contrary to the majority. See Condition 12 (*Meetings of Noteholders, Modification, Waiver and Authorisation*).

The Issuer may create and issue further Notes

The Issuer may from time to time without the consent of the Noteholders create and issue further Notes having terms and conditions that are the same as those of the Notes, or the same except for the amount of the first payment of interest, which new Notes may be consolidated and form a single series with the outstanding Notes even if doing so may adversely affect the value of the original Notes.

Exchange rate risks and exchange controls

The Issuer will pay principal and interest on the Notes in U.S. dollars. This presents certain risks relating to currency conversions if an investor's financial activities are denominated principally in a currency or currency unit (the "**Investor's Currency**") other than U.S. dollars. These include the risk that exchange rates may significantly change (including changes due to devaluation of U.S. dollars or revaluation of the Investor's Currency) and the risk that authorities with jurisdiction over the Investor's Currency may impose or modify exchange controls. An appreciation in the value of the Investor's Currency relative to U.S. dollars would decrease (1) the Investor's Currency-equivalent yield on the Notes, (2) the Investor's Currency-equivalent value of the principal payable on the Notes and (3) the Investor's Currency-equivalent market value of the Notes.

Government and monetary authorities may impose (as some have done in the past) exchange controls that could adversely affect an applicable exchange rate. As a result, investors may receive less interest or principal than expected, or no interest or principal.

Credit ratings may not reflect all risks

The Issuer expects the Notes to be rated BB- by Fitch and B2 by Moody's. A rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension or withdrawal at any time by the assigning rating organization.

The foregoing credit ratings do not mean that the Notes are a suitable investment. The credit ratings assigned to the Notes at any time may not reflect the potential impact of all risks related to structure, market, the factors discussed above and other factors that may affect the value of the Notes. A credit rating is not a recommendation to buy, sell or hold securities and may be revised or withdrawn by the rating organization at any time. A credit rating reflects only the views of the assigning rating organization. Investors must conduct their own assessments

of the Issuer and its business, operations, assets and financial position, and are strongly cautioned not to place undue emphasis on any particular rating that has been assigned to the Notes.

Similar ratings on different types of notes do not necessarily mean the same thing. The initial ratings by Fitch and Moody's will not address the likelihood that the principal on the Notes will be prepaid or paid on the scheduled maturity date. Such ratings also will not address the marketability of investments in the Notes or any market price. Any change in the credit ratings of the Notes or the Issuer could adversely affect the price that a subsequent purchaser will be willing to pay for investments in the Notes. The significance of each rating should be analyzed independently from any other rating.

In general, European regulated investors are restricted under the CRA Regulation from using credit ratings for regulatory purposes, unless such ratings are issued by a credit rating agency established in the EEA and registered under the CRA Regulation (and such registration has not been withdrawn or suspended), subject to transitional provisions that apply in certain circumstances. Such general restriction will also apply in the case of credit ratings issued by non-EEA credit rating agencies, unless the relevant credit ratings are endorsed by an EEA-registered credit rating agency or the relevant third country rating agency is certified in accordance with the CRA Regulation (and such endorsement action or certification, as the case may be, has not been withdrawn or suspended). The list of registered and certified rating agencies published by the ESMA on its website in accordance with the CRA Regulation is not conclusive evidence of the status of the relevant rating agency included in such list, as there may be delays between certain supervisory measures being taken against a relevant rating agency and the publication of the updated ESMA list.

Investors regulated in the UK are subject to similar restrictions under the CRA Regulation as it forms part of UK domestic law by virtue of the EUWA (the "**UK CRA Regulation**"). As such, UK regulated investors are required to use for UK regulatory purposes ratings issued by a credit rating agency established in the UK and registered under the UK CRA Regulation. In the case of ratings issued by third country non-UK credit rating agencies, third country credit ratings can either be: (a) endorsed by a UK registered credit rating agency; or (b) issued by a third country credit rating agency that is certified in accordance with the UK CRA Regulation. Note this is subject, in each case, to (a) the relevant UK registration, certification or endorsement, as the case may be, not having been withdrawn or suspended, and (b) transitional provisions that apply in certain circumstances. In the case of third country ratings, for a certain limited period of time, transitional relief accommodates continued use for regulatory purposes in the UK, of existing pre-2021 ratings, provided the relevant conditions are satisfied.

If the status of any rating agency rating the Notes changes for the purposes of the CRA Regulation or the UK CRA Regulation, relevant regulated investors may no longer be able to use the rating for regulatory purposes in the EEA or the UK, as applicable, and the Notes may have a different regulatory treatment, which may impact the value of the Notes and their liquidity in the secondary market.

Transfer of investments in the Notes will be subject to certain restrictions

The Notes have not been and will not be registered under the Securities Act or under any other national, state or local securities laws of the United States. Prospective investors may not offer or sell the Notes, except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act or any other national, state or local securities laws of the United States. Similar restrictions will apply in other jurisdictions. Prospective investors should read the discussion under "*Transfer Restrictions*" for further information about these transfer restrictions. It is Noteholders' obligation to ensure that their offers and sales of the Notes within the United States and other countries comply with any applicable securities laws.

As the Global Certificates are held by or on behalf of Euroclear, Clearstream, Luxembourg and DTC, investors will have to rely on their procedures for transfer, payment and communication with the Issuer and any enforcement of their rights

The Notes will be represented by the Global Certificates except in certain limited circumstances described therein. The Unrestricted Global Certificate will be deposited with the Common Depository for and registered in the name of a nominee of the Common Depository for, Euroclear and Clearstream, Luxembourg. The Restricted Global Certificate will be registered in the name of a nominee of, and deposited with a custodian for, DTC. Except in certain limited circumstances described in the Global Certificates, investors will not be entitled to receive definitive Notes. Euroclear, Clearstream, Luxembourg and DTC will maintain records of the beneficial interests in the Global Certificates. While the relevant Notes are represented by the Global Certificates, investors will be able to trade their beneficial interests only through Euroclear, Clearstream, Luxembourg and/or DTC, as applicable.

The Issuer will discharge its payment obligations under the Notes by making payments through DTC or to the Common Depository for Euroclear and Clearstream, Luxembourg (as the case may be) for distribution to their account holders. A holder of a beneficial interest in the Global Certificates must rely on the procedures of DTC, Euroclear and Clearstream, Luxembourg (as the case may be) to receive payments under the Notes. The Issuer has no responsibility or liability for the records relating to, or payments made in respect of, beneficial interests in the Global Certificates.

Holders of beneficial interests in the Global Certificates will not have a direct right to vote in respect of the Notes or to directly enforce their rights therein. Instead, such holders will be permitted to act only to the extent that they are enabled by DTC, Euroclear and Clearstream, Luxembourg (as the case may be) to appoint appropriate proxies and otherwise in reliance on the procedures of DTC, Euroclear and Clearstream, Luxembourg and/or direct participants in such clearing systems. The Issuer cannot guarantee that procedures implemented for the granting of such proxies will be sufficient to enable holders of beneficial interests in the Notes to vote on any requested actions, enforce the rights of Noteholders with respect to the Notes or to take any other action on a timely basis or at all.

The Notes may not be a suitable investment for all investors

Each potential investor in any Notes must determine the suitability of that investment in light of its own circumstances. In particular, each potential investor should:

- have sufficient knowledge and experience to make a meaningful evaluation of the Notes, the merits and risks of investing in the Notes and the information contained in this Offering Memorandum;
- have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the Notes and the impact such investment will have on its overall investment portfolio;
- have sufficient financial resources and liquidity to bear all of the risks of an investment in the Notes;
- understand thoroughly the terms of the Notes; and
- be able to evaluate (either alone or with the help of a financial adviser) possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.

A potential investor should not invest in the Notes, which are complex financial instruments, unless it has the expertise (either alone or with the help of a financial adviser) to evaluate how the Notes will perform under changing conditions, the resulting effects on the value of such Notes and the impact this investment will have on the potential investor's overall investment portfolio.

Risks Relating to Enforcement

It may not be possible for investors to enforce foreign judgments against the Issuer or its management in certain circumstances

The Issuer is incorporated as a joint stock company (*anonim şirket*) under the laws of Türkiye. All of the directors and officers of the Issuer reside inside Türkiye and all or a substantial portion of the assets of such persons may be, and substantially all of the assets of the Issuer are, located in Türkiye. As a result, it may not be possible for investors to effect service of process upon such persons outside Türkiye or to enforce against them in the courts of jurisdictions other than Türkiye any judgments obtained in such courts that are predicated upon the laws of such other jurisdictions.

In addition, under the Turkish International Private and Procedure Law No. 5718, a judgment of a court established in a country other than the Republic of Türkiye may not be enforced in Turkish courts in certain circumstances. Although Turkish courts generally recognize enforceable judgments of English courts on the basis that there is de facto reciprocity between the United Kingdom and Türkiye with respect to the enforcement of judgments of their respective courts, there is no treaty between the United Kingdom and Türkiye providing for reciprocal enforcement of judgments. For further information, see “*Certain Insolvency and Enforceability Considerations.*”

The Conditions of the Notes are governed by English law and the terms are specified with reference to that law as in effect as at the date of this Offering Memorandum. Similarly, the enforcement rights of the Noteholders against the Issuer and its assets in Türkiye assume the application of Turkish law as presently in effect. Any possible judicial decision or change to English or Turkish law or administrative practice after the date of this Offering Memorandum may impact the Notes.

Furthermore, any claim against the Issuer which is denominated in a foreign currency would, upon pronouncement of bankruptcy of the Issuer, only be payable in Turkish Lira, thereby shifting the currency exchange risk from the Issuer to the Noteholders. The relevant exchange rate for determining the Turkish Lira amount of any such claim would be the Central Bank’s exchange rate for the purchase of the relevant currency, which is effective on the date when the relevant court’s decision on the bankruptcy is rendered in accordance with Turkish law. Such exchange rate may be less favorable to a Noteholder than the rate of exchange prevailing at the relevant time.

A Turkish court may not recognize English law as the governing law of certain non-contractual obligations

A Turkish court may not recognize English law as the governing law of certain non-contractual obligations. The Conditions provide that the Notes, the Trust Deed and any non-contractual obligations arising out of or in connection therewith, are governed by, and will be construed in accordance with, English law.

However, the Turkish International Private and Procedure Law No. 5718 imposes certain restrictions in relation to the choice of law for certain non-contractual obligations. In particular, the Turkish International Private and Procedure Law No. 5718 provides that parties are permitted to choose the law applicable to claims relating to tort and/or unjust enrichment only after the commitment or occurrence of the relevant tortious act or the relevant unjust enrichment. As a result, a Turkish court may refuse to apply English law to any such non-contractual obligations arising out of or in connection with the Notes, and the Trust Deed and may decide to apply Turkish law in respect of such obligations. For further information, see “*Certain Insolvency and Enforceability Considerations.*”

USE OF PROCEEDS

We will use the net proceeds of the Offering to prepay a portion of the existing debt, meet net working capital needs and for capital expenditures.

The following table shows the expected estimated sources and uses of funds related to the Offering and the use of proceeds therefrom. Actual amounts will vary from estimated amounts depending on several factors, including, but not limited to, differences from our estimated costs, fees and expenses, and estimates of the cost of repaying the existing bank loans.

The U.S. dollar and TL- equivalent amounts are based on the Turkish Republic Central Bank exchange rate of \$1.00 to TL 32.82 as of June 30, 2024.

Sources of Funds			Use of Funds		
	\$ million	TL million		\$ million	TL million
Notes offered hereby	396	12,999	Prepayment of existing debt ⁽¹⁾	260 ⁽²⁾	8,533
			Net working capital needs ⁽³⁾	100	3,282
			Capital expenditure ⁽⁴⁾	21	691
			Fees and expenses	15	493
Total sources	396	12,999	Total uses	396	12,999
	396	12,999		396	12,999

Notes:

- (1) A portion of the existing borrowings (including outstanding principal and outstanding and unpaid accrued interest) under the Facility Agreement will be prepaid with the net proceeds from the issuance of the Notes. For further details, see “*Management Discussion and Analysis of Financial Condition and Results of Operations – Facility Agreement.*”
- (2) Represents the payment in U.S. dollar terms as principal and accrued interest as at the date of this Offering Memorandum.
- (3) Represents the payment of public debts including (i) total outstanding debt to TEİAŞ (see “*Risk Factors—Risks Related to Our Industry and Business —The Distribution Tariff is based on forecasts created by us and EMRA and failure to make accurate forecasts could have a material adverse effect on our business, financial condition and results of operations and prospects*”) and (ii) total outstanding payments to EÜAŞ in connection with street lighting and electricity needed for theft and loss. As at June 30, 2024, the aggregate amount of these debts was TL 4,113,857. For further details, see Note 4.2 to the Interim Financial Statements.
- (4) Represents the payment of capital expenditure investments related to our operations.

CAPITALIZATION

The following table sets forth our cash and cash equivalents and our capitalization as of June 30, 2024, based on (i) the Interim Financial Statements included elsewhere in this Offering Memorandum and (ii) adjustments related to the Offering as if such events had occurred on June 30, 2024.

The figures in the following table represent the carrying value of liabilities comprised and shown separately as the outstanding principal and accrued contractual interest and unamortized issuance costs.

You should read this table in conjunction with “*Presentation of Financial and Other Information*,” “*Summary Historical Financial and Operational Data*,” “*Selected Historical Financial and Operational Data*” and “*Management Discussion and Analysis of Financial Condition and Results of Operations*” and the Financial Statements included elsewhere in this Offering Memorandum.

Actual amounts may vary from estimated amounts depending on several factors, including but not limited to differences from our estimate of fees and expenses, fluctuations in cash on hand between June 30, 2024 and the Issue Date and fluctuations in applicable exchange rates.

	As of June 30, 2024		
	Actual	Adjustments	As Adjusted⁽¹⁾
		<i>(TL millions)</i>	
Cash and cash equivalents	14	4,466	4,480
Financial liabilities			
Total financial liabilities	10,500	(8,533)	1,967
Notes offered hereby ⁽²⁾	—	12,999	12,999
Total financial liabilities	10,500	4,466	14,966
Total equity	15,559	—	15,559
Total capitalization	26,059	4,466	30,525

Notes:

- (1) The As Adjusted column reflects adjustments for the Offering and the application of the proceeds thereof.
- (2) The Notes have been presented at their principal amount. The TL equivalent is based on the Turkish Republic Central Bank exchange rate of \$1.00 to TL 32.82 as of June 30, 2024.

Except as described in this Offering Memorandum, there have not been any significant changes in the Issuer’s capitalization since June 30, 2024.

SELECTED HISTORICAL FINANCIAL AND OPERATIONAL DATA

The following tables set forth our selected historical financial and operating data as of the dates and for the periods indicated. The selected financial information as of and for the six months ended June 30, 2023 and 2024 have been derived from the Interim Financial Statements. The selected financial information as of and for the year ended December 31, 2023, 2022 and 2021 have been derived from the Fully Year Financial Statements.

The summary unaudited financial information for the twelve months ended June 30, 2024 presented in the table below has been derived by subtracting audited statement of profit or loss data for the six months ended June 30, 2024 from the audited statement of profit or loss data for the year ended December 31, 2023. The financial information for the twelve months ended June 30, 2024 is expressed in terms of purchasing power of Turkish Lira as of June 30, 2024. The financial information for the twelve months ended June 30, 2024 has been prepared for illustrative purposes only and is not necessarily representative of our results of operations for any future period at any future date, is not prepared in the ordinary course of our financial reporting and has not been audited or reviewed by our independent auditors.

The following selected financial and operating information should be read in conjunction with, and is qualified in its entirety by reference to, the Financial Statements and other relevant information included elsewhere in this Offering Memorandum. The selected historical financial information contained herein has been derived from the Financial Statements, which have been prepared and presented in accordance with TFRS. You should read the following information in conjunction with “*Presentation of Financial and Other Information*,” “*Management Discussion and Analysis of Financial Condition and Results of Operations*” and the Financial Statements.

The Issuer has applied TAS 29 to the financial statements as of and for the year ended December 31, 2023, and the corresponding figures for the years ended December 31, 2021 and 2022 have been restated for the changes in the general purchasing power of Turkish Lira and, as a result, are expressed in terms of purchasing power of TL as of December 31, 2023 as per TAS 29. The Issuer has applied TAS 29 to the financial statements as of and for the six months ended June 30, 2024, and the corresponding figures for the six months ended June 30, 2023 have been restated for the changes in the general purchasing power of Turkish Lira and, as a result, are expressed in terms of purchasing power of TL as of June 30, 2024 as per TAS 29. Due to the differences in dates used for purchasing power of TL, the Annual Financial Statements are not immediately comparable to the Interim Financial Statements. See “*Appendix: Conversion of December 31, 2021, 2022 and 2023 Financial Statements*” for a conversion of financial statements for the years ended December 31, 2021, 2022 and 2023 from the purchasing power of Turkish Lira as of December 31, 2023 to the purchasing power of Turkish Lira as of June 30, 2024. See also “*Presentation of Financial and Other Information—TAS 29 Financial Reporting in Hyperinflation Economies*.”

Statement of Profit or Loss

	For the year ended December 31,			For the six months ended June 30,		For the twelve months ended June 30, ⁽¹⁾
	2021	2022	2023	2023	2024	2024
	(audited)			(unaudited)		
Profit or Loss Statement						
Revenue	15,616	24,114	26,527	15,390	11,686	29,385

	For the year ended December 31,			For the six months ended June 30,		For the twelve months ended June 30, ⁽¹⁾
Cost of Sales	(5,897)	(8,001)	(7,204)	(3,838)	(2,599)	(7,747)
Gross Profit	9,719	16,113	19,323	11,552	9,087	21,638
General Administrative Expenses.....	(1,675)	(2,655)	(3,216)	(1,784)	(2,154)	(4,380)
Other Income from Operating Activities	101	145	102	19	1,232	1,340
Other Expenses from Operating Activities	(1,014)	(1,327)	(2,243)	(1,820)	(534)	(1,513)
Operating Profit	7,130	12,277	13,965	7,967	7,631	17,085
Finance Income.....	1,708	1,002	435	321	278	500
Finance Expense	(8,528)	(6,065)	(6,510)	(5,299)	(2,690)	(5,511)
Monetary Gain/(Loss).....	(785)	(1,614)	(3,812)	(1,688)	(2,176)	(5,209)
Income Before Tax	(475)	5,600	4,078	1,301	3,043	6,864
Tax Income/(Expense)	(340)	(975)	2,400	(872)	(978)	2,887
Current Tax Expense	(121)	52	(23)	(39)	—	11
Deferred Tax Income/(Expense).....	(219)	(1,027)	2,423	(832)	(978)	2,877
Net Profit/(Loss) for the Period	(815)	4,625	6,478	430	2,066	9,752

Note:

- (1) The financial information for the twelve months ended June 30, 2024 is expressed in terms of purchasing power of Turkish Lira as of June 30, 2024.

Statement of Financial Position

	As of December 31,			As of June 30,
	2021	2022	2023	2024
	(audited)			(unaudited)
	<i>(TL millions)</i>			

ASSETS

Current Assets

Cash and Cash Equivalents.....	23	139	32	14
Trade Receivables.....	2,924	2,309	4,911	5,491
<i>Due from related parties</i>	2,026	795	3,178	2,223
<i>Due from third parties</i>	898	1,514	1,733	3,268
Other Receivables.....	300	285	17	23
<i>Due from related parties</i>	275	267	-	1
<i>Due from third parties</i>	25	18	17	22

	As of December 31,			As of June 30,
	2021	2022	2023	2024
		(audited)		(unaudited)
	<i>(TL millions)</i>			
Financial assets related to concession arrangements.....	5,002	8,384	7,546	7,272
Inventories	827	666	890	818
Prepaid expenses.....	31	51	30	62
Current income tax asset.....	195	-	8	8
Other Current Assets.....	220	511	92	—
Total Current Assets	9,521	12,344	13,526	13,688
Non-Current Assets				
Trade receivables	—	—	—	1,213
<i>Due from third parties</i>	—	—	—	1,213
Other Receivables.....	2,380	1,406	87	165
<i>Due from related parties</i>	2,312	1,334	-	—
<i>Due from third parties</i>	69	73	87	165
Financial assets related to concession arrangements.....	8,172	11,953	14,028	17,933
Property, plant and equipment	20	15	9	9
Right of Use Assets	174	152	90	436
Intangible Assets.....	1	0	0	—
Prepaid expenses.....	3	8	4	4
Deferred Tax Assets	—	—	834	63
Other Non-Current Assets	566	12	294	342
Total Non-Current Assets	11,316	13,547	15,349	20,164
TOTAL ASSETS	20,837	25,891	28,874	33,853
LIABILITIES				
Short-term Liabilities				
Short-term portion of long-term borrowings	2,211	1,409	1,830	2,406
Other Financial Liabilities	153	86	86	95
Trade Payables.....	3,248	5,666	5,315	5,218
<i>Due to related parties</i>	160	994	505	416
<i>Due to third parties</i>	3,087	4,673	4,811	4,802
Payables for Employee Benefits	8	17	22	40
Other Payables.....	406	256	143	183
<i>Due to related parties</i>	259	24	0	109
<i>Due to third parties</i>	147	232	143	75
Deferred Income	989	129	1,287	1,265
Short-term Provisions	198	201	194	166

	As of December 31,			As of June 30,
	2021	2022	2023	2024
		(audited)		(unaudited)
	(TL millions)			
<i>Short-term Provisions for Employee Benefits</i>	36	46	57	—
<i>Other short-term Provisions</i>	162	155	137	166
Other Short-term Liabilities	139	241	219	167
Total Short-Term Liabilities	7,352	8,006	9,096	9,539
Long-term Liabilities				
Long-term Borrowings	10,737	8,572	7,440	8,094
Other Financial Liabilities	480	315	239	218
Other Payables	60	47	79	56
<i>Due to third parties</i>	60	47	79	56
Deferred Income	910	1,997	1,092	227
Long-term Provisions	87	94	111	160
<i>Unused vacation</i>	19	23	32	50
<i>Long-term Provisions for Employee Benefits</i>	69	71	79	110
Deferred Tax Liabilities	561	1,587	-	—
Total Long-term Liabilities	12,836	12,613	8,961	8,754
Total Liabilities				
Paid-in capital	510	510	510	510
Adjustment to share capital	4,379	4,379	4,379	5,588
Capital advance	—	—	142	—
Accumulated other comprehensive income items that will not be reclassified to profit or loss	—	(4)	1	2
<i>Remeasurement gains of defined benefit plans</i>	—	(4)	1	2
Restricted profit reserves	640	640	640	799
Accumulated profits/(losses)	(4,064)	(4,879)	(1,333)	6,595
Net profit/(loss) for the period	(815)	4,625	6,478	2,066
Total Equity	650	5,272	10,817	15,559
Total Equity and Liabilities	20,837	25,891	28,874	33,853

Statement of Cash Flow

	For the year ended December 31,			For the six months ended June 30,	
	2021	2022	2023	2023	2024
	(audited)			(unaudited)	
	<i>(TL millions)</i>				
Net cash flow from/(used in) operating activities.....	1,931	6,166	2,460	2,031	1,723
Net cash flow from/used in investing activities.....	(2,107)	(4,488)	(1,865)	(905)	(619)
Net cash flow from/(used in) financing activities.....	(449)	(1,478)	(660)	(866)	(1,126)
Cash and cash equivalents at the beginning of the period.....	738	23	139	173	40
Cash and cash equivalents at the end of the period.....	23	139	32	234	14
Inflation effect on cash and cash equivalents at the beginning of the period	(90)	(84)	(42)	(198)	(4)
Net (decrease)/increase in cash and cash equivalents.....	(715)	116	(107)	61	(26)

Other Financial Data

	For the year ended December 31,			For the six months ended June 30,		For the twelve months ended June 30, ⁽⁷⁾
	2021	2022	2023	2023	2024	2024
		<i>(TL millions, unless indicated otherwise)</i>				
EBITDA plus capital expenditure reimbursement ⁽¹⁾	8,970	14,520	16,535	9,565	9,580	20,640
Financial Borrowings ⁽²⁾	13,581	10,382	9,595	14,622	10,813	
Net Debt ⁽³⁾	13,559	10,243	9,563	14,388	10,799	
Net Debt/EBITDA plus capital expenditure reimbursement ⁽⁴⁾	1.5	0.7	0.6	1.5	1.1	
Free Cash Flow ⁽⁵⁾	2,339	786	4,068	3,308	2,216	3,982
Net Working Capital ⁽⁶⁾	2,170	4,338	4,430	3,099	4,149	

Notes:

- (1) We calculate EBITDA plus capital expenditure reimbursement as the total of operating profit, depreciation and amortization and capital expenditure reimbursement. The following table shows how we calculated EBITDA plus capital expenditure reimbursement for the periods indicated:

	For the year ended December 31,			For the six months ended June 30,		For the twelve months ended June 30, ⁽⁷⁾
	2021	2022	2023	2023	2024	2024
	<i>(TL millions)</i>					
Operating profit.....	7,130	12,277	13,965	7,967	7,631	17,085
Depreciation and amortization	73	88	102	59	208	275
CAPEX reimbursement.....	1,768	2,155	2,468	1,539	1,741	3,279
EBITDA plus capital expenditure reimbursement	8,970	14,520	16,535	9,565	9,580	20,640

Notes:

- (2) We calculate Financial Borrowings as the short-term portion of long-term borrowings, other short-term financial liabilities, long-term borrowings and other long-term financial liabilities. The following table shows how we calculate Financial Borrowings for the period indicated:
- (3) We calculate Net Debt as Financial Borrowings less Cash and Cash Equivalents. The following table shows how we calculated Net Debt for the periods indicated:

	For the year ended December 31,			For the six months ended June 30,	
	2021	2022	2023	2023	2024
	<i>(TL millions)</i>				
Short-term portion of long-term borrowings ...	2,211	1,409	1,830	2,083	2,406
Other short-term financial liabilities	153	86	86	127	95
Long-term borrowings	10,737	8,572	7,440	12,002	8,094
Other long-term financial liabilities	480	315	239	410	218
Financial Borrowings.....	13,581	10,382	9,595	14,622	10,813
Cash and Cash Equivalents	23	139	32	234	14
Net Debt	13,559	10,243	9,563	14,388	10,799

Notes:

- (4) Net Debt/EBITDA plus capital expenditure reimbursement ratio is calculated using total borrowings less cash and cash equivalents dividend by EBITDA plus capital expenditure reimbursement.
- (5) We calculate Free Cash Flow as EBITDA plus capital expenditure reimbursement less Financial Income plus WACC collection less capital expenditure plus other adjustments. The following table shows how we calculate Free Cash Flow for the periods indicated:

	For the year ended December 31,			For the six months ended June 30,		For the twelve months ended June 30, ⁽⁷⁾
	2021	2022	2023	2023	2024	2024
	<i>(TL millions)</i>					
EBITDA plus capital expenditure reimbursement.....	8,970	14,520	16,535	9,565	9,580	20,640
Financial Income from Service Concession Arrangements.....	(6,856)	(14,255)	(14,142)	(8,122)	(6,636)	(16,149)
WACC Collection.....	1,121	1,395	1,626	1,014	1,133	2,147
Capital Expenditure.....	(2,095)	(4,487)	(1,865)	(905)	(619)	(2,039)
Other Adjustments*.....	1,198	3,613	1,914	1,756	(1,332)	1
Free Cash Flow.....	2,339	786	4,068	3,308	2,126	4,597

Notes:

(6) We calculate Net Working Capital as Current Assets less Short Term Liabilities. The following table shows how we calculate Net Working Capital for the periods indicated:

* Other Adjustments includes mostly tariff adjustment according to revenue cap.

	For the year ended December 31,			For the six months ended June 30,
	2021	2022	2023	2024
	<i>(TL millions)</i>			
Current Assets.....	9,521	12,344	13,526	13,688
Short Term Liabilities.....	7,352	8,006	9,096	9,539
Net Working Capital.....	2,170	4,338	4,430	4,149

Notes:

(7) The financial information for the twelve months ended June 30, 2024 is expressed in terms of purchasing power of Turkish Lira as of June 30, 2024.

Other Operating Data

	For the year ended December 31, ⁽¹⁾				
	2021	2022	2023	2024	2025
	<i>(TL millions)</i>				
BASE CPI (October 2020).....	487.38	487.38	487.38	487.38	487.38
Operational Expenditure Allowance ^{(2) (3)} ..	490	558	532	538	544
R&D Allowance	10	11	11	11	11

For the year ended December 31,⁽¹⁾

	2021	2022	2023	2024	2025
Regulated Asset Base Tariff Year					
Opening Value.....	2,073	2,707	3,239	3,689	4,055
Capital Expenditure Allowance ⁽⁸⁾	1,097	1,097	1,097	1,097	1,097
Capital Expenditure Reimbursement ⁽⁹⁾	463	565	647	732	801
Regulated Asset Base Tariff Year Closing Value⁽¹⁰⁾.....	2,707	3,239	3,689	4,055	4,351
Regulated WACC.....	12.30%	12.30%	12.30%	12.30%	12.30%
WACC Income For Tariff Year ⁽⁴⁾	294	366	426	476	517
Regulated Return ⁽⁵⁾	757	931	1,073	1,208	1,318
Tax Correction ⁽⁶⁾	72	73	62	62	57
Revenue Requirement ⁽⁷⁾	1,329	1,573	1,678	1,819	1,930
(June 2024)	2,319.29	2,319.29	2,319.29	2,319.29	2,319.29
Operational Expenditure Allowance ^{(2) (3)} ..	2,331	2,657	2,534	2,561	2,589
R&D Allowance	47	53	51	51	52
Regulated Asset Base Tariff Year					
Opening Value.....	9,864	12,880	15,413	17,556	19,296
Capital Expenditure Allowance ⁽⁸⁾	5,221	5,221	5,221	5,221	5,221
Capital Expenditure Reimbursement ⁽⁹⁾	2,205	2,688	3,078	3,482	3,812
Regulated Asset Base Tariff Year Closing Value⁽¹⁰⁾.....	12,880	15,413	17,556	19,296	20,704
Regulated WACC.....	12.30%	12.30%	12.30%	12.30%	12.30%
WACC Income For Tariff Year ⁽⁴⁾	1,399	1,740	2,028	2,266	2,460
Regulated Return ⁽⁵⁾	3,604	4,428	5,106	5,748	6,272
Tax Correction ⁽⁶⁾	343	347	295	295	269
Revenue Requirement ⁽⁷⁾	6,323	7,486	7,985	8,656	9,183

Notes:

- (1) EMRA Board Decision dated September 30, 2021 and numbered 10461.
- (2) Operational Expenditure Allowance refers to operating expenses granted by EMRA at the beginning of the tariff implementation period and includes Fixed Cost, Variable Cost and Planned Maintenance Budget.
- (3) EMRA, in its Board Decision dated September 14, 2023 and numbered 12075, decided to apply an additional update rate to the Operational Expenditure Allowances of distribution companies for 2022 and 2023, in addition to the CPI adjustment, resulting in an increase in our approved Operational Expenditure Allowance. With this decision, our operational expenditure allowance for 2022 and 2023 increased to TL 2,969 million and TL 3,171 million (as of June 30, 2024 prices), respectively.
- (4) WACC Income is calculated by multiplying “the Regulated WACC” and “the Average of Regulated Asset Base Tariff Year Opening and Closing Values.”
- (5) Regulated Return is calculated by taking the Total of Capital Expenditure Reimbursement and WACC Income.
- (6) EMRA announced that the Tax Correction amount will be “0” for 2024 and 2025. (Source: EMRA Board Decision dated December 28, 2023 and numbered 12320-1).
- (7) Revenue Requirement is calculated by Total of Operational Expenditure Allowance, R&D Allowance, Regulated Return and Tax Correction.
- (8) Capital Expenditure Allowance is our initial capital expenditure budget approved by EMRA on an annual basis at the beginning of the Distribution Tariff Period. See “Regulatory Overview—Distribution Tariff—Revenue Requirement—Capital Expenditures Component.”

- (9) References to Capital Expenditure Reimbursement are to the regulated revenue stream that is a component of our regulated revenue.
- (10) Amounts are the closing values of the relevant year, have not been adjusted for inflation and are shown in October 2020 prices (CPI: 487.38) and June 2024 (CPI: 2,319.29) prices.

MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

This discussion and analysis should be read together with the Financial Statements, which are contained in this Offering Memorandum beginning on page F-1. You should also read the following information in conjunction with “Selected Historical Financial and Operational Data.” Certain statements in this section contain forward-looking statements that reflect our plans, estimates and beliefs and should be read together with “Forward-Looking Statements.” Our actual results of operations may differ materially from those discussed in such forward-looking statements. Factors that could cause or contribute to such differences include, but are not limited to, those discussed below and elsewhere in this Offering Memorandum, including under “Risk Factors” and “Forward-Looking Statements.” For a description of the Financial Statements, see “Presentation of Financial and Other Information.”

Overview

As the exclusive operator of the electricity distribution network in the regions of İzmir and Manisa, we operate Türkiye’s fourth largest distribution network in terms of electricity consumption (15.6 TWh consumed, reflecting a market share of 8.1% as of December 31, 2023) and fourth largest distribution network in terms of subscribers (with a market share of 7.70% as of December 31, 2023) and Turkstat) (Source: Issuer information, 2023 EMRA Yearly Sector Report (<https://www.epdk.gov.tr/Detay/Icerik/3-0-23/aylik-sektor-raporu>) and Turkstat). We are an integral part of the electricity network in the 4th largest distribution region in Türkiye and we strive to ensure the effective distribution of electricity to our customer base. As of December 31, 2023, we delivered electricity from the transmission system to approximately 3.8 million users and our distribution network spanned approximately 84,100 km, covering an area of 25,783 km² and encompassing two provinces, 47 districts, and 2,391 neighborhoods. We have experienced a steady increase in our customer base, with a subscriber CAGR of 3% between 2021 and 2023. (Source: 2023 EMRA Yearly Market Development Report (<https://www.epdk.gov.tr/Detay/Icerik/3-0-24/elektrikyillik-sektor-raporu>) and Turkstat)

Our business is fully regulated, and our revenues are set pursuant to the Distribution Tariff, which is set by EMRA. In the years ended December 31, 2021, 2022 and 2023 and the six months ended June 30, 2023 and 2024 our revenue was TL 15,616 million, TL 24,414 million, TL 26,527 million, TL 15,390 million, and TL 11,686 million and our EBITDA plus capital expenditure reimbursement was TL 8,970 million, TL 14,520 million, TL 16,535 million, TL 9,565 million and TL 9,580 million respectively. For further details of our relationship with Aydem Holding, see “*Related Party Transactions.*”

Key Factors Affecting Our Results of Operations

Our performance and results of operations have been and will continue to be affected by various factors. We believe that the key factors affecting our results of operations include the following.

Tariffs and regulatory factors

Electricity distribution is fully regulated in Türkiye, and therefore our results of operations are primarily affected by the Distribution Tariff set by EMRA, which is calculated based on several components: (i) capital expenditure allowances and actual capital expenditure amounts as determinants of RAB, (ii) capital expenditure reimbursement (iii) WACC return on RAB (iv) operating expenditure allowance, (v) cost of energy for theft and loss calculated based on the unit price of EÜAŞ and the theft and loss target, (vi) other income streams specified by the regulation, and (vii) certain pass-through items such as transmission fees and taxes.

The Distribution Tariff is subject to a revenue cap, which sets the maximum revenue that we can earn during a Distribution Tariff Period. While calculating the revenue cap, EMRA considers actual revenues and costs from

the previous period, the deviations from the revenue cap approved for that period and the approved revenue requirement for the upcoming tariff year. Additionally, EMRA makes various forecasts in its revenue cap calculations, including forecast distributed energy, forecast CPI and predictions for operating expenditure items, which are beyond our control. Our revenues cannot exceed the revenue cap, even if they would have otherwise been higher. Therefore, the current regulatory framework ensures a predictable revenue stream for us by guaranteeing the approved revenue cap. However, this mechanism does not adjust for unforeseen cost increases outside its scope (such as personnel costs in excess of our EMRA-approved operating expenditure allowance). As a result, these uncompensated cost changes can negatively impact our financial performance.

Between 2018 to 2022, in real terms of purchasing power of TL as of December 2023, we achieved an average of 13.3%, or TL 231 million in terms of capital expenditure outperformance, an average of 20.0%, or TL 368 million, for operating expenditure outperformance, and an average of 1.1%, or TL 131 million in theft and loss improvement. While we have consistently outperformed EMRA's regulatory targets, any changes to the tariff structure or our ability to operate efficiently could impact our revenue, profitability and operating results.

The efficiency elements and key tariff components mentioned above are set out below in further detail.

Capital expenditure outperformance

When the costs incurred for equipment, materials, and labor services needed for capital expenditures are lower than the expenditures calculated based on the unit prices determined by EMRA the difference is called "capital expenditure outperformance." This outperformance level may vary depending on approved capital expenditure allowance and fluctuations in commodity and labor prices and is primarily dependent on the unit prices determined by EMRA. EMRA has increased our capital expenditure allowance by approximately 2.2 times compared to the previous tariff period to meet the necessary expansion and renewal investments for the 4th Distribution Tariff Period.

Comparing our capital expenditures calculated based on EMRA's unit prices and our actual expenditures for 2021 through 2023, we expect to achieve a total capital expenditure outperformance in these years of \$14 million per year or TL 1,403 million by June 2024 prices. The aforementioned forecasts may vary depending on changes in the temporary acceptance processes of TEDAŞ for 2023 and updates expected by the EMRA regarding 2023 unit prices.

The capital expenditure outperformance ratio for 2022 was 0.68%. This was an anomaly due to extraordinary circumstances during that year, such as the surge in inflation and disruptions in global supply chains.

WACC return on RAB and Capital Expenditure Reimbursement

Our distribution tariff-based revenue from capital expenditures consists of (i) WACC returns obtained through the RAB (average of the beginning and ending period RAB), and (ii) capital expenditure reimbursement. The regulated WACC set by EMRA for the 4th Distribution Tariff Period is set as 12.30%, and this rate is the pre-tax and real rate. Capital expenditures are reimbursed through tariff revenues within the 10-year repayment period. In this context, the total capital expenditure reimbursement approved by EMRA for 2021, 2022 and 2023 at June 2024 prices was TL 6,391 million and the total WACC Income for 2021, 2022 and 2023 was TL 4,142 million.

The RAB plays a key role in determining both the WACC return and the level of capital expenditure reimbursement. Its determination is based on both the capital expenditure allowances and the actual amounts of capital expenditure incurred. Considering the necessity for expansion and renovation investments in the distribution infrastructure of the region served by GDZ, we believe that the growth trend in the capital expenditure allowance will continue, as seen in previous tariff periods. Additionally, the relative low level of past capital expenditure reimbursements (driven by comparatively lower capital expenditure allowance before the 4th tariff period) near the end of the 10-year period resulted in minimal deductions from the allowances.

Therefore, we expect a continuous increase in our RAB value, leading to a higher WACC return and capital expenditure reimbursement. This trajectory also promises a more favorable long-term outcome in terms of capital expenditure outperformance mentioned above.

Operating expenditure outperformance

Operating expenditures include, among others, labor, maintenance, repair and metering related costs. Operating expenditure is a component of our revenue requirement (and thus also the revenue cap). Transmission fees and other relevant costs which are out of our control are considered as “uncontrollable operating expenditure” as part of our revenue cap. Operating expenditure allowance is part of our revenue cap and is reflected as part of revenue in the Financial Statements. In addition, actual operating expenditures are presented in general administrative expenses. The operating expenditure allowance (excluding uncontrollable operating expenses) is not subject to adjustment, and if operations are conducted below the approved allowance, any excess performance or efficiency is not reclaimed from us. Therefore, the variance between the approved operating expenditure allowance and the actual expenditure represents our “operating expenditure outperformance.”

EMRA determines our operating expenditure allowance (excluding uncontrollable operating expenses) for the tariff period by conducting various comparative analyses, considering our past performance and the operating expenditure performances of other companies in the sector. Additionally, EMRA updates approved operating expenditure allowance annually based on its June CPI forecast for the relevant tariff year and adjusts the difference between the forecast CPI and the actual CPI over the next two years. However, EMRA’s forecast is not always accurate. For example, for the month of June 2022, the CPI forecast was 688.85 (a 26% increase compared to the same month of the previous year), while the realized CPI was 977.9 (a 79% increase compared to the same month of the previous year). In response to this deviation between the forecast and actual CPI, EMRA incorporated half of the impact of this deviation, which would normally be corrected in 2024, into the tariff calculations for the year 2023.

In response to the volatility in the CPI in 2022 and the increase in labor and input costs specific to the distribution sector, which exceeded the CPI increase rate, EMRA decided to apply an additional update rate to the approved operating expense allowances of distribution companies for 2022 and 2023. This increased the approved operating expense allowances. In line with this decision, our operating expense allowance, including the additional update effect, increased to TL 2,331 million, TL 2,969 million, TL 3,171 million, for the years ended December 31, 2021, 2022 and 2023, respectively, at June 2024 prices while actual operating expenses were TL 1,878 million, TL 2,998 million, TL 3,870 million, respectively. Consequently, we achieved an operating expenditure outperformance of TL 453 million in 2021, but underperformed by TL 29 million and TL 699 million in 2022 and 2023, respectively. We believe that the performance decline observed in 2023 due to fluctuations in key inputs affecting our operating expenditure performance (minimum wage, fuel costs, material costs, exchange rate, etc.), may turn positive in 2025 and we expect similar outperformance levels to be achieved in the future in the current regulatory environment.

Theft and loss outperformance and general lighting revenue

We are obligated to buy energy to compensate for energy theft and loss. However, the theft and loss allowance, which is reimbursed by the Distribution Tariff we collect from our consumers, is determined according to pre-set theft and loss targets. Based on these targets, theft and loss allowance is determined, which is calculated based on the unit price applied by EÜAŞ for “theft and loss” energy and the projected amount of energy to be distributed in the distribution system. This amount is then included in the distribution tariff calculations. As a result, we bear the risk of not achieving our predetermined theft and loss targets. If we fail to meet these targets, we must bear the cost of the energy amount between the targeted and actual theft and loss levels. Conversely, if we achieve better performance than the targeted theft and loss rate, we can benefit from this efficiency gain.

In the years ended December 31, 2021, 2022 and 2023, due to achieving a theft and loss ratio performance below the target ratio, we achieved efficiencies of TL 149 million, TL 264 million, TL 421 million, at June 2024 prices, respectively. We expect to achieve theft and loss performance efficiencies going forward as EÜAŞ prices converge to market spot prices.

The surge in theft and loss outperformance in 2023 primarily stemmed from the rise in EÜAŞ's electricity unit prices for theft and loss, marking a 142% increase compared to 2022. For 2024, the escalation rate was approximately 30% compared to 2023. We believe that EÜAŞ's subsidy mechanism will gradually lead to a convergence of EÜAŞ prices with DAM prices. Our historical distributed energy growth has exceeded 3% CAGR, coupled with a declining trend in the average household size within the region from 2016 to 2023 which suggests the addition of new subscribers/connections. Considering these factors, we believe we will continue to have theft and loss outperformance.

We are also obliged to buy the energy required for general lighting (lighting for public use such as boulevards, streets, parks, gardens open to public use, historical and archaeological sites). The general lighting tariff is calculated by adding the retail gross profit margin (2.38%) over the energy procurement costs of the distribution company. In the years ended December 31, 2021, 2022 and 2023 and in the six months ended June 2023 and 2024, our general lighting revenue was TL 354 million, TL 1,359 million, TL 1,453 million, TL 1,011 million and TL 611 million, respectively.

Other income

Other income comprises the Theft Accrual Detection benefit and other components. The Distribution Tariff mechanism incentivizes combating illegal electricity use through the Theft Accrual Detection benefit, which allows us to contribute 55% of the detected illegal electricity consumption to EBITDA plus capital expenditure reimbursement and 50% of other components, which primarily relates to theft accruals after legal proceedings, to EBITDA plus capital expenditure reimbursement. The Theft Accrual Detection benefit hinges on (i) finding illegal electricity consumption within our region and (ii) high penalties for illegal electricity use. Currently, illegal electricity consumption is billed at 1.5x the normal price and repeated illegal use is billed at 2x the normal price.

For the years ended December 31, 2021, 2022 and 2023, we generated “other revenue streams” of TL 420 million, TL 654 million, TL 641 million, TL at December 2023 prices, respectively.

Transmission fee cost

The transmission fee cost is included as an “uncontrollable operating expense” component in the annual revenue cap approved by EMRA. Each year, EMRA determines the transmission fee cost as a forecast and incorporates it into the year (t) revenue cap. The difference between the realized and forecast transmission fee cost is adjusted by EMRA in the year (t+2) revenue cap calculations. Therefore, the transmission fee cost is guaranteed under the tariff mechanism as a directly reflected (pass-through) item.

The table below shows the fundamental components and outperformances from the Distribution Tariff perspective for the years ended December 31, 2016, 2017, 2018, 2019, 2020, 2021, 2022 and 2023, respectively, and in each case based on June 2024 values.

	For the year ended December 31,							
	3rd Distribution Tariff Period					4th Distribution Tariff Period		
	2016	2017	2018	2019	2020	2021	2022	2023
	<i>(TL millions)</i>							
RAB ⁽¹⁾	5,664	7,267	7,651	8,990	9,864	12,880	15,413	17,556

For the year ended December 31,

	3rd Distribution Tariff Period					4th Distribution Tariff Period		
	2016	2017	2018	2019	2020	2021	2022	2023
	<i>(TL millions)</i>							
Capital expenditure allowance.....	2,398	2,398	2,398	2,398	2,398	5,221	5,221	5,221
Capital expenditure reimbursement.....	745	1,006	1,160	1,438	1,695	2,205	2,688	3,078
WACC Income.....	569	770	1,015	1,132	1,283	1,399	1,740	2,028
Capital expenditure outperformance.....	253	257	223	365	513	312	28	1,063
Operating expenditure outperformance.....	607	667	741	528	600	453	(29)	(699)
Theft and loss outperformance.....	227	194	206	19	179	149	264	421
Other income streams.	141	161	204	366	471	524	804	800
Theft Accrual Detection	115	129	179	319	377	439	700	663
Other components.....	26	32	25	47	93	85	104	137

Note:

(1) Represents the closing values of the respective year's RAB.

For the years ended December 31, 2024 and 2025, our RAB is determined as TL 19,296 million and TL 20,704 million, and our capital expenditure reimbursement is TL 3,482 million and TL 3,812 million, respectively after taking into account June 2024 prices, the capital expenditure allowance set by EMRA and EMRA's approval of capital expenditure spending for the relevant period. We expect our RAB to increase in the next Distribution Tariff Period due to the increase in capital expenditure allowance, the low level of past capital expenditure reimbursements and small fluctuations in the WACC ratio.

Macroeconomic environment, the energy market and demand for electricity

Macroeconomic conditions in Türkiye directly impact electricity consumption levels of businesses in the country, and therefore affects the overall demand for electricity. The macroeconomic environment also impacts the private consumption and disposable income of Turkish residents, which in turn affects the demand for electricity. We are therefore significantly affected by the macroeconomic environment in Türkiye.

The following table (*source: Turkish Statistical Institute*) sets out certain key macroeconomic data for Türkiye for the years ended December 31, 2021, 2022 and 2023.

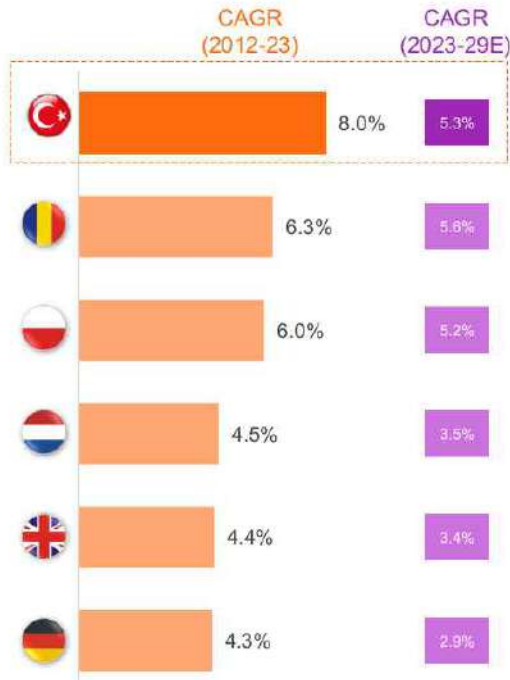
	For the year ended December 31,		
	2021	2022	2023
GDP growth rate (%).....	11.4	5.5	4.5
Per capita income (\$).....	9,601	10,659	13,110
Population of Türkiye (<i>millions</i>).....	84.7	85.3	85.4
Population growth rate of Türkiye (%).....	1.3	0.7	0.1

For the year ended December 31,

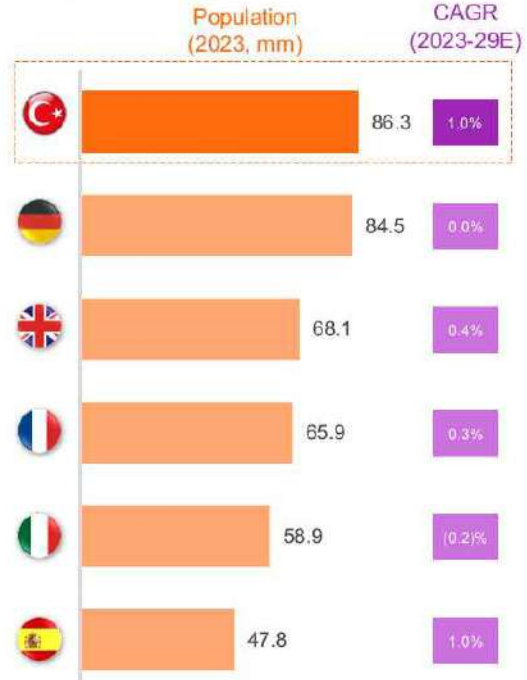
	2021	2022	2023
Population growth rate within our distribution network	0.6	0.8	0.4

The Turkish economy is one of the fastest growing European economies and is among the largest European countries by population (Source: IMF 2024).

The fastest growing European economy¹
(Real GDP CAGR between 2012-2023 in %)



Among the largest European countries by population¹
(2023 population in mn)



Electricity consumption has grown as a result of Türkiye’s rapidly growing economy and population. As of December 31, 2023, Türkiye had a population of 85.4 million, with 78% residing in urban centers. Türkiye has a young and growing population, with 23% of its population aged 0-14 and a median age of 34.

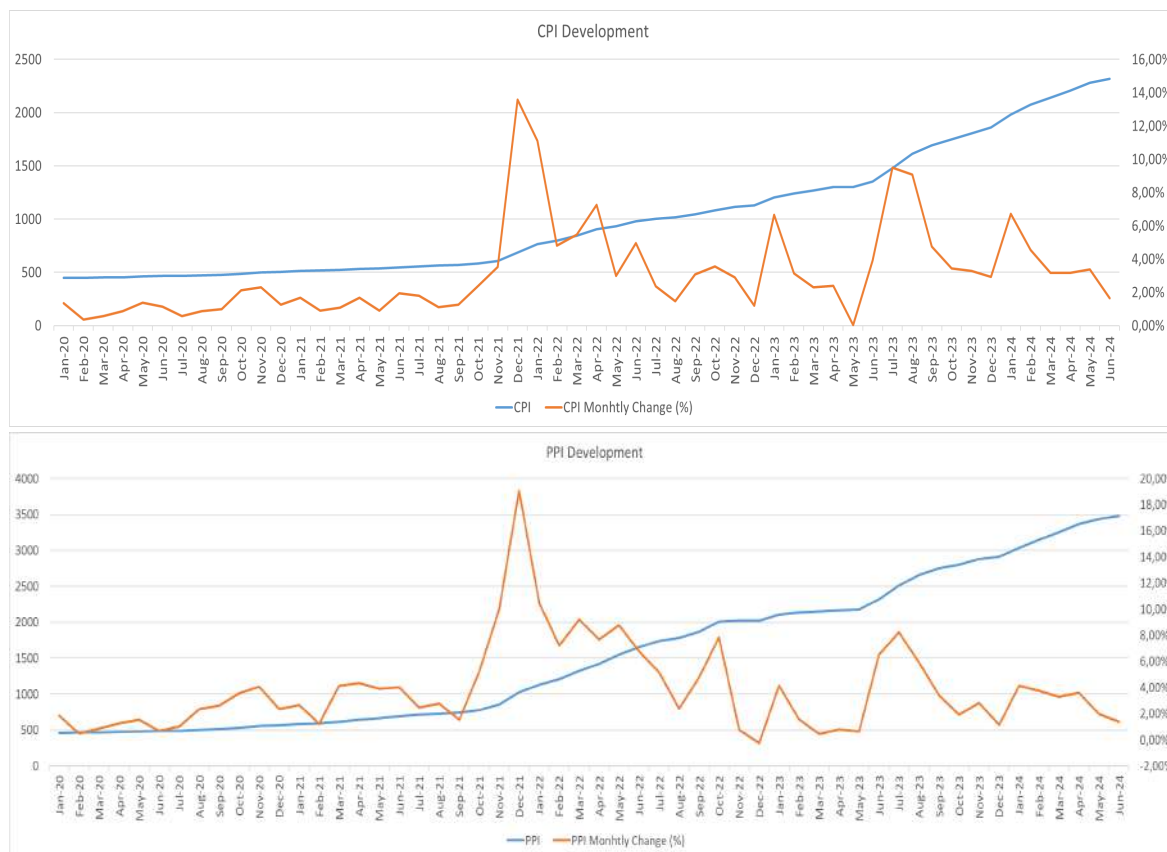
Electricity prices in Türkiye are among the lowest in Europe, with an average of EUR 63 per MWh in 2023 excluding taxes, representing 1.8 % of the minimum wage, compared to EUR 231 per MWh in the EU, which represents 3.3% of the minimum wage. In 2023, the weighted average final electricity unit price in Türkiye was EUR 100.4 per MWh. Network (transmission and distribution) unit prices in Türkiye represent a relatively small percentage of the final unit price. In 2023, 57% of the final electricity unit price consisted of energy, 29% network and 14% taxes and funds.

As a result of the foregoing factors, energy consumption in Türkiye grew at a CAGR of 4.4% while electricity demand per capita grew at a CAGR of 3.0% between 2020 and 2022. There is still significant room for growth, as demand for electricity in Türkiye in 2022 was 3.9 MWh per capita, well below the OECD average of 7.8 MWh per capita, the EU average of 7.7 MWh per capita and the United States average of 12.9 MWh per capita.

All of the above macroeconomic and demographic factors affect the demand for the electricity, and therefore have a material impact on our revenues, profitability and the results of our operations.

Inflation

In 2023, the Turkish economy CPI was 64.77% compared to the average CPI rate for the last three years of 55.04%. Following the implementation of accurate inflation targeting between 2002 and 2013, the failure to take necessary microstructural steps in the post-2013 period led to a gradual rise in inflation. Pressures stemming from the balance of payments and depreciation of the Turkish lira between 2018 and 2020 made inflation a challenge. The chart below illustrates the trends of the CPI and the Producer Price Index (“PPI”) between 2020-2024 in Türkiye.



Source: Turkish Statistical Institute (“TSI”) :<https://data.tuik.gov.tr/Kategori/GetKategori?p=Enflasyon-ve-Fiyat-106>

In early 2020, the global outbreak of COVID-19, which began to affect Türkiye from March onwards, led to upward fluctuations in commodity prices due to supply disruptions in the supply-demand balance. Starting from the last quarter of 2021, the rapid rise in the USD/TRY exchange rate, the implementation of monetary policy initiated from this period, and finally, the upward momentum in energy prices due to the Russia-Ukraine crisis, caused the CPI which was at around 14.60% at the end of 2020 to rise to 85.51% by 2022 and to 64.27% by the end of 2022. By the end of 2023, this rate similarly reached 64.77%. As of the date of this Offering, the CPI change for July 2024 was 61.78% compared to July 2023. A similar trend is observed in the PPI, where the annual change, which was at around 25.15% at the end of 2020, increased to 157.7% in 2022 and decreased to 97.72% by the end of 2022. By the end of 2023, this rate had dropped to 44.22%. As of the date of this Offering, the PPI change for July 2024 is 41.37% compared to July 2023.

Throughout 2024, it is anticipated that the CPI will remain in double digits, with the Central Bank Market Participants Survey for March 2024 indicating an expectation that the CPI will reach around 44.19% by the end of 2024 (Source: CBRT, Survey of Market Participants, March 2024).

The volatility in inflation impacts our revenue-expenditure balance. Within the framework of calculations made by EMRA regarding distribution tariffs, the CPI forecast is made for the current tariff year (June) when determining the annual revenue cap, and the revenue cap is updated according to this CPI. In this context, EMRA has determined the 2023 annual revenue cap for distribution companies by accepting the June 2023 CPI forecast as 1,353.61. However, despite the low deviation in the June 2023 CPI value, which was 1,351.59 slightly below the EMRA forecast by 0.15%, the high volatility in the CPI negatively affects the cash management of distribution companies. Indeed, the CPI forecast for June 2022, projected by EMRA at 688.85 (an increase of 26% compared to the same month of the previous year), realized at 977.9 (a 79% increase compared to the same month of the previous year). Faced with this unusual deviation, which had not been experienced at this level before, EMRA took action and included half of the impact of this deviation, which would normally be corrected in 2024, in the tariff calculations for 2023.

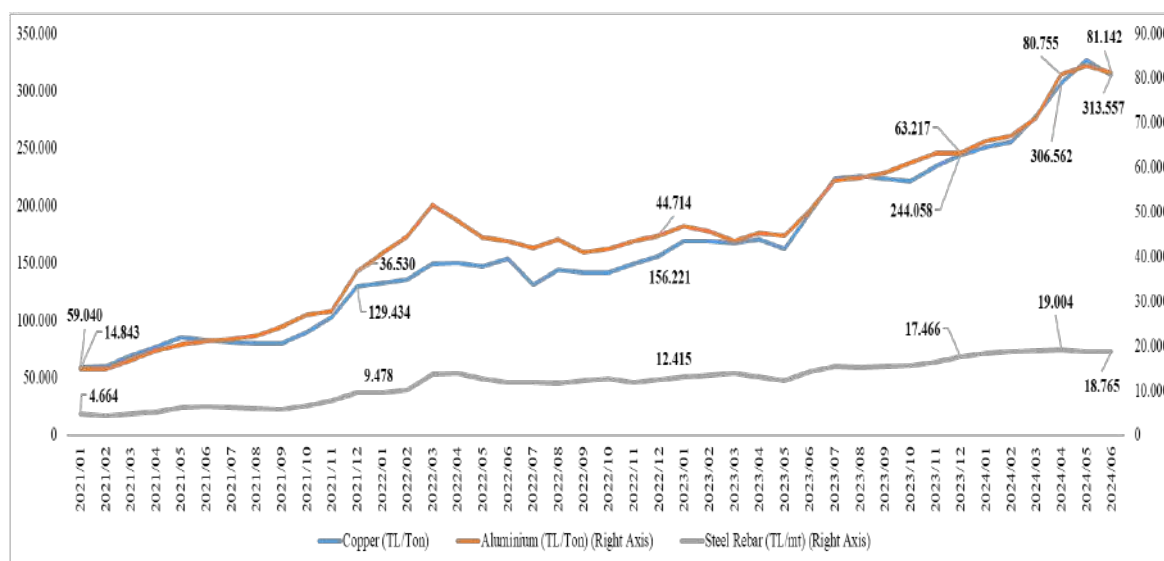
The CPI continued to increase in the middle of 2024. According to EMRA, the CPI value for July 2024 was forecast to be 2,230.12 (representing a 71.60% increase compared to the same month of the previous year), and it is expected that the actual CPI level will exceed this forecast.

Therefore, although the distribution tariff mechanism compensates for CPI-related changes over two-year periods, (i) the difficulty in cash management due to the correction period, and (ii) the uncertainty regarding the continuation of the inflationary environment due to the divergence of the actual operational cost increases and the updating mechanism based on the CPI for revenue streams, can be considered as uncertainties. For further information, see “Risk Factors – Risks Related to Our Industry and Business – We are exposed to counter-party credit risk in distribution business.”

The impact of fluctuations in commodity prices on material costs and supply conditions

Our primary duty and responsibility include the implementation of investments needed in the region where we operate. Materials used for investments in the distribution sector, primarily copper, aluminum, and iron, fluctuate significantly due to fluctuations in commodity prices.

The following figure illustrates the trend of copper, iron, and aluminum prices, which significantly influence the material prices underlying investments in the distribution sector, and are also used as the basis for updating the unit investment prices for distribution network elements announced by EMRA (Source: CBRT, Westmetall.com, the London Metal Exchange).



As can be seen from the figure, the copper, iron and aluminum price levels at the beginning of 2021, which were respectively 59,040 TL/ton, 4,664 TL/mt, and 14,843 TL/ton, reached levels of 313,557 TL/ton, 18,765

TL/mt, and 81,142 TL/ton by June 30, 2024. Therefore, commodity prices in Turkish Lira have increased fourfold over the past three years. Material prices used in distribution investments have increased at higher rates, not only due to the increase in raw material prices outlined above but also due to the disruption in the supply-demand balance itself, particularly in the supply direction due to COVID-19. Additionally, changes in microprocessor prices affecting metering investments, as well as changes in cement and fuel prices, which are generally considered as major inputs for distribution investments, can be listed as other significant factors affecting distribution investments in the past period. Therefore, supply-related issues in commodity prices or changes driven by pressure observed on the demand side have a significant impact on our investment activities, particularly. However, we take measures to minimize the adverse effects of these fluctuations by optimizing commodity procurement and supply processes for distribution investments by diversifying our investment project pool, proactively managing our inventory, diversifying our suppliers and communicating frequently with our suppliers.

Operations, maintenance and other costs

Our profit is affected by the costs we incur in running our business, including the costs associated with operating, maintaining and repairing our distribution network, our personnel expenses, meter reading, disconnect, reconnect expenses, call center expenses, administrative expense, regulatory fees and any other expenses we may incur.

We incur costs in the regular maintenance of our distribution network. We also incur costs associated with major periodic overhaul activities and/or upgrades of our distribution network from time to time, as well as costs associated with making significant investments in monitoring and optimizing our operations.

In addition, we may incur expenditures to address issues such as the breakdown or failure of equipment or processes, unplanned outages of power generating units or performance below expected levels of output or efficiency, due to a lack of capacity or infrastructure issues.

Finally, we incur expenditures due to changing environmental, health and safety laws and regulations (including changes in the interpretation or enforcement thereof), necessary facility repairs and unexpected events (such as natural or man-made disasters).

The following table shows a detailed breakdown of our general administrative expenses for the years ended December 31, 2021, 2022 and 2023 and for the six months ended June 30, 2023 and 2024:

	For the year ended December 31,			For the six months ended June 30,	
	2021	2022	2023	2023	2024
	<i>(TL millions)</i>				
Network repair and maintenance expenses	480	1,092	1,133	602	764
Personnel expenses	436	510	742	398	502
Meter reading, disconnect, reconnect expenses.....	171	171	220	136	174
Outsourcing expenses	87	140	175	112	70
Maintenance cost	72	120	138	57	43
Litigation expenses	38	119	129	60	76
Duties, taxes and levies.....	77	96	124	97	36
Depreciation and amortization expenses.....	73	88	102	59	208

	For the year ended December 31,			For the six months ended June 30,	
Call center expenses	57	51	87	56	64
Administrative expenses.....	51	54	79	49	47
Rent expenses	53	25	57	20	16
Consulting expenses	12	66	56	39	41
Repair and maintenance expenses.....	15	30	54	29	37
License and due expenses	18	33	51	30	28
Insurance expenses	15	18	33	21	24
Fuel expenses.....	14	27	25	12	14
Other expenses.....	7	15	12	8	9
Total general administrative expenses	1,675	2,655	3,216	1,784	2,154

Financing of our operations

We need financing primarily to meet our working capital needs as well as to fund our capital expenditure and to grow our business. We fund our capital expenditure requirements through cash generated from our operations and through credit and equity. Our ability to access the credit and capital markets is therefore a key factor affecting the results of our operations. For the years ended December 31, 2021, 2022 and 2023 and for the six months ended June 30, 2023 and 2024 our Net Debt was TL 13,559 million, TL 10,243 million, TL 9,563 million, TL 14,388 million and TL 10,799 million respectively.

In addition, as of June 30, 2024, we had TL 10,333 million of all of which are U.S. dollar-denominated, secured by project assets and other collateral at a fixed interest rate of 6% and TL 313 million of euro-denominated other financial liabilities at a fixed interest rate of 4.5% on average. Our indebtedness could reduce the availability of our cash flows to finance our business and operations and to pay a dividend because it would require that we use cash to fund our debt service obligations. Our ability to meet our payment obligations under our outstanding debt depends on our ability to generate cash flows in the future. For further details on our indebtedness, see “—*Indebtedness*.”

We are continuously working to bridge the gap between our revenues and financing needs in order to secure attractive financing spreads and achieve an efficient capitalization structure. The successful financing of our operations, and the costs associated with obtaining and maintaining such financing, will affect our cash flows and our liabilities, as well as future revenues, profits and results of our operations.

Foreign exchange rate exposure

Our revenues are denominated in Turkish lira. However, as of December 31, 2021, 2022 and 2023 and as of June 30, 2023 and 2024, we had \$354 million (TL 12,801 million equivalent) and €15.5 million (TL 634 million equivalent), \$321 million (TL 9,893 million equivalent) and €12.3 million (TL 401 million equivalent), \$313 million (TL 9,236 million equivalent) and €10 million (TL 325 million equivalent), \$426 million (TL 14,013 million equivalent) and €15 million (TL 537 million equivalent) and \$314 million (TL 10,333 million equivalent) and €9 million (TL 313 million equivalent) of dollar-denominated gross outstanding indebtedness, respectively. As a result, any adverse movements in the exchange rate between the Turkish lira and the dollar could affect the costs associated with our indebtedness. In the year ended December 31, 2021, 2022 and 2023 and the six months ended June 30, 2023 and 2024, our foreign exchange loss was TL 7,252 million, TL 4,681 million, TL 5,039 million, TL 495 million and TL 1,326 million, respectively.

TAS 29 Financial Reporting in Hyperinflation Economies

Entities applying TFRS have started to apply inflation accounting in accordance with TAS 29 Financial Reporting in Hyperinflation Economies as of financial statements for the annual reporting period ending on or after December 31, 2023, in line with the announcements made by the POA on November 23, 2023. TAS 29 is applied to the financial statements, including the consolidated financial statements, of any entity whose functional currency is the currency of a hyperinflationary economy. The Issuer has applied TAS 29 to the financial statements as of and for the year ended December 31, 2023, and the corresponding figures for the years ended December 31, 2021 and 2022 have been restated for the changes in the general purchasing power of Turkish Lira and, as a result, are expressed in terms of purchasing power of TL as of December 31, 2023 as per TAS 29. See Note 2.1 to the Annual Financial Statements. The Issuer has applied TAS 29 to the financial statements as of and for the six months ended June 30, 2024, and the corresponding figures for the six months ended June 30, 2023 have been restated for the changes in the general purchasing power of Turkish Lira and, as a result, are expressed in terms of purchasing power of TL as of June 30, 2024 as per TAS 29. See Note 2.1 to the Interim Financial Statements. Due to the differences in dates used for purchasing power of TL, the Annual Financial Statements are not immediately comparable to the Interim Financial Statements. See “Appendix: Conversion of December 31, 2021, 2022 and 2023 Financial Statements” for a conversion of financial statements for the years ended December 31, 2021, 2022 and 2023 from the purchasing power of Turkish Lira as of December 31, 2023 to the purchasing power of Turkish Lira as of June 30, 2024.

Description of Key Line Items

The following is a description of the key line items in our statement of profit or loss and other comprehensive income for the years ended December 31, 2021, 2022 and 2023 and for the six months ended June 30, 2023 and 2024.

Revenue

Our revenue comprises (i) financial income from service concession arrangements, (ii) distribution service revenue, (iii) transmission revenue and (iv) lighting sales revenue.

Financial income from service concession arrangements is revenue relating to arrangements where a government or other body grants contracts of the supply of public services to private operators. We provide electricity distribution and meter reading services to Türkiye under such arrangements.

According to “IFRIC 12 Service Concession Arrangements,” we recognize our distribution network fixed assets as financial assets related to concession arrangements (financial assets). In accordance with “IFRS 9 – Financial Instruments,” we use an effective interest rate model to calculate the amortized cost value of our financial assets. In this model, internal rate of return is derived from collections, inflation and WACC expectations for the remaining reimbursement period. The table below shows our financial assets, financial income and WACC for the years ended December 2015, 2016, 2017, 2018, 2019, 2020, 2021, 2022 and 2023 and for the six months ended June 30, 2023 and 2024, respectively.

2 nd Distributi on Period	For the year ended December 31,						For the six months ended June 30,				
	3rd Distribution Tariff Period						4th Distribution Tariff Period				
	2015	2016	2017	2018	2019	2020	2021	2022	2023	2023	2024
	(TL billions)										
Financial assets ⁽¹⁾	4,299	5,300	6,700	10,400	10,800	10,501	13,174	20,338	21,574	26,962	25,205

	For the year ended December 31,									For the six months ended June 30,	
Financial income ⁽²⁾	988	1,100	1,300	1,500	1,700	2,048	6,855	14,255	14,142	8,122	6,636
WACC(3) (%).....	9.97	11.91	11.91	13.61	13.61	13.61	12.30	12.30	12.30	12.30	12.30

Notes:

- (1) Financial assets related to concession arrangements.
- (2) Financial income from service concession arrangements.
- (3) In the 1st Distribution Tariff Period (2006-2011) the WACC was 9.35% compared to 9.97% in the 2nd Distribution Tariff Period (2011-2015).

Distribution service revenue is composed of distribution fees and other income accrued to distribution system users. Distribution fees are determined by the Electricity Market Tariffs Regulation, Communiqué on Regulation of Distribution System Revenues and other legislation and includes the usage price, a reasonable return on investment expenditures, system operating costs, technical and non-technical loss costs, cutting-binding service costs, meter reading costs and reactive energy costs and transmission. Other income accrued to distribution system users consists of items such as power income, power exceeding income and disposable capacity income. See “*Regulatory Overview—The Electricity Market Tariffs Regulation.*”

Transmission revenue relates to electricity carried from one point to another that is over 36 kV. In Türkiye, the transmission of electricity is carried out by the Türkiye Electricity Transmission Corporation. When distribution companies require the transmission of electricity through lines with a voltage level above 36 kV electricity is transmitted through the electricity transmission system. The transmission system usage fee and transmission system operation fee are determined by the EMRA within the transmission tariff. All costs incurred under the transmission tariff are guaranteed by the EMRA, and therefore, are included in our financial statements as both revenue and expenses.

Lighting sales revenue relates to general lighting in our distribution area. Under the Electricity Market Law, distribution companies are responsible for general lighting, which is defined as “the lighting of boulevards, streets, underpasses, overpasses, bridges, squares, pedestrian crossings, and public parks, gardens, historical and archaeological sites open to public use, excluding highways and privatized access-controlled highways, as well as traffic signaling for the public.” According to the law, electricity distribution companies must procure the electricity they need for general lighting from Electricity Generation Corporation. The general lighting fee is calculated by adding the net profit margin (2.38%) to the company's energy procurement costs.

Cost of Sales

Cost of sales include system usage fees (which includes system usage costs reflected as transmission revenue) and electricity purchases (which includes theft and loss and lighting-related electricity purchases).

General Administrative Expenses

General administrative expenses include network repair and maintenance expenses, personnel expenses, meter reading, disconnect, reconnect expenses, outsourcing expenses, maintenance costs, litigation expenses, duties, taxes and levies, depreciation and amortization expenses, call center expenses, administrative expenses, rent expenses, consulting expenses, repair and maintenance expenses, license and due expenses, insurance expenses, fuel expenses and other expenses.

Other Income from Operating Activities

Other income from operating activities includes tax offset revenues, late payment charges on commercial transactions, lawsuits, execution, compensation and penalty income, rediscount interest income and other income.

Other Expenses from Operating Activities

Other operating expenses include provision for doubtful trade receivables and other receivables, late charge expenses related to EMRA revenue cap regulations, foreign exchange loss from operating activities, lawsuit, execution, compensation and penalty expenses, payments made within the scope of our service quality and other expenses.

Finance Income

Finance income includes late fee income, loan restructuring income, interest income on time deposits and interest income from related and other parties.

Finance Expense

Finance expense includes foreign exchange losses, interest expenses related to financial liabilities, late fee expenses, letters of guarantees and commission expenses and interest expenses from related parties.

Tax Income/(Expense)

We are subject to corporate tax applicable in Türkiye. The corporate tax rate was 25% for the year ended December 31, 2023 and was 23% for the year ended December 31, 2022. As of June 30, 2024, our corporate tax rate will be 25%. Corporate tax rate is applied 2% less than the standard rate for the publicly traded companies with initial listing over 20% free float after January 1, 2021, for five accounting periods, starting from the fiscal period in which shares are publicly offered for the first time. Also, on March 12, 2023, a supplementary, one-off tax of 5% or 10% for corporate taxpayers was implemented (5% discount on the corporate tax liability declared on the annual tax return can be applied by taxpayers who are consistent in filing their tax returns on time and who do not have outstanding tax liability.).

Our tax income includes deferred tax income. Our tax expense includes current corporate tax expense and deferred tax expenses.

Results of Operations

	For the year ended December 31,			For the six months ended	
	2021	2022	2023	2023	2024
	(audited)			(unaudited)	
	<i>(TL millions)</i>				
Profit or Loss Statement					
Revenue.....	15,616	24,114	26,527	15,390	11,686
Cost of Sales.....	(5,897)	(8,001)	(7,204)	(3,838)	(2,599)
Gross Profit.....	9,719	16,113	19,323	11,552	9,087
General Administrative Expenses.....	(1,675)	(2,655)	(3,216)	(1,784)	(2,154)
Other Income from Operating Activities	101	145	102	19	1,232
Other Expenses from Operating Activities	(1,014)	(1,327)	(2,243)	(1,820)	(534)

	For the year ended December 31,			For the six months ended June 30,	
	2021	2022	2023	2023	2024
	(audited)			(unaudited)	
	(TL millions)				
Operating Profit	7,130	12,277	13,965	7,967	7,631
Finance Income.....	1,708	1,002	435	321	278
Finance Expense.....	(8,528)	(6,065)	(6,510)	(5,299)	(2,690)
Monetary Gain/ (Loss).....	(785)	(1,614)	(3,812)	(1,688)	(2,176)
Income Before Tax	(475)	5,600	4,078	1,301	3,043
Tax Income/(Expense)	(340)	(975)	2,400	(872)	(978)
Current Tax Expense.....	(121)	52	(23)	(39)	—
Deferred Tax Income/(Expense).....	(219)	(1,027)	2,423	(832)	(978)
Net Profit/(Loss) for the Period	(815)	4,625	6,478	430	2,066

Comparison of Results for the Six Months Ended June 30, 2024 and 2023

Revenue. Revenue decreased by TL 3,704 million, or 24%, to TL 11,686 million for the six months ended June 30, 2024 from TL 15,390 million for the six months ended June 30, 2023. This decrease was due to decline in financial income from service concession arrangement as a result of inflation.

Cost of Sales. Cost of sales decreased by TL 1,239 million, or 32%, to TL 2,599 million for the six months ended June 30, 2024 from TL 3,838 million for the six months ended June 30, 2023. This decrease was due to inflation increasing faster than system usage and electricity purchase unit prices.

General Administrative Expenses. General Administrative Expenses increased by TL 370 million, or 21%, to TL 2,154 million for the six months ended June 30, 2024 from TL 1,784 million for the six months ended June 30, 2023. This increase was due to an increase in network repair and maintenance expenses, personnel expenses and depreciation and amortization expenses.

Other Income from Operating Activities. Other Income from Operating Activities increased by TL 1,212 million, to TL 1,232 million for the six months ended June 30, 2024 from TL 19 million for the six months ended June 30, 2023. This increase was due to interest income related to trade receivables due from EMRA, as system usage fee increases are not realized by EMRA until the adjustment process is completed, which takes two years.

Other Expenses from Operating Activities. Other Expenses from Operating Activities decreased by TL 1,286 million, or 71%, to TL 534 million for the six months ended June 30, 2024 from TL 1,820 million for the six months ended June 30, 2023. This decrease was due to a decrease in the provision for doubtful trade receivables expenses and foreign exchange loss expenses from operating activities.

Finance Income. Finance income decreased by TL 43 million, or 13%, to TL 278 million for the six months ended June 30, 2024 from TL 321 million for the six months ended June 30, 2023. This decrease was due to decrease in loan restructuring income.

Finance Expense. Finance expense decreased by TL 2,609 million, or 49%, to TL 2,690 million for the six months ended June 30, 2024 from TL 5,299 million for the six months ended June 30, 2023. This decrease was due to a decline in foreign exchange loss expenses from financing activities.

Tax Income/Expense. Tax income increased by TL 106 million, or 12%, to TL 978 million for the six months ended June 30, 2024 from TL 872 million for the six months ended June 30, 2023. This increase was due to increases in temporary tax differences.

Net Profit for the Year. As a result of the factors discussed above, net profit for the period increased by TL 1,636 million, or 381%, to TL 2,066 million for the six months ended June 30, 2024 from TL 430 million for the six months ended June 30, 2023.

Comparison of Results for the Years Ended December 31, 2023 and 2022

Revenue. Revenue increased by TL 2,413 million, or 10%, to TL 26,527 million for the year ended December 31, 2023 from TL 24,114 million for the year ended December 31, 2022. This increase was due to an increase in distribution service revenue and transmission revenue.

Cost of Sales. Cost of sales decreased by TL 797 million, or 10%, to TL 7,204 million for the year ended December 31, 2023 from TL 8,001 million for the year ended December 31, 2022. This decrease was due to a decrease in investment costs.

General Administrative Expenses. General Administrative Expenses increased by TL 562 million, or 21%, to TL 3,216 million for the year ended December 31, 2023 from TL 2,655 million for the year ended December 31, 2022. This increase was due to an increase in network repair and maintenance expenses, personnel expenses, meter reading, disconnect, reconnect expenses and outsourcing expenses.

Other Income from Operating Activities. Other Income from Operating Activities decreased by TL 43 million, or 30%, to TL 102 million for the year ended December 31, 2023 from TL 145 million for the year ended December 31, 2022. This decrease was due to a decrease in rediscount interest income related to trade payables.

Other Expenses from Operating Activities. Other Expenses from Operating Activities increased by TL 916 million, or 69%, to TL 2,243 million for the year ended December 31, 2023 from TL 1,327 million for the year ended December 31, 2022. This increase was due to an increase in (i) interest expenses related to EMRA payables, which was in turn due to an increase in tariffs payable in 2023 and (ii) provision for doubtful trade receivables and other receivables expenses.

Finance Income. Finance income decreased by TL 567 million, or 57%, to TL 435 million for the year ended December 31, 2023 from TL 1,002 million for the year ended December 31, 2022. This decrease was due to a decrease in late fee income and loan restructuring income.

Finance Expense. Finance expense increased by TL 445 million, or 7%, to TL 6,510 million for the year ended December 31, 2023 from TL 6,065 million for the year ended December 31, 2022. This increase was due to an increase in late fee expenses consisting of system usage payables from TEİAŞ and loss energy payables from EÜAŞ due to increases in unit prices, and was partially offset by a decrease in interest expenses related to financial liabilities.

Tax Income/Expense. Tax income increased by TL 3,375 million, or 346%, to a tax income of TL 2,400 million for the year ended December 31, 2023 from a tax expense of TL 975 million for the year ended December 31, 2022. This increase was due to the deferred tax income relating to the origination and reversal of temporary differences.

Net Profit for the Year. As a result of the factors discussed above, net profit for the period increased by TL 1,853 million, or 40%, to TL 6,478 million for the year ended December 31, 2023 from TL 4,625 million for the year ended December 31, 2022.

Comparison of Results for the Years Ended December 31, 2022 and 2021

Revenue. Revenue increased by TL 8,498 million, or 54%, to TL 24,114 million for the year ended December 31, 2022 from TL 15,616 million for the year ended December 31, 2021. This increase was due to an increase in financial income from service concession arrangements, lighting sales revenue and revenue from capital expenditures. This increase was partially offset by the adverse impact of inflation on distribution service revenue and transmission revenue.

Cost of Sales. Cost of sales increased by TL 2,103 million, or 36%, to TL 8,001 million for the year ended December 31, 2022 from TL 5,897 million for the year ended December 31, 2021. This increase was due to an increase in electricity purchases including theft and loss purchases and investment costs as a result of rising inflation.

General Administrative Expenses. General Administrative Expenses increased by TL 979 million, or 58%, to TL 2,655 million for the year ended December 31, 2022 from TL 1,675 million for the year ended December 31, 2021. This increase was due to an increase in network repair and personnel expenses due to rising inflation.

Other Income from Operating Activities. Other Income from Operating Activities increased by TL 45 million, or 44%, to TL 145 million for the year ended December 31, 2022 from TL 101 million for the year ended December 31, 2021. This increase was mainly due to an increase in rediscount interest income.

Other Expenses from Operating Activities. Other Expenses from Operating Activities increased by TL 313 million, or 31%, to TL 1,327 million for the year ended December 31, 2022 from TL 1,014 million for the year ended December 31, 2021. This increase was due to an increase in the provision for doubtful trade receivables due to an increase in theft electricity usage and other receivable expenses which was offset by a decrease in late charge expenses related to EMRA revenue cap regulations.

Finance Income. Finance income decreased by TL 706 million, or 41%, to TL 1,002 million for the year ended December 31, 2022 from TL 1,708 million for the year ended December 31, 2021. This decrease was due to an increase in the collection of receivables from related and other parties, which led to a decrease in interest income from related and other parties, as well as a decrease in loan restructuring income.

Finance Expense. Finance expense decreased by TL 2,463 million, or 29 %, to TL 6,065 million for the year ended December 31, 2022 from TL 8,528 million for the year ended December 31, 2021. This decrease was due to a decrease in foreign exchange losses.

Tax Expense. Tax expense decreased by TL 635 million, or 186%, to TL 975 million for the year ended December 31, 2022 from TL 340 million for the year ended December 31, 2021. This increase was due to an increase in deferred tax expense relating to the origination and reversal of temporary differences.

Net Profit for the Year. As a result of the factors discussed above, net loss for the period increased by TL 5,440 million, or 667%, to TL 4,625 million profit for the year ended December 31, 2022 from TL 815 million loss for the year ended December 31, 2021.

EBITDA Plus Capital Expenditure Reimbursement Analysis

Our EBITDA plus capital expenditure reimbursement increased by TL 15 million, to TL 9,580 million for the six months ended June 30, 2024 from TL 9,565 million for the six months ended June 30, 2023.

Our EBITDA plus capital expenditure reimbursement increased by TL 2.1 billion, or 14%, to TL 16.5 billion for the year ended December 31, 2023 from TL 14.5 billion for the year ended December 31, 2022. This increase was primarily due to an increase in distribution service revenue due to the increase in revenue cap (see “—Results of Operations—Comparison of Results for the Years Ended December 31, 2023 and 2022—Revenue”). The increase was also in part due to other income which is comprised of the detection and invoice of theft usage

and other components. In the year ended December 31, 2023, other income contributed to EBITDA plus capital expenditure reimbursement TL 641 million of which TL 532 million was due to the detection of theft usage and TL 109 million was due to other components.

Our EBITDA plus capital expenditure reimbursement increased by TL 5.6 billion, or 62%, to TL 14.5 billion for the year ended December 31, 2022 from TL 8.9 billion for the year ended December 31, 2021. This increase was due to an increase in financial income from service concession arrangements and an increase in capital expenditure reimbursements (see “—Results of Operations—Comparison of Results for the Years Ended December 31, 2022 and 2021—Revenue”).

Liquidity and Capital Resources

Our cash needs have historically come from costs associated with our service concession arrangements, as well as funding for our operational, maintenance and repair expenses. Our principal sources of liquidity are revenue from our operations, equity capital provided by our shareholder and long-term financing provided by our creditors including our related parties and third-party financial institutions. As of the date of this Offering Memorandum, our management believes that we have liquidity and access to medium- and long-term financing that will allow us to meet our present obligations and settle liabilities in a timely manner.

Cash Flows

The following table sets out summary cash flow information for the years ended December 31, 2021, 2022 and 2023 and for the six months ended June 30, 2023 and 2024:

	For the year ended December 31,			For the six months ended June 30,	
	2021	2022	2023	2023	2024
	(audited)			(unaudited)	
	<i>(TL millions)</i>				
Net cash flow from/ (used in) operating activities.....	1,931	6,166	2,460	2,031	1,723
Net cash flow from/ used in investing activities.....	(2,107)	(4,488)	(1,865)	(905)	(619)
Net cash flow from/(used in) financing activities.....	(449)	(1,478)	(660)	(866)	(1,126)
Cash and cash equivalents at the beginning of the period.....	738	23	139	173	40
Cash and cash equivalents at the end of the period.....	23	139	32	234	14
Inflation effect on cash and cash equivalents at the beginning of the period	(90)	(84)	(42)	(198)	(4)
Net (decrease)/increase in cash and cash equivalents.....	(715)	116	(107)	61	(26)

Cash Flows Generated from Operating Activities

In the six months ended June 30, 2024, the amount of cash remaining after accrual-based adjustments was positive TL 1,107 million. We generated TL 208 million of cash from depreciation and amortization

adjustments, TL 482 million from impairment loss adjustments, TL 86 million from provision adjustments, TL 978 million from tax expense adjustments and TL 1,326 million related to unrealized foreign exchange loss adjustments. This was partially offset by a TL 992 million cash outflow due to interest expense adjustments, TL 7,819 million cash outflow due to related loss adjustments in rediscount expenses and service concession arrangements and TL 2,640 million in monetary loss. As a result of these transactions, we generated TL 1,723 million of cash from operations during the year.

In year ended December 31, 2021, the amount of cash remaining after accrual-based adjustments was positive TL 1,231 million. We generated TL 73 million of cash from depreciation and amortization adjustments, TL 441 million from impairment loss adjustments, TL 81 million from provision adjustments, TL 340 million from tax expense adjustments and TL 7,252 million related to unrealized foreign exchange loss adjustments. This was partially offset by a TL 730 million cash outflow due to interest expense adjustments, TL 6,626 million due to related loss adjustments in rediscount expenses and service concession arrangements and TL 278 million in monetary loss. As a result of these transactions, we generated TL 1,931 million of cash from operations during the year.

In the year ended December 31, 2022, the amount of cash remaining after accrual-based adjustments was negative TL 5,250 million. We generated TL 88 million of cash from depreciation and amortization adjustments, TL 876 million from impairment loss adjustments, TL 151 million from provision adjustments, TL 975 million from tax expense adjustments, TL 4,681 million related to unrealized foreign exchange loss adjustments and TL 2,421 million in monetary loss. This was offset by a TL 164 million cash outflow due to interest expense adjustments and TL 14,155 million due to related loss adjustments in rediscount expenses and service concession arrangements. As a result of these activities, we generated TL 6,166 million of cash from operations during the year.

In the year ended December 31, 2023, the amount of cash remaining after accrual-based adjustments was negative TL 3,927 million. We generated TL 102 million of cash from depreciation and amortization adjustments, TL 1,075 million from impairment loss adjustments, TL 179 million from provision adjustments, TL 273 million from interest income adjustments, TL 5,039 million related to unrealized foreign exchange loss adjustments and TL 5,174 million in monetary loss. This was offset by a TL 2,400 million cash outflow due to tax expense adjustments and TL 13,369 million due to related loss adjustments in service concession arrangements. As a result of these activities, we generated TL 2,460 million of cash from operations during the year.

Cash Flows Used in Investing Activities

In the six months ended June 30, 2024, we paid TL 619 million related to services concession arrangements. As a result of these activities, we incurred TL 619 million of cash outflow due to investments during the year.

In the year ended December 31, 2021, we paid TL 11 million for intangible assets and incurred TL 2,095 million of other cash outflows related to service concession arrangements. As a result of these transactions, we incurred TL 2,107 million of cash outflow due to investments during the year.

In the year ended December 31, 2022, we incurred TL 4,487 million of cash outflows related to service concession arrangements. Primarily as a result of these activities, we incurred TL 4,488 million of cash outflow due to investments during the year.

In the year ended December 31, 2023, we incurred TL 1,865 million of related to service concession arrangements. As a result of these activities, we incurred TL 1,865 million of cash outflow due to investments during the year.

Cash Flows Used in Financing Activities

In the six months ended June 30, 2024, we generated TL 267 million from interest received from related parties and third parties and TL 1 million from other cash inflows. This was offset by a cash outflow of TL 39 million for loan and other financial payments, TL 91 million for lease payments and TL 1,263 million due to payments made to related parties and third parties. As a result of all these financing activities, we incurred a TL 1,126 million cash outflow during the year.

In the year ended December 31, 2021, we generated TL 876 million from interest received from related parties and third parties and TL 46 million from other cash inflows. This was offset by a cash outflow of TL 341 million for loan and other financial payments, TL 69 million for lease payments and TL 960 million due to payments made to related parties and third parties. As a result of all these financing activities, we incurred a TL 449 million cash outflow during the year.

In the year ended December 31, 2022, we generated TL 64 million from loans, TL 627 million from interest received from related parties and third parties and TL 1 million from other cash in-flows. This was offset by outflows of TL 1,300 million for loan and other financial payments, TL 54 million for lease payments and TL 816 million due to payments made to related parties and third parties. As a result of these financing activities, we incurred a TL 1,478 million cash outflow during the year.

In the year ended December 31, 2023, we generated TL 143 million from loans, TL 244 million from interest received from related parties and third parties and TL 15 million from other cash in-flows. This was offset by outflows of TL 378 million for loan and other financial payments, TL 37 for lease payments and TL 646 million due to interest payments made to related parties and third parties. As a result of these financing activities, we incurred a TL 660 million cash outflow during the year.

Working Capital

Our working capital balance consists of (i) trade receivables, (ii) other receivables and payables from third parties, (iii) inventories, (iv) prepaid expenses and deferred income, (v) employee benefits and (vi) other assets and liabilities. Trade receivables are primarily due to trade receivables due from related parties and third parties, receivables from subscribers, income accruals and income accruals related to EMRA's revenue cap and allowances for doubtful trade receivables. Trade payables are primarily composed of our electricity purchases from EÜAŞ and amounts payable to TEİAŞ (being system usage fees and the delayed payments we owe to TEİAŞ). The average maturity of the payables related to electricity purchases is between 15-20 days. For further details on our payables to TEİAŞ, see "*Risk Factors – Risks Related to Our Industry and Business – The Distribution Tariff is based on forecasts created by us and EMRA and failure to make accurate forecasts could have a material adverse effect on our business, financial condition and results of operations and prospects.*").

The following table sets out our working capital balances for the years ended December 31, 2021, 2022 and 2023 and for the six months ended June 30, 2024.

	For the year ended December 31,			For the six months ended June 30,
	2021	2022	2023	2024
		(audited)		(unaudited)
	<i>(TL millions)</i>			
Cash and cash equivalents	23	139	32	14

	For the year ended December 31,			For the six months ended June 30,
	2021	2022	2023	2024
		(audited)		(unaudited)
	<i>(TL millions)</i>			
Trade receivables	2,924	2,309	4,911	5,491
Other receivables	300	285	17	23
Financial assets related to concession arrangements.....	5,002	8,384	7,546	7,272
Inventories	827	666	890	818
Prepaid expenses.....	31	51	30	62
Current income tax asset.....	195	-	8	8
Other assets.....	220	511	92	—
Current assets	9,521	12,344	13,526	13,688
Short term portion of long-term borrowings	2,211	1,409	1,830	2,406
Other financial liabilities	153	86	86	95
Trade payables.....	3,248	5,666	5,315	5,218
Payables for employee benefits	8	17	22	10
Other payables	406	256	143	183
Deferred income	989	129	1,287	1,265
Short-term provisions	198	201	194	166
Other short-term liabilities.....	139	241	219	167
Short Term Liabilities	7,352	8,006	9,096	9,539
Net working capital	2,170	4,338	4,430	4,149

The following table sets out certain of our key working capital metrics for the years ended December 31, 2021, 2022 and 2023 and for the six months ended June 30, 2024.

	For the year ended December 31,			For the six months ended June 30,
	2021	2022	2023	2024
		(audited)		(unaudited)
	<i>(TL millions)</i>			
Trade receivables due from related parties balance.....	2,026	794	3,178	2,223
Trade receivables due from third parties balance.....	898	1,514	1,733	3,268
Trade receivable days (<i>number of days</i>) ⁽¹⁾ ...	58	39	49	45

	For the year ended December 31,			For the six months ended June 30,
	2021	2022	2023	2024
	(audited)			(unaudited)
	(TL millions)			
Trade payables balance.....	3,247	5,666	5,315	5,218
Trade payable days (number of days) ⁽²⁾	98	128	218	331

Notes:

- (1) Trade receivables days are calculated using the following formula of net sales divided by/ average trade receivables.
- (2) Trade payable days are calculated using the following formula of cost of sales and capital expenditure divided by average trade payables.

Capital Expenditures

Due to the nature of our business, we have ongoing investment obligations arising from legislation. See “Regulatory Overview—Revenue Requirement – Capital Expenditures Component.” Prior to each tariff period, an investment plan and budget is prepared by EMRA.

The below table sets out the investment budget approved by EMRA for the 4th Distribution Tariff Period (2021-2025):

	4 th Distribution Tariff Period				
	2021	2022	2023	2024	2025
	(TL)				
Network investments.....	953,933,359	953,933,359	953,933,359	953,933,359	953,933,359
Investments with legal obligation.....	84,529,969	84,529,969	84,529,969	84,529,969	84,529,969
Network operating system investments	47,696,668	47,696,668	47,696,668	47,696,668	47,696,668
R&D project dissemination investments	1,470,530	1,470,530	1,470,530	1,470,530	1,470,530
Other investment expenditures	9,539,333	9,539,333	9,539,333	9,539,333	9,539,333
Total.....	1,097,169,859	1,097,169,859	1,097,169,859	1,097,169,859	1,097,169,859

We make investments related to expansion projects, replacement and improvement projects, network operation systems (e.g., SCADA, OSOS), meters (such as cables, transformers and poles), and off-grid areas (such as environment, expropriation and security). Investments in the region are mainly based on demand and the age of the existing network. Although most of the investments are planned to meet new electricity demands, some of the investment expenditures are also related to renewing existing infrastructure. The average age of our infrastructure is 22 years, and EMRA regulations provide that the general service life of distribution assets is 30 years.

New investments are also needed in areas such as İzmir and Manisa due to the development and expansion of these cities. In the past, we have financed our investment capital requirements primarily through internally generated cash flows and bank borrowings. Capital expenditures are repaid after determining the useful lives of the related assets and the loan maturities. According to EMRA’s tariff setting principles, a predetermined rate

of return (RMGO + CPI index) is applied for the unreimbursed portion of capital expenditures. As of December 31, 2023, the unreimbursed portion is classified as a financial asset in our balance sheet.

Our capital expenditure during the years ended December 31, 2021, 2022 and 2023 and for the six months ended June 30, 2024 principally resulted from network investments, legally obligated investments, network operating system investments, R&D project dissemination investments and other investment expenditures.

Indebtedness

The table below shows our outstanding indebtedness as of December 31, 2021, 2022 and 2023 and as of June 30, 2024.

	For the year ended December 31,			For the six months ended June 30,
	2021	2022	2023	2024
	(audited)			(unaudited)
	<i>(TL millions)</i>			
Short-term portion of long-term lease liabilities	53	44	24	103
Short-term portion of long-term borrowings	2,311	1,451	1,892	2,398
Total short-term borrowings	2,364	1,495	1,916	2,501
Long-term portion of long-term lease liabilities	94	44	10	64
Long-term bank loans	11,123	8,844	7,670	8,248
Total long-term financial liabilities	11,217	8,888	7,679	8,312
Total borrowings.....	13,581	10,382	9,595	10,813

The following table shows a breakdown of our total borrowings by currency of denomination as of the dates indicated:

	As of December 31,			As of June 30,
	2021	2022	2023	2024
	(audited)			(unaudited)
	<i>(TL millions)</i>			
TL	148	87	34	167
EUR	633	401	325	313
U.S. dollar ⁽¹⁾	12,801	9,893	9,236	10,333
Total.....	13,582	10,381	9,595	10,813

Note:

(1) Calculated as of December 31, 2023 at an exchange rate of TL 29.4 per dollar and TL 32.6 per EUR.

The following table shows our outstanding indebtedness by tranche as of the dates indicated:

	As of December 31,							
	2024	2025	2026	2027	2028	2029	2030	2031
	<i>(TL billions)</i>							
Debt Repayment	42	36	40	43	44	44	44	43
Outstanding Borrowings	294	258	218	175	131	87	43	—

As of June 30, 2024, we provided TL 1,211 million in letters of guarantee to EÜAŞ, TEİAŞ, EPİAŞ and enforcement offices within the ordinary course of our business.

Loan Facility

Facility Agreement

In 2019, we consolidated the loans utilized for operational expenses and capital expenditures, initially obtained in 2013, into a single comprehensive loan package (the “**Facility Agreement**”), with the Issuer as borrower. The Facility Agreement matures in 2031 and has an interest rate of 6%. It amortizes on a straight-line basis.

As at June 30, 2024, cash loans under the Facility Agreement amounted to TL 10,333 million (the “**Cash Loans**”) and non-cash loans, which consist of letters of guarantee provided by the Creditors under the Facility Agreement to various authorities, including EÜAŞ, TEİAŞ, TEDAŞ and EPİAŞ, and certain other third parties, to secure the performance of our obligations arising under the applicable legislation or under the agreements we signed with them, amounted to TL 1,315 million (the “**Non-Cash Loans**”).

The following table sets out the outstanding balance of Cash Loans owed to each creditor listed below (each a “**Creditor**,” together the “**Creditors**”), under the Facility Agreement, as at the dates indicated.

Creditors	Balance as of	Balance as of	Maturity Date
	December 31, 2023	June 30, 2024	
	<i>(TL millions)</i>		
Türkiye İş Bankası Anonim Şirketi Denizli Ticari Şubesi	2,184	2,443	July 18, 2031
Yapı ve Kredi Bankası Anonim Şirketi Kurumsal Bankacılık Merkezi Şubesi	2,090	2,339	July 18, 2031
Türkiye Vakıflar Bankası T.A.O. Denizli Ticari Şubesi	2,184	2,443	July 18, 2031
Türkiye Garanti Bankası Anonim Şirketi	2,184	2,443	July 18, 2031
Türkiye Sınai Kalkınma Bankası Anonim Şirketi.....	594	665	July 18, 2031
Total	9,236	10,333	July 18, 2031

The Cash Loans and Non-Cash Loans under the Facility Agreement benefit from an undertaking regarding the assignment of our distribution licenses and are collateralized by the following security interests which are provided by the Principal Shareholder and other third-party obligors (members of Aydem Group other than the Issuer):

- a share pledge in favor of the creditors over the shares representing the majority of our share capital held by the Principal Shareholder;
- a share pledge in favor of the creditors over the shares representing 100% of Principal Shareholder’s share capital held by Aydem Holding; and
- certain other guarantees by members of the Aydem Group, the Principal Shareholder, Gediz EPSAŞ, Parla Solar, Panobel, Elsan, Tümaş and Ceyhan Saldanlı and Ali Yağlı, and certain other security interests over the assets of the members of the Aydem Group (excluding the Issuer), including without limitation a share pledge in favor of the Aydem Group’s creditors over the shares representing 100% of Aydem Holding’s share capital held by Ceyhan Saldanlı, Ali Yağlı, and Mehmet Akif Gül.

Certain other key provisions under the Facility Agreement include covenants limiting our ability to incur or guarantee additional indebtedness, transfer, dispose, sell or create security over our assets, lend to a person, merge or consolidate with other entities, amend our articles of association, engage in certain transactions with affiliates or make new acquisitions or investments except as permitted in the Facility Agreement.

We will use a portion of the net proceeds of the Offering to prepay a portion of the Cash Loans existing under the Facility Agreement, which amounted to TL 10,333 million as at June 30, 2024. All Non-Cash Loans will remain outstanding. For further details, see “*Use of Proceeds*”.

On October 7, 2024, we executed an amendment agreement with the Creditors which amended the Facility Agreement, effective from the date of the repayment of a portion of the Cash Loans (provided that the use of proceeds are as set out herein), to determine the terms and conditions of the Non-Cash Loans and remaining Cash Loans (the “**Amended Facility Agreement**”). Pursuant to the Amended Facility Agreement, following the partial prepayment of the Cash Loans, the provisions in the Facility Agreement and the related financing documentation will be amended to give effect to the following:

- consent to the incurrence of indebtedness under the Offering;
- removal of the requirement of the Issuer to use its excess cash for prepayment of the Cash Loans;
- removal of the undertaking regarding the assignment of the Issuer’s distribution license and the provisions in the Facility Agreement and related financing documentation envisaging security over the assets of the Issuer; and
- amendment of various events of default (including without limitation events of default triggered upon insolvency, insolvency proceedings or cross default) set out in the Facility Agreement to the effect that those events of default are triggered only upon events or circumstances relating to the Issuer (and not upon events or circumstances relating to the other members of Aydem Group).

The security interests provided by the Principal Shareholder and other third-party obligors (members of Aydem Group other than the Issuer) for the Facility Agreement shall remain effective for the benefit of the Creditors under the Amended Facility Agreement. The liabilities owed to the Creditors under the Amended Facility Agreement rank and will continue to rank *pari passu* with the liabilities owed to the Noteholders under the Notes.

EIB Loan

The European Investment Bank (“**EIB**”) entered into a loan agreement with TEDAŞ on August 10, 2006, with the funds to be used as part of its distribution activities. TEDAŞ requires that we repay the portion of the loan related to our distribution region. We repay each installment to TEDAŞ and then TEDAŞ repays EIB.

In accordance with this finance agreement, TEDAŞ borrowed EUR 29.0 million from EIB for our distribution region. The repayment of the loan will be completed on February 8, 2031 and the outstanding amount payable as of June 30, 2024 was EUR 8 million.

We have provided a letter of guarantee to TEDAŞ as a security against the repayment of the loans. If we cannot repay the installments at due date, then TEDAŞ can redeem the letter of guarantee.

We have no other material loan agreements other than the Facility Agreement and the EIB loan.

Contractual Obligations and Contingent Liabilities

Contractual Cash Flows

The following table sets forth our aggregate contractual cash flows as of June 30, 2024 and the payments due by period under such obligations.

	As of June 30, 2024			
	Total	Less than 1 year	1-5 years	More than 5 years
		<i>(TL millions)</i>		
Financial liabilities	14,090	2,561	7,355	4,174
Trade payables to related parties.....	416	416	—	—
Trade payables to third parties.....	4,875	4,875	—	—
Other payables to related parties.....	109	109	—	—
Other payables to third parties	130	75	56	—
Total contractual cash flows	19,619	8,035	7,410	4,174

Contingent Liabilities

We have contingent liabilities in respect of legal claims arising in the ordinary course of business. We review these matters in consultation with internal and external legal counsel on a case-by-case basis. These claims involve different parties and are subject to substantial uncertainties. For further information on our legal proceedings, see “*Business—Legal Proceedings.*”

We enter into various contracts that include indemnification and guarantee provisions as a routine part of our business activities. Such contracts may indemnify the counterparty for tax, environmental liability, litigation and other matters, as well as breaches of representations, warranties and covenants as set forth in the relevant agreements.

We also provide letters of guarantee in connection with our business. These are generally taken out from banks and are given to EÜAŞ, TEİAŞ, EPIAŞ, to the ministry of energy, tax offices and enforcement directorates to prevent the risk of lien in litigation and enforcement proceedings.

We also make long-term provisions for retirement pay liabilities. In the years ended December 31, 2021, 2022 and 2023 and in the six months ended June 30, 2024, our provisions for retirement pay liability were TL 89 million, TL 71 million, TL 79 million and TL 110 million, respectively.

For further information regarding our contingent liabilities, see Note 2.10 of the Annual Financial Statements and Note 2.10 of the Interim Financial Statements.

Derivative Financial Instruments and Off-Balance Sheet Arrangements

As of June 30, 2024, other than collaterals, pledges and mortgages, we were not a party to any off-balance sheet obligations or arrangements. For further information, see Note 12 of the Interim Financial Statements.

As of June 30, 2024, we were not party to any derivative financial instruments.

Critical Accounting Policies

Our reported financial condition and results of operations are sensitive to accounting principles, methods and assumptions that are the basis for the Financial Statements. Our accounting policies, the judgments we make in the creation and application of these policies and the sensitivities of reported results to changes in accounting policies and assumptions are factors to be considered along with the Financial Statements. The preparation of the Financial Statements requires our management to make estimates and assumptions that affect the reported amount of income, expense, assets, liabilities and the disclosure of contingent assets and liabilities at the date of the respective Financial Statements.

While we base our estimates and judgments on historical experience and other factors that are believed to be reasonable under the circumstances and review all estimates and judgments continually, many factors may cause actual results to materially differ from those estimates. See “*Forward-Looking Statements*” and “*Risk Factors*.” For a detailed discussion of our significant accounting judgments, estimates and assumptions, see Note 2 of the Annual Financial Statements and Note 2 of the Interim Financial Statements.

Recent Accounting Pronouncements

The accounting and reporting standards under TFRS are subject to regular review and amendment. A number of new standards and amendments to existing standards became effective for annual periods beginning on or after January 1, 2023. For an overview of these standards, see Note 2.9 of the Annual Financial Statements and Note 2.9 of the Interim Financial Statements.

Qualitative and Quantitative Disclosures on Risk

We are exposed to credit risk, liquidity risk, market risk and operational risk.

Credit Risk

Credit risk is the risk that a customer or counterparty will fail to fulfil its obligations under a contract and is primarily attributable to customer receivables. The carrying values of financial assets represent the maximum exposure to credit risk.

Our maximum exposure to credit risk as of June 30, 2024 is set out in Note 23.2 of the Interim Financial Statements.

Liquidity Risk

Liquidity risk is the risk that we will not be able to meet our financial liabilities in the future. Our liquidity risk is managed by providing sufficient financing facilities from various financial institutions in a way that does not harm or damage our reputation in order to fund our current and future debt requirements under normal conditions or in crisis situations.

The maturity of financial liabilities, including estimated interest payments according to the payment schedule, is set out in Note 23.2 of the Interim Financial Statements.

Market Risk

Market risk includes the risk that changes in the financial markets, including exchange rates, interest rates or the prices of instruments traded in the securities markets, may change our income or the value of our financial assets. Our market risk management aims to optimize returns, while controlling market risk exposure within acceptable limits.

Currency Risk

Currency risk is a significant component of our market risk. Our foreign currency position with respect to foreign currency assets and liabilities is set out in Note 23.2 of the Interim Financial Statements.

We are mainly exposed to foreign currency risk in dollars and euro. See Note 23.2 of the Interim Financial Statements for a sensitivity analysis of our foreign currency exposure.

Capital Risk Management

Our capital management objectives are to safeguard our ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

We monitor capital on the basis of the Net Financial Debt/equity ratio. Net Financial Debt is calculated by deducting cash and cash equivalents from total financial debt. Our Net Financial Debt/equity ratio as of December 31, 2021, 2022 and 2023 and as of June 30, 2024 was 95%, 66%, 47%, and 41%, respectively.

See also Note 23.1 of the Interim Financial Statements for a discussion of certain capital management measures we have taken.

Interest Rate Risk Management

We borrow funds at fixed and variable interest rates, which exposes us to interest rate risk. We manage interest rate risk by using a natural hedge of offsetting interest rates related assets and liabilities. Interest rates on financial assets and liabilities are stated in the related notes.

REGULATORY OVERVIEW

The following is a summary of certain Turkish laws and regulations which are relevant to our activities. This description is limited and is intended only to provide general information to prospective investors. It is not designed to be a substitute for professional legal advice and is qualified in its entirety by reference to applicable Turkish laws and regulations.

Overview of the Turkish Electricity Market

The Turkish electricity market has changed significantly in the last 20 years, owing to liberalization efforts conducted to attract private investment, enhance competition and efficiency and shift the investment burden from the Turkish state to the private sector. Prior to the implementation of the former Electricity Market Law (Law No. 4628) (the “**former Electricity Market Law**”) in 2001, Türkiye’s electricity market was entirely controlled by three state-owned companies: Türkiye Elektrik Kurumu (“**TEK**”), TEDAŞ and Türkiye Elektrik Üretim Anonim Şirketi. The electricity sector liberalization program was initiated in 2001 with the enactment of the former Electricity Market Law, which laid out the groundwork for restructuring, liberalization, and regulation. The sector regulator EMRA was established, and the necessary secondary regulations were issued immediately following the enactment of the former Electricity Market Law. The former Electricity Market Law was later repealed in part and replaced by Law No.6446 on Electricity Market Law (“**Electricity Market Law**”) enacted in 2013 and amended in 2016. In addition, two strategy papers were issued in 2004 and 2009 which laid out milestone targets for the liberalization roadmap, each as described below.

On March 17, 2004, the High Planning Council issued the Electricity Sector Reform and Privatization Strategy Paper (the “**2004 Strategy Paper**”) to facilitate the transition to a competitive market structure and offer an action plan for the transition. The 2004 Strategy Paper emphasized that the timely and successful privatization of electricity generation and distribution assets was essential in realizing the liberalization objective as well as for proper alignment with relevant EU legislation, including Directive 2003/54/EC of the European Parliament and of the Council of June 26, 2003. The steps outlined in the 2004 Strategy Paper were also intended to create and maintain investor confidence in the liberalization of the market. As a part of the privatization process, TEDAŞ and its affiliates were placed in the privatization program and the electricity distribution network of Türkiye was separated into 21 regions. As a result of successful privatization tenders concluded between 2009 and 2013, electricity distribution and retail sales activities in Türkiye are now carried out by the private sector. Along with the privatization process, the 2004 Strategy Paper also set multi-year Distribution Tariff Periods with the first Distribution Tariff Period running from 2006 to 2010.

Principles relating to the price equalization mechanism, minimum regulated revenue requirements and theft and loss targets set for distribution companies were determined under the 2004 Strategy Paper. Although priority was given to the privatization of distribution assets, the 2004 Strategy Paper set forth goals related to generation privatization as well. On the generation side, more than 6.5 GW of state-owned thermal power plants were privatized as of the end of 2016, with only several thermal power plants and small hydropower plants left in the privatization portfolio.

Following the 2004 Strategy Paper, significant progress was made on the distribution and generation privatizations, tariffs, and other transitory period activities, which served to further strengthen efforts for the establishment of competitive markets. On May 18, 2009, the High Planning Council issued the Electricity Market and Supply Security Paper (the “**2009 Strategy Paper**”) to ensure the security of supply in the electricity market in the medium to long term. The 2009 Strategy Paper stated that electricity transmission and distribution services would be provided at a certain quality and adequacy level to ensure consumer satisfaction, and generation and distribution privatizations would be completed to ensure a competitive electricity market.

Within this framework, the 2009 Strategy Paper (i) introduced the general principles of the day-ahead and the real time balancing power markets, (ii) provided the schedule for lowering the customer eligibility threshold, (iii) extended the application of the price equalization mechanism, (iv) introduced the legal unbundling of the distribution and retail sales activities, (v) placed a special emphasis on the adequacy of the transmission infrastructure in order to ensure supply security, (vi) provided that international transmission connections with neighboring countries will be developed to increase the potential for the import and export of electricity, and (vii) set installed capacity targets for domestic generation sources in order to increase the utilization of domestic and renewable generation resources to reduce dependency on imported fuel and enhance energy security. In March 2013, the Electricity Market Law was enacted by the Turkish Grand National Assembly, which repealed the former Electricity Market Law except for the provisions related to the organization, powers and duties of EMRA. Amendments and improvements continue to be made to realign the market rules with those of the EU energy markets. On June 17, 2016, the Electricity Market Law was amended by the Law No. 6719. Among others, the Law No. 6719 defined (i) certain regulated electricity market tariffs and their components that will be passed on to users, and (ii) distribution network and distribution facilities in a more explicit way to ensure clarity in the applicable regulations.

Regulatory Bodies and Other Relevant Governmental Authorities

Our activities are regulated and administered at the national level primarily by the following regulatory bodies:

- **MENR:** the primary governmental authority responsible for carrying out the energy policy in Türkiye.
- **The Ministry of Treasury and Finance:** the governmental authority responsible for finance and tax affairs in Türkiye.
- **EMRA:** the regulatory authority in the Turkish electricity market and is responsible for regulating and supervising Türkiye's electricity, natural gas, petroleum and liquefied petroleum markets.
- **The Ministry of Family, Labor, and Social Services of the Republic of Türkiye:** a public institution responsible for matters related to the workforce, such as employment, labor rights, wages, severance pay, and occupational health and safety regulations.
- **The Ministry of Environment, Urbanization and Climate Change:** the governmental authority responsible for the regulation of environmental and urbanization matters.
- **TEİAŞ:** the state-owned corporation that owns and operates the electricity transmission sector in the country. It is also responsible for the operation of the balancing power market and the ancillary services market.
- **TEDAŞ:** an organization that enables distribution companies in Türkiye to conduct their distribution activities through the signing of "Operation Right Transfer Agreements." Among the responsibilities of TEDAŞ are overseeing the activities of distribution companies, executing expropriation processes upon the requests of distribution companies, and facilitating payments related to general lighting.
- **EÜAŞ:** owner and operator of publicly owned power plants. EÜAŞ also engages in wholesale electricity sales activities.
- **EPIAŞ:** the market operator, and responsible for operating the day-ahead and intraday markets in the electricity market.
- **Tax Offices:** The public institution that conducts tax audits is the tax inspection authority.

Overview of the Regulatory Environment in the Turkish Electricity Market

The Turkish electricity market is primarily governed by the Electricity Market Law and secondary regulations issued by EMRA. The main objectives of the Electricity Market Law are to ensure a financially sound, stable and transparent electricity market that operates in accordance with the provisions of private law in a competitive environment, and to monitor and conduct audits in this market to ensure an efficient, high quality, sustainable, low-cost and environmentally friendly electricity supply. In addition to the Electricity Market Law, EMRA introduces secondary regulations to provide detailed rules and guidelines. EMRA also issues decisions which provide operational guidelines on the functioning of the market and activities of market participants.

The following regulations, among others, set out the duties and responsibilities of companies holding distribution and retail licenses.

- **Electricity Market Licensing Regulation** published in the Official Gazette dated November 11, 2013 and numbered 28809;
- **The Electricity Market Consumer Services Regulation** published in Official Gazette dated May 30, 2018 and numbered 30436;
- **The Electricity Market Tariffs Regulation** published in the Official Gazette dated June 19, 2020 and numbered 31160;
- **Electricity Market Balancing and Settlement Regulation** published in the Official Gazette dated April 14, 2009 and numbered 27200;
- **Regulation on Quality of Service for Electricity Distribution and Retail Sales** published in the Official Gazette dated December 29, 2020 and numbered 31349;
- **Energy Market Notification Regulation** published in the Official Gazette dated May 27, 2014 and numbered 29012;
- **Electricity Market Measurement Systems Regulation** published in the Official Gazette dated January 1, 2024 and numbered 32413;
- **Regulation Concerning Electricity Demand Forecast** published in the Official Gazette dated May 7, 2016 and numbered 29705;
- **Electricity Market Inspection Regulation and Procedures for Preliminary Investigations and Inquiries to be Followed in Electricity Market Investigations** published in Official Gazette dated January 28, 2003 and numbered 25007;
- **Regulation on Measures Regarding Distribution and Retail Licenses in the Electricity Market** published in the Official Gazette dated August 2, 2013 and numbered 28726;
- **Regulation on Certification and Support of Renewable Energy Resources** published in the Official Gazette dated October 1, 2013 and numbered 28782
- **Regulation on License-Exempt Electricity Generation in the Electricity Market** published in the Official Gazette dated May 12, 2019 and numbered 30772;
- **The Electricity Market Connection and System Usage Regulation** published in the Official Gazette dated January 28, 2014 and numbered 28896;
- **Purchasing and Sales Transactions Implementation Regulation of Electricity Distribution Companies** published in the Official Gazette dated December 29, 2020 and numbered 31349;

- **Regulation on Electricity Distribution System** published in the Official Gazette dated April 15, 2022 and numbered 31810;
- **The Electricity Grid Regulation** published in the Repeated Official Gazette dated May 28, 2014 and numbered 29013;
- **Electricity Market Storage Activities Regulation** published in the Repeated Official Gazette dated May 9, 2021 and numbered 31479;
- **Electricity Market Metering Systems Regulation** published in the Official Gazette dated December 28, 2023 and numbered 32413; and the
- **Regulation on Certification and Support of Renewable Energy Resources** published in the Official Gazette dated October 1, 2013 and numbered 28782.

Electricity market activities are regulated and supervised by EMRA. It is mandatory for all participants in the electricity market, as well as for each electricity generation facility except for unlicensed electricity generation activities, to obtain a license from EMRA for each market activity and production facility. The fundamental responsibilities of EMRA include:

- (i) granting and renewing licenses defining the rights and liabilities of legal persons pertaining to their authorized activities;
- (ii) preparing, modifying and executing secondary regulations;
- (iii) auditing license holders;
- (iv) setting the thresholds used to determine the cut-off between eligible customers and regulated customers;
- (v) preparing, modifying and executing regulated tariffs;
- (vi) ensuring that market activities are conducted in compliance with the Electricity Market Law;
- (vii) sanctioning license holders in the event of a violation of laws, regulations or license conditions;
- (viii) establishing performance standards by monitoring market performance; and
- (ix) approving investment plans of distribution companies, revising the plans if required and auditing the application of investment plans that were approved.

Distribution Tariff Period

Following the 2004 strategy paper, EMRA adopted five-year Distribution Tariff Periods for electricity. The initial three periods spanned from 2006 to 2010, 2011 to 2015, and 2016 to 2020. The fourth period commenced on January 1, 2021, and will continue until December 31, 2025. The fifth Distribution Tariff Period will begin on January 1, 2026, and is expected to cover the five-year period until December 31, 2030, in line with current established pattern.

Regulations require EMRA to begin studies for the new period at least twelve months before its start, suggesting they might commence in 2024. However, there haven't been any actions yet, and ongoing communication efforts are primarily aimed at mitigating the adverse effects of macroeconomic conditions on the tariff parameters of the current period.

Electricity Market Activities

The Electricity Market Law (Law No. 6446) determines the general principles guiding the marketplace and defines the rights and responsibilities associated with each market activity. Electricity market activities consist of (i) import (*ithalat*), (ii) export (*ihracat*), (iii) generation (*üretim*), (iv) transmission (*iletim*), (v) wholesale (*toptan satış*), (vi) distribution (*dağıtım*), (vii) retail sale (*perakende satış*) and (viii) market operation (*piyasa işletim*). EMRA grants, in its sole discretion, electricity market licenses for a minimum period of ten years and a maximum period of 49 years. As indicated in Article 3 of the Electricity Market Law, the definition of the “Market” suggests that the electricity market consists of (i) generation activities (*üretim faaliyeti*), (ii) transmission activities (*iletim faaliyeti*), (iii) distribution activities (*dağıtım faaliyeti*), (iv) wholesale sales activities (*toptan satış*), (v) retail sales activities (*perakende satış faaliyeti*), (vi) market operation activities (*piyasa işletim faaliyeti*), (vii) import activities (*ithalat faaliyeti*), (viii) export activities (*ihracat faaliyeti*), and related transactions and operations. It is mandatory to obtain a license from EMRA to conduct these market activities, except for unlicensed electricity generation. Licenses are granted by EMRA for a minimum of 10 years and a maximum of 49 years, depending on the nature of the activity. Unlicensed electricity generation, defined as an exempted activity from the obligation to obtain a license and establish a company according to Article 14 of the Electricity Market Law, is excluded from this requirement.

Generation activity is defined as “the transformation of energy resources into electrical energy in electricity generation facilities.” Market actors in the Turkish electricity generation sector can be classified into different criteria/types based on the obligation/exemption to obtain a license, public/private ownership, and the criteria of being privileged or operating in the open market. Obtaining a license from EMRA is generally mandatory for market entry in the electricity generation sector. However, Article 14 of the Electricity Market Law defines entities that can generate without the obligation to establish a company and obtain a license. The most significant among these are the generation facilities based on renewable energy sources with an installed capacity not exceeding 5 megawatts. The upper limit of installed capacity for such facilities can be increased by the President, as stipulated by relevant legislation. For example, the limit was previously set at 1 MW in the Electricity Market Law, and was raised to 5 MW by Presidential Decree No. 1044 published in the Official Gazette on May 10, 2019.

In addition to the private sector, the state-owned EÜAŞ also engages in electricity generation and retail activities in the Turkish electricity market. As of December 31, 2023, EÜAŞ operated thermal and hydroelectric energy facilities with a total installed capacity of 21,391 MW (equivalent to 22.2% of the total 96,308 MW of licensed installed capacity in Türkiye).

Some private generation companies sell the electricity they produce in the free market, while others sell to the public (EÜAŞ) at a predetermined price under contracts signed with the government prior to the Electricity Market Law, through various agreements such as Build-Operate (“BO”), Build-Operate-Transfer (“BOT”), and Transfer of Operational Rights (“TOR”). The share of these producers is gradually decreasing as the contracts expire. As of December 31, 2023, the installed capacity of plants under the TOR Agreement is 3,245 MW, while those under BOT agreements have an installed capacity of 116 MW. Plants under BO agreements have transitioned to the same position as other producers operating in the free market since their contracts have expired.

Transmission activity is defined as “the transmission of electricity on lines with a voltage level of over 36 Kv.” Electricity transmission assets in Türkiye are owned and operated by the state-owned monopoly, TEİAŞ. TEİAŞ serves as the system operator and is the sole responsible entity for operating the transmission systems across Türkiye. TEİAŞ, as the system operator, is responsible for load dispatch, keeping the frequency in the national grid at a certain level, balancing the demand and supply, actual performance of load dispatch within the limitations of real-time transmission constraints in line with technical and economic load dispatch rules, and

revising the load dispatch order when required in accordance with provisions of the grid code. TEİAŞ is also responsible for preparing transmission investment plans and long-term capacity development projections.

In addition, TEİAŞ is responsible for operating the ancillary services market and the balancing power market within the scope of the market operation license.

Distribution activity is defined as “the transmission of electricity over lines at a voltage level of 36 Kv and less.” As a result of unbundling of TEK, TEDAŞ was established in 1994 to own and operate the electricity distribution networks in Türkiye. Until 2004, TEDAŞ and its seven subsidiaries, along with establishments in regions outside these subsidiaries, were structured to manage the electricity distribution sector. However, in the subsequent period, a decision was made to privatize publicly owned electricity distribution companies with the aim of establishing free market conditions and a competitive market environment in the electricity distribution sector. In this context, on March 17, 2004, the High Planning Council issued Decision No. 2004/3, publishing the “Electric Energy Sector Reform and Privatization Strategy Document,” dividing Türkiye into 21 electricity distribution regions. By the end of 2013, with the completion of privatizations, the assets and responsibilities of TEDAŞ in these regions were transferred to private enterprises. Private distribution companies operate in these regions through the method of transferring operating rights, while the ownership of the existing and new distribution assets in these regions still belongs to TEDAŞ. Private distribution companies exclusively conduct electricity distribution activities in the regions specified in their licenses, based on Implementation and Operating Agreements signed with TEDAŞ and licenses obtained from EMRA.

Distribution companies, within the scope of their activities, are responsible for: (i) operating the distribution system in the region specified in their licenses in a manner compatible with the competitive environment in electricity generation and sales which includes renewing these facilities and making capacity, replacement, and expansion investments, (ii) providing services to all distribution system users, existing or to be connected, in accordance with relevant legislation, without discrimination between equal parties, (iii) providing ancillary services in accordance with the provisions of the relevant regulations, (iv) performing maintenance and repair activities for the operated distribution facilities, (v) preparing demand forecasts for their regions and reporting them to TEİAŞ, (vi) reading meters in their regions, (vii) operating systems related to general lighting in their regions and being responsible for making necessary investments, maintenance, and repair activities for these systems.

Retail activity is defined as “the wholesale or retail sale of electricity and/or capacity.” Retail activity is carried out by production or retail companies and is licensed by EMRA, being conducted by both the public entity EÜAŞ and private companies.

Until 2018, the retail activity carried out by EÜAŞ was conducted by the public entity Türkiye Elektrik Toptan Satış Anonim Şirketi (“TETAŞ”). However, as a result of the additional regulation introduced to the Electricity Market Law by the Law Decree No. 703 published in the Official Gazette dated July 9, 2018 (Rep^{ated} 3rd), TETAŞ was merged within EÜAŞ and abolished, and TETAŞ’s duties were transferred to EÜAŞ.

EÜAŞ, pursuant to its retail activity, (i) executes energy procurement and sales agreements signed within the scope of existing contracts previously entered into by the abolished TETAŞ, (ii) has the authority to sign energy exchange, import and export agreements, as well as energy procurement and sales agreements within the framework of existing concessions and implementation contracts, (iii) is entitled to make and execute bilateral agreements for the purchase and sale of electricity and capacity under the relevant legislation, (iv) is authorized to operate in organized wholesale electricity markets. Additionally, EÜAŞ sells electricity to designated retail companies for consumers subject to regulated tariffs, distribution companies for loss-leakage and general lighting needs, and certain public institutions. If the electricity demand of designated retail companies and distribution companies cannot be met with existing contracts (BO, BOT, TOR), EÜAŞ is obliged to procure

energy from domestic coal-fired power plants in accordance with the procedures and principles determined by the Ministry under the 1³th paragraph of Article 26 of the Electricity Market Law.

Electricity retail license holders have the authority to: (i) engage in electricity and/or capacity trading with free consumers without any regional limitations, (ii) conduct electricity and/or capacity trading activities with other licensed legal entities, (iii) trade electricity and/or capacity in organized wholesale electricity markets, (iv) import and export electricity from/to countries with established international interconnections, (v) establish and operate independent electricity storage facilities.

In addition, under the former Article 3 of the former Electricity Market, the designated retail companies, formed by the legal division of the designated distribution companies in their regions, also operate under a retail license to carry out retail activities. In addition, the designated retail companies are authorized to: (i) sell electricity to non-liberalized consumers in the relevant distribution region based on retail sales tariffs approved by EMRA, (ii) provide electricity retail as the last resort supplier in the relevant distribution region. Therefore, entities holding retail licenses other than designated retail companies are not allowed to sell electricity and/or capacity to non-liberalized consumers within the scope of their licenses.

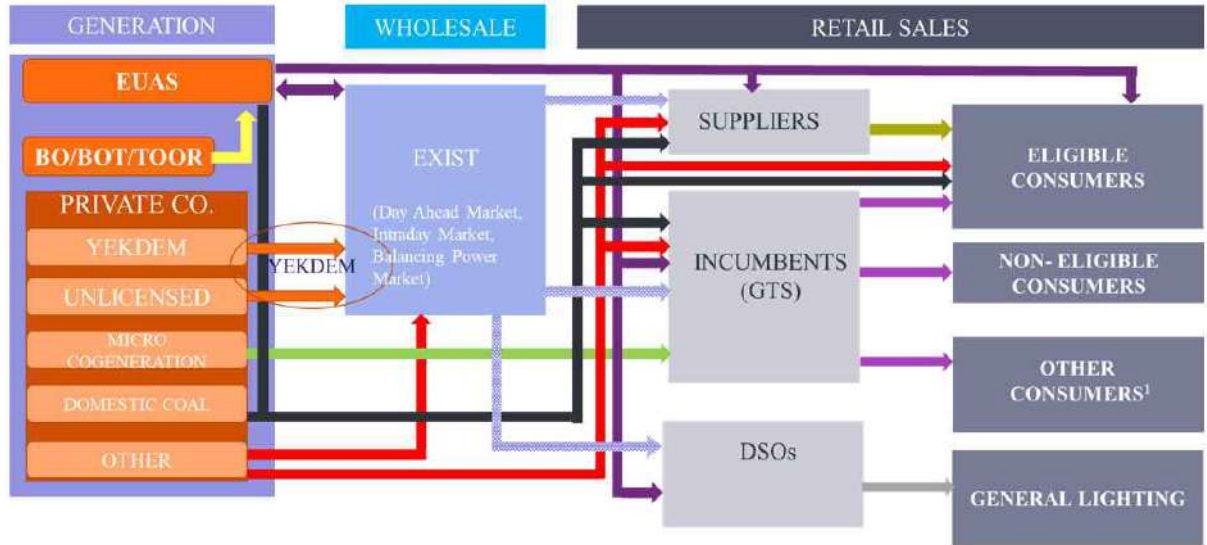
There are currently a total of 309 legal entities holding retail licenses in the Turkish electricity market, including 21 designated retail companies.

Market operation activities is defined as “the activity of operating organized wholesale electricity markets and financially settling these activities.” EPİAŞ and TEİAŞ are entities possessing market operation licenses in the electricity sector.

EPİAŞ, which was established in accordance with Article 11 of the Electricity Market Law and is subject to the Turkish Commercial Code No. 6102 and private law provisions, is a market operator in the form of a joint-stock company. It operates the day-ahead market, intraday market, futures electricity market, spot natural gas market, futures natural gas market, and the Organized Renewable Energy Resources Guarantee System (“**YEK-G**”) Market within the scope of its license. The shareholders of EPİAŞ include TEİAŞ (30%), Borsa İstanbul (30.83%), and private energy companies (39.17%).

TEİAŞ, another market operation license holder is obligated to operate and monitor the balancing power market and ancillary services market within the organized wholesale electricity markets. It is also responsible for reporting in accordance with relevant regulations.

The Electricity Market Balancing and Settlement Regulation defines the balancing mechanism as “the activities that will complement the bilateral energy agreements, and cover the activities consisting of day-ahead balancing and the real time balancing activities.” Settlement consists of administrative actions taken by EPİAŞ to determine the monetary claims arising from balancing mechanism activities and/or energy imbalance and preparation of the relevant asset-liability notifications. EPİAŞ nets off the related debts and receivables, and the final balance after netting is either paid by a market participant to EPİAŞ or the market participant receives a payment from EPİAŞ through the Central Settlement Bank (“**Takasbank**”).



¹ Consumer who does not use his/her eligible consumer right

The balancing power market mechanism which balances out any deviations arising from supply and demand forecasts, thereby ensuring system supply, security and energy quality. The day-ahead market, intra-day market and balancing power market are regulated under the Electricity Market Balancing and Settlement Regulation.

In accordance with the Electricity Market Law, electricity distribution companies are prohibited from engaging in electricity trading beyond the right to purchase or sell energy from/to organized wholesale electricity markets to cover general lighting and to meet technical and non-technical losses in the distribution system.

The fundamental electricity market activities (generation, wholesale sales, distribution, and retail sales) and the related market participants are summarized below:

- (1) GTŞ: Designated Retail Companies
- (2) EDAŞ: Electricity Distribution Companies

General Regulatory Framework for Distribution Licenses

We hold the necessary distribution license for distribution activities.

The table below indicates the type of license we own, along with the issuance date and expiration date of the license:

Name of the Issuer	License No	License Type	Term of the License	Issue Date	Expiration Date
GDZ EDAŞ	ED/874-33/693	Distribution	30 years	September 1, 2006	September 1, 2036

As evident from the table above, we have obtained a distribution license from EMRA. Therefore, the following explanations pertain exclusively to distribution licenses regulated by EMRA.

License Application, Renewal, Amendment, and Transfer

Legal entities applying for a preliminary license must meet the following conditions; (i) established as a joint-stock company or a limited liability company, (ii) in the case of public joint-stock companies, all shares other than those traded on the stock exchange must be registered, (iii) the entity itself, its direct and indirect shareholders, and board members (or managers in limited liability companies) must not be prohibited according to the eighth paragraph of Article 5 of the Electricity Market Law. Additionally, entities holding the status of a retail company with a distribution license must have a minimum capital as determined by EMRA.

The minimum duration for distribution licenses is 10 years, and the maximum duration for all licenses is 49 years. Renewal of the license can be initiated by applying to EMRA no earlier than 12 months and no later than 9 months before the expiration of the current license term. Distribution companies should apply for license renewal no earlier than 15 months and no later than 12 months before the expiration date. When evaluating renewal applications for distribution licenses, the following criteria are considered: (i) the positive impact of license renewal on consumer rights protection, competition, and the development of the market. (ii) if the applicant legal entity, or individuals holding 10% or more (5% or more for publicly traded companies) direct or indirect ownership in the legal entity applying, has experience and performance in the market, (iii) opinions received from relevant organizations and/or ongoing or concluded proceedings related to the legal entity applying, and (iv) agreements and/or permissions with relevant public institutions and organizations that need to be renewed. In the event of a positive response to a renewal request, the license is renewed by EMRA, considering the minimum and maximum durations specified for licenses in Article 5 of the Electricity Market Law.

For the renewal of a distribution license, it is mandatory for the license holder to provide evidence that they have the right to operate the distribution system in the specified distribution area of the license. If the distribution license holder fails to fulfill this documentation requirement, their application is rejected by EMRA through a decision.

License holders are required to pay the license acquisition fee once and the annual license fee determined based on the electricity consumed in their activities each year. Additionally, if there is a change in the information contained in the obtained license, the amendment fee must be paid for the necessary license amendment applications. These fees are published in the Official Gazette and announced on EMRA's website every December.

Distribution licenses are non-transferable. However, according to the third paragraph of Article 5, subparagraph (a) of the Electricity Market Licensing Regulation, the transfer of rights and obligations by a legal entity license holder to another legal entity through merger or demerger under the Turkish Commercial Code No. 6102 is not considered as a license transfer. Although the legislation permits license transfer in cases where these conditions are met, the execution of merger and demerger processes is subject to the approval of EMRA.

EMRA must provide permission for the direct or indirect acquisition of shares representing 10% or more of the capital (5% or more for publicly traded companies) of legal entities subject to tariff regulation or for any other means of taking control of the license holder legal entity. The term "*legal entity subject to tariff regulation*" in the relevant article refers to companies conducting activities subject to tariffs published by EMRA. EPİAŞ, EÜAŞ, TEİAŞ, and distribution license holders are considered "legal entities subject to tariff regulation." Additionally, placing a pledge on the shares of legal entities subject to tariff regulation or establishing an account pledge on the accounts of legal entities is only possible with the permission of EMRA. These restrictions do not apply to publicly traded legal entities for their publicly traded shares.

Sanctions

If a legal entity license holder behaves contrary to the provisions of the legislation, sanctions may be applied. The type of sanction to be applied may vary depending on the nature of the violation. One of the possible sanctions is an administrative fine. The main situations in which an administrative fine may be imposed include:

- Providing incorrect, incomplete, or misleading information or failing to provide any information at all during information requests or on-site inspections conducted by EMRA, or denying the opportunity for on-site inspection despite a warning, and persisting in non-compliance.
- Non-compliance with the Electricity Market Law, secondary legislation, license provisions, EMRA decisions, and instructions, and persisting in or repeating the violation despite a warning.
- Violation of Electricity Market Law and secondary legislation in a way that cannot be corrected.
- Submission of false documents or misleading information regarding license application or during the validity of the license, or failure to report changes in license conditions that would affect the granting of the license.
- Violation of the prohibition of participation relationships, and persisting in the situation despite a warning.
- Operating outside the scope of the license, and persisting in non-compliance despite a warning.

If there is a recurrence of the conduct leading to an administrative fine within two years from the imposition of the initial fine, the subsequent administrative fines will be applied at a rate twice as high. The administrative fine is capped at a maximum of 10% of the legal entity's gross income from the preceding financial year.

Revocation of the license is another potential sanction. Instances where the licenses held by legal entities could be subject to revocation include:

- Submission of false documents or misleading information to EMRA, or the inability to correct such documents or information, despite written notice and resistance to rectifying the non-compliance;
- The conditions on which the license issuance is based no longer exist during the validity of the license, or it is determined that these conditions were never present from the beginning; and
- Detection of fraud or false statements against the law in requests and transactions conducted within the scope of the Electricity Market Law.

The sanctions outlined above are applicable to all types of licenses, but the Electricity Market Law regulates specific types of sanctions for legal entities holding a distribution license. The identification of non-compliance with regulations and the potential application of specific sanctions for relevant companies is regulated under Article 16 of the Electricity Market Law and the Regulation on Measures Regarding Distribution and Retail Licenses in the Electricity Market. Accordingly, if it is determined that a legal entity holding a distribution license significantly hampers the proper execution of distribution activities in accordance with procedural rules and principles stipulated in the legislation, or if violations of regulations have substantially degraded the quality or nature of distribution activities, or if there is a tendency to commit regulatory violations, or if it is determined that the entity is or will be in a state of insolvency, the following sanctions may be applied:

- Removal of some or all members of the board of directors of the legal entity holding the distribution license and appointment of new members in their place;
- Provision of financial compensation for services and investments that should have been provided under the tariff by the legal entity holding the distribution license but were not, primarily from the company's

other activities, if insufficient, from the dividend incomes of existing shareholders, and finally, from the assets of shareholders with registered shares; and

- Taking all necessary measures to protect consumers and ensure uninterrupted services until a distribution license is granted to another legal entity for the terminated distribution region.

The legal entity whose license is revoked, shareholders holding 10% or more shares in this legal entity, and board members of joint-stock companies (including those who have resigned within one year before the license revocation date), and in limited companies, directors, are prohibited from obtaining a license, submitting a license application, being direct or indirect shareholders in license-applying legal entities, and serving on boards of directors for a period of three years following the license revocation. After a license application, in cases where there is a prohibition status for shareholders and board members in joint-stock companies or directors in limited companies, a grace period is given to rectify this non-compliance.

Termination of a license can occur in three different situations, aside from the cancellation of the license by EMRA. The first situation is the expiration of the license term. The second situation is the finalization of the bankruptcy of the legal entity holding the license or the loss of conditions previously provided for obtaining the license. The last situation is when the license holder requests the termination of the license, and this request is approved by EMRA. Requests for the termination of a license should be submitted to EMRA at least six months before the termination date (for distribution companies and authorized retail companies, at least 12 months before). For the termination requests of distribution license holders to be approved, new legal entities continuing the activities within the scope of the license must be identified, and these entities must obtain the necessary licenses.

Special Restrictions on the Activities of Distribution Companies

Although the privatization process has established legal monopolies for each distribution company in their respective regions within the electricity distribution sector, the electricity distribution market operates as the upper market in relation to the electricity retail market. Consequently, to preserve competition in the lower market, specific regulations, including but not limited to the ones listed below, have been introduced in legislation to govern the activities of distribution companies.

- (i) The distribution company is obligated to provide services to all distribution system users, whether connected or to be connected to the distribution system, without discrimination among equal parties, in accordance with relevant legislation.
- (ii) The distribution company is required to operate and make decisions independently in its business and operations. Those who control the distribution company, whether natural and/or legal persons, cannot intervene in the operation and management of the distribution network.
- (iii) For distribution companies and retail, production, and authorized retail companies under the same control relationship, the titles of board members, general managers, and assistant general managers, or other titles, regardless of the titles used, with equivalent or higher authority and responsibilities as an assistant general manager, must be staffed by different individuals. These executives, employed in the distribution company, cannot simultaneously hold positions in structures created within the relevant parent company or controlled companies for the purpose of monitoring, coordinating, managing, or overseeing distribution, retail sales, and/or production activities or any other activities that may affect them.
- (iv) The general manager and assistant general manager of the distribution company, regardless of the titles used, with equivalent or higher authority and responsibilities as an assistant general manager, cannot simultaneously hold positions in the same partnership structure as other electricity distribution companies, except for electricity distribution companies with the same ownership structure, or in

companies related to the electricity market or other companies providing electricity market-related services.

- (v) The registered notification address of the distribution company's license cannot be located outside the distribution region where it operates.
- (vi) The distribution company cannot outsource the following processes to the same ownership structure or controlled companies other than other regional electricity distribution companies: (i) determination of regional production facility capacities, (ii) project approval and acceptance procedures for SCADA operations, provision of opinions on the connection of production and consumption facilities to the distribution system, (iii) compliance with obligations under the Regulation on Quality of Service for Electricity Distribution and Retail Sales, (iv) tasks related to the process until the signing of contracts with contractors and/or suppliers, such as preparation of tender documents and evaluation of bids for construction works, goods, and services procurement, (v) excluding call services and collection procedures for consumers, operations related to the business and processes of user service centers.
- (vii) As of January 1, 2016, distribution companies and authorized retail sales companies are obliged to provide services in different physical environments (separate independent buildings) and to use different information systems infrastructure.

Other General Legislative Regulations Applicable to Distribution Companies

The Electricity Market Connection and System Usage Regulation

Distribution companies undertake the task of operating the distribution system in delivering electricity produced by electricity generation companies to consumers. The distribution system is used when electricity is transmitted through lines with voltage levels of 36 kV or less. When there is a need to transport electricity with voltage levels above 36 kV, it is transmitted through the electricity transmission system. Therefore, when there is a need for the electricity produced by generation companies to reach consumers through lines with voltage levels of 36 kV or less, the distribution system is directly connected to the production facility of the generation company. When there is a need to transport electricity with voltage levels above 36 kV, the electrical energy is conveyed to urban centers through the electricity transmission system and then delivered to consumers either through the distribution system or directly by the transmission system.

In both cases, for electricity to be delivered to consumers through the transmission and distribution systems, users wishing to benefit from the respective systems must submit a connection request in accordance with the principles set out in the Electricity Market Connection and System Usage Regulation. These requests need to be approved by either TEİAŞ, the operator of the transmission system, or the relevant distribution company, depending on whether it is related to the transmission or distribution system.

TEİAŞ and distribution companies are obligated to provide services to all system users connected to or willing to connect to the transmission/distribution system without discrimination among parties, in accordance with the relevant legislation. They must approve connection requests unless there are reasons specified in the Electricity Market Connection and System Usage Regulation.

The Electricity Grid Regulation

The Electricity Grid Regulation governs the obligations of TEİAŞ, transmission system users, and other users connected to the distribution system that affect the transmission system. It outlines the facility design and operation rules that must be followed, as well as the rules for planning the transmission system and ensuring system security. The Electricity Grid Regulation specifically addresses technical requirements for the transmission system and generation facilities, as well as the procedures and principles for connection to the

transmission system and related planning. The legal relationship between TEİAŞ and distribution companies is conducted within the framework of this regulation.

The Electricity Market Consumer Services Regulation

In accordance with the regulations of the electricity market, another task assigned to distribution companies is meter reading. The ownership of meters measuring the electrical energy consumption of users within the distribution system belongs to the distribution company. Distribution companies ensure the reading of the meters they own within periods of at least 25 and up to 35 days, as stipulated by the Electricity Market Consumer Services Regulation, and ensure the smooth operation of these meters. In case of meter malfunction or doubts about measurement accuracy, the distribution company conducts an inspection and replaces the meter if deemed necessary. If consumers fail to pay their debts to the retail company, the distribution company disconnects the electricity retail to the consumer with a prior notification. Detecting and addressing unauthorized consumption and irregularities in electricity consumption is also among the responsibilities of the distribution company, as outlined in the relevant regulations.

The Electricity Market Tariffs Regulation

Charges that can be requested by relevant market players for electricity market activities, including distribution activities, transmission activities, EÜAŞ's wholesale sales activities to distribution companies (including technical and non-technical losses and general lighting), and duties of retail companies (for regulated consumers in terms of tariff regulation), as well as the market operation activities of EPIAŞ, are determined by the Energy Market Tariffs Regulation. These tariffs, referred to as regulated tariffs in the Regulation, include the (i) connection tariff, (ii) transmission tariff, (iii) wholesale sales tariff, (iv) distribution tariff, (v) retail sales tariff, (vi) market operation tariff, and (vii) last resort retail tariff.

The regulated tariffs applied by distribution companies, in terms of their activities and the charges they are obligated to pay, are listed below:

- (i) **Connection Tariff:** The tariff related to the connection fee that users connecting to the distribution system are obligated to pay. The connection fee does not cover network investment costs; it is limited to the expenses incurred for the connection line built for the connection of consumers' internal installations to the distribution network within the distance limits specified under the Electricity Market Connection and System Usage Regulation. The connection fee is calculated based on the provisions of the Communiqué on the Determination of Distribution Connection Fees in the Electricity Market.
- (ii) **Distribution Tariff:** The tariff related to the fees that users benefiting from the distribution system are obligated to pay for the use of the distribution system. These fees are determined, taking into account all the costs and services related to the conduct of the distribution activity, such as investment expenses necessary for the operation of the distribution activity, a reasonable return on investment expenses, system operation costs, technical and non-technical loss costs, switching service costs, meter reading costs, reactive energy costs, and amounts paid under the transmission tariff, to achieve the efficiency target set by EMRA for the respective distribution company. The procedures and principles for the determination of the distribution tariff are regulated by the Communiqué on the Regulation of the Distribution Tariff.
- (iii) **Transmission Tariff:** The tariff related to the fees that users benefiting from the transmission system are obligated to pay for the transmission of electrical energy through the transmission system. The transmission system usage fee and the transmission system operation fee within this tariff are determined by EMRA. The fees in the transmission tariff are set in a way that allows TEİAŞ to cover the fixed and variable costs necessary for its activities and to obtain a reasonable return to sustain its investments. Distribution companies are required to pay TEİAŞ the amount calculated according to the approved

transmission tariff by EMRA for their use of the transmission system. The transmission additional fee, collected by TEİAŞ on behalf of EMRA, is also included in the transmission tariff. The procedures and principles for the determination of the transmission tariff are regulated by the Communiqué on the Regulation of Transmission Revenue.

- (iv) **Market Operation Tariff:** The tariff related to the market operation fee that market participants registered in the organized wholesale market are obligated to pay. The market operation fee is determined by EMRA based on the principle of financial sustainability, allowing EPIAŞ to cover its fixed and variable costs necessary to sustain market operation activities and to obtain a reasonable return, as per the Communiqué on the Regulation of Market Operation Revenue. Distribution companies are subject to this tariff due to their activities in organized wholesale markets.

Implementing Regulation on Purchasing and Sales Transactions of Electricity Distribution Companies

Electric distribution companies are subject to the Implementing Regulation on Purchasing and Sales Transactions of Electricity Distribution Companies for the procurement, sale, and tender processes related to construction works, procurement of goods and services, and asset sales within the scope of distribution activities. According to this Regulation, distribution companies are obligated to prepare, submit to EMRA, and establish the relevant processes in accordance with the procurement, sale, and tender procedures covering the purchasing, selling, and tender processes.

Regulation on Quality of Service for Electricity Distribution and Retail Sales

To ensure that electricity is provided to users in a sufficient, high-quality, continuous, cost-effective, and environmentally friendly manner, distribution companies are required to provide distribution services in compliance with the quality standards outlined in the Regulation on Quality of Service for Electricity Distribution and Retail Sales. Accordingly, the quality of the service provided by distribution companies is monitored under three main categories: (i) continuity of retail quality, (ii) commercial quality, and (iii) technical quality.

Regulation on the Distribution System of the Electricity Market

The operation, monitoring, and control of the distribution system, as well as the rules and procedures regarding maintenance, emergency situations in the distribution system, reporting, and investigations to be followed by distribution companies and users, are regulated by the Regulation on the Distribution System of the Electricity Market. This regulation covers various aspects of distribution companies, including (i) obligations related to maintenance activities, (ii) minimum rules and standards for energy flow and communication in the distribution system, (iii) obligations related to the SCADA remote monitoring and control system and the GIS system, (iv) duties and responsibilities in terms of preparedness for emergency situations, (v) establishment procedures and principles for user service centers, and (vi) obligations in reporting and investigation cases by EMRA.

The Electricity Market Metering Systems Regulation

This regulation covers the determination of all measurement systems, including meters used for licensed and unlicensed production activities in the electricity market and consumption purposes, the installation of necessary equipment, processing of data obtained through these systems, and sharing of data. According to the regulation, distribution companies are responsible for the inclusion of distribution system meters in the National Smart Metering System (“MASS”) as of January 1, 2025, the installation, operation, and maintenance of necessary equipment and infrastructure for communication, and the replacement of existing meters with smart meters. Additionally, the regulation outlines the transition procedures for user mobile applications.

Other Legislation Besides Electricity Market Legislation

Occupational Health and Safety Legislation

The purpose of Law No. 6331 on Occupational Health and Safety is to regulate the duties, authorities, responsibilities, rights, and obligations of employers and employees in all workplaces, both public and private, to ensure occupational health and safety and to improve existing health and safety conditions. Employers are responsible for ensuring the health and safety of employees regarding their work tasks. Within this framework, employers are obliged to take all necessary measures, including identifying, assessing, and preventing occupational risks, providing training and information, organizing the workplace, providing necessary equipment and tools, adapting health and safety measures to changing conditions, and improving the current situation.

To ensure occupational health and safety for tasks classified as hazardous and very hazardous, additional rules and regulations are outlined under the relevant legislation. The classification of different occupations into specific hazard categories is determined based on the list provided in the Communiqué on Workplace Hazard Classes Related to Occupational Health and Safety. Accordingly, electricity distribution is classified as “very hazardous,” maintenance and repair of electricity meters are classified as “hazardous,” and electricity trading with users is classified as “low hazard.”

The employer is required to appoint occupational safety specialists, workplace physicians, and other healthcare personnel from among the employees in workplaces classified as very hazardous with ten or more employees. If there are no personnel with the required qualifications among the employees, the employer may fulfil this requirement by obtaining services from joint health and safety units, either in full or in part. Occupational safety specialists must hold a Class (A) certification to work in workplaces classified as very hazardous, at least a Class (B) certification to work in hazardous workplaces, and at least a Class (C) certification to work in low-hazard workplaces.

In workplaces classified as low hazard with 1,000 or more employees, at least one full-time occupational physician should be appointed for every 1,000 employees. For workplaces classified as hazardous with 500 or more employees, at least one full-time occupational physician should be appointed for every 500 employees. In workplaces classified as very hazardous, one occupational physician and one occupational safety specialist should be appointed for every 250 employees, both on a full-time basis. In such cases where full-time appointments of occupational physicians and occupational safety specialists are required, the employer must establish a workplace health and safety unit. Moreover, in workplaces with fifty or more employees where continuous work lasting more than six months is carried out, the employer must establish a health and safety committee to engage in health and safety-related activities.

Legislation Concerning Construction

It is mandatory to obtain a building permit from the municipality or governorship offices for all public and private structures to be constructed within and outside the municipal and adjacent area boundaries. Additionally, upon completion of the entire structure or when the parts that can be partially used are completed, a building occupancy permit must be obtained from the municipality or governorship offices that issued the building permit for the entire structure or the completed parts to be used. However, according to Article 56 of the Zoning Regulation for Planned Areas published in the Official Gazette dated July 3, 2017, facilities related to public infrastructure services such as solid waste storage and transfer facilities, waste sorting facilities, energy, communication, and transmission stations and lines of any type and nature, irrigation, natural resources, transportation, communication, and other infrastructure services, as well as control and security units that are ancillary to them, such as transformers, exchangers, elevators, conveyors, and temporary concrete and asphalt plants established for these purposes, are not subject to building permits when they are carried out by public institutions and organizations in public areas.

The distribution systems operated by us and the properties on which these distribution systems are located are owned by TEDAŞ. According to Article 5 of TEDAŞ's main statute, which defines its legal entity, the properties owned by TEDAŞ are not subject to building permits under the exception provided in Article 56 of the Zoning Regulation for Planned Areas. However, we must obtain a building occupancy permit for the properties we use as workplaces within the scope of the zoning regulations.

Workplace Opening and Labor Regulations

It is not possible to open and operate sanitary and non-sanitary workplaces without obtaining a business opening and operating license from the competent authorities in accordance with the procedures. Those who wish to obtain a business opening and operating license must first evaluate whether the workplace they intend to open falls under sanitary or non-sanitary categories of first, second, or third degree according to the classification specified in the Regulation on Opening and Operating Business Licenses, and then apply to the competent authority with the necessary documents accordingly.

Since the distribution system operated by electricity distribution companies does not qualify as a workplace under the Regulation on Opening and Operating Business Licenses, electricity distribution companies are not required to obtain a business opening and operating license for the distribution system they operate. However, we must obtain a business opening and operating license for places that qualify as workplaces within the scope of our commercial operations (such as company headquarters, branches, etc.).

Legislation on the Protection of Personal Data

The Personal Data Protection Law (*Kişisel Verileri Koruma Kanunu*) sets out administrative sanctions for the unlawful collection, processing, deletion, anonymization, and transfer of personal data. According to the Personal Data Protection Law, personal data cannot be processed or transferred without the explicit consent of the data subject, except for the exceptions specified in the Personal Data Protection Law. If the reasons requiring processing cease to exist, or upon the request of the data subject, personal data must be deleted, destroyed, or anonymized. Data controllers and data processors have an obligation to inform subjects during the acquisition of personal data. Both natural and legal persons processing personal data are required to register with the Data Controllers Registry.

Within the scope of its activities, the company processes personal data in categories such as identity, communication, location, employment, legal transactions, customer transactions (such as call center records, invoice records), physical space security, transaction security, finance, professional experience, marketing, visual and auditory records, and other (ancillary rights and interest information, inspection information, and transaction information) categories. Additionally, the company processes sensitive personal data in categories such as philosophical beliefs, religion, sect, and other beliefs, appearance, union membership, health information, criminal conviction, and security measures. The company is also registered as a data controller in the Data Controllers Registry.

Legislation on the Environment

The basic regulations regarding environmental issues in Türkiye consist of the Environmental Law and a series of regulations issued within the scope of the Environmental Law, such as the Environmental Impact Assessment Regulation and the Environmental Permit and License Regulation. The Environmental Law regulates the general framework for the protection of the environment and the consequences of non-compliance with these requirements. The Environmental Impact Assessment Regulation, on the other hand, regulates the types of Environmental Impact Assessment (“EIA”) studies and their contents.

Facilities subject to environmental impact assessment requirements are listed in the Environmental Impact Assessment Regulation. The activities carried out by our company are not within the scope of the lists in the Environmental Impact Assessment Regulation. Therefore, our company is exempt from EIA requirements.

Similarly, our company does not engage in activities covered by the Environmental Permit and License Regulation, such as air emissions, environmental noise, wastewater discharge, and deep-sea water discharge, and therefore is not subject to the permit and license requirements in this regulation. However, we are connected to the sewage system for wastewater disposal generated within our office buildings and has obtained the necessary permits from the relevant municipalities to connect its facilities to the sewage system.

We are obligated to obtain temporary storage permits for hazardous waste from the relevant Provincial Directorate of Environment, Urbanism, and Climate Change due to storing more than 1,000 kilograms of hazardous waste in logistics service center warehouses, in accordance with the Waste Management Regulation. We have approval letters for waste management plans and we have obtained temporary storage permits for the temporary storage areas for hazardous waste located in two logistics service centers in İzmir and Manisa provinces.

Regulation and Functioning of Electricity Distribution Markets

In Türkiye, electric distribution activities are largely regulated under the supervision of EMRA. Distribution activities in Türkiye are considered natural monopolies and are therefore licensed activities, with the roles and responsibilities of distribution companies defined by EMRA. Distribution companies are primarily responsible in their respective regions for (i) operating the distribution network, (ii) making necessary capacity increase, renewal, and expansion investments, (iii) maintaining and repairing the distribution network, (iv) maintaining and reading the meters of distribution system users in the distribution areas, (v) preparing demand forecasts and investment plans, (vi) purchasing electricity to compensate for losses and unauthorized use, and (vii) illuminating public areas. The distribution network in Türkiye is divided into the 21 distribution regions shown in the map below, and the operational rights of each distribution network in these regions have been transferred to distribution companies through TOR Agreements. In this context, EMRA determines the Distribution Tariff and oversees the reliable and cost-effective operation of the distribution networks established in the 21 regions in Türkiye.



National Tariff

The “Distribution Tariff” and the “Retail Sales Tariff” are the two main components of the National Tariff. These two tariffs, determined by EMRA, apply to (i) all non-eligible consumers and (ii) eligible consumers who have not chosen this right, nationally as tariffs determined on a subscriber group basis. However, the

distribution tariff is applied to all consumers who receive electricity through the distribution system, regardless of whether the consumer is classified as a liberalized consumer or not. EMRA determines the National Tariff on a monthly or quarterly basis but calculates the revenue requirements for the components of this tariff, namely the distribution and retail sales tariffs, on a Distribution Tariff Period basis. The current Distribution Tariff Period covers the period between 2021 and 2025, referred to as the “4th Distribution Tariff Period.”

The National Tariff is differentiated based on subscriber groups, being industrial, public and private services sector, and others, residential, agricultural activities, and lighting. The distribution tariff varies based on the connection status from “medium and low” voltage levels. The components of the National Tariff are summarized in the visual representation below.



In the third quarter of 2024, the national tariff’s weighted average was composed of 47% energy, 38% distribution and 15% taxes (compared to Q3 2023: 51% energy, 35% distribution and 14% taxes and Q3 2022: 71% energy, 14% distribution and 14% taxes). In the third quarter of 2024, the distribution unit price (TL/MWh) was 1,030 in the industrial sector, 1,396 in the public and private services sector, and 1,365 in the residential sector (compared to Q3 2023: 648 in the industry sector, 878 in the services sector and 859 in the residential sector and Q3 2022: 253 in the industry sector, 343 in the services sector and 335 in the residential sector).

Distribution Tariff

The Distribution Tariff, which is set by EMRA in accordance with the Communiqué on the Regulation of Distribution Tariff (*Dağıtım Tarifesinin Düzenlenmesi Hakkında Tebliğ*), published in the Official Gazette no. 31309 on November 19, 2020, uses a revenue cap, which is a performance-based revenue regulation approach. Under this approach, the maximum annual revenue a regulated company can earn during a Distribution Tariff Period is predetermined. This ceiling takes into account the company’s costs from previous periods and potential costs in the upcoming tariff period. To address any disparities between the approved and actual revenue, correction mechanisms are periodically applied.

Deviations in a company’s revenues in a given year are offset in subsequent years within the tariff period, ensuring that the overall projected revenue is achieved. The revenue cap has a performance-based component, as a company that operates with costs below the tariff-defined amount is not penalized, thereby incentivizing efficient operations. The projections for the next implementation period (t+1) are based on actual costs from

the preceding period (t), encouraging companies to enhance efficiency. If there are inefficiencies, the subsequent year's revenue requirement for the (t+1) period is adjusted, prompting the company to operate more efficiently.

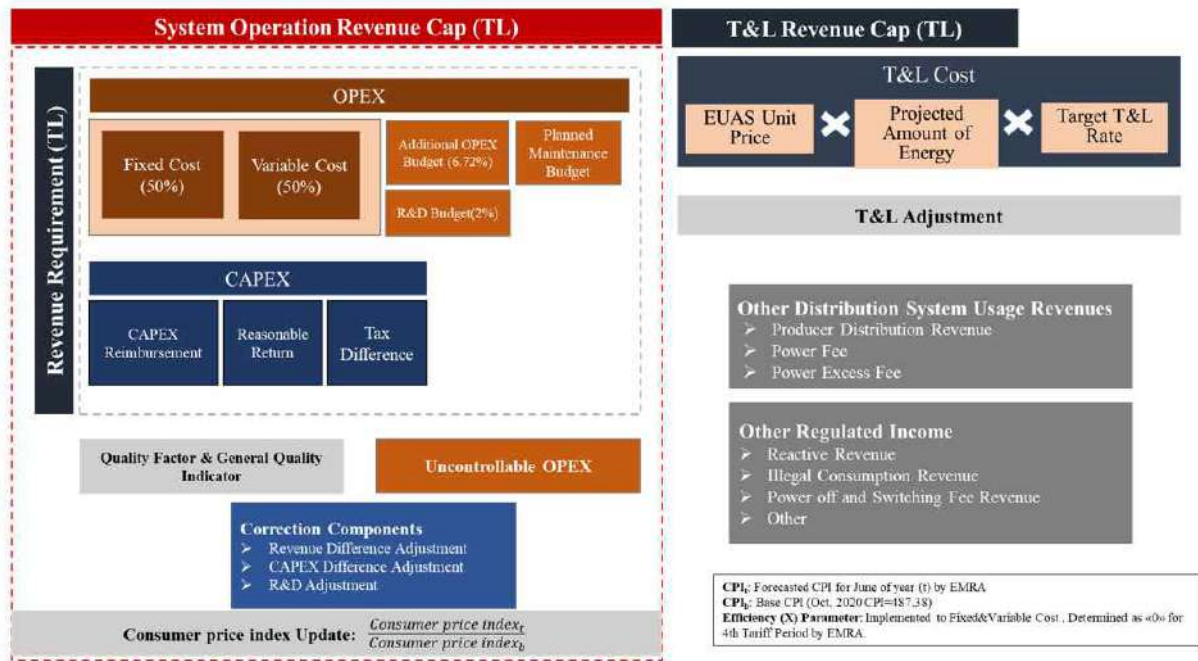
The Distribution Tariff consists of the fees related to the use of the distribution system that will be applied without discrimination among users benefiting from the distribution of electrical energy through the distribution system, along with the provisions and conditions for the implementation of the tariff. Fees related to the use of the distribution system are determined by taking into account all the costs and services related to the operation of the distribution activity, such as necessary investment expenditures, a reasonable return on investment expenditures, system operation costs, technical and non-technical loss costs, cut-off and reconnection service costs, meter reading costs, reactive energy costs, and amounts paid under the transmission tariff, with the measure of reaching the efficiency target set for the relevant distribution company. Based on this definition, the distribution tariff includes (i) the costs of operating and maintaining the distribution network, (ii) the repayment of regulated investment expenditures and the return obtained through WACC via RAB, (iii) the cost of energy retail for theft and loss, (iv) transmission fees (calculated based on transmission tariffs), and (v) the regulatory operating expenditures incurred within the scope of distribution activities.

Consumers are classified based on factors such as their usage purpose, consumption amount, connection status, and other relevant regulations are determined by the Procedures and Principles for Tariff Applications of Distribution License Holder Legal Entities and Authorized Supplier Companies. The relevant fees are set out below:

- **The distribution fee:** charged based on the amount of electrical energy withdrawn from the distribution system for subscribers subject to single or double tariff classes and the energy delivered to the distribution system by producers within the scope of production activities.
- **The power fee:** charged monthly based on the power specified in the connection agreement or contract for users connected to the distribution system, especially for those subject to the double tariff class.
- **The excess power fee:** charged monthly based on the exceeded power amount for users connected to the distribution system, particularly for those subject to the double tariff class, when exceeding the specified power in the connection agreement or contract.
- **The reactive energy fee:** applied for distribution system users subject to reactive energy application when exceeding the limits specified in the Procedures and Principles for Tariff Applications of Distribution License Holder Legal Entities and Authorized Supplier Companies.
- **The commanded capacity fee:** applied to producers on behalf of consumers if establishing a special direct line between a production facility and its customers and/or subsidiaries and/or free consumers.

The distribution fee, power fee, excess power fee, and reactive energy fee applied to distribution system users are invoiced to the suppliers of users. Suppliers reflect the invoiced amounts by the distribution company on behalf of the users, collect distribution fees from consumers, and pay these fees to the distribution companies.

EMRA has determined the revenue requirements of distribution companies for the 4th Distribution Tariff Period, and these amounts constitute the annual distribution revenue ceiling, which is considered in the determination of the distribution tariff. The components of the revenue ceilings for distribution companies are illustrated below.



(*) With the Board Decision of EMRA dated December 28, 2023 and numbered 12320-1, it was decided to consider the “tax difference amount” as “0” for 2024 and 2025.

Revenue Requirement-- Operating Expenditure Component

The operating expenditure component of the revenue requirement includes fixed and variable costs, additional operating expenditure budget (6.72%) and planned maintenance budget. Operating expenditure allowance (excluding planned maintenance budget), which is set for each year of the Distribution Tariff Period, is not subject to adjustment, and if a company realizes activities at costs below the amount stipulated by the tariff, this efficiency is not recovered from the company. Therefore, the difference between the approved operating expenditure allowance and the actual realization is reflected to the company as “operating expenditure outperformance.”

Operating expenses predicted not to vary within a tariff period based on factors such as demand quantity, number of users, network size, and similar variables are considered as fixed operating expenses. Conversely, operating expenses that have the potential to fluctuate based on the aforementioned factors are categorized as variable operating expenses. The material, personnel, meter reading, payment notification and second notification, call center and consumer services, fault-maintenance-repair, meter removal-installation, cut-off-reconnection, illegal usage control, technology, administrative, rent, collection, communication, travel, accommodation and travel expenses, private security, office and printing, room dues, and all insurance expenses except employer and third-party liability insurance, other insurance expenses and project construction expenses are considered as “controllable” operating expenditures, as part of “operating expenditure allowance.”

Uncontrollable operating expenses taken into account in the revenue cap include:

- Payments made under the transmission tariff;
- Expenses related to forest land use;
- Expenses for seniority and severance pay for permanent staff, excluding litigation expenses;
- Permit and license fees paid to public institutions;

- taxes, fees, levies (excluding judicial fees), license fees, and similar expenses incurred in connection with distribution activities, excluding VAT, Corporate Income Tax, Bank and Insurance Transactions Tax, and Special Consumption Tax;
- Expenses for comprehensive insurance coverage, employer and third-party liability insurance;
- Guarantee letter expenses that must be paid to EPIAŞ, TEİAŞ, and EÜAŞ within the scope of activities; and
- Provisions for doubtful commercial receivables related to system usage receivables and theft accruals from suppliers and producers.

Costs encompassing donations, sponsorships, advertising, promotions, representation and entertainment, association membership fees, as well as fines and compensations, fall outside the purview of the tariff and therefore remain unaccounted for within its coverage. Regulated operating expenses are calculated based on the data of the relevant distribution company from previous years, data from other domestic and/or foreign legal entities engaged in the same activity, and/or modeling such as econometric models, reference company modeling, and analyzed data, and are projected for the Distribution Tariff Period (currently 2021-2025). The difference between these projected amounts and the actual amounts is not compensated through the tariff. Uncontrollable operating expenses, on the other hand, are forecast and included in the tariff during the annual revenue ceiling calculations. Positive/negative deviations between the actual occurrences and the forecasts for these expenses are considered in tariff calculations for two-year period (they are compensated within the tariff mechanism).

One of the components of the revenue requirement is the research and development (“**R&D**”) budget. It is calculated as two percent of the operating expenditure allowance, excluding uncontrollable operating expenditures. To compensate for the difference between the R&D budget and the actual research and development expenses incurred during the five-year Distribution Tariff Period, an R&D adjustment component is used. This adjustment amount is applied to the tariffs in the next tariff period and includes an interest rate determined by EMRA.

When calculating the operating expenses for the 4th Distribution Tariff Period (2021-2025), the actual operating expense figures from the financial statements for the base period of 2017, 2018, and 2019 (base period) were considered, with certain controls and adjustments applied. The principles of these calculations were determined by the Decision 9810 of the Board, dated October 14, 2020. Accordingly, the expenses for the base period were subjected to sectoral comparison analyses through econometric analyses using three methods, both collectively and separately. Subsequently, the forecast results obtained through these methods were weighted using certain ratios.

The final base operating expense has been calculated by comparing the distribution company-specific analysis results with base period actuals. This amount was then divided into two equal parts, fixed and variable operating expenses. The variable part, serving as the basis for predictions for each year of the 4th Distribution Tariff Period, was expanded based on factors including population, number of consumers, number of transformers, line length, and number of switching operations, each weighted separately. In the calculations, external factors that had not been realized within the base period but had a significant impact on operating expenses in 2020 and would continue to have an impact within the 4th Distribution Tariff Period (such as the exchange rate effect on vehicle rental expenses) were used to adjust the calculations. Furthermore, a budget for additional operating expenses equivalent to 6.72% of calculated operational expenditure base was included in the calculations to account for expenses that were partially or entirely unrealized during the base period but were likely to occur during the 4th Distribution Tariff Period, and for expenses outside the scope of the explained analysis, such as consultancy expenses related to distribution activities.

One significant decision taken by EMRA for the 4th Distribution Tariff Period regarding distribution tariffs and the activities of distribution companies is the allocation of a “Planned Maintenance Budget” to companies for the new implementation period. In this context, the “Principles and Procedures for Considering the Planned Maintenance Expenditures of Electricity Distribution Companies in Tariff Calculations” (“**Planned Maintenance Regulations**”) implemented by EMRA outlines the content of the planned maintenance activities that constitute this budget.

According to the Planned Maintenance Regulations, if the expenditure is below 95% of the budget projected for the relevant year for the distribution company, the shortfall amount is deducted from the tariff by 1.2 times for realizations of 80% or more, and by 1.5 times for realizations below 80% of the projected budget. If the budget is underutilized, the shortfall amount is deducted from the company’s revenue requirement in an incremental manner, based on the shortfall realization rate.

To prevent overspending and inefficient use of the budget, the regulation stipulates those expenditures exceeding 105% of the total planned maintenance budget projected for the tariff application period will not be considered in tariff calculations.

In the annual revenue cap calculations, the approved operating expense budget is updated according to the June CPI value of the relevant year (t) stipulated by EMRA and the difference between the projected CPI and the actual CPI is subject to adjustment in the (t+2) period. For example, in the Revenue Cap calculations for 2021, the CPI value for June 2021 was accepted as 529.32 by EMRA and tariff calculations were made by updating the approved operating expense budget with October 2020 (487.38) at the beginning of the 4th Distribution Tariff Period for 2021. However, the CPI value for June 2021 was 547.48, and EMRA corrected this difference and included it in the calculations for the Revenue Cap for 2023.

Revenue Requirement – Capital Expenditures Component

The capital expenditure component consists of (i) the return obtained with the regulated asset base (average of the RAB at the beginning and end of the period) using the WACC and (ii) capital expenditure reimbursement. The WACC was set at 12.30% for the 4th Distribution Tariff Period, and this rate is inflation-adjusted. Capital expenditures are repaid through tariff revenues within the 10-year payback period. For past investment expenditures to be considered eligible for use in revenue requirement calculations, they must adhere to the principles outlined below:

- The expenditure should be made within the framework of investment plans approved by the regulatory authority.
- It should consist of investment expenditures necessary for the conduct of distribution activities and other expenditures of an investment nature.
- The assets related to the expenditure should be made ready for use, commenced use, and their provisional acceptance should be completed and approved.
- The final account of the expenditure should be completed.
- The ownership of the investments should belong to the public or be made on behalf of the public, or, if not meeting these conditions, it should be made in accordance with the legislation.
- Foreign exchange differences, term differences, interest, and similar financial expenses should be itemized.
- VAT and Stamp Duty should be itemized.

- Compliance with accounting records and the documentation of compliance with the accounting records and supporting documents.

EMRA determines the unit prices for the materials used and the labor services provided by distribution companies for network investments. When approving these investments such as capital expenditure, EMRA evaluates the figures calculated by multiplying unit prices with the quantities of investments, rather than considering a company's actual spending on them. The difference between the capital expenditure approved by EMRA and the company's actual capital expenditure is referred to as capital expenditure outperformance.

Regulated distribution system investments consist of (i) network investments, (ii) mandatory legal investments, (iii) network operation system investments, including automatic meter reading systems ("OSOS") and SCADA systems, (iv) R&D project dissemination investments, and (v) other investments qualifying as capital expenditures. Among these capital expenditures, EMRA has determined unit prices for the materials used in "network capital expenditures" and "installation (labor)" services provided on the basis of the investment item (exposure). When approving these capital expenditures, EMRA does not take into account the current realizations of the company, but the amounts determined by multiplying these unit prices by the invested amounts. Accordingly, material unit prices are updated based on the changes in copper, iron and aluminum prices, CPI and minimum wage parameters, while installation unit prices are updated based on the changes in CPI and minimum wage.

A five-year investment report, including a detailed justification report, was submitted to EMRA in the last year of the previous tariff period. This report covers investment requirements related to (i) meeting the future energy demand increase of the region, (ii) improving retail continuity and technical and commercial quality indicators, (iii) renewing distribution assets, and (iv) complying with technical requirements such as SCADA, GIS, OSOS. Before approving the 5-year investment plan, EMRA conducts a detailed evaluation process. As mentioned above, exchange rate differences, term differences, interest, and similar financing expenses, as well as VAT and stamp duty, are not taken into account in the calculations relevant to capital expenditures.

Additional Investment Expenditures

In the context of the tariff period, EMRA has the authority to change capital expenditure allowance. Distribution companies may invest during a tariff period, up to 10% beyond the approved investment characteristic ceiling without EMRA approval, provided that they do not surpass 5% of the approved investment ceiling capital expenditure allowance for the tariff period. Any expenditures exceeding these predefined limits are prohibited without prior permission from EMRA. If unauthorized expenses occur, the excess amounts are not considered in tariff calculations. Distribution companies may request an uplift from EMRA if they need additional investment budget above their approved investment budgets. EMRA may directly accept the request, conditionally approve it or reject it completely.

Other Revenue Items

Consumer distribution fees calculated within EMRA's revenue cap do not include (i) producer distribution fees or (ii) power/excess power fees for producers and consumers, which are other system usage fees that distribution companies can obtain. These revenues, as a source of income, can be considered in the revenue cap either as forecasts (subject to correction based on actual results), or directly as realized amounts, entirely subject to revenue difference correction. These revenues have not been considered in the relevant year's system operation revenue cap calculations as forecasts yet.

In addition to the distribution system usage revenues mentioned above, the following revenue items listed are also permitted to be obtained, subject to revenue variance correction based on specific ratios:

- Maintenance and repair service revenue (subject to revenue difference correction at a rate of 25%, with 75% retained by the distribution company).
- Donation revenues (entire amount subject to revenue difference correction).
- Penalties and indemnities obtained under connection and system usage agreements (*entire amount subject to revenue difference correction*).
- Penalty, forfeit, guarantee, and indemnity revenues (subject to revenue difference correction at a rate of 25%, with 75% retained by the distribution company).
- Other penalty and indemnity revenue (entire amount retained by the distribution company).
- Advertising, rent, and similar revenues (subject to revenue difference correction at a rate of 50%, with 50% retained by the distribution company).
- Litigation, court, attorney, execution, and arbitration revenues (subject to revenue difference correction at a rate of 50%, with 50% retained by the distribution company).
- Relocation revenue (entire amount retained by the distribution company).
- Technical quality measurement service revenue (entire amount subject to revenue difference correction).
- Damage revenue (entire amount subject to revenue difference correction).
- Other insurance revenues (entire amount subject to revenue difference correction).
- Revenue from theft accrual detection (subject to revenue difference correction at a rate of 45%, with 55% retained by the distribution company).
- Cut-off and connection revenue (entire amount subject to revenue difference correction).
- Provision income within the scope of theft and loss accrual (50% (25% for high loss companies) is subject to income difference adjustment and 50% (75% for high loss companies) is left to the distribution company).
- Irrecoverable receivable revenues related to system usage fees from suppliers and producers (entire amount subject to revenue difference correction).
- Other revenues from unlicensed electricity generation facilities (subject to revenue difference correction at a rate of 50%, with 50% retained by the distribution company).
- Automatic meter reading revenue (subject to revenue difference correction at a rate of 25%, with 75% retained by the distribution company).
- Payment notification abandonment revenue (entire amount subject to revenue difference correction).
- Second notification abandonment revenue (entire amount subject to revenue difference correction).
- Measurement test revenue (entire amount subject to revenue difference correction).
- Reactive energy revenue (entire amount subject to revenue difference correction).
- Meter control revenue (entire amount subject to revenue difference correction).

- Revenue from irregular electricity usage (entire amount subject to revenue difference correction).
- Project approval and acceptance revenues within the authority of distribution companies (subject to revenue difference correction at a rate of 50%, with 50% retained by the distribution company).
- Revenues obtained under R&D principles and procedures (subject to revenue difference correction at a rate of 50%, with 50% retained by the distribution company).
- Consulting revenue (subject to revenue difference correction at a rate of 25%, with 75% retained by the distribution company).

Quality Factor and General Quality Indicator

One of the significant innovations of the 4th Distribution Tariff Period is the new regulations regarding service quality for distribution companies. According to these regulations, a new quality methodology has been designed where distribution companies are rewarded or penalized based on their service quality performance through the distribution tariff. At the end of any operational year, a quality factor is calculated based on predefined parameters, and this quality factor is multiplied by the revenue requirement of the current year to obtain the amount included in the relevant year's revenue ceiling calculations.

According to the Regulation on Quality of Service for Electricity Distribution and Retail Sales, service quality in the distribution system is determined based on four categories: (i) supply continuity, (ii) technical quality, (iii) user satisfaction and (iv) occupational health and safety. Supply continuity refers to the distribution system's capacity to provide electric energy to users at economically acceptable costs and with the minimum possible interruption duration (SAIDI) and frequency (SAIFI), as well as the capacity to deliver energy that cannot be distributed (VOLL). User satisfaction refers to the capacity to fulfill service conditions in all stages of relationships between users and the distribution company in accordance with standards set by EMRA. Technical quality refers to the distribution system's ability to meet users' electricity demand within acceptable fluctuation limits for voltage frequency, waveform, three-phase symmetry, continuity, and high quality. In the distribution sector, occupational health and safety is of critical importance. EMRA quality regulations define the performance of distribution companies' occupational health and safety within the quality methodology as a separate parameter. Under the current regulations, the maximum reward is 5%, and the maximum penalty is -2.825%. The maximum rate consists of 2.25% for supply continuity, 0.5% for technical quality, 1.65% for user satisfaction performance, and 0.6% for occupational health and safety performance. Distribution companies submit quality standards tables to EMRA and publish these indicators on their websites. For the 4th Distribution Tariff Period, quality scores for 2022 and 2023 have not yet been finalized by EMRA and therefore have not been included in distribution tariff calculations yet.

In addition to the quality factor, EMRA has defined additional quality parameters under the general quality indicator for the 4th Distribution Tariff Period: "in-house resource utilization rate" and transparency, corporate governance and sustainability (public float). These indicators are also considered in annual revenue cap calculations. Accordingly, a maximum performance score of 1% is multiplied by the revenue requirement for the indicator of in-house sourcing, and likewise, a maximum performance score of 1% is multiplied by the revenue requirement for the indicator of public disclosure. For the performance score regarding in-house sourcing to be considered, the rate must be at least 50%, with each 10% increase reflecting a 0.01% increase in the respective performance score. Our in-house sourcing ratio was 31.4% and 36.1% for 2022 and 2023, respectively. The criterion for public disclosure is classified as the direct public offering of the distribution company's shares and their trading on Borsa İstanbul Anonim Şirketi (1%), and the public offering and trading of shares of the anonymous partnership owning the distribution company on Borsa İstanbul Anonim Şirketi (0.03%).

Theft and Loss

Pursuant to the EML, distribution companies are obliged to purchase electricity in order to compensate for the technical theft and loss of electricity in their regions. The cost of supplying theft and loss electricity energy, which is recovered from consumers through the distribution tariff, is calculated on a distribution company basis according to the target theft and loss rates set by EMRA. In other words, energy costs related to theft and loss are calculated according to the targeted theft and loss rate, not the actual theft and loss rate. Based on this target rate, the amount of energy to be distributed through the distribution system and the unit price applied by EÜAŞ for lost energy, a lost energy revenue cap is determined for each distribution company and this amount is included in distribution tariff calculations.

Due to variations in the theft and loss rates across distribution regions, especially in areas with high losses, the cost of loss energy can be high. Therefore, a national tariff is established through a price equalization mechanism nationwide. In other words, the burden of theft and loss costs is not borne solely by consumers in a specific region; it is distributed among all consumers nationwide.

On the other hand, distribution companies bear the risk of not achieving their predetermined theft and loss targets. If a distribution company fails to meet these targets, it must bear the cost of the energy amount between the targeted and actual theft and loss levels. Conversely, if better performance is achieved than the targeted theft and loss rate, the distribution company can benefit from this efficiency gain. In this regard, distribution companies are incentivized by relevant regulations to detect and invoice illegal usage as well as initiate legal proceedings. Regardless of whether these invoices are collected or not, 55% of the invoiced amount for illegal electricity consumption is allocated to the distribution company. Additionally, 50% (75% for distribution companies with high theft and losses) of the amount collected through legal proceedings remains with the distribution company.

General Lighting

According to the EML, general lighting is defined as the illumination of boulevards, streets, alleys, overpasses, bridges, squares, pedestrian crossings, as well as public parks, gardens, historical and archaeological sites open to the public, and traffic signaling, excluding highways and privatized access-controlled highways, intended for the general use of the public. Distribution companies are responsible for general lighting in their distribution areas. According to the law, electricity distribution companies procure the electricity needed for general lighting from EÜAŞ. The cost of general lighting (energy component) is calculated by adding a net profit margin (2.38%) to the company's energy procurement costs.

Our Revenue Requirement for 4th Distribution Tariff Period

	For the year ended December 31, ⁽¹⁾				
	2021	2022	2023	2024	2025
	<i>(TL millions)</i>				
BASE CPI (October 2020)	487.38	487.38	487.38	487.38	487.38
Operational Expenditure Allowance ^{(2) (3)} ..	490	558	532	538	544
R&D Allowance	10	11	11	11	11
Regulated Asset Base Tariff Year					
Opening Value.....	2,073	2,707	3,239	3,689	4,055
Capital Expenditure Allowance ⁽⁸⁾	1,097	1,097	1,097	1,097	1,097
Capital Expenditure Reimbursement ⁽⁹⁾	463	565	647	732	801

For the year ended December 31,⁽¹⁾

	2021	2022	2023	2024	2025
Regulated Asset Base Tariff Year Closing Value ⁽¹⁰⁾	2,707	3,239	3,689	4,055	4,351
Regulated WACC	12.30%	12.30%	12.30%	12.30%	12.30%
WACC Income For Tariff Year ⁽⁴⁾	294	366	426	476	517
Regulated Return ⁽⁵⁾	757	931	1,073	1,208	1,318
Tax Correction ⁽⁶⁾	72	73	62	62	57
Revenue Requirement ⁽⁷⁾	1,329	1,573	1,678	1,819	1,930
(June 2024)	2,319.29	2,319.29	2,319.29	2,319.29	2,319.29
Operational Expenditure Allowance ^{(2) (3)} ..	2,331	2,657	2,534	2,561	2,589
R&D Allowance	47	53	51	51	52
Regulated Asset Base Tariff Year Opening Value	9,864	12,880	15,413	17,556	19,296
Capital Expenditure Allowance ⁽⁸⁾	5,221	5,221	5,221	5,221	5,221
Capital Expenditure Reimbursement ⁽⁹⁾	2,205	2,688	3,078	3,482	3,812
Regulated Asset Base Tariff Year Closing Value ⁽¹⁰⁾	12,880	15,413	17,556	19,296	20,704
Regulated WACC	12.30%	12.30%	12.30%	12.30%	12.30%
WACC Income For Tariff Year ⁽⁴⁾	1,399	1,740	2,028	2,266	2,460
Regulated Return ⁽⁵⁾	3,604	4,428	5,106	5,748	6,272
Tax Correction ⁽⁶⁾	343	347	295	295	269
Revenue Requirement ⁽⁷⁾	6,323	7,486	7,985	8,656	9,183

Notes:

- (1) EMRA Board Decision dated September 30, 2021 and numbered 10461.
- (2) “Operational Expenditure Allowance” refers to operating expenses granted by EMRA at the beginning of the tariff implementation period and includes Fixed Cost, Variable Cost and Planned Maintenance Budget.
- (3) EMRA, in its Board Decision dated September 14, 2023 and numbered 12075, decided to apply an additional update rate to the Operational Expenditure Allowances of distribution companies for 2022 and 2023, in addition to the CPI adjustment, resulting in an increase in our approved Operational Expenditure Allowance. With this decision, our operational expenditure allowance for 2022 and 2023 increased to TL 2,969 million and TL 3,171 million (as of June 30, 2024 prices), respectively.
- (4) WACC Income is calculated by multiplying “the Regulated WACC” and “the Average of Regulated Asset Base Tariff Year Opening and Closing Values.”
- (5) “Regulated Return” is calculated by taking the Total of Capital Expenditure Reimbursement and WACC Income.
- (6) EMRA announced that the Tax Correction amount will be “0” for 2024 and 2025. (Source: EMRA Board Decision dated December 28, 2023 and numbered 12320-1).
- (7) Revenue Requirement is calculated by Total of Operational Expenditure Allowance, R&D Allowance, Regulated Return and Tax Correction.
- (8) Capital Expenditure Allowance is our initial capital expenditure budget approved by EMRA on an annual basis at the beginning of the Distribution Tariff Period. See “Regulatory Overview—Distribution Tariff—Revenue Requirement—Capital Expenditures Component.”
- (9) References to Capital Expenditure Reimbursement are to the regulated revenue stream that is a component of our regulated revenue.
- (10) Amounts are the closing values of the relevant year, have not been adjusted for inflation and are shown in October 2020 prices (CPI: 487.38) and June 2024 (CPI: 2,319.29) prices.

INDUSTRY OVERVIEW

The following information relating to the Turkish electricity market has been provided for background purposes only. The information has been extracted from third party sources that we believe to be reliable but we have not independently verified such information.

Historical Evolution

The Turkish electricity market can be split into three stages: the early stage, the structuring stage and the growth stage. The market structure has changed from a model in which a single Government-owned entity was responsible for the operation of the entire electricity market to a model in which private enterprise is involved throughout the electricity value chain.

The early stage, from the 1920s to 1960s, saw a number of both Government-funded and privately funded activities working to support and to increase the use of electricity across the country. When Türkiye was founded in 1923, the total installed generation capacity was 32 MW and consumption per capita was 3.3 kWh. The sector was dominated almost entirely by private initiatives that were nationalized in 1930s, leaving the Government as the sole market participant. After 1935, several Government institutions, including development banks, municipalities and the DSİ, began investing to increase generation, transmission and distribution capacities. In 1954, the installed capacity was 126.2 MW, production was 213 million kWh and the number of electrified provincial centers was 43.

During the structuring stage, between the 1960s to 2000s, the Turkish electricity market saw the beginning of long-term strategic planning by the Government, significant increases in installed capacity and the beginning of market liberalization. Within this framework, MENR was established in 1963 and the planned development period started with the establishment of the State Planning Organization in 1960. In the First (1963-1967) and Second Five-Year Development Plan (1968-1972) periods, it was envisaged that the activities related to electricity generation, transmission, distribution and trade in Türkiye would be unified under the roof of a public institution in an integrated structure. In line with this objective and strategy, Türkiye Elektrik Kurumu (“**TEK**”) was established in 1970 with the status of a state economic organization in order to generate, transmit, distribute and trade the electricity needed by the country in accordance with the general energy and economic policy of the state. With the Law No. 2705 dated September 9, 1982, which entered into force after 1980, energy integration was ensured with the transfer of municipal and union electricity facilities to TEK. Twenty-three years after its establishment, TEK was included in the scope of privatization in order to maintain its connection with MENR. Within this scope, in 1993, TEK was divided into two separate economic state enterprises, Türkiye Elektrik Üretim İletim Anonim Şirketi (“**TEAŞ**”), responsible for generation and transmission, and TEDAŞ, responsible for distribution. During the structuring stage, electricity generation began to shift towards independent power producers (“**IPPs**”). IPPs grew from 35 MW of installed capacity in 1995 to 1,985 MW of installed capacity in 2000. This stage also marked the emergence of public-private partnership structures such as the build-operate-transfer (“**BOT**”) and build-operate-own (“**BOO**”) structures, as well as privatizations of Government-owned power plants. In 1984 to 2001, 24 power plants, totaling 2,450 MW of installed capacity, were commissioned under the BOT mechanism. 5 plants with 6,100 MW installed capacity were tendered in 1998-1999 under the BOO mechanism and commissioned by 2004.

The growth stage has been ongoing since the 2000s, began with the enactment of the repealed Electricity Market Law in 2001, which aimed to introduce competition and maintain sustainable growth in the market. In 2001 and afterwards, a liberalization approach was initiated in the Turkish electricity market. With this liberalization approach, it was aimed to separate the electricity activities that do not constitute natural monopolies from those that do, to introduce competition and to provide a favorable investment environment by creating a price signal based on supply and demand.

Law No. 4628, which was prepared in parallel with the European Union directives, entered into force in 2001. Law No. 4628 aims to establish a financially strong, stable and transparent electricity market that can operate in a competitive environment according to the provisions of private law in order to provide electricity to consumers in a sufficient, high quality, continuous, low cost and environmentally friendly manner, and to ensure an independent regulation and supervision in this market. In this context, the Law No. 4628 includes provisions on (i) the establishment of an independent regulatory authority (ii) the establishment of tariffs approved by this regulatory authority and (iii) the identification of segments that can be subject to competition through activity-based unbundling in order to pave the way for a free market structure in the electricity sector. Thus, EMRA was established as an independent public institution with administrative and financial autonomy to liberalize and regulate the Turkish energy market. EMRA is the public authority that regulates and supervises the electricity, natural gas, petroleum and LPG markets.

Also in 2001, TEAŞ was unbundled into three companies by function: TEİAŞ for transmission, EÜAŞ for generation and the Turkish Electricity Trading and Contracting Company (“TETAŞ”) for wholesale market activities. This development is considered as the first step in the reform of the Turkish electricity market.

Over the next few years, the Turkish electricity market witnessed several BOT and BOO privatizations. In 2004 and 2009, two strategy papers were issued setting out key objectives for the liberalization roadmap. Market rules are constantly being amended and improved to bring them in line with the general rules of the EU energy markets. In 2005, the Renewable Energy Law was passed, and introduced YEKDEM (feed-in-tariff) mechanism, an incentive mechanism for renewable energy investments which received limited attention at the time. In 2006, an organized electricity market was established, with the introduction of the balancing and settlement mechanism, followed by the introduction of the day-ahead planning mechanism in 2009. Further amendments to the Renewable Energy Law were enacted in 2011, which revised the YEKDEM mechanism and triggered the growth in renewable energy capacity investments. The legal unbundling of distribution and retail sales companies and liberalization of distribution through the privatization of 21 distribution companies were also completed in 2013.

However, the 2008 amendment to Law No. 4628 stipulates that distribution companies will carry out generation and retail sales activities under separate legal entities as of January 1, 2013. This unbundling between distribution and retail sales activities, which was presented by the Competition Authority as a prerequisite for distribution privatizations, was regulated by EMRA's Board Decision No. 4019 dated September 12, 2012. With the EMRA Decision No. 4019, it was stipulated that the distribution and retail sales activities would be carried out by separate legal entities as of January 1, 2013 and that the incumbent supply company, which would engage in retail sales activities, would be established through partial spin-off method in accordance with the procedures and principles set forth in the Turkish Commercial Code (“TCC”) and the relevant legislation. In addition, it is regulated that the shares of the assigned supply company will be acquired by the shareholders of the distribution company and share transfers that would lead to a change in control of the company are prohibited until the legal unbundling between the two companies is completed. In addition, with the EMRA Decision No. 4019, the vertically integrated distribution company was required to be separated from the generation company and the authorized supply company in terms of management until January 1, 2013. Thus, the distribution and retail sales activities carried out by the distribution companies under a single roof were separated through partial spin-off and 21 incumbent supply companies were authorized by EMRA to supply electricity to non-eligible consumers in the distribution regions as the last source supply obligation. While the privatizations in the liberalization process constitute the first stage in the establishment of competition in the retail sales market, the second and final stage is the granting of the right to choose their own supplier to consumers whose annual consumption exceeds the “eligible consumer limit” and thus enabling players other than established retail sales companies to enter the market. To this end, the annual free consumer limit in retail electricity sales has been reduced year by year. EMRA's tariff structure has been stable in terms of the implementation of the liberalization

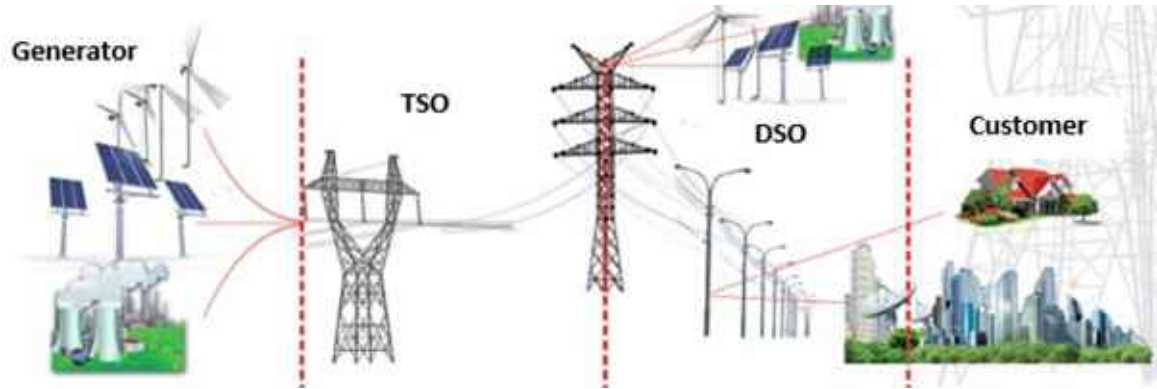
program over different implementation periods where changes in tariff parameters have been positive and supportive (e.g. the RAB was increased, and certain changes were made to reflect positive changes).

In order to institutionalize the reforms initiated and to eliminate the problems encountered in practice, the EML was prepared and put into force on March 30, 2013. The EML included the establishment of EPIAŞ, the introduction of pre-licensing to make the licensing process more efficient, the reduction of the number of licenses, as well as regulations on problems encountered in practice such as clarifying the distribution system boundaries.

In 2018, generation and wholesale activities were merged under the roof of EÜAŞ. Today, public companies in the electricity market continue to exist as TEİAŞ for transmission, EÜAŞ for generation and wholesale, and TEDAŞ for distribution.

Electricity Supply Chain Structure

The energy supply chain is a chain that starts from the members that provide the input to be used for energy production and extends to the users of energy. After the energy resource providers, the chain includes generation companies that convert the resource they provide into electrical energy, transmission company(s) that ensure the flow of the energy produced in the generation companies between the generation facility and the distribution grid, distribution companies that deliver the energy to the users at the last link of the chain, and the users of the energy at the end of the chain.



(TSO: Transmission System Operator; DSO: Distribution System Operator)

By the end of June 2024, the length of energy transmission lines in Türkiye reached 75,331 km. The distribution and transmission network loss rate was 9.1% for the year ended December 31, 2022.

In the previous years in Türkiye, users, who were the last member of the electricity supply chain, could only procure energy from the distributor of their region and were subject to the sales price of that distributor. Since 2002, users above the consumption limit set by EMRA each year have been qualified as “eligible consumers” and have been given the freedom to choose their supplier. These limits are reduced annually. In 2003, the eligible consumption limit of 9,000,000 kWh was reduced to 1,200 kWh for 2021, 1,100 kWh for 2022, 1,000 kWh for 2023 and finally 950 kWh for 2024. In this way, the number of users who can benefit from the right to choose a supplier was also increased. As of 2023, the level of market liberalization, also defined as the theoretical market openness (defined as the ratio of electricity consumption of customers eligible to become eligible consumers to total electricity consumption), was approximately 98.4% in terms of electricity consumption volume. Actual market openness (defined as the ratio of actual electricity consumption consumed by eligible consumers to total electricity consumption) is approximately 41% for the period June 2024.

Market Activities

Article 4 of the EML lists the electricity market activities. In this context, the electricity market consists of (i) generation activities, (ii) transmission activities, (iii) distribution activities, (iv) wholesale activities, (v) retail activities, (vi) market operation activities, (vii) import activities, (viii) export activities, (viii) aggregation activities, and (ix) business and transactions related to these activities.

Information regarding the details of generation, transmission, wholesale, distribution and retail sales activities, which are market activities, is provided in section see – “Regulatory Overview – Electricity Market Activities” of this Offering Memorandum.

Turkish Energy Policy Goals and Strategy

Türkiye’s energy policy objectives include providing affordable electricity, increasing security of supply and enhancing market liberalization.

Security of electricity supply is particularly central to the current policy focus for two main reasons (external dependence and current account deficit).

As of December 31, 2023, the total installed electric power capacity in Türkiye is 107,050 MW, 33.6% of which is dependent on imported thermal energy sources (natural gas, LNG, Fuel Oil, Diesel Oil, Naphtha and imported coal) (Source: “Capacity Dispatch Information System”) This situation hinders solving Türkiye’s current account deficit problem. Any reduction in energy imports in Türkiye helps to reduce the current account deficit.

Installed Capacity and Electricity Generation in Türkiye (Source: “Capacity Dispatch Information System” and TEİAŞ Electricity Statistics”).

Generation capacity investments in Türkiye have followed the growing demand, with an increase in renewables generation in recent years.

In the 1970s and early 1980s, electricity supply was made up of a mixture of hydroelectric, domestic coal and liquid fuel. The share of liquid fuel decreased over the years as the share of coal and hydroelectric increased, and natural gas was introduced to the generation mix in 1985. The 1990s witnessed a strong influx of natural gas build-operate-transfer facilities.

The total installed capacity in Türkiye has grown since 2001, at a CAGR of 38% for the period between 2001 and December 31, 2022, reaching 103.8 GW in December 2022 and 110.5 GW in June 2024 from 28.3 GW in 2001. The installed capacity mix also became balanced in terms of resource diversity, with the introduction of non-hydroelectric renewable sources such as wind, solar and geothermal energy and the expansion of existing sources such as natural gas and imported coal.

Between 2011 and 2023, the increase in installed capacity amounted to 57,628 MW, with 44,592 MW attributed to renewable energy sources. In other words, during the period of 2011-2023, 77% of the country’s installed capacity increase is of a renewable energy nature.

Within the scope of the installed capacity of thermal power plants, the capacity of coal power plants increased by 12.63 MW as the end of June 2024 compared to end-2023 and reached 21,826 MW. The capacity of natural gas power plants decreased by 651.33 MW as end of June2024 compared to end 2023 and reached 24,753 MW.

As of May 31, 2024, the distribution of Türkiye’s total installed capacity is as follows:						
Imported Coal	Domestic Coal	Natural Gas	Hydro	Wind	Solar	Other
10,373.80 MW	11,452.35 MW	24,752.79 MW	32,184.99 MW	12,243.51 MW	15,135,38 MW	4,396.66 MW

From a production perspective, the country’s gross production quantity increased by 4.8% CAGR between 2001 and 2022, rising from 122,724 GWh to 328,379 GWh in 2022. As of the end of December 2023, the production level reached 326,302 GWh. The share of domestic and renewable energy production in the total production amount showed an 81% increase from 2011 to 2023, reaching 183,990 GWh.

The growth in gross production from 2011 to 2023, which amounted to 81.8%, is largely attributed to renewable energy sources.

Examining the contribution of thermal power plants to gross production, as of the end of 2023, it constitutes 60.9% of the total production.

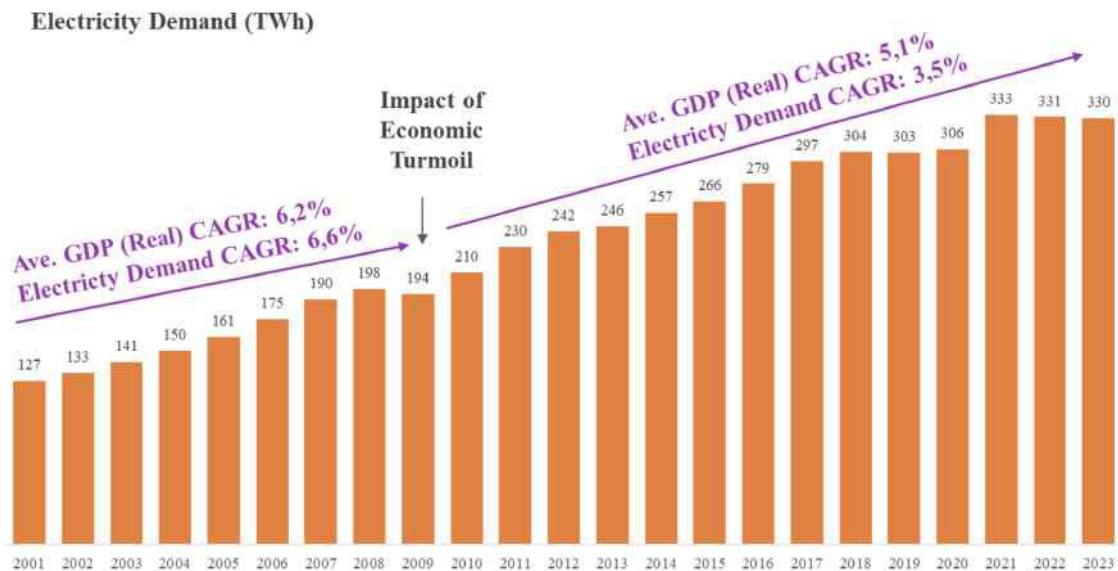
Distribution of Türkiye’s Gross Production as of December 31, 2023

Imported Coal	Domestic Coal	Natural Gas	Hydro	Wind	Solar	Other
71.833 GWh	46.459 GWh	69.774 GWh	63.840 GWh	33.888 GWh	18.796 GWh	21.713 GWh

The Gross Electricity Demand in Türkiye

The demand for electrical energy in Türkiye has generally followed an increasing trend over the years due to population growth, urbanization, industrialization and expansion of commercial activities. Public energy policies, incentives for renewable energy investments and efforts to increase energy efficiency have also affected demand patterns.

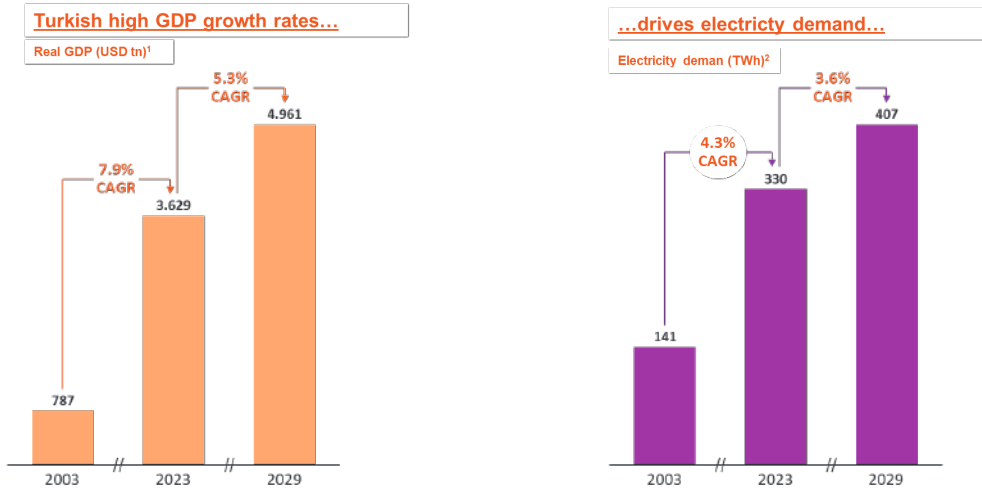
Türkiye’s electricity demand has increased by 4.7% CAGR from 2001 to 2022, reaching 331.1 TWh from the 126.9 TWh level in 2001, in line with the economic growth in the country. As of December 31, 2023, the gross electricity demand in the country is 330.3 TWh. (Source: “TEİAŞ Electricity Statistics”).



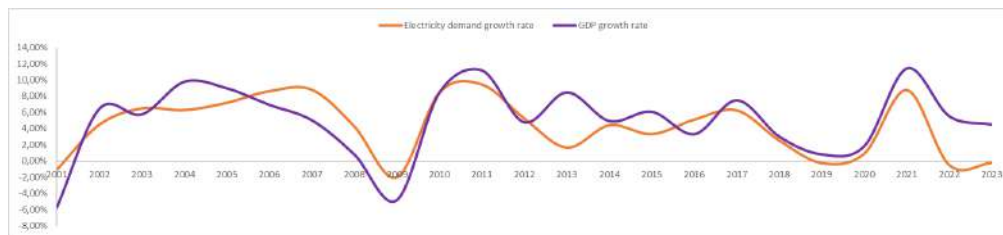
As evident from the figures below, there is a strong correlation between GDP growth (source: “IMF, TEİAŞ, Turkish Statistical Institute, IEA”) and the growth in electricity demand in Türkiye. This is primarily attributed to the significant share of industrial consumption in the total electricity demand (47.5% in 2022). After the COVID-19 slowdown in 2020, the share of industrial demand recovered in 2021, and increased by 15% in 2021

compared to 2020. However, 5.6% of the increase in GDP in 2022 was driven by the service sector, resulting in a slight decline in electricity consumption. According to the National Energy Plan issued by MENR, Türkiye’s gross electricity demand is projected to reach 380 TWh by the end of 2025, increasing at an average annual rate of 3.5% until 2035, reaching 510.5 TWh. According to the plan, average annual electricity consumption growth is expected to be 3.7% in the industrial sector, 2.3% in the residential sector and 2.2% in the services sector over the forecast period. (Source: MENR, National Energy Plan).

Rapid GDP Growth Rates in Türkiye Drives Electricity Demand



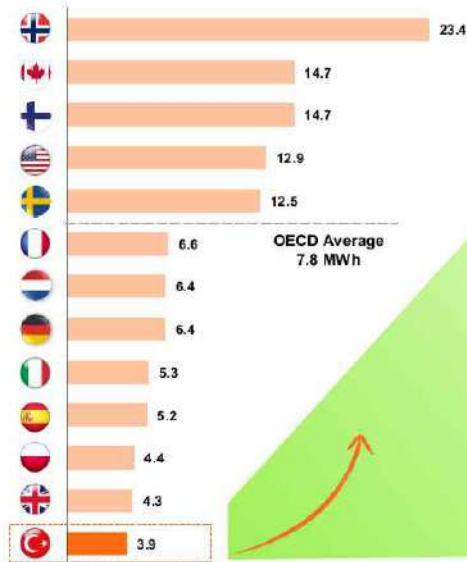
Source: IMF, TEIAS, Turkish Statistical Institute, IEA.
¹2003-2023 actuals, 2029 forecast both based on IMF Purchasing Power Parity methodology (forecasts as of April 2024). ²2003-2023 actuals as per latest TEIAS and 2028 forecast based on recent TEIAS base scenario demand forecasts (March 2023).



Comparison of Electricity Consumption Between Türkiye and OECD Countries

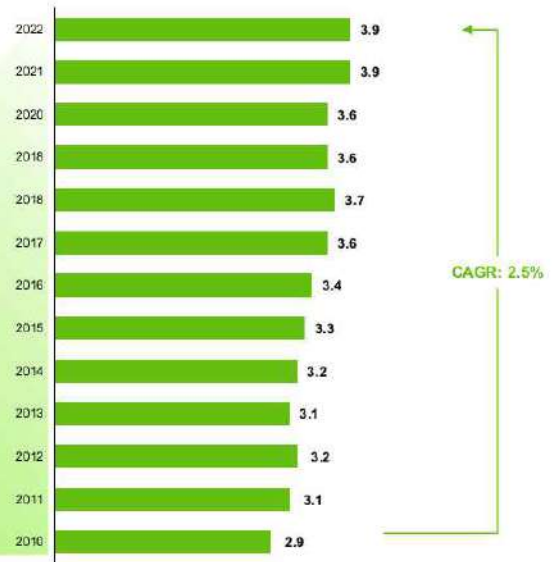
Electricity consumption in Turkey remains well below main developed countries in OECD...

(MWh per capita, 2022)



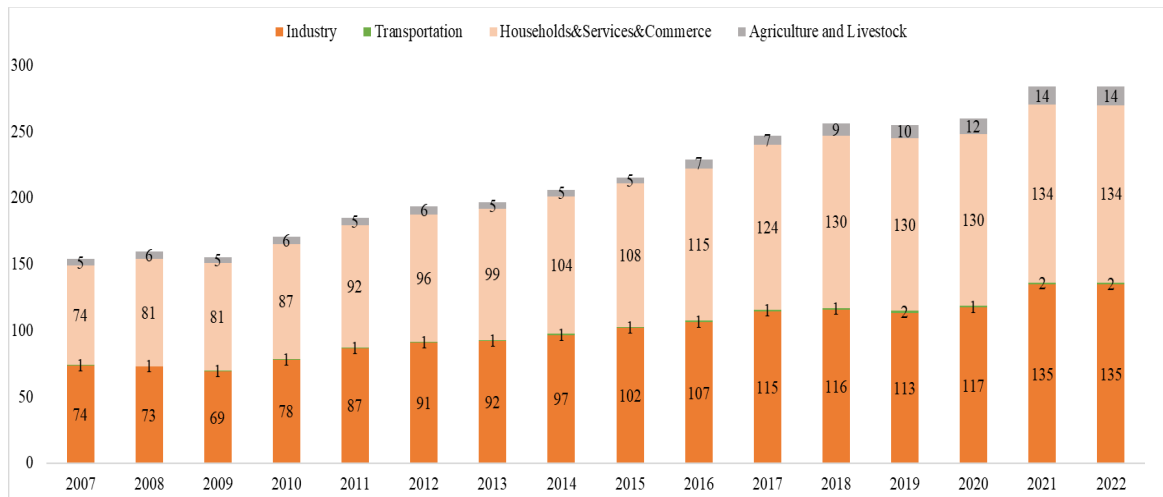
... with significant growth potential in power consumption per capita

(MWh per capita)



Source: “International Energy Agency – OECD Countries Electricity Consumption per Capita” and “TEİAŞ, Development of Türkiye’s Installed Capacity, Gross Production, Supply, and Net Consumption Per Capita Over the Years”

Another significant factor contributing to the growth in electricity demand in Türkiye is the increase in per capita electricity consumption, which has grown at an approximately 2.5% CAGR over the past decade. However, electricity consumption in Türkiye is still considerably lower than in OECD countries. Net electricity consumption (TWh) in Türkiye has increased across all sectors of the economy, as illustrated in the graph below:



Source: –ENR – National Energy Balance Report

In the year 2022, of the total consumption of 284 TWh, 47.48% originates from the industrial sector, 47.12% from residential, commercial, and services consumption, 4.84% from agriculture, and less than 1% from transportation. According to the National Energy Plan issued by MENR, annual average electricity consumption

is expected to increase annually by 3.7% in the industrial sector, 2.3% in the residence sector and 2.2% in the services sector until 2035.

Energy Market Model of Türkiye

In Türkiye, electricity trading can be conducted through various markets and at different time intervals. The entire electricity market in Türkiye is operated through EPIAŞ. Market participants estimate their demand/production quantities through the day-ahead market operated by EPIAŞ, where daily supply and demand intersect to determine prices. A significant portion of market participants' trading volumes occurs based on the market clearing price in the day-ahead market. The day-ahead market is complemented by the intraday market, where participants can engage in buying and selling transactions for managing energy imbalances during the day. All transactions conducted throughout the month are financially settled through monthly reconciliation processes.

The financial trade of electricity has been possible in Türkiye since the introduction of base load electricity futures contracts in 2011 on the Turkish Derivatives Exchange, which later merged with Borsa İstanbul in 2016. The total volume of futures contracts traded reached TL 2.2 billion in 2019. In Türkiye, this market is often used to hedge bilateral agreements.

Dynamics of Energy Prices in Türkiye

In the Turkish electricity market, prices are determined by the merit order system, which aims to optimize the economic supply of electricity in the market by bringing online new electricity generation sources from the cheapest to the most expensive. Prices are typically influenced by energy facilities such as reservoir hydropower plants and power plants using natural gas or fuel oil, which can manage their own electricity production and may choose not to sell during low-price periods. These facilities can stop and start production more quickly and efficiently than base load power plants but have higher marginal costs compared to renewable energy facilities due to fuel expenses.

Merit order is an effective supply-demand framework that establishes a balanced price. Factors such as exchange rates, oil and natural gas prices, and total precipitation can influence the market clearing price through the merit order. In the long term, it is expected that electricity demand, installed capacity, and natural gas prices will play a significant role in determining electricity prices in Türkiye.

In 2021, the rapidly rising energy commodity prices, especially with the Russia-Ukraine war, sparked discussions about a global energy crisis, prompting several European countries to take new measures before the winter months. The aim was to ensure supply security and protect consumers from significant cost increases. In Türkiye, specific measures were also taken to mitigate the impact of cost increases in imported energy commodities such as natural gas and coal, arising from global developments, without compromising supply security.

As part of these measures, a regulation was introduced in 2022 by the EMRA to determine a support fee on a source basis, allowing for the support of consumers and/or high-cost production. According to this regulation, the support fee could be covered by low-cost producers, thereby contributing to supply security, supporting high-cost production, and/or assisting consumers. Following this regulation, the EMRA enacted the Regulation on the Determination and Implementation of the Support Fee on a Source Basis, numbered 10866, putting the envisaged mechanism into effect. The resource-based “maximum reconciliation prices” used to determine the support fee were applied until September 30, 2023. However, as of this date, the mechanism has not been extended, and it is currently not in effect. Nevertheless, according to the Electricity Market Law and relevant secondary regulations, the EMRA has the authority to reactivate this mechanism if deemed appropriate.

Electric Distribution System Quality and Efficiency Data

The (non-notified) SAIDI average in Türkiye was 1,170.10 minutes in 2021, 1,110.21 minutes in 2022 and 1,086.28 minutes in 2023. Correspondingly, a similar trend is observed in the theft and loss data. The average theft and loss for the distribution sector in Türkiye in 2021, 2022 and 2023 were 10.8%, 10.1% and 10.5%, respectively. The average theft and loss for the distribution sector in the EU and OECD in 2021 was 7.1% and 6.1%, respectively. These high amounts and rates indicate the need for infrastructure investments and improvements in the electricity distribution and transmission network in Türkiye.

Significant recent trends

Electricity prices associated with the Turkish distribution sector

We continue our operations according to the tariff announced by EMRA, and there have been no changes in the distribution tariff and national tariff, effective from January 1, 2024, compared to the previous period.

The table below shows the “energy for theft and loss and general lighting” prices announced by EMRA for the fourth quarter of 2023, the first quarter of 2024 and the second quarter of 2024. As can be seen from the table, contrary to the expectations, EMRA has not made any changes to the unit prices of energy for theft and loss and general lighting applied by EÜAŞ to distribution companies.

	4th Quarter	1st Quarter	2nd Quarter
	2023	2024	
EÜAŞ Unit Price of Energy for theft and loss (TL/MWh).....	1,000	1,000	1,000
EÜAŞ Unit Price for General Lighting (TL/MWh)	3,800	3,800	3,800

BUSINESS

Overview

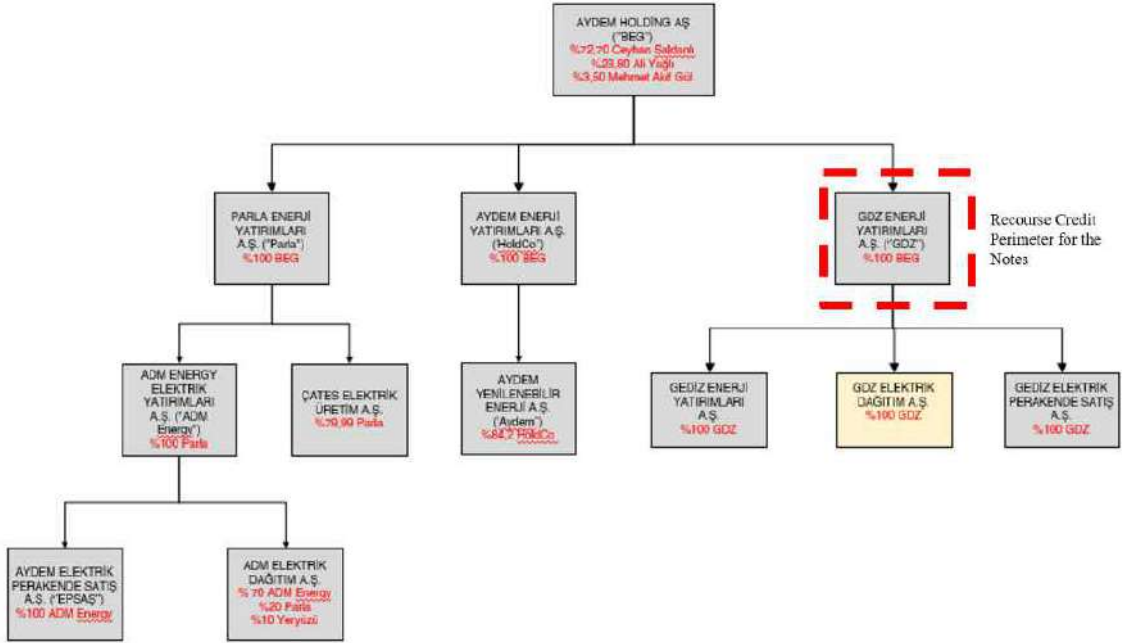
As the exclusive operator of the electricity distribution network in the regions of İzmir and Manisa, we operate Türkiye's fourth largest distribution network in terms of electricity consumption (15.6 TWh consumed, reflecting a market share of 8.07% as of December 31, 2023) and fourth largest distribution network in terms of subscribers (with a market share of 7.70% as of December 31, 2023) (Source: Issuer information, 2023 EMRA Yearly Sector Report (<https://www.epdk.gov.tr/Detay/Icerik/3-0-23/aylik-sektor-raporu>) and Turkstat). We are an integral part of the electricity network in the 4th largest distribution region in Türkiye and we strive to ensure the effective distribution of electricity to our customer base. As of December 31, 2023, we delivered electricity from the transmission system to approximately 3.8 million users and our distribution network spanned approximately 84,100 km, covering an area of 25,783 km² and encompassing two provinces, 47 districts, and 2,391 neighborhoods. We have experienced a steady increase in our customer base, with a subscriber CAGR of 3% between 2021 and 2023 (Source: Issuer information, 2023 EMRA Yearly Sector Report (<https://www.epdk.gov.tr/Detay/Icerik/3-0-23/aylik-sektor-raporu>) and Turkstat).

Our business is fully regulated, and our revenues are set by EMRA pursuant to the Distribution Tariff. In the years ended December 31, 2021, 2022 and 2023 and the six months ended June 30, 2023 and 2024 our revenue was TL 15,616 million, TL 24,114 million, TL 26,527 million and TL 15,390 million, TL 11,686 million, respectively, and our EBITDA plus capital expenditure reimbursement was TL 9.0 billion, TL 14.5 billion, TL 16.5 billion, TL 9.6 billion and TL 9.6 billion respectively.

Aydem Holding is our principal shareholder, through its 100% shareholding in GDZ Enerji Yatırımları Anonim Şirketi, our parent company, and one of Türkiye's largest companies operating in the energy sector, in terms of installed capacity. Aydem Group is Türkiye's first private hydroelectric power generation company, first private electricity distribution company and first integrated energy group (combining generation, distribution and retail activities). As of June 30, 2024, Aydem Group had 2,124 MW of installed capacity, approximately 5.6 million retail customers and 6.2 million users connected to its electricity distribution system (two distribution regions including ours and ADM Elektrik Dağıtım Anonim Şirketi), and ended December 31, 2023, it had electricity sales of 25,250 GWh and distributed 26,653 GWh of electricity. As of December 31, 2023, Aydem Group had TL 113.3 billion in revenue and more than 11,200 employees. For further details of our relationship with Aydem Holding, see "*Related Party Transactions*."

Our Structure

The structure of our Group is set out below:



As at the date of this Offering Memorandum, we do not have any subsidiaries. The Notes will not be guaranteed on the Issue Date but are subject to the provisions of Condition 4.13 (*Additional Guarantees*).

Our Strengths

We believe that we have several key strengths including the following:

A leading and fast-growing electricity distribution company in a strategic region in Türkiye

We are one of the largest electricity distribution companies in Türkiye, serving the country's fourth largest distribution region in term of electricity consumption (approximately 16 TWh in 2023, representing an 8% market share) and having the fourth-highest number of subscribers (with approximately 3.8 million subscribers in 2023) (Source: 2023 EMRA Market Development Report; (<https://www.epdk.gov.tr/Detay/Icerik/3-0-24-3/elektrikyllik-sektor-raporu>)).

Türkiye has been one of the fastest growing European economies over the last decade and is also expected to be among the fastest growing European economies for the foreseeable future (Source: IMF 2024). As such, Türkiye is expected to continue being an important motor of economic growth in the region, with GDP expected to reach \$1 trillion in the medium term.

Our region encompasses two cities, İzmir and Manisa which have robust market fundamentals. İzmir and Manisa are some of the fastest growing metropolitan regions in Türkiye, supported by growing industrial, tourism and real estate sectors and well-developed trade and transport infrastructure. İzmir is the third largest city in terms of population in Türkiye located by the coast and serves as an industrial and logistics hub. İzmir is one of the fastest growing cities by population and output in Türkiye and has benefited from recent trends initiated during COVID-19. It has consistently received net inflows of population and economic activity. Manisa, which is adjacent to İzmir, is one of the largest industrial cities in terms of its manufacturing capacity

and economic output in Türkiye and has significant growth potential. Between 2021 and 2023, our region grew faster in population and subscribers than Türkiye's average (1.2% compared to 0.8% and 5.2% compared to 5.1%, respectively) (Source: 2023 EMRA Market Development Report; (<https://www.epdk.gov.tr/Detay/Icerik/3-0-24-3/elektrikyllik-sektor-raporu>)). It is expected that the increase in the number of subscribers will continue driving growth in our overall network with more investments and maintenance activities needed to support the growing demand for electricity.

The average age of the electricity distribution network in Türkiye is younger than that of most European countries. Significant investment is required in terms of both expansion of the network and replacement in the upcoming tariff periods. Significant investment is also required to decrease the frequency and duration of outages, as well as to combat theft and loss, with these levels currently being higher than in other European countries. Continuous incentives and improvements will be required throughout the next regulatory periods, and we believe that we are well-positioned to take advantage of these.

Lastly, we have 8% of the total capital expenditure allowance for the 4th Distribution Tariff Period, which runs from 2021 to 2025 (representing TL 26.1 billion as at June 30, 2024, using June 30, 2024 prices), which we believe will enable us to significantly grow our asset base. We expect our regulatory asset base will continue to grow due to economic growth and favorable demographics in our region of operation.

Stable and guaranteed returns underpinned by a transparent regulatory framework

Our business model is a concession-based regulated network model in which each operator has exclusivity to be the sole electricity distributor in its own region. The priority of the regulator and policymakers is to ensure that the necessary expansion, renewal and improvement investments and maintenance activities are carried out in Türkiye's distribution network and that customer satisfaction and service quality reach international standards. In this context, the regulatory framework includes significant incentives. The regulator offers a real, pre-tax guaranteed return (WACC) on RAB and a reimbursement of capital expenditure over a ten-year period. This guaranteed return compares favorably to the risk-free rate, with real pre-tax WACC of 12.3% for the 4th Distribution Tariff Period. The spread between the real Turkish 10-year bond yield and the real, pre-tax WACC exceeded 57% in Türkiye on average between January 1, 2022 and June 1, 2024.

The WACC level determined by EMRA has shown a continuous upward trend in the last four Distribution Tariff Periods (9.35%, 9.97%, 11.91% and 12.30% in the 1st (2006 to 2010), 2nd (2011 to 2015), 3rd (2016 to 2020) and 4th (2021 to 2025) Distribution Tariff Periods, respectively, excluding the temporary increase during the 3rd Distribution Tariff Period, between 2018 and 2020, as compared to the Turkish 10 year bond yield average of 1.28%, 0.97 %, 0.21% and -32.11% in the same period). Similarly, EMRA has significantly increased the capital expenditure allowances it has approved based on the Distribution Tariff Period in line with the needs of Türkiye's distribution network. Our "real" investment budget at June 2024 prices has more than doubled in the 3rd and 4th Distribution Tariff Periods compared to the previous Distribution Tariff Period, going from TL 5.5 billion in the 2nd Distribution Tariff Period to TL 12.0 billion in the 3rd Distribution Tariff Period to TL 26.1 billion in the 4th Distribution Tariff Period.

We believe that the continuous increase for the WACC over the tariff periods and the significant increase in the capital expenditure allowances are important indicators of the commitment of the regulator and policymakers to the priorities mentioned above.

In addition to the above, the tariff regulations have various incentive mechanisms, including capital expenditure, operating expenditure, and theft and loss outperformances, quality performance bonus and other income streams (such as theft accrual detection), which promote non-guaranteed upsides through efficiencies.

By the end of 2025, we expect to achieve a significant growth in our real RAB at June 2024 prices, with 2.1x growth to TL 20.7 billion, from a TL 9.9 billion 2020 RAB level and a TL 3.9 billion 2015 RAB level based on

the June 2024 CPI Index, actual capital expenditure until 2020 and the 2021 to 2025 capital expenditure allowance.

Strong operational and regulatory outperformance offering enhanced returns

We believe that the investments we have made and continue to make in our network (including investments to expand our regulated asset base) will improve our operational efficiencies (particularly by reducing our cost base in relation to regulated economic units and achieving quality bonuses and performance incentives). In addition, we believe that our compliance with our commitments under our concession agreements will enable us to sustainably increase our footprint in the electricity distribution sector in our region, provide customers with a reliable and efficient service and deliver a sustainable financial remuneration to our shareholders.

Our leadership in operational and financial performance can be demonstrated by multiple efficiency and quality indicators. We have a lower SAIDI indicator than average in Türkiye, at 771 minutes per year compared to 1,086 minutes per year in Türkiye in 2023. Our operational excellence and efficiency has also been demonstrated in our theft and loss ratio of 5.24%, compared to the average ratio in the Turkish distribution sector of 10.5% in 2023 (Source: 2023 EMRA Market Development Report; (<https://www.epdk.gov.tr/Detay/Icerik/3-0-24-3/elektrik-yillik-sektor-raporu>)).

Between 2016 and 2023, we achieved a capital expenditure outperformance of approximately \$11.5 million per year on average (at June 2024 prices) by making less investment expenditures than calculated based on EMRA investment unit costs. Due to our economies of scale, we can optimize our procurement processes and also benefit from operational efficiencies.

Turkish regulations allow distribution companies to also cover their operating expenditure through operating expenditure allowances. We have been a consistent high achiever as shown by our \$19 million per year EBITDA plus capital expenditure reimbursement contribution from operating expenditure outperformance in the 3rd Distribution Tariff Period at June 2024 prices which allowed us to begin the current Distribution Tariff Period with \$14 million of operating expenditure outperformance. For further details, see – “*Management Discussion and Analysis of Financial Condition and Results of Operation – Key Factors Affecting Our Results of Operations – Operating expenditure outperformance*”.

EMRA also sets out a well-structured theft and loss policy, where theft and loss ratio targets vary based on regional characteristics. These targets are determined dynamically each year based on previous years’ actual ratios for each distribution region. We have demonstrated consistent outperformance compared to our regulatory targets even with expanding network and demographics.

Pursuant to our regulatory framework, we prioritize a balance between cost-efficiency and service excellence. We believe that this commitment has yielded strong results and we have achieved significant success not only in operational efficiency but also in quality performance. As a testament to our improvement, the quality factor performance bonus awarded in 2021 exceeded our 2018 bonus by over 50% in real terms. This accomplishment translated to a 3.5% bonus on our revenue requirement for 2021 which made us a top performer among all distribution companies. EMRA is currently conducting a review of 2022 and 2023, and we expect the quality performance percentages to be 3.9% and 3.1% for 2022 and 2023, respectively.

Robust profitability and capital structure combination of strong profitability, cash generation and robust balance sheet

We have been able to maintain steady and strong historical profitability, as measured by EBITDA plus capital expenditure reimbursements, which was TL 9.6 billion in the six months ended June 30, 2024, compared to TL 9.6 billion in the six months ended June 30, 2023 and which nearly doubled over the past three years reaching TL 20.6 billion in 2023 compared to TL 11.2 billion in 2021. This increase was one of the main contributors for an increasing net profit. From a leverage perspective, our net leverage measured by Net Debt/EBITDA plus

capital expenditure reimbursement has been decreasing. It was 0.5x in the twelve months ended June 30, 2024, 1 compared to greater than 1.5x in 2021 to less than 0.6x in 2023. Moreover, we have a robust balance sheet, with TL 33.9 billion total assets as of June 30, 2024 of which 94% is composed of financial assets and receivables, and TL 28.9 billion total assets as of December 31, 2023, of which 92% is composed of financial assets and receivables.

The significant growth in RAB, corresponding regulatory returns and operational efficiency gains has led us to increase our EBITDA plus capital expenditure reimbursement from TL 8,970 million in 2021 to TL 16,535 million in December 31, 2023.

Experienced management team and governance with solid ESG credentials

We believe we have a significant advantage in the support of our main shareholder Aydem Group, which brings years of knowledge of the full electricity value chain (renewables, other generation, distribution, and retail). The strong brand positioning of Aydem Group in Türkiye allows us to benefit in areas of financing and relations with EMRA as well as employee acquisition and retention.

The Aydem Group has financially, and managerially independent group companies supported by ring-fenced financing arrangements. The strong energy expertise and long-term commitment from Aydem Group help foster our culture of best corporate practices, nurture our pursuit of higher operational efficiencies and further increase our brand recognition in the Turkish electricity market.

We are supported by an experienced management team with decades of experience in the energy sector and a workforce with extensive experience. This skilled workforce, together with a capable, regulatory-focused and pioneering management team, places us in a strong position to be an integral part of the future of the electricity market in Türkiye.

Our Strategy

Our goal is to ensure uninterrupted and quality energy supply in our distribution region through ongoing investments and maintenance, to protect and expand our leadership position in Türkiye, to maintain market leading operational and financial metrics, to continue expanding, renewing and improving our assets through the investment and maintenance activities required for the distribution network and to focus on customer needs to create value for profitable growth and market share. We intend to implement the following strategic initiatives to achieve this objective:

Expand our leadership position in Turkish electricity distribution

The Turkish electricity distribution sector is divided into 21 regions, all of which have been privatized in the last ten years. As of December 31, 2023, we had a market share of 8.1% in terms of electricity consumption and we operate in an economically important region of the country.

Our business model is based on the privilege of operating rights, in which each distribution company has the exclusivity to operate a single network in its own region and is completely regulated. Therefore, we do not have competition for our activities and since the distribution tariff is determined and approved by EMRA we have predictable regulated revenues. Our right to operate the distribution region is long-term by nature and is valid until 2036. The contract can be renewed in accordance with the TOR Agreement.

Our subscribers increased from 3.0 million in 2015 and 3.4 million in 2019 to 3.8 million in 2023, making us the fourth largest distribution company in Türkiye (Source: 2023 EMRA Market Development Report; (<https://www.epdk.gov.tr/Detay/Icerik/3-0-24-3/elektrikyllik-sektor-raporu>)). Moreover, further growth in the number of subscribers is foreseen for the future as supported by strong demographic trends, in particular the increase in migration towards the west coast of Türkiye, i.e., İzmir. This growth and internal migration trend,

along with the region's quality of life and the opportunities it offers, have continued to increase since the COVID-19 period in 2020. In line with the increase in the number of subscribers, we will seek to continue growing our distribution network by continuing with capacity increases and expansionary investments as well as maintenance activities.

Capitalize on investment opportunities and growth potential supported by a transparent regulatory framework

Türkiye has a stable and well-established regulatory framework. Electricity distribution sector tariff regulations have been continuously developing since 2006 and the regulatory model is largely similar to regulations in many other countries.

In a comparison to many other comparable jurisdictions in Europe, Türkiye shows stronger outlook for demand and connections growth, which translate into more investments needed from the distribution companies. This means more capital expenditure needed and a larger asset base is being accumulated translation into earnings growth for the company. Türkiye's regulatory framework, compared to many other comparable jurisdictions in Europe, has a shorter capital expenditure reimbursement period and a higher, real and pre-tax return rate. It also encourages investment through a regulatory climate, a performance system that encourages service quality improvement, and corporate governance, transparency, and sustainability. We will seek to take advantage of these opportunities to further grow our business.

Focus on a strong and consistent operational and financial performance delivering attractive returns to shareholders

We have a strong performance history in terms of the outputs of our operations. In this context, we have achieved capital expenditure and operating expenditure outperformances, except under the unusual macroeconomic circumstances which occurred in 2022 and 2023. Furthermore, we have implemented significant improvements in quality performance and theft and loss ratio.

We benefit from incentives for achieving a theft and loss ratio below the target level set by the tariff regulations. The regulatory authority, EMRA established our target theft and loss ratio at 7.17% for 2023. We have one of the lower theft and loss ratios compared to Türkiye's average. Finally, operating expenditure outperformance has been an important incentive and contributor to our EBITDA plus capital expenditure reimbursement.

We aim to maintain this performance in the future by balancing the incentives from operating expenditure efficiency, quality performance, and theft accrual detection. We are fully dedicated to maintaining this performance going forward and we are also in constant dialogue with the regulator to improve the current regulatory framework and to define an appropriate level of these metrics that also incentivizes us to continuously improve our operations.

History

Our company was originally established under the name Gediz Elektrik Dağıtım Anonim Şirketi ("**Gediz EDAŞ**") on February 28, 2005, by Türkiye Elektrik Dağıtım Anonim Şirketi ("**TEDAŞ**"). As part of the market regulation of the Turkish electricity sector, Gediz EDAŞ obtained a Distribution License and a Retail Sales License from EMRA on August 24, 2006, through EMRA decisions 874-33 and 874-34, respectively. These licenses enable us to operate electricity distribution facilities, establish new distribution lines and facilities, and conduct energy trade in İzmir and Manisa until September 1, 2036.

Between 2006 and 2013, we operated electricity distribution and retail sales activities, but in 2012, changes to the Electricity Market Law required us to go through a partial demerger to separate our electricity distribution and retail sales activities. Since the demerger, we continue to conduct electricity distribution activities while Gediz Elektrik Perakende Satış Anonim Şirketi ("**Gediz EPSAŞ**") conducts retail sales activities.

In accordance with the High Council of Privatization (“HCP”) Decision dated March 7, 2013, numbered 2013/21, TEDAŞ’s shares in Gediz Elektrik Dağıtım Anonim Şirketi were transferred to the Principal Shareholder in consideration of \$1,234.1 million within the scope of the share sale agreement concluded between HCP and the Principal Shareholder on May 29, 2013. Therefore, as of May 29, 2013, our company commenced only providing electricity distribution services.

In 2015, we changed our name to “GDZ Elektrik Dağıtım Anonim Şirketi.” As of December 31, 2023, we currently serve 3.8 million users and distribute 16,496 GWh of electricity across 84,100 km in the İzmir and Manisa provinces of Türkiye.

Our Operations

We facilitate the efficient distribution of electricity to users. As of June 30, 2024, we had approximately 3.9 million users connected to our distribution network in Türkiye. We focus on being a significant player in the electricity distribution sector and ensuring the effective distribution of electricity to a wide customer base. The following map shows the distribution regions where we are licensed to operate in Türkiye:



Distribution Operations

Overview

Distribution activity is defined as the distribution of electricity to users over lines with voltage levels of less than 36 kV. Regulated by EMRA, the electricity distribution network in Türkiye is separated into 21 distribution regions which are all run by private operators.

Each regional distribution network operator is responsible for making the necessary maintenance and expansion investments in its region, maintaining and reading electricity meters, preparing demand projections and investment plans, procuring electricity and providing lighting for public spaces.

As of December 31, 2023, we had 3.8 million users connected to our distribution network which spans approximately 84,100 km across İzmir and Manisa, covering an area of 25,783 km², and encompassing two provinces, 47 districts, and 2,391 neighborhoods.

As of December 31, 2023, the total electricity input in our distribution region was 16,496,001 MWh, while the invoiced consumption by all supply companies in the region was 15,630,805 MWh, with the shortfall reflecting theft and loss. We also hold operating rights for third parties, including 84,100 km of electricity line connections in our own distribution network, and 36,635 transformers with a total transformer capacity of 17,605 MVA.

As of December 31, 2023, the total number of consumers connected to distribution networks in Türkiye was 49.7 million and the total line length as of December 31, 2023 was 1,446,216 km. Out of 21 distribution

companies in Türkiye, we rank fourth in terms of consumer share, fourth in billed consumption and eighth in electricity line length, representing 7.7%, 8.1% and 5%, respectively, of Türkiye's market share as of December 31, 2023 (Source: 2023 EMRA Yearly Market Development Report (<https://www.epdk.gov.tr/Detay/Icerik/3-0-24/elektrikillik-sektor-raporu>)).

The table below contains some of our operational information for the years ended December 31, 2021, 2022 and 2023.

	As of December 31,		
	2021	2022	2023
Regulated Asset Base (“ RAB ”) (TL ‘000) ⁽¹⁾	2,707	3,239	3,689
Consumption Amount (MWh) ⁽²⁾	15,898,330	15,711,115	15,630,805
Connection Point Count (units) ⁽³⁾	3,642,279	3,744,692	3,831,022
Line Length (km) ⁽⁴⁾	64,375	70,025	84,100
Transformer Count (units) ⁽⁵⁾	34,773	35,709	36,635
Transformer Capacity (MVA) ⁽⁶⁾	16,177	17,131	17,605
Population of GDZ Region (person) ⁽⁷⁾	5,882,415	5,930,335	5,955,241

Notes:

- (1) Amounts are the closing values of the relevant year, have not been adjusted for inflation and are shown in October 2020 prices (CPI: 487.38).
- (2) Indicates the total consumption amount to all consumers connected to our distribution network, including customers of other private suppliers, as well as the total billed amount as a result of theft accrual in the distribution region.
- (3) Encompasses all distribution connection points including those serving customers of other private suppliers.
- (4) Represents the total length of the distribution network, including both above-ground and underground medium and low-voltage lines, excluding connection lines.
- (5) Indicates the number of transformers in the Distribution Network (including private transformers).
- (6) Represents the total installed capacity of transformers used in the Distribution Network (including private transformers).
- (7) Reflects the total number of residents in the relevant distribution area according to statistics from the Turkish Statistical Institute (“TSİ”).

Distribution Connection Points

We facilitate electricity distribution through our distribution networks which are comprised of energy transmission lines, transformer equipment, electric poles, conductors, consumption meters and other elements of the distribution network. Electricity supplied from the national transmission network is reduced to levels suitable for users in transformers, and is distributed to users through distribution connection points.

We do not engage in direct sales to users, except for municipalities where we issue invoices for electricity sold for general lighting such as boulevards, streets, avenues, streets, underpasses, bridges. For all other users, we perform the electricity distribution services which are then invoiced by authorized, private supply companies with fees being based on the set Distribution Tariff. Private supply companies collect distribution fees from five types of users: residential, industrial, agricultural, lighting, public and private service sectors and others.

Quality Indicators for our Distribution Operations

In accordance with the Regulation on Quality of Service for Electricity Distribution and Retail Sales, distribution companies are responsible for the services they provide to users. A company's quality of service is followed based on the following categories: (i) supply continuity, (ii) commercial quality (iii) technical quality, (iv) user satisfaction and (v) occupational health and safety.

Supply continuity

Supply continuity is measured by a company’s capacity to provide electricity to users at economically acceptable costs with minimum supply interruptions in frequency and duration. We record all interruptions that affect our distribution systems following the methods stipulated in the Regulation on Quality of Service for Electricity Distribution and Retail Sales.

The table below shows our unscheduled system average interruption duration index (“SAIDI”) and system average interruption frequency index (“SAIFI”) compared to the Turkish distribution sector.

		2021	2022	2023
Based on Quality Performance Score⁽¹⁾	SAIDI ⁽²⁾	675.32	557.4	739.92
	SAIFI ⁽³⁾	10.77	9.59	11.82
Issuer⁽⁴⁾	SAIDI	731.4 ⁽⁵⁾	585.1 ⁽⁵⁾	770.7 ⁽⁶⁾
	SAIFI	12.8 ⁽⁵⁾	10.7 ⁽⁵⁾	12.8 ⁽⁶⁾
Türkiye	SAIDI	1,170.1 ⁽⁵⁾	1,110.2 ⁽⁵⁾	1,086.3
	SAIFI	19.1 ⁽⁵⁾	18.4 ⁽⁵⁾	19.1

Notes:

- (1) The data presented in the ‘Based on Quality Performance Score’ rows are calculated based on interruptions that meet the criteria for the quality performance score determined by EMRA.
- (2) For SAIDI, the table provides unscheduled average outage durations per customer (minutes).
- (3) For SAIFI, the table presents unscheduled average outage frequencies per customer (occurrences/year).
- (4) The data is calculated based on all ‘unscheduled’ interruptions.
- (5) 2021, 2022 and 2023 EMRA, Yearly Sector Reports; <https://www.epdk.gov.tr/Detay/Icerik/3-0-24-3/elektrikyillik-sektor-raporu>.
- (6) 2023 Market Development Report has not yet published by EMRA, and the calculations are based on the data we submitted to EMRA.

In 2023, we ranked eighth in Türkiye with a SAIDI of 771 minutes. In 2023, Türkiye’s average SAIDI was 1,111 minutes, compared to 16 minutes for Germany and 59 minutes for Spain. As of the date of this Offering Memorandum, we rank ninth in SAIFI in Türkiye (Source: 2023 EMRA Market Development Report; (<https://www.epdk.gov.tr/Detay/Icerik/3-0-24-3/elektrikyillik-sektor-raporu>)).

Commercial quality

Commercial quality is measured by a distribution company’s ability to meet the minimum quality standards set by EMRA, including the time it takes to process new subscriptions and notify applicants about interruptions and further actions to be taken. These quality standards are aimed at ensuring that customers receive reliable electricity. As such, EMRA requires companies to pay customers when they fail to meet the minimum quality standards.

Examples of minimum commercial quality standards include informing an applicant within seven business days of the maximum time frame for meeting a new connection request, notifying users of scheduled outages at least 48 hours in advance, resolving a user’s device damage claim within ten business days, completing a requested meter change within ten business days, and conducting requested technical quality measurements within 10 business days.

We regularly submit detailed reports of our compliance with these quality standards to EMRA. Additionally, we make these reports readily accessible to the public by publishing them on our website. In 2021 and 2022 we

paid TL 3.2 million and TL 12.2 million, respectively due to not meeting EMRA's quality standards. As of June 30, 2024 and December 31, 2023 we have calculated TL 10.9 and TL 42.3 million and paid TL 2.2 and TL 16.5 million, respectively to customers due to our failure to meet EMRA's quality standards.

Technical quality

Technical quality refers to a company's capacity to meet the electricity demand of users within certain voltage frequencies, waveforms, three-phase symmetry, continuity and high quality limits. We submit the measurement results obtained after the installation of technical quality measurement devices to EMRA in the following year according to TS EN 50160:2011 standard. These devices are installed on the distribution network, and the number of devices to be installed, where these devices will be installed, and the details of the technical quality measurements to be conducted are determined by the "Regulations and Principles Regarding the Technical Quality of the Electricity Distribution System" issued by EMRA.

User Satisfaction

In accordance with EMRA, the quality of distribution services provided to users is evaluated based on user satisfaction. User satisfaction is measured by (i) how promptly a company addresses connection consultations and connection request fulfillment times, (ii) the number of user complaints and (iii) the quality of call center services in terms of accessibility, satisfaction, service level, and response rate.

We have achieved significant improvements in the time it takes us to issue a connection opinion as compared to 2020. As a result, we are now able to issue connection opinions in half a day on average, compared to an average of five and a half days in 2020.

Occupational Health and Safety

The number of fatal occupational accidents suffered by permanent and subcontractor employees in our company was 2, 2,1 and 1 in 2021, 2022, 2023 and 2024, respectively. Two of these accidents were caused by electrocution and the remaining four were caused by falling from height.

In order to prevent occupational accidents, we provide the necessary training to the personnel at the beginning of the work, provide protective equipment and monitor the measures taken during the work process. However, we are aware that it is necessary to follow the measures taken more closely and to increase the awareness of subcontractor workers on occupational safety, especially in order to eliminate fatal occupational accidents.

Distribution Region and Networks

The table below sets out our key operational and investment information for the years ended December 31, 2021, 2022 and 2023.

	For the year ended December 31,		
	2021	2022	2023
CPI (October 2020) ⁽¹⁾	487.4	487.4	487.4
System operating revenue requirement ⁽²⁾ (TL millions).....	1,329	1,573	1,678
Capital expenditure allowance ⁽³⁾ (TL millions)	1,097	1,097	1,097
Operating expenditure allowance ⁽⁴⁾ (TL millions)	490	558	532
Gross distributed electricity (TWh)	17.0	16.3	16.5
Theft and loss target (%) ⁽⁵⁾⁽⁶⁾	7.3	7.2	7.2
Actual theft and loss (%) ⁽⁷⁾	6.4	5.0	5.2

Notes:

- (1) The amounts in the table are shown at October 2020 prices.
- (2) System operating revenue requirement refers to the amount needed to cover the costs of investment and operating expenses that the distribution company will incur in order to carry out its distribution activities, excluding the costs incurred within the scope of lost energy and energy supply for general lighting.
- (3) Indicates the regulatory Capital expenditure allowance determined by EMRA.
- (4) Indicates the regulatory Operating expenditure allowance determined by EMRA. For the 4th Distribution Tariff Period, “Planned Maintenance Budget” has been approved as a separate item. Therefore, the “Planned Maintenance” budget for the relevant year is also included in the data for 2021, 2022 and 2023.
- (5) Indicates the initial theft and loss ratio target determined by EMRA.
- (6) The target theft and loss rate is announced annually by EMRA.
- (7) Indicates the ratio of the volume of the unbilled electricity to the volume of total distributed electricity.

Network Maintenance Operations

Our network maintenance strategy is based on two categories: (i) planned maintenance, which includes periodic maintenance in accordance with EMRA and (ii) preventive maintenance activities for special equipment and/or projects requiring a high level of expertise.

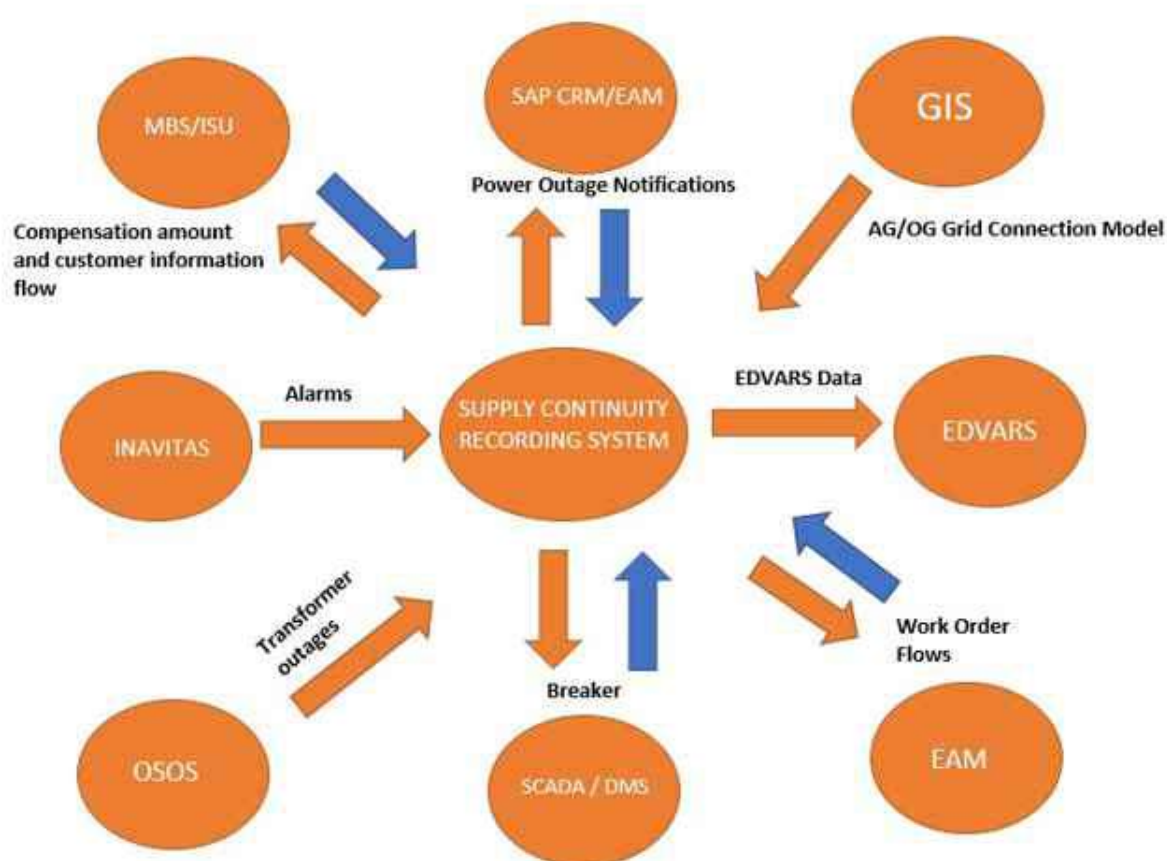
We follow EMRA’s guidance on planned maintenance to improve field and technological infrastructure. For the years ended December 31, 2021, 2022 and 2023, our planned maintenance budget, including the update made by EMRA through its Board Decision dated September 14, 2023 and numbered 12075 was TL 94.7 million, TL 164.8 million, TL and 137.7 million, TL as of October 2020 prices, respectively. We plan on maintaining our current planned maintenance budget going forward.

Network Monitoring Operations

We are responsible for establishing and maintaining our IT network and monitoring our data recording systems. One of the most essential elements in ensuring this continuity is the SCADA system. The SCADA system monitors and controls the distribution network and automatically intervenes against possible failures within the network. Through the SCADA system, we provide both real-time monitoring and operational control of our distribution network through 698 transformer buildings and 4,118 feeders.

In addition to SCADA, we also implement a work force management system (“**WFM**”) and integrate data from SAP and Customer Relations Management (“**CRM**”) systems with the WFM system to manage outage, fault and maintenance activities. The WFM system helps to improve the quality of network operations data through Enterprise Asset Management (“**EAM**”) software, which improves labor resource management by providing reports based on the recording of all our activities and the processing of real data with a robust and reliable infrastructure. In addition, the WFM system enables us to quickly respond to power outages by providing a detailed analysis of the root cause of an outage, feeder maintenance and investment strategies, as well as control and monitoring of workforce, routes and job completion times.

Since 2018, we have managed and recorded interruptions in our distribution region through the Supply Continuity Recording System (“**CCRS**”). CCRS works alongside our other systems including our Automatic Meter Reading System (“**AMRS**”), SCADA, GIS, field workforce management systems and call center management systems. The template for the CCRS integration architecture is shown below:



Regarding planned power outages, we automatically notify the users who will be affected by the outage through the CCRS network via SMS at least 48 hours in advance and inform users where detailed inquiries can be made on our website. The CCRS system also generates periodic reports required by EMRA. Additionally, we are able to provide the data from the CCRS system database immediately to EMRA within required format set by EMRA and through the Electricity Distribution Data Warehouse and Reporting System (“EDVARS”).

Lastly, we use the GIS software system as a part of our network monitoring operations. GIS is an information and distribution system management tool that analyzes graphical (e.g., distribution network maps) and non-graphical information (e.g., statistical data on substations, switchyard-switchyard transformers, overhead lines and underground cables) about electricity network assets to manage our network, use long term planning and develop our strategic planning.

User Management

Our user management activities are run out of 40 service centers and focus on (i) meter readings, (ii) connection and disconnection of customers, (iii) theft and loss management, and (iv) call center management.

Meter Reading

We are responsible for installing, reading, maintaining, and operating electricity meters. As of December 31, 2023, we have conducted approximately 37.5 million meter readings. We read electronic and mechanical meters in buildings using handheld devices and perform remote meter readings through AMRS software. For meters that require close-range readings, we hire a service provider to retrieve consumption data. Meters are read on a monthly basis and we analyze the consumption data to identify issues and bill customers.

Connection and Disconnection of Customers

We connect and disconnect meters based on work orders we receive from private supply companies, including Aydem Group's retail companies. We use subcontractors for transactions of our customers who receive energy over low voltage, and we carry out transactions of our customers who receive energy over medium and high voltage with our own personnel. Users whose electricity needs are too high to be met at the distribution level must be connected from the transmission level.

In addition, we connect new customers with retail companies and disconnect customers upon termination of their retail sales agreements. We also disconnect customers in case of theft, illegal usage or failure to pay. In 2020, we launched the Distribution Connection System ("DCS"), which allows users to make connection applications online. As a result of DCS, new connection processes have increased ten times and we have experienced higher customer satisfaction and operational efficiencies.

Theft and Loss Management

Losses in electricity distribution are mainly caused by (i) loss of electricity during the transmission of electricity or in transformers, (ii) interference with the meters or measurement systems, and (iii) customers using electricity without the use of a meter.

We combat electricity theft and loss through (i) improvements in our workforce, (ii) technologies aimed at detecting theft, and (iii) enhancing our monitoring capabilities. As a result of these efforts, in the years ended December 31, 2022 and 2023 we increased our detection of electricity theft, in particular theft related to meter interference and the installation of external lines. Depending on factors such as the length of the transmission line and the conductors and transformers used in the grid, approximately 4.5% of the electricity entering the distribution network is subject to technical losses. To minimize electricity losses, we implemented a Technical and Non-Technical Losses Project to identify and mitigate transformer-based losses.

Our realized loss rate has generally been below the target loss rate set by EMRA, amounting to TL 825 million in theft and loss savings from 2016 to 2020 and TL 834 million in theft and loss savings in 2021 through 2023 in June 2023 prices. The table provided below shows our theft and loss rate for the years ended December 31, 2021, 2022 and 2023 and the six months ended June 30, 2023 and 2024.

	For the year ended December 31,			For the six months ended June 30,	
	2021	2022	2023	2023	2024
Energy input to distribution system (MWh)	16,978,735	16,344,198	16,496,001	7,517,872	8,241,232
Consumption amount (MWh).....	15,898,330	15,711,115	15,630,805	7,149,662	7,763,042
Theft and loss amount (MWh).....	1,080,405	823,672	865,196	368,211	478,189
Theft and loss rate (%).....	6.4%	5.0%	5.2%	4.9%	5.8%
Targeted theft and loss rate (%) ⁽¹⁾	7.3%	7.2%	7.2%	7.2%	6.7%

Note:

(1) The target theft and loss rate is announced annually by EMRA.

Call Center Management

We operate call centers in our distribution region to assist with customer issues and requests. As part of our call center management strategy, we monitor call answer rates, service levels and the number of calls received. The call answer rate is the ratio of the number of calls answered at the call center to the total number of calls

received. The service level ratio represents the number of calls answered within 0 to 20 seconds at the call center to the total number of calls received. In 2023, we received a total of 5.4 million calls.

The table provided below shows our call center performance for December 31, 2022 and 2023 along with the “bonus threshold values” determined by EMRA as the “benchmark levels.” In cases where companies do not meet or exceed these values, a progressive reward-penalty criteria is implemented.

	As of December 31,		As of June 30,	EMRA
	2022	2023	2024	benchmark
		(%)		
Accessibility level.....	99.9	99.9	100.0	99.3
Service level	98.1	97.3	97.6	90.0
Response rate.....	99.7	99.7	99.4	96.0
Satisfaction rate	95.3	95.3	95.2	60.0

As highlighted in the table above, our call center service performance exceeds the threshold levels established by EMRA for accessibility, satisfaction, service level, and response rate for 2022 and 2023. This success signifies a strong performance that will be reflected as an award for call center service quality indicator.

Under our Quality Policy and Consumer Satisfaction Policy, we continually make process improvements and take corrective actions regarding deficiencies identified in our processes within the scope of ISO 10002.

Incentives

Information regarding the incentives and subsidies received by us is set out in the below table:

Incentive Topic	Source of Incentive	Incentive Start Date	Incentive End Date	Incentive Amount (TL) (2021, 2022, 2023 and June 2024)
5% Treasury Incentive	Law No. 5510 and provisional Article 95 EYT	October 1, 2008	Indefinite	43,667,721.47
Incentive for the Employment of Insured Disabled	Law No. 4857	July 7, 2008	Indefinite	1,406,790.26
Incentive for the employment of young people, women and those with vocational certificates	Law No. 4447	January 1, 2018	December 31, 2025	2,348,834.41
Additional Employment Incentive	Law No. 4447	January 1, 2018	December 31, 2022	1,745,325.96

Payment Channels

We collect payments online via our website, mobile application and through bank transfers. The online payment screens on our website provide significant convenience to customers and customers can easily make their payments via the “onlinetahsilat.gdzelektrik.com.tr” address.

Pricing

Our revenues from electricity distribution operations are fully regulated and are generated according to the Distribution Tariff determined by EMRA. We apply the Distribution Tariff determined by EMRA as of the tariff period to the users connected to the distribution system residing in our region, and in addition to this fee, we also apply reactive energy fees determined by EMRA and power and power overrun fees to the users subject to the bi-term tariff class. While the Distribution Tariff is the same for the entire country without any regional distinction (“**national tariff mechanism**”), EMRA operates the so-called price equalization mechanism (a mechanism introduced to balance the inequalities and differences between the 21 distribution regions) in order to eliminate the existing cost differences between distribution regions. Through the national tariff mechanism, distribution companies that “collect revenue below their revenue requirement” due to high loss and illegal use rates in their regions are supported by distribution companies that “collect revenue above their revenue requirement” over the national tariff. We collect revenue above the revenue requirement over the national tariff. The excess revenue collected is announced monthly by EMRA through a mechanism called the “Price Equalization” mechanism and is paid to EÜAŞ as a support fee.

Permits, Licenses and Quality Certificates

All players in the electricity market are required to obtain licenses from EMRA for the market activities they undertake. The status of our distribution license is as follows:

Distribution License

	License No.	Period	Issue Date	Expiry Date
GDZ EDAŞ.....	ED/874-33/693	30 years	September 1, 2006	September 1, 2036

In order to continue our distribution operations, we are required to renew our distribution license. Pursuant to the applicable legislation, we are required to apply to EMRA for the renewal of our license within a minimum of 12 months and a maximum of 15 months prior to the expiration of the relevant license. EMRA determines whether to renew the license for a minimum period of ten years and a maximum period of 49 years upon its examination of certain requirements. Apart from the other requirements set under the applicable legislation, to renew our distribution license we need to certify that we own the operating rights of the distribution network.

Other Permits and Licenses

Under our Integrated Management System policy, we ensure that our permits and licenses are kept up to date. As of the date of this Offering Memorandum, renewal efforts are ongoing for the expired certificates listed in the table below.

Quality Standard Certificate	License No.	Period	Issue Date	Expiry Date
International Quality Management System Standard (ISO 9001:2015).....	6252	4	November 29, 2020	November 27, 2026

Quality Standard Certificate	License No.	Period	Issue Date	Expiry Date
International Customer Satisfaction Management System Standard (ISO 10002:2018)	6407	4	November 29, 2020	November 27, 2026
International Environmental Management System Standard (ISO 14001:2015)	6253	4	November 29, 2020	November 27, 2026
Occupational Health and Safety Management System Standard (ISO 45001:2018)	8445	4	May 7, 2021	May 5, 2027
Information Security Management System Standard (ISO 45001:2018)	1770912	3	November 6, 2023	December 4, 2026

Research and Development

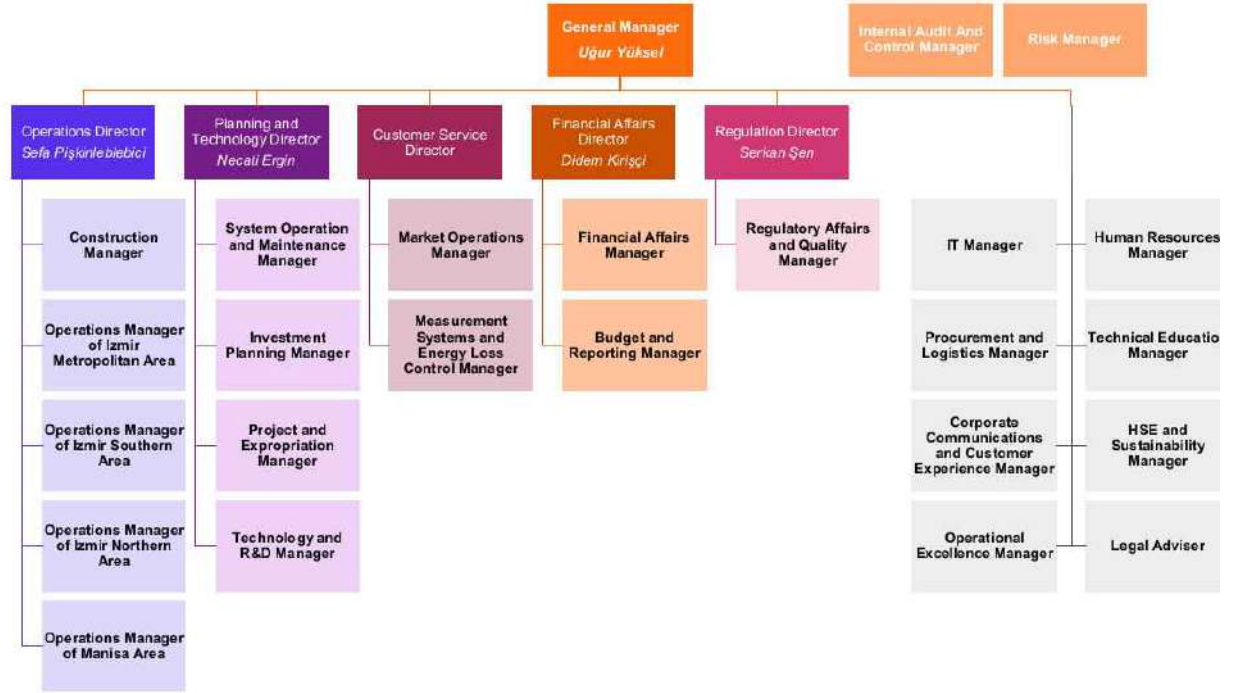
EMRA sets a budget for research and development (“**R&D**”) expenses for distribution companies at the beginning of each tariff period. For the 4th Distribution Tariff Period, EMRA has set a budget of 2% of the regulated operating expenses, excluding uncontrollable operating expenses to be used for these expenses. Project applications are submitted to EMRA in January and July and this budget is utilized within the scope of approved projects.

We are increasing investments in innovative technologies and prioritize scientific and technological collaborations based on a development model focused on research, technology development, education, and training activities. In line with this approach, we established the G-LAB R&D and Entrepreneurship Center in 2020 to further our R&D efforts.

Our R&D activities and projects in the distribution sector encompass various areas, including material technologies, monitoring and control, reduction of theft and loss, occupational health and safety, studies on the effects of distributed generation on the grid, and lighting technologies. In the event that the portion of the expenses and expenditures within the scope of R&D approved by EMRA is below the R&D budget, the difference is subject to adjustment in the following tariff period calculations. Our R&D expenses remained below the budget determined for the 3rd Distribution Tariff Period (2016-2020) and accordingly, the difference of TL 25.6 million is subject to adjustment in the revenue calculation for 2022. The total current amounts that we spent for R&D expenses for the years ended December 31, 2021, 2022 and 2023 and the six months ended June 30, 2023 and 2024 are TL 6.0 million, TL 16.4 million, TL 34.9 million, TL 24.1 million and TL 16.9 million, respectively.

Management Structure

The chart below sets out the management structure of our organization:



Employees

As of June 30, 2024, we had a total of 997 employees, with 4 top management, 20 middle management, 82 first level management, 541 individual contributors and 350 workers. As of June 30, 2024, women held 20% of management positions and our employee turnover rate at our headquarters was 1,61% (compared to 3.7% in June 30, 2023) which is below the industry standard. Changes in the number of personnel during relevant periods stem from workforce planning adjustments.

The table below sets out the number of employees at our company as of December 31, 2021, 2022, and 2023 and as of June 30, 2024 and the average age and seniority of our employees as of June 30, 2024:

	As of December 31,			As of June 30,		
	2021	2022	2023	2024		
	(# of employees)			(Age)	(Seniority)	
Top Management (General Manager, Director)	5	4	4	4	49	5.75
Middle Management (Manager)	18	19	19	20	43	3.65
First Level Management (Supervisor) ..	73	76	77	82	39	5.74
Individual Contributor (Sr. Specialist, Specialist, Jr. Specialist)	454	532	548	541	35	5.50
Worker (Technician).....	325	329	344	350	37	4.75
Total.....	875	960	992	997	36	5.07

Additionally, we receive support from subcontractors for activities such as fault repair, maintenance, switching operations, meter reading, meter replacement, construction works, and administrative services. The number of subcontracted employees as of December 31, 2021, 2022 and 2023 and as of June 30, 2024 is as follows:

	As of December 31,			As of June 30,
	2021	2022	2023	2024
Fault Repair Contractor Personnel.....	744	747	751	764
Maintenance and Repair Contractor Personnel	187	247	174	234
Meter Reading, Meter Replacement, Switching Operations Contractor Personnel ...	601	586	581	625
Administrative Services Contractor Personnel	115	136	145	147
Construction Works Contractor Personnel.....	1,707	1,556	867	503
Total.....	3,354	3,272	2,518	2,273

As of June 30, 2024, 441 of our employees (44%) were union members. We have not encountered any significant disputes or issues regarding the hiring or retention of employees. There have been no major disruptions or interruptions in our operations due to any labor disputes or personnel conflicts. In accordance with the Trade Unions and Collective Bargaining Agreement Law numbered 6356 dated October 18, 2012, strikes and lockouts are prohibited in the electricity distribution sector. Therefore, unionized workers at our company cannot organize strikes. A collective bargaining agreement covering the period March 1, 2024 to February 28, 2026 was signed between our company and TES-İŞ on May 16, 2024. Thus far, we haven't experienced any significant issues concerning labor disputes, hiring, or ongoing employment of our staff, and our business activities have not been seriously disrupted due to any labor dispute, strike, or disagreement with employees.

We incentivize certain of our employees based on their contributions to our commercial operations. We conduct annual performance evaluations by comparing each employee's year-end performance results with predetermined performance objectives, forming the basis for our company's reward, recognition, and development programs. In the goal-setting process, we primarily focus on specific, measurable, attainable, relevant, and time-bound key performance indicators. Each year, action plans are established for business units and individual significant performance indicators aligned with our strategic and operational goals. We also conduct regular feedback surveys to gather input from our employees to create a more efficient and value-enhancing work environment. In 2022, we were ranked as one of Türkiye's best employers in the Great Place to Work survey, fifth in Türkiye's Best Employers with over 1,000 employees, first in Aegean's Best Employers List for large companies and have been named as one of the Best Employers in Europe on Türkiye's Social Responsibility and Volunteering list and Organizations Providing Great Workplace Experiences for Young Generations. Further, our Development Program for Engineers received the Brandon Hall HCM Excellence Award and TEGEP's Learning and Development Award.

Recognizing that our operations involve (i) comprehensive regulations, (ii) operations categorized as highly hazardous in terms of occupational health and safety, and (iii) requiring interdisciplinary expertise, we believe in the necessity of a motivated and highly qualified workforce. In the years ended December 31, 2021, 2022 and 2023 and the six months ended June 30, 2023 and 2024 we spent TL 2.6 million, TL 5.1 million, TL 9.0 million, TL 7.0 million and TL 10.0 million, respectively on health and safety and sustainability expenses. In the period ended June 30, 2024, we had a lost time injury frequency rate ("LTIFR") of 1.59 compared to Türkiye's overall LTIFR of 5.54. We believe that our future success and stability depend on our ability to identify, recruit, train, and retain qualified and talented employees. We provide development opportunities for

our employees focused on technical expertise and competency development and regularly organize training programs in these and other specific areas.

Properties

Our significant tangible fixed assets consist of machinery and equipment, fixture, leased assets, special costs, and ongoing investments. The distribution facilities and other movable and immovable assets in our distribution system belong to TEDAŞ, but we use these assets and facilities pursuant to the TOR Agreement. We also lease several properties, such as our offices in Türkiye.

We do not acquire tangible fixed assets through financial leasing.

There are no significant tangible fixed assets planned for acquisition by our company.

Environment, Social and Governance Matters

We are committed to ensuring that our distribution activities are carried out in compliance with applicable national and international environmental laws, regulations and guidelines. We have adopted policies which cover a wide range of ESG matters.

As part of our focus on ESG matters, we implemented several environmental initiatives, including the Clean Coastline (*Sahilim Temiz*) Project, the Biodiversity Action Plan, the Bird Conservation Plan and the Biolight Bioluminescence Project. We also track our carbon footprint and waste management procedures. Further, we annually publish a sustainability report and are a member of the United Nations Global Company (“**UNGC**”).

We are in regular communication with local governments and relevant stakeholders in our region. We operate a communication center in İzmir and Manisa to address and respond to requests and complaints conveyed by other infrastructure service providers, such as internet, natural gas and water providers. Through our VIP Mukhtar Line, Listening to Our Muhtars (*Muhtarlarımızı Dinliyoruz*) and Corporate Communicators Committee we meet with customers to understand issues and hear customer requests. We are also committed to engaging with youth in our distribution region and have set up a number of trainings and employment opportunities for students such as the Energy Hunters Project and the Energy is You (*Enerjim Sensin*) Park. Our commitment to ESG supports our customer satisfaction levels as measured by TEDAŞ’s monthly customer satisfaction survey, was 56% in 2023 compared to 52% in 2022.

Information Technology

We rely heavily on technology to manage our electricity grid, infrastructure, project tracking, customer transactions, and fieldwork orders. Our information technology (“**IT**”) services cover data centers, network management, and cybersecurity and are supported by SAP, an enterprise resource planning system we use for finance, HR, procurement, and customer management.

We employ extensive measures to secure our operations and follow global standards to protect against cybersecurity threats. As of the date of this Offering Memorandum, we have not experienced any security breaches.

Intellectual Property

We rely on trademarks to protect our brand name and logo used in both internal and external communications, corporate identity, and invoices.

Our company has registered trademarks with the Turkish Patent and Trademark Office for the titles “gdz,” “gdz elektrik,” “gdz elektirk dağıtım” and “Enerji Avcıları.”

Domain Name

The domain name we use is “gdzelektrik.com.tr.” However, we also own the inactive domain names “gdzelektrikdagitim.com,” “gdzelektrikdagitim.net,” “gdzelektrikdagitim.org,” “gdzelektrikdagitim.xxx,” “gdzelektrikdagitim.biz,” “gdzedas.org,” “gdzelektrikdagitim.com.tr,” “gdzelektrik.org,” and “gdzelektrik.net.”

Insurance

We have various insurance policies including Electronic Device Insurance Policy, Third Party Financial Liability, Hazardous Substances and Hazardous Waste Mandatory Financial Liability, Employer’s Liability, Machinery Breakdown, Comprehensive Machinery Breakdown, Material Damage All Risks, and Business Interruption insurance policies.

We have various insurances that are (i) legally mandatory and (ii) to cover potential risks that may arise within our operations. These policies generally cover accidents and injuries related to employees, material damages and machinery breakdowns, third-party financial liability insurance, all-risk insurance, loss of profit, and business interruption insurance.

Material Agreements

Our material agreements encompass the following agreements:

- Transfer of Operating Right Agreement
- Share Sale Agreement
- Facility Agreements
- Mandatory Agreements Signed Pursuant to the Legislation
- Service Procurement Agreements

Transfer of Operating Right Agreement

We signed a Transfer of Operating Right Agreement (“**TOR Agreement**”) with TEDAŞ on July 24, 2006, for the right to operate the distribution system, distribution facilities and other movable and immovable assets belonging to TEDAŞ in İzmir and Manisa. The TOR Agreement expires on September 1, 2036, and in the event of the expiration of the distribution license or the cancellation of the license for any reason, the TOR Agreement shall automatically terminate without the need for any notice.

The extension and/or renewal of our distribution license will not result in the extension of the agreement period in proportion to the extended period. However, we may apply to TEDAŞ at least one year before the expiration of the TOR Agreement and request the renewal of the contract. TEDAŞ may decide on the renewal of the TOR Agreement by considering the new conditions and applicable legislation until 180 days before the expiration of the TOR Agreement at the latest.

We are obligated to provide TEDAŞ with an irrevocable and unconditional bank letter of guarantee, payable on first demand, amounting to 6% of the total book value of distribution facilities and the elements used in operating such facilities, as security for our obligations arising from the TOR Agreement. Additionally, every two years in May, we must provide an additional letter of guarantee at TEDAŞ’s request, corresponding to the

increase in value of the current asset book values. If the additional letters of guarantee are not provided within the specified period, the TOR Agreement will automatically terminate without the need for any notice, grace period, or notification. The current guarantee amount is TL 290 million as of June 30, 2024.

Our company takes out risk insurance on behalf of TEDAŞ and with TEDAŞ as the beneficiary against all risks including fire, explosion, accidents, lightning, landslides, floods, strikes, demonstrations and similar social events, sabotages, terrorist acts and all other risks that may arise for the facilities. In addition, we have legal liability insurance, employer's financial liability insurance and insurance against damages to third parties in respect of any damages caused by our company to the aforementioned assets. In addition, all kinds of insurance and expenses of the vehicles given to the use of our company belong to us. The mandatory insurances required under the TOR Agreement have been arranged by us.

If one of the parties acts in violation of the TOR Agreement and does not fulfill its obligations within the 90-day period given by the other party, the other party may terminate the agreement by sending a notification. If we become insolvent in our payments, a lawsuit is filed for bankruptcy and a warehouse order is issued, we make a concordat offer, the distribution license is revoked, or we go bankrupt, TEDAŞ may terminate the agreement immediately without any notice.

Share Sale Agreement

On May 29, 2013, a share sale agreement ("**Share Sale Agreement**") was signed between the Privatization Administration and the Principal Shareholder regarding the sale of all of our shares and all the shares of Gediz EPSAŞ. The Share Sale Agreement covers the principles regarding the privatization of our company and Gediz EPSAŞ. Pursuant to the Share Sale Agreement, all of our obligations and liabilities were assumed by the Principal Shareholder.

The Principal Shareholder may pledge rights on the shares subject to the Share Sale Agreement as collateral for the loans received for the purpose of financing the Share Sale Agreement, provided that it notifies the Privatization Administration in writing. Further, the Principal Shareholder has pledged all of our company's shares in favor of the lenders in order to secure the loan received.

Mandatory Agreements Signed Pursuant to Legislation

The agreements that we are legally bound to as a party are listed below.

Distribution System Connection and System Utilization Agreements

Persons who wish to benefit from the distribution system apply to the distribution company in the distribution region where they are located by specifying the date they wish to connect. Connection requests to the distribution system are met by the relevant distribution company. In this context, we have signed distribution and system utilization agreements with suppliers, producers and consumers.

Connection agreements with consumers are signed between the consumer and the distribution company when the household is connected to the distribution system for the first time. In this connection agreement, the consumer has certain obligations and in case of breach of these obligations, the distribution company may claim compensation. In the case of transfer of the relevant household to another person, although the party to the connection agreement appears to be the owner of the first household, the distribution company may demand claims from the actual user. The above-mentioned agreements are form agreements in the annex of the relevant legislation and their contents are standardized.

EPIAŞ Agreements

On September 1, 2015, we signed a market participation agreement, a day-ahead market participation agreement, and an intraday market participation agreement with EPIAŞ (together the "**EPIAŞ Agreements**"). Through the EPIAŞ Agreements, we obtained the right to participate in the day-ahead market and intraday

market, bilateral agreement notifications, balancing and settlement mechanism. Market participation agreements are standard form agreements prepared by EPIAŞ and cannot be amended without the prior approval of EMRA. These agreements are valid and remain in force until the relevant license is terminated.

These agreements set the conditions and provisions of market participants' notification requirements to EPIAŞ with respect to the bilateral agreements they execute and participation in related markets and the operation of EPIAŞ in these markets within the framework of the Electricity Market Law, Electricity Market Balancing and Settlement Regulation and other relevant legislation. By signing these agreements, we are entitled to participate in the bilateral agreement notifications and balancing and settlement mechanism, including the day-ahead market and/or the intra-day market. We are required to provide collateral to EPIAŞ, generally in the form of letters of guarantee or deposits, to carry out intra-day and day-ahead market transactions.

We have executed all of these agreements with EPIAŞ and actively trade in these markets.

Pursuant to the EPIAŞ Agreements, the guarantee amounts that we are required to provide to EPIAŞ for the day-ahead market and intraday market transactions are regulated. The amount of guarantee held by our company with EPIAŞ as of June 30, 2024 is TL 201 million.

System Use and Connection Agreements with TEİAŞ

Pursuant to the EML, Electricity Market Connection and System Utilization Regulation and related legislation, distribution companies wishing to connect to and use the transmission system are obliged to apply to TEİAŞ. In this context we signed (i) connection agreements and (ii) system usage agreements with TEİAŞ to connect to the transmission system.

These contracts are standard agreements and were signed based on the contract drafts accepted by EMRA.

According to standard system usage agreements signed with TEİAŞ, the agreement automatically terminates (i) in the event of the cancellation or expiration of the user's license, (ii) upon the expiration of the connection agreement signed between TEİAŞ and the user, or (iii) upon the user's bankruptcy becoming final and the appointment of a liquidator. If the user fails to fulfill their obligations arising from the agreement in a timely manner, TEİAŞ may terminate the agreement as specified in the relevant articles of the agreement.

EÜAŞ Electricity Sales Agreement

Distribution companies are required to purchase electricity from EÜAŞ in order to ensure that general lighting is carried out by the distribution company and to cover theft and loss. In this context, an Electricity Sales Agreement was signed between our company and EÜAŞ (formerly TETAŞ) on December 31, 2006. Although the agreement is valid for one year, the contract can be extended for one year at a time under certain conditions, and the agreement was most recently extended on December 29, 2023, when we extended it through December 31, 2024. Pursuant to the Electricity Sales Agreement, we are required to provide a guarantee to EÜAŞ. The current amount of guarantee given to EÜAŞ is TL 343 million as of June 30, 2024.

Service Procurement Agreements

Standard Agreement for Service Procurement for Maintenance and Repair of Distribution Networks

In order to perform the maintenance and repair works in the distribution networks within our service, we sign standard agreements with various contractors for the maintenance and repair of electricity distribution networks. Currently we are a party to two of these contracts.

Under these contracts, the contractors are required to give us a performance guarantee of 10% of the contract value, an indemnity for damages to us or third parties and a guarantee in cash of 10% of the contract price. We reserve the right to demand additional guarantees when there is determined to be increased risk.

Standard Agreement for Electricity Distribution Networks Fault Repair and Maintenance Works Service Procurement

We sign standard agreements with various contractors to perform breakdown repair and maintenance works in our distribution networks. The agreements entail all necessary tasks and procedures to ensure that electricity distribution assets and facilities within our networks are serviced in compliance with regulations, safely, and without interruption. This includes the repair of faults and the maintenance of electricity distribution facilities.

Under these contracts, the contractors are required to give us a performance guarantee of 10% of the contract value and an indemnity for damages to us or third parties. We reserve the right to demand additional guarantees when there is determined to be increased risk.

Standard Agreements for Electricity Distribution Facilities Construction

We sign standard agreements with various contractors to construct facilities in our distribution network and complete urgent works that arise due to unforeseen needs.

Under these contracts, the contractors are required to give us a performance guarantee of 7% of the contract value, an indemnity for damages to us or third parties and a guarantee in cash of 5% of the contract price.

Standard Agreements for Index Reading, Energy Cut-Off and Meter Removal and Inserting

We sign service purchase agreements with various contractors to read, dismantle and install meters, and disconnect and open electricity connections for consumers.

Under these contracts, the contractors are required to give us a performance guarantee of 10% of the contract value and an indemnity for damages to us or third parties. We reserve the right to demand additional guarantees when there is determined to be increased risk.

Legal Proceedings

In the last twelve months, we have not been involved in any legal, arbitration or other governmental proceedings which, if decided against us, would individually or in the aggregate have a material adverse effect on our business, results of operations or financial condition.

In the ordinary course of our business, we are and we may become a party to disputes in relation to (i) employee claims filed by some of our former employees, (ii) enforcement and debt collection proceedings we file against our users, (iii) claims filed by some of our users, contractors and third parties and (iv) administrative lawsuits that we file against regulated actions and acts, that are ordinary and incidental to our business.

As of June 30, 2024, there were 1,752 lawsuits to which we are a party as a plaintiff, with amounts at issue totaling TL 756 million, and 1,333 lawsuits to which we are a party as a defendant, with amounts at issue totaling TL 194 million.

On July 12, 2024, an electrocution incident occurred in Alsancak, resulting in two fatalities. An indictment was filed in the Izmir 10th High Criminal Court against 42 defendants for the crime of manslaughter by conscious negligence. Of the 42 defendants, 12 are our employees and include Uğur Yüksel, a member of our Board of Directors and our General Manager, Necati Ergin, our Planning and Technology Director, and Sefa Pişkinleblebici, our Operations Director. The first hearing took place on September 5 and 6, 2024, and the next hearing is currently expected to take place in mid-November 2024. If convicted, the defendants could face imprisonment or be required to pay fines and we would be required to replace them. (See —"*The loss of key personnel or the inability to attract and integrate key individuals and qualified employees into our organization may limit our growth and adversely affect our operations*"). In addition, while the Issuer is not named as a defendant in the criminal case, it is possible that relatives of the deceased individuals may initiate civil

proceedings against us as a corporate entity or the above-named defendants seeking pecuniary and non-pecuniary damages. If found liable, we may be required to pay compensation to the relatives of the deceased. These criminal or any civil proceedings could have an adverse effect on our business or reputation. Further, subsequent to the electrocution incident, EMRA initiated an investigation against us based on audits of our premises it conducted in the relevant region on July 26, 2024. The investigation could result in sanctions imposed by EMRA, which could have an adverse effect on our business or reputation (see also “*—If we fail or are unable to comply with applicable laws and regulations, we may be subject to administrative fines or penalties or lose our distribution license*”, “*—We have been and will continue to be subject to audits by various regulators and violations may be detected as a result of these audits*” and “*Regulatory Environment—Sanctions*”).

RELATED PARTY TRANSACTIONS

Aydem Holding is the ultimate parent company and controlling party of the Issuer. Transactions with related parties are classified according to the following groups and include all related party disclosures:

- (1) Aydem Holding and its group companies; and
- (2) the Principal Shareholder.

Trade receivables from related parties generally arise from the sale of electricity from Gediz Elektrik Perakende Satış Anonim Şirketi and Aydem Elektrik Perakende Satış Anonim Şirketi. Receivables are not collateralized by nature. Trade payables to related parties generally arise from common transactions and purchase of goods and services and no interest is charged on trade payables.

At the end of each month, non-trade receivables and payables are assigned by using current interest rates determined according to market conditions. Non-trade receivables from related parties primarily relate to loans made by the Issuer to related parties. They arise from financing transactions of group companies and interest is charged on these receivables at rates that are considered to represent the market value. Non-trade payables to related parties primarily relate to loans made to the Issuer by related parties. They generally arise from our financing transactions and interest is charged on these debts at rates that are considered to represent the market value. In addition, since 2019, Aydem Holding has charged us a commission fee of 0.8% per year to act as guarantor for our bank loans and letters of guarantee. Financial expenses from Aydem Holding, which are disclosed in Note 3 of the Interim Financial Statements, arise from these commission fees. We do not issue any surety commission invoices for the loan agreements that we are the guarantor of as a legal entity guarantor.

We do not cash-pool and we manage our own cash. Our credit agreements are ring-fenced and our security packages are independent. We have independent and fully functional internal management, governance and procedures. However, in line with effective and efficient corporate governance, and within the limits set by the relevant legislation, Aydem Holding provides us with certain services, including strategic planning, finance and treasury management, investor relations management, risk management, corporate communication, health and safety and information technology systems in accordance with the terms of a service agreement executed with Aydem Holding. Aydem Holding charges the cost for these services to the Issuer in accordance with relevant transfer pricing regulations.

All of the related companies in the table below are companies under the control of Aydem Holding, our ultimate parent company. Persons represent the shareholders and family members of Aydem Holding. For more information, please refer to Note 3 of the Interim Financial Statements.

	For the year ended December 31,			For the six months ended June 30,	
	2021	2022	2023	2023	2024
	(audited)			(unaudited)	
	<i>(TL thousands)</i>				
Trade receivables from related parties					
Gediz Elektrik Perakende Satış Anonim Şirketi	1,753	671	3,104	2,637	2,148
Aydem Elektrik Perakende Satış Anonim Şirketi	269	124	74	127	74
Other.....	4	3	6	2	0

	For the year ended December 31,			For the six months ended June 30,	
	2021	2022	2023	2023	2024
	(audited)			(unaudited)	
	<i>(TL thousands)</i>				
Total trade receivables due from related parties	2,026	795	3,178	2,767	2,223
Non-trade receivables from related parties					
Gediz Elektrik Perakende Satış Anonim Şirketi	108	165	0	0	1
GDZ Enerji Yatırımları Anonim Şirketi	167	102	0	0	0
Total non-trade receivables from related parties	275	267	0	0	1
Long-term non-trade receivables from related parties			0	0	
GDZ Enerji Yatırımları Anonim Şirketi	2,087	1,334	0	0	0
Gediz Elektrik Perakende Satış Anonim Şirketi	225	0	0	0	0
Total long term non-trade receivables from related parties	2,312	1,334	0	0	0
Trade payables to related parties					
Panobel Elektrik Gereçleri Anonim Şirketi ("Panobel")	90	708	274	536	67
Aydem Holding Anonim Şirketi	53	238	114	141	55
GDZ Enerji Yatırımları Anonim Şirketi	17	47	82	91	294
BND Group Teknoloji Anonim Şirketi ("BND")	0	0	34	0	0
Other	0	0	0	0	0
Total trade payables to related parties	160	994	505	768	416
Non-trade payables to related parties					
Aydem Holding Anonim Şirketi	34	13	0	9	109
Yatağan Termik Enerji Üretim Anonim Şirketi ("Yatağan")	220	3	0	4	0
Çates Elektrik Üretim Anonim Şirketi	0	7	0	0	0
Other	4	0	0	546	0
Total non-trade payables to related parties	259	24	0	559	109

As of the dates given below, our operating expenses (including service procurement) from related parties are as follows:

	For the year ended December 31,			For the six months ended June 30,	
	2021	2022	2023	2023	2024
	(audited)			(unaudited)	
	<i>(TL thousands)</i>				
Purchases of goods and services from related parties					
GDZ Enerji Yatırımları Anonim Şirketi	147	619	2,017	1,862	910
Panobel Elektrik Gereçleri Anonim Şirketi	127	197	332	204	38
Aydem Holding Anonim Şirketi.....	39	108	97	81	34
Gediz EPSAŞ ⁽¹⁾	0	0	0	10	8
BND Group Teknoloji Anonim Şirketi.....	0	1	50	8	2
Other.....	9	30	18	0	0
Total purchases of goods and services from related parties	321	956	2,515	2,166	992

	For the year ended December 31,			For the six months ended June 30,	
	2021	2022	2023	2023	2024
	(audited)			(unaudited)	
	<i>(TL thousands)</i>				
Purchases of electricity					
Gediz Elektrik Perakende Satış Anonim Şirketi	764	1,460	1,156	1,186	4
Total purchases of electricity	764	1,460	1,156	1,186	4

As of the dates given below, our sales to related parties are as follows:

	For the year ended December 31,			For the six months ended June 30,	
	2021	2022	2023	2023	2024
	(audited)			(unaudited)	
	<i>(TL thousands)</i>				
Sales of goods and services to related parties					
Gediz Elektrik Perakende Satış Anonim Şirket	60	37	42	26	25
Other.....	6	0	0	0	0

	For the year ended December 31,			For the six months ended June 30,	
	2021	2022	2023	2023	2024
	(audited)			(unaudited)	
	<i>(TL thousands)</i>				
Total sales of goods and services to related parties	65	37	42	26	25

As of the dates given below, our financial income and expenses from related parties are as follows:

	For the year ended December 31,			For the six months ended June 30,	
	2021	2022	2023	2023	2024
	(audited)			(unaudited)	
	<i>(TL thousands)</i>				
Finance income from related parties					
Gediz Elektrik Perakende Satış Anonim Şirketi	143	368	210	22	251
GDZ Enerji Yatırımları Anonim Şirketi	679	205	0	0	0
Other.....	4	7	0	0	0
Total finance income from related parties..	826	580	210	22	251
Finance expenses to related parties					
Aydem Holding Anonim Şirketi.....	203	194	92	77	66
Gediz Elektrik Perakende Satış Anonim Şirketi	1	0	27	28	0
Çates Elektrik Üretim Anonim Şirketi.....	0	1	0	0	0
Yatağan Termik Enerji Üretim Anonim Şirketi	10	16	0	0	0
Other.....	0	0	0	1	0
Total finance expenses to related parties	214	211	121	105	66

The share of product and service sales to related parties in total net sales revenues as of December 31, 2021, 2022 and 2023 and as of June 30, 2024 is 63%, 35%, 50% and 45%, respectively.

MANAGEMENT

Board of Directors

The Board of Directors is responsible for our management.

Under Turkish law, members of a board of directors can be appointed from among shareholders as well as non-shareholders, and both real persons and legal entities can be appointed as members of a board of directors. In the event a legal entity is appointed as a member of a board of directors, a real person must be appointed by the legal entity member of the board of directors as its representative to exercise all rights and fulfill all duties of a member of the board of directors on behalf of that legal entity. Our current chairman is İdris Küpeli.

Each director is elected for a maximum term of 3 years. Directors may be re-elected after their terms have expired. The re-election of independent members to the board of directors should be in accordance with the Board of Directors Diversity Policy.

As of the date of this Offering Memorandum, two members of our Board of Directors (each a “**Director**”) are independent non-executive Directors: Hülya Kurt and Ersin Akyüz. See “—*Composition.*”

Pursuant to the Articles of Association, the quorum for meetings of the Board of Directors is five members, including two independent members. The business address of the members of the Board of Directors is Oyacık Mevkii, Üniversite Caddesi, Ağaçlı Yol, No:57 Bornova/İzmir, Türkiye.

Composition

The Articles of Association require that the Board of Directors be composed of three members appointed by our shareholders, including the minimum number of independent board members required by the Corporate Governance Principles.

The following table shows the members of our Board of Directors as of the date of this Offering Memorandum:

Name	Position	Year of birth	Year first elected	Year term ends
Principal Shareholder (represented by Ali Murat Korkmaz)	Executive Chairman	1960	2013	2025
Elmas Yaşar Bostancı	Vice Chairman	1966	2023	2025
Uğur Yüksel	Board Member, General Manager	1964	2018	2025
Ersin Akyüz	Board Member	1961	2024	2025
Hülya Kurt	Board Member	1966	2024	2025

Ali Murat Korkmaz

Ali Murat Korkmaz was born in 1960 and studied at İstanbul University Faculty of Business Administration. Korkmaz was appointed Chairman of the Board of Directors in May 2013 and also serves as the Chairman of the Board of Directors of Adm Electricity Distribution, Rama Enerji Yatırımları Anonim Şirketi, Yeryüzü Enerji Yatırımları Anonim Şirketi and Enera Elektrik Satış Anonim Şirketi and a board member of Küre İletişim Grubu

Anonim Şirketi, Elder Electricity Distribution Services Association and an executive committee member of DEIK Foreign Relations Economic Council – Energy Business Council and DEIK Foreign Relations Economic Council – Ethiopia Business Council.

Elmas Yaşar Bostancı

Elmas Yaşar Bostancı was born in 1966 and has extensive experience in the energy sector. Between 1990 and 1991, Bostancı worked as an economist at the General Directorate of TCDDY, Department of Economics. From 1991 to 2003, he worked as Undersecretariat of the Defense Industry and from 1998 to 2001 was on the TAI Board of Directors and Department of Fund Management. From 2003 to 2015, he served as Deputy General Manager of TEDAŞ, Board Member of VERPAŞ, TRED AŞ and Chairman of MEDAŞ and MENDERES EDAŞ. From 2015 to 2016, he served as Chief Consultant at EMRA before being appointed as General Manager and Chairman of the Board of Directors of Eti Maden İşletmeleri. Most recently, he was appointed as the General Manager and Chairman of the Board of Directors at Eti Maden İşletmeleri in 2016. From 2020 to 2023, Bostancı served as a member of the Board of Directors at Aydem Elektrik and Gediz Elektrik Perakende Satış Anonim Şirketi and since 2023 has been a member of the Board of Directors at our company and ADM Elektrik Anonim Şirketi.

Uğur Yüksel

Uğur Yüksel has more than 30 years of experience in the energy, IT and defense industry sectors. Previously, Yüksel served as Project Manager at the Undersecretariat for Defense Industries of the Ministry of National Defense, General Manager at METU Teknokent, where he was involved in the establishment of Türkiye's first technopark, Lotus Energy Purchasing and Business Development Director in Turkmenistan and Secretary General of ELDER Electrical Services Association. In 2018, he joined Aydem Group as the General Manager of our company and was appointed as a member of the Board of Directors of ADM Elektrik Dağıtım Anonim Şirketi in August 2018.

Ersin Akyüz

Ersin Akyüz has more than 30 years of experience in the financial sector. After completing his undergraduate and graduate studies in Economics at the London School of Economics, Ersin Akyüz completed his master's degree (MBA) in Finance at the University of Chicago. He started his career at Bankers Trust International in London in 1989 and then continued at Morgan Stanley in London in 1996. After working at Deutsche Bank in London in 2005, he moved to Deutsche Bank in Türkiye in 2008 as CEO and Country Manager. Akyüz, who retired in 2019 after a thirty-year banking career, served as an independent board member at Aydem Renewables between 2020 and 2024 and was appointed to our board in March 2024.

Hülya Kurt

Hülya Kurt has more than 30 years of experience in the energy, consulting and banking sectors. Kurt graduated from Hacettepe University, Department of Chemical Engineering in 1988. In 2000, she was awarded an Executive MBA from Koç University. Kurt started her career as an R&D and Project Engineer at Eczacıbaşı Vitra Company and in 1995 started working as a project engineer expert at Industrial Development Bank of Türkiye (“TSKB”). After working in various positions, she continued as the head of the Engineering Department. Kurt also served as the Bank's Sustainability Coordinator between 2006 and 2016. In 2011, she led the establishment of a sustainability consultancy firm, Escarus-TSKB Sürdürülebilirlik Danışmanlığı Anonim Şirketi within TSKB. She was appointed as CEO of Escarus in 2016. She played a key role in TSKB's Sustainability Road Map, its Green Banking Strategy and its establishment of Escarus. With 24 years of experience in development banking sector, Kurt made the decision to leave TSKB Group in 2019. Following her departure she works independently on energy, sustainability and green finance issues. She was appointed to the board in March 2024.

Senior Management

Name	Position	Year of birth
Serkan Şen	Regulation Director	1980
Didem Kirişçi	Financial Affairs Director	1984
Necati Ergin	Planning and Technology Director	1978
Sefa Pişkinleblebici	Operations Director	1976

Serkan Şen

Serkan Şen was born in 1980 and graduated from Dokuz Eylül University, Faculty of Economics and Administrative Sciences, Department of Business Administration in 2001. He completed his master's degree in Economics at the University of Delaware in 2011, Şen has over 20 years of experience in the energy sector, and has served in various units and positions at EMRA between 2003 and 2021. He has been working as the Regulation Director in GDZ and ADM Elektrik Dağıtım Anonim Şirketi since 2021. In this capacity, he monitors the processes of distribution companies at EMRA, tracks EMRA regulations with a focus on tariff regulations, and conducts impact analyses. Additionally, Şen oversees processes related to purchasing and selling electricity for balancing purposes through EPIAŞ. Şen is a member of the Sustainability, Environment, Occupational Health & Safety Committee at our company and ADM Elektrik Dağıtım Anonim Şirketi.

Didem Kirişçi

Didem Kirişçi was born in İstanbul in 1984 and graduated from Bursa Uludağ University, Faculty of Economics and Administrative Sciences, Department of Finance in 2007. She started her career as a consultant at Deloitte in 2007 before leaving to become an internal auditor at a private company. From 2011 to 2013, she worked as a senior tax consultant at PwC. In 2013, with the privatization of the energy sector, she served as the Financial Affairs Manager at CK Akdeniz Elektrik Perakende Anonim Şirketi and in 2018 worked as the Financial Affairs Director at YEDAŞ. Kirişçi has been working as the Financial Affairs Director at our company and ADM Elektrik Dağıtım Anonim Şirketi since September 2019 where she manages the accounting, financial and budgetary processes of both companies.

Necati Ergin

Necati Ergin was born in 1978 and graduated from Inonu University in 1999 as Electrical and Electronical Engineer. He started his career as the Head Engineer at TEDAŞ in 2000, where he was later promoted and served as manager until 2010. From 2010 to 2013, he was an energy expert at EMRA. From 2013 to 2017, he was the investments director at CK Energy and then from 2017 to 2020 the distribution business director at IC Ictas. Ergin has been working as the planning and technology director since 2021 and was also appointed as the acting director of customer services in 2022.

Sefa Pişkinleblebici

Sefa Pişkinleblebici was born in 1976 and graduated from Dicle University in 1999 as Electrical and Electronical Engineer. Pişkinleblebici began his career in 2000 as a freelance engineer providing distribution services. From 2001 to 2004, he was an engineer at TEDAŞ Muğla Electricity Distribution Organization until he began working as Bodrum District Operation Manager. In 2008, he worked as Menderes EDAŞ Muğla Provincial Assistant Manager and in 2009 he became Muğla Deputy Provincial Manager at Aydem Elektrik Dağıtım Anonim Şirketi. In 2013, he became the System Operation and Maintenance Manager at our company and since 2019 has worked as Operations Director.

Compensation

We paid TL 15,965 thousand, TL 18,731 thousand, TL 17,214 thousand and TL 21,035 thousand to our directors and senior management in the years ended December 31, 2021, 2022 and 2023 and the six months ended June 30, 2024, respectively.

Other Information

As of the date of this Offering Memorandum, no Director or member of the Issuer's senior management, for the previous five years:

- has had any convictions in relation to fraudulent offences; nor
- was a member of the administrative, management or supervisory bodies of any company at the time of or preceding any bankruptcy, receivership or liquidation; nor
- has been subject to any official public incrimination and/or sanction by any statutory or regulatory authority (including any designated professional body); nor
- has ever been disqualified by a court from acting as a member of the administrative, management or supervisory bodies of a company or from acting in the management or to conduct of the affairs of any company; nor
- have any conflicts of interest between their duties relating to the Issuer and their private interests and/or their other duties.

Shareholdings

As of the date of this Offering Memorandum, no Director or member of the Issuer's senior management directly holds any shares or options to acquire any shares in the Issuer.

TERMS AND CONDITIONS OF THE NOTES

The following is the text of the Conditions of the Notes that (except for the paragraphs in italics, which are for information purposes only and do not form part of the Conditions) will be endorsed on the Definitive Certificates issued in respect of the Notes:

The U.S.\$400,000,000 9.000 per cent. Senior Notes due 2029 (the “**Notes**,” which expression includes any further notes issued pursuant to Condition 16 (*Further Issues*) and forming a single series with the Notes) of GDZ Elektrik Dağıtım Anonim Şirketi (the “**Issuer**”) are (a) constituted by a trust deed dated on or around 15 October 2024 (as amended and/or supplemented and/or restated from time to time, the “**Trust Deed**”) among (i) the Issuer, (ii) BNY Mellon Corporate Trustee Services Limited as trustee (the “**Trustee**”), and (b) the subject of a paying agency agreement dated on or around 15 October 2024 (as amended and/or supplemented and/or restated from time to time, the “**Agency Agreement**”) between the Issuer, The Bank of New York Mellon SA/NV, Dublin Branch as registrar (the “**Registrar**”) and transfer agent (the “**Transfer Agent**”), The Bank of New York Mellon, London Branch as principal paying agent (the “**Principal Paying Agent**”) and the other initial paying agents named in the Agency Agreement (together with the Principal Paying Agent, the “**Paying Agents**”) and the other agents named therein (together with the other Paying Agents, the Registrar and Transfer Agent, the “**Agents**”).

The statements in these Conditions include summaries of, and are subject to, the detailed provisions of the Trust Deed and the Agency Agreement. The Noteholders (as defined below) are entitled to the benefit of, are bound by, and are deemed to have notice of, all the provisions of the Agency Agreement and the Trust Deed applicable to them. References in these Conditions to the Trustee or any Agent shall include any successor appointed under the Trust Deed or the Agency Agreement, as applicable.

Copies of the Trust Deed and the Agency Agreement (i) are available for inspection during normal business hours upon prior written request by the Noteholders at the Specified Office (as defined in the Agency Agreement) of each of the Paying Agents, or (ii) may be provided by email to a Noteholder following their prior written request to any Paying Agent and provision of proof of holding and identity (in a form satisfactory to the relevant Paying Agent) during normal business hours on any Business Day, in each case subject to the Paying Agents being supplied by the Issuer with copies of such documents. References to “**Conditions**” are, unless the context otherwise requires, to the numbered paragraphs of these terms and conditions.

1 Form, Denomination and Title

1.1 Form and Denomination

The Notes are in registered form, serially numbered. The Notes will be issued in denominations of U.S.\$200,000 and integral multiples of U.S.\$1,000 in excess thereof (each, an “**Authorised Denomination**”).

1.2 Title

Title to the Notes will pass by transfer and registration as described in Condition 2 (*Transfers and Registration*). The holder (as defined below) of any Note will (except as otherwise required by law or as ordered by a court of competent jurisdiction) be treated as its absolute owner for all purposes whether or not it is overdue and regardless of any notice of ownership, trust or any other interest in it, any writing thereon by any Person (as defined below) (other than a duly executed transfer thereof in the form endorsed thereon) or any notice of any previous theft or loss thereof; and no Person will be liable for so treating the holder.

In these Conditions, “**Noteholder**” or, in relation to a Note, “**holder**” means the Person in whose name a Note is for the time being registered in the Register (as defined below) (or, in the case of joint holders, the first named thereof).

*For so long as such Notes or any part thereof are represented by a global certificate (a “**Global Certificate**”) registered in the name of the common depository (or its nominee) for Euroclear Bank SA/NV (“**Euroclear**”) and Clearstream Banking, S.A. (“**Clearstream, Luxembourg**”) or so long as Cede & Co., as nominee for The Depository Trust Company (“**DTC**”) or another nominee is the registered holder of the Global Certificate or, in respect of Notes in definitive form held in an account with Euroclear or Clearstream, Luxembourg or DTC, each Person who is for the time being shown in the records of Euroclear or Clearstream, Luxembourg (other than Clearstream, Luxembourg, if Clearstream, Luxembourg shall be an accountholder of Euroclear, and Euroclear, if Euroclear shall be an accountholder of Clearstream, Luxembourg) or, as the case may be, DTC as the holder of a particular nominal amount of the Notes shall be deemed to be the holder of such nominal amount of such Notes (and the registered holder of the relevant Note shall be deemed not to be the holder) and, in the case of DTC or its nominee, voting, giving consents and making requests pursuant to the provisions of the Trust Deed, the rights to which shall be vested, as against the Issuer and the Trustee, solely in such common depository or, as the case may be, DTC or its nominee and for which purpose such common depository or, as the case may be, DTC or its nominee shall be deemed to be the holder of such nominal amount of such Notes in accordance with and subject to its terms and the provisions of the Trust Deed; and the words “**holder**” and “**holders**” and related expressions shall (where appropriate) be construed accordingly. A certificate representing a Note in definitive form (a “**Definitive Certificate**”) will be issued to each Noteholder upon exchange of the Global Certificate (only in accordance with the terms thereof).*

*Notes sold to qualified institutional buyers in the United States in reliance on Rule 144A under the Securities Act will be represented by one or more restricted global certificates (the “**Restricted Global Certificates**”). Notes sold to investors outside the United States in reliance on Regulation S under the Securities Act will be represented by an unrestricted global certificate (the “**Unrestricted Global Certificate**” and, together with the Restricted Global Certificate, the “**Global Certificates**”). The Restricted Global Certificate will be deposited with a custodian for, and registered in the name of, Cede & Co., as nominee of DTC. The Unrestricted Global Certificate will be deposited with, and registered in the name of a nominee for, a common depository for Euroclear and Clearstream, Luxembourg. Ownership of beneficial interests in the Restricted Global Certificate will be limited to Persons that have accounts with DTC or Persons that may hold interests through such participants. Ownership of beneficial interests in the Unrestricted Global Certificate will be limited to Persons that have accounts with Euroclear or Clearstream, Luxembourg or Persons that may hold interests through such participants. Beneficial interests in the Global Certificates will be shown on, and transfers thereof will be effected through, records maintained in book-entry form by DTC and its participants or by Euroclear, Clearstream, Luxembourg and their participants as applicable. Interests in the Global Certificates will be exchangeable for Definitive Certificates only in certain limited circumstances specified in the relevant Global Certificate.*

1.3 Third Party Rights

No Person shall have any right to enforce any term or condition of the Notes under the Contracts (Rights of Third Parties) Act 1999, but this does not affect any right or remedy of any Person which exists or is available apart from that Act.

2 Transfers and Registration

2.1 Registration

The Issuer will cause to be kept at the Specified Office of the Registrar a register (the “Register”) in which will be entered the names and addresses of the holders of the Notes and the particulars of the Notes held by them and all transfers and redemptions of the Notes.

2.2 Transfers

Each Note may, subject to the terms of the Agency Agreement and to Conditions 2.3 (*Formalities Free of Charge*), 2.4 (*Closed Periods*) and 2.5 (*Regulations*), be transferred in whole or in part in an Authorised Denomination by lodging the relevant Definitive Certificate (with the endorsed form of application for transfer in respect thereof duly executed and duly stamped where applicable) at the Specified Office of the Registrar and Transfer Agent. A Note may be registered only in the name of, and transferred only to, a named Person or Persons. No transfer of a Note will be valid unless and until entered on the Register.

The Registrar will within five Business Days (as defined below) of any duly made application for the transfer of a Note, register the transfer and deliver a new Definitive Certificate to the transferee (and, in the case of a transfer of part only of a Note, deliver a Definitive Certificate for the untransferred balance to the transferor), at the Specified Office of the Registrar or (at the risk and, if mailed at the request of the transferee or, as the case may be, the transferor otherwise than by ordinary mail, at the expense of the transferee or, as the case may be, the transferor) mail the Definitive Certificate by uninsured mail to such address as the transferee or, as the case may be, the transferor may request.

2.3 Formalities Free of Charge

Such transfer will be effected without charge subject to:

- (a) the Person making such application for transfer paying or procuring the payment of any taxes, duties and other governmental charges in connection therewith;
- (b) the Registrar being satisfied with the documents of title and/or identity of the Person making the application; and
- (c) such reasonable regulations as the Issuer may from time to time agree with the Registrar and the Trustee. A copy of the current regulations will be mailed (free of charge) by the Registrar to any Noteholder who requests in writing a copy of such regulations.

2.4 Closed Periods

Neither the Issuer nor the Registrar will be required to register the transfer of any Note (or part thereof) (i) during the period of 15 days immediately prior to the due date for any payment of principal or interest in respect of the Notes, or (ii) after any such Note has been called for redemption.

2.5 Regulations Concerning Transfer and Registration

All transfers of Notes and entries on the Register will be made subject to the detailed regulations concerning transfer of Notes scheduled to the Agency Agreement. The regulations may be changed by the Issuer to reflect changes in legal requirements or in any other manner which is not prejudicial to the interests of Noteholders with the prior approval of the Registrar (such approval not to be unreasonably withheld or delayed) and the Trustee. A copy of the current regulations will be mailed (free of charge) by the Registrar to any Noteholder who requests in writing a copy of such regulations.

No Note may be transferred unless the principal amount of Notes transferred and (where not all of the Notes held by a holder are being transferred) the principal amount of the balance of the Notes not transferred are Authorised Denominations.

3 Guarantee and Status

3.1 Status of the Notes

The Notes constitute direct, unconditional, unsubordinated and (subject to the provisions of Condition 4.1 (*Limitation on Liens*)) unsecured obligations of the Issuer and rank and will rank *pari passu*, without any preference among themselves, with all other outstanding unsecured and unsubordinated obligations of the Issuer, present and future, but, in the event of insolvency, only to the extent permitted by applicable laws relating to creditors' rights.

3.2 Guarantee

As of the Issue Date, the Notes will not be guaranteed. If, at any time after the Issue Date, the Issuer incorporates or establishes any Subsidiary, the Issuer shall cause each such Subsidiary to accede as a Guarantor in accordance with, and subject to the exceptions set out in, Condition 4.13 (*Additional Guarantees*). The Guarantee of each Guarantor will constitute direct, unsubordinated, (subject as provided in Condition 4.1 (*Limitation on Liens*)) unsecured and unconditional obligations of such Guarantor. The payment obligations of each Guarantor under its Guarantee shall at all times rank *pari passu* and without any preference among themselves and with all outstanding unsecured and unsubordinated obligations of such Guarantor, present and future, but, in the event of insolvency, only to the extent permitted by applicable laws relating to creditors' rights.

3.3 Addition of Guarantees

The addition of any Guarantee(s) shall be conditional upon the satisfaction of the conditions set out in Condition 4.13(b) (*Additional Guarantees*).

3.4 Release of Guarantors

The Guarantee of a Guarantor will be released in accordance with the provisions of Condition 4.13 (*Additional Guarantees*).

4 Covenants

So long as any Notes remain outstanding:

4.1 Limitation on Liens

- (a) The Issuer will not, and will not permit any of its Subsidiaries to, directly or indirectly, create, Incur, assume or suffer to exist any Lien, other than a Permitted Lien, on any of its assets, now owned or hereafter acquired, or any income or profits therefrom, securing Indebtedness, unless, at the same time or prior thereto, all payments due under the Trust Deed and the Notes and the Guarantees, if any, are secured on an equal and rateable basis with the obligations so secured (and if such Indebtedness so secured is subordinated or junior in right of payment to either the Notes or the Guarantees, as the case may be, then the Liens securing such Indebtedness shall be subordinate or junior in priority to the Lien securing the Notes or the Guarantees at least to the same extent as such Indebtedness is subordinate or junior to the Notes or the Guarantees, as the case may be) or as otherwise approved by an Extraordinary Resolution of the Noteholders until such time as such obligations are no longer secured by a Lien.

- (b) Any such Lien thereby created in favour of the holders of the Notes or any such Guarantee pursuant to this Condition 4.1 will be automatically and unconditionally released and discharged upon the release and discharge of the initial Lien to which it relates.
- (c) For the purposes of determining compliance with this covenant and for the purposes of the definitions of Permitted Lien, in the event that a Lien meets the criteria of more than one of the categories or exceptions contained in the definition of, as the case may be, “Permitted Lien” (or any other definition used in this covenant or such definition), as applicable, the Issuer may, at its sole discretion, divide and classify such Lien in any manner that complies with this covenant or such definition and may later divide and/or reclassify any such Lien at any time and in any manner that complies with this covenant or such definition.

4.2 Incurrence of Indebtedness

- (a) The Issuer will not, and will not permit any of its Subsidiaries to, directly or indirectly, Incur any Indebtedness *provided that* the Issuer or any Guarantor may Incur Indebtedness if on the date of such Incurrence and after giving effect thereto on a pro forma basis (including a pro forma application of the net proceeds therefrom):
 - (i) the Consolidated Net Leverage Ratio of the Group for any Relevant Period would be not more than 1.50 to 1.00; and
 - (ii) the Fixed Charge Coverage Ratio of the Group for the Relevant Period would be at least 7.50 to 1.0.
- (b) Notwithstanding the foregoing Condition 4.2(a), the Issuer and/or (where applicable) its Subsidiaries will be entitled to Incur any or all of the following Indebtedness (collectively, “**Permitted Debt**”):
 - (i) Indebtedness represented by the Notes issued on the Issue Date and any future Guarantees;
 - (ii) Indebtedness of the Issuer or any of its Subsidiaries (other than the Notes and any Guarantees) outstanding on the Issue Date, after giving effect to the application of proceeds of the Indebtedness being Incurred on the Issue Date;
 - (iii) Indebtedness of the Issuer or any of its Subsidiaries owed to and held by the Issuer or any of its Subsidiaries; *provided, however, that*:
 - (A) any Indebtedness in respect of which either the Issuer or any Guarantor is an obligor and the lender is not the Issuer or a Guarantor is unsecured and fully subordinated and junior in right of payment to the Notes at any time while an Event of Default has occurred and is continuing pursuant to a written agreement to that effect; and
 - (B) any subsequent issuance or transfer of any Capital Stock which results in any Indebtedness Incurred pursuant to this paragraph being beneficially held by a Person other than the Issuer or any of its Subsidiaries or any subsequent transfer of such Indebtedness to a Person other than to the Issuer or another Subsidiary of the Issuer shall be deemed, in each case, to constitute the Incurrence of such Indebtedness by the obligor thereon;
 - (iv) Indebtedness Incurred and outstanding on or prior to the date on which such Subsidiary of the Issuer was acquired by or merged, consolidated, amalgamated or otherwise combined with (including pursuant to any acquisition of assets and assumption of related

liabilities) the Issuer or any of its Subsidiaries (provided that such Indebtedness was not Incurred or assumed in connection with, or in contemplation of, such acquisition, merger, consolidation or amalgamation); *provided, however, that* on the date of such acquisition, merger, consolidation or amalgamation or combination and after giving pro forma effect thereto, either:

- (A) the Issuer would have been entitled to Incur at least U.S.\$1.00 of additional Indebtedness pursuant to Condition 4.2(a); or
 - (B) (x) the Consolidated Net Leverage Ratio would be equal to or less than the Consolidated Net Leverage Ratio immediately prior to giving effect to such acquisition or other transaction calculated on a pro forma basis; and (y) the Consolidated Fixed Charge Coverage Ratio would be equal to or more than the Consolidated Fixed Charge Coverage Ratio immediately prior to giving effect to such acquisition or other transaction calculated on a pro forma basis;
- (v) Refinancing Indebtedness in respect of Indebtedness Incurred pursuant to Condition 4.2(a) or pursuant to paragraph 4.2(b)(i) or 4.2(b)(iv) above or this paragraph (v);
 - (vi) Hedging Obligations Incurred by the Issuer, provided they are Incurred for the purpose of fixing, hedging, swapping or otherwise managing interest rate, commodity price or foreign currency exchange rate risk and not for speculative purposes;
 - (vii) Obligations of the Issuer or any of its Subsidiaries that are Guarantors in respect of bankers' acceptances, performance, bid, completion, surety or appeal bonds or similar instruments, guarantees or other obligations, judgment, advance payment, customs, VAT or other tax guarantees or similar instruments issued in the ordinary course of business of the Issuer or any Subsidiary of the Issuer or for governmental, tax or regulatory requirements and not in connection with the borrowing of money, including similar instruments in respect of such obligations;
 - (viii) Indebtedness of the Issuer or any of its Subsidiaries arising from the honouring by a bank or other financial institution of a cheque, draft or similar instrument inadvertently drawn against insufficient funds; provided, however, that such Indebtedness is extinguished within five business days of its Incurrence;
 - (ix) Indebtedness Incurred in respect of workers' compensation claims, self-insurance obligations, reclamation bonds or similar obligations Incurred by the Issuer or any of its Subsidiaries in the ordinary course of business and any contingent obligations in respect of early retirement or termination obligations, pension fund obligations or contributions or similar claims, obligations or contributions or social collateral or wage Taxes;
 - (x) Indebtedness in respect of any customary cash management, netting, set-off or cash pooling arrangements;
 - (xi) Guarantees by the Issuer or any Guarantor of Indebtedness of the Issuer or any Guarantor to the extent that the guaranteed Indebtedness was permitted to be Incurred by such Person under another paragraph of this Condition 4.2, provided that if the Indebtedness being guaranteed is *pari passu* with the Notes or a Guarantee, then in each case the guarantee must be *pari passu* to the same extent as the Indebtedness guaranteed; and

- (xii) Indebtedness of the Issuer or any of its Subsidiaries that are Guarantors in an aggregate outstanding principal amount which, when taken together with the principal amount of all other Indebtedness Incurred pursuant to this paragraph (xii) and then outstanding, will not exceed U.S.\$50.0 million.
- (c) For the purposes of determining compliance with this Condition 4.2, in the event that an item of Indebtedness meets the criteria of more than one of the categories of Permitted Debt, or is entitled to be Incurred pursuant to Condition 4.2(a), the Issuer, in its sole discretion, will be permitted to classify such item of Indebtedness on the date of its Incurrence and only be required to include the amount and type of such Indebtedness in one of such paragraphs and will be permitted on the date of such Incurrence to divide and classify an item of Indebtedness in more than one of the types of Indebtedness described in Condition 4.2(a) and Condition 4.2(b), and from time to time to reclassify all or a portion of such item of Indebtedness, in any manner that complies with this Condition 4.2.
- (d) For the purposes of determining compliance with any Dollar-denominated restriction on the Incurrence of Indebtedness where the Indebtedness Incurred is denominated in a different currency, the amount of such Indebtedness will be the U.S. Dollar Equivalent determined by the Issuer on the date of the Incurrence of such Indebtedness (or in the case of any revolving credit facility or letter of credit, the date such Indebtedness was first committed); provided, however, that (A) if any such Indebtedness denominated in a different currency is subject to a Currency Agreement with respect to U.S. Dollars covering all principal, if any, and interest payable on such Indebtedness, the amount of such Indebtedness expressed in U.S. Dollars will be as provided in such Currency Agreement and (B) the U.S. Dollar Equivalent of the principal amount of any such Indebtedness outstanding on the Issue Date shall be calculated based on the relevant currency exchange rate in effect on the Issue Date. The principal amount of any refinancing Indebtedness Incurred in the same currency as the Indebtedness being Refinanced will be the U.S. Dollar Equivalent of the Indebtedness Refinanced determined on the date such Indebtedness was originally Incurred, except to the extent that (1) such U.S. Dollar Equivalent was determined based on a Currency Agreement, in which case the Refinancing Indebtedness will be determined in accordance with the preceding sentence and (2) the principal amount of the Refinancing Indebtedness exceeds the principal amount of the Indebtedness being Refinanced, in which case the U.S. Dollar Equivalent of such excess will be determined on the date such Refinancing Indebtedness is Incurred. Notwithstanding any other provision of this Condition 4.2, the maximum amount that the Issuer or any of its Subsidiaries may Incur pursuant to this Condition 4.2 shall not be deemed to be exceeded with respect to any outstanding Indebtedness due solely to the result of fluctuations in the exchange rates of currencies.
- (e) For purposes of calculating the Consolidated Net Leverage Ratio and Fixed Charge Coverage Ratio, any amount of Consolidated EBITDA, Total Financial Liabilities or Fixed Charges (each, a “**Corresponding Amount**”) denominated in a currency other than U.S. Dollars will be the U.S. Dollar Equivalent determined by applying the average daily official exchange rate published by the Central Bank of the Republic of Türkiye (the “**average U.S. Dollar rate**”) as follows:
- (i) with respect to the financial statements for the first half of a financial year prepared in accordance with IFRS, as $A + B - C$, where:
- “A” is the Corresponding Amount for the first half of the financial year converted into a U.S. Dollar Equivalent at the average U.S. Dollar rate for the period from January 1 to June 30 of such financial year;

“B” is the Corresponding Amount for the calendar year preceding the financial year converted into a U.S. Dollar Equivalent at the average U.S. Dollar rate for the period from January 1 to December 31 of the calendar year preceding such financial year;

“C” is the Corresponding Amount for the first half of the calendar year preceding such financial year converted into a U.S. Dollar Equivalent at the average U.S. Dollar rate for the period from January 1 to June 30 of the calendar year preceding such financial year,

- (ii) with respect to the financial statements for a financial year, the Corresponding Amount converted into a U.S. Dollar Equivalent at the average U.S. Dollar rate for the period from January 1 to December 31 of such financial year.
- (f) The amount of any Indebtedness outstanding as of any date will be:
- (i) in the case of any Indebtedness issued with original issue discount, the amount of the liability in respect thereof determined in accordance with the Accounting Standards; and
 - (ii) the principal amount of the Indebtedness, in the case of any other Indebtedness.

4.3 Limitation on Restricted Payments

- (a) The Issuer will not, and will not permit any of its Subsidiaries to, directly or indirectly, make any Restricted Payments, if at the time the Issuer or such Subsidiary makes such Restricted Payment:
- (i) a Potential Event of Default or an Event of Default shall have occurred and be continuing (or would result therefrom);
 - (ii) the Issuer would not, at the time of such Restricted Payment and after giving *pro forma* effect thereto as if such Restricted Payment had been made at the beginning of the Relevant Period, have been permitted to Incur an additional U.S.\$1.00 of Indebtedness pursuant to the tests set forth in Condition 4.2(a) (*Incurrence of Indebtedness*); and
 - (iii) such Restricted Payment, together with the aggregate amount of all other Restricted Payments made by the Issuer and its Subsidiaries since the Issue Date (including Restricted Payments made pursuant to Conditions 4.3(b)(iii), (vi), (viii), (ix) and (x) but excluding all other Restricted Payments permitted by Condition 4.3(b)), would exceed the sum of (without duplication):
 - (A) 50 per cent. of the Consolidated Net Income of the Issuer accrued during the period (treated as one accounting period) beginning after June 30, 2024 and ending at the end of the most recent six-month period for which financial statements have been provided under Condition 4.14 (*Financial Information*) prior to the date of such Restricted Payment (or, in case such Consolidated Net Income shall be a deficit, minus 100 per cent. of such deficit); plus
 - (B) 100 per cent. of the aggregate Net Cash Proceeds received by the Issuer since the Issue Date from the issuance or sale of its Capital Stock (other than Disqualified Stock) (other than an issuance or sale to a Subsidiary of the Issuer and other than an issuance or sale to an employee stock ownership plan or to a trust established by the Issuer or any of its Subsidiaries for the benefit of their employees), any Subordinated Shareholder Funding or capital contribution received by the Issuer; plus
 - (C) 100 per cent. of the aggregate Net Cash Proceeds and the Fair Market Value of marketable securities received by the Issuer since the Issue Date from the issue or

sale by the Issuer or any of its Subsidiaries subsequent to the Issue Date of any Indebtedness that has been converted into or exchanged for Capital Stock of the Issuer (other than Capital Stock and convertible or exchangeable Disqualified Stock or debt securities sold to a Subsidiary of the Issuer) or Subordinated Shareholder Funding

- (b) The preceding provisions will not prohibit any or all of the following (collectively, “**Permitted Payments**”):
- (i) any Restricted Payment made in exchange for, or out of or with the Net Cash Proceeds of (1) the substantially concurrent sale or issuance of Capital Stock of the Issuer (other than (x) Disqualified Stock and (y) Capital Stock issued or sold to any of its Subsidiaries or pursuant to an employee stock ownership plan or to a trust established by the Issuer or any of its Subsidiaries for the benefit of their employees), or (2) substantially concurrent financing by means of Subordinated Shareholder Funding or cash capital contribution received by the Issuer; provided, however, that the amount of any such Net Cash Proceeds that are utilised for any such Restricted Payment will be excluded from the calculation of amounts under Condition 4.3(a)(iii)(C) above;
 - (ii) any purchase, repurchase, redemption, defeasance or other acquisition or retirement for value of Subordinated Obligations of the Issuer or a Guarantor made by exchange for, or out of, the proceeds of the substantially concurrent Incurrence of Indebtedness of such Person which is permitted to be Incurred pursuant to Condition 4.2 (*Incurrence of Indebtedness*), provided that such Indebtedness is subordinated to the Notes and the Guarantees to the same extent as such Subordinated Obligations;
 - (iii) dividends and distributions paid within 60 days after the date of declaration thereof if, at such date of declaration, such dividend or distribution would have complied with Condition 4.3 (*Limitation on Restricted Payments*) provided, however, that at the time of payment of such dividend, no Event of Default shall have occurred and be continuing (or result therefrom);
 - (iv) the declaration and payments of dividends on Disqualified Stock of the Issuer or any Preferred Stock of any Subsidiary of the Issuer issued pursuant to Condition 4.2 (*Incurrence of Indebtedness*);
 - (v) repurchases of Capital Stock deemed to occur upon exercise of stock options or warrants if such Capital Stock represents a portion of the exercise price of such stock options or warrants;
 - (vi) so long as no Potential Event of Default or Event of Default has occurred and is continuing or would be caused thereby, following a public Equity Offering, the declaration and payment of dividends or distributions on the Capital Stock of the Issuer up to 6.0 per cent. per annum of the net cash proceeds received by the Issuer in any such Equity Offering or any subsequent public Equity Offering; provided that if such public Equity Offering was of the Capital Stock of a direct or indirect parent of the Issuer, the net proceeds of any such dividend or distribution are used to fund a corresponding dividend or distribution in an equal or greater amount on the Capital Stock of such direct or indirect parent of the Issuer;
 - (vii) cash payments in lieu of the issuance of fractional shares in connection with the exercise of warrants or options or the conversion or exchange of Capital Stock of the Issuer or any

of its Subsidiaries; provided, however, that any such cash payment shall not be for the purpose of evading the limitation of the covenant described under this subheading;

- (viii) any payment, purchase, redemption, defeasance or other acquisition or retirement for value of Subordinated Obligations of the Issuer or any Guarantor, upon a Change of Control Event or Asset Sale, and provided that no Potential Event of Default or Event of Default shall have occurred and be continuing, to the extent required by the agreements governing such Indebtedness at a purchase price not greater than 101 per cent. of the principal amount of such Indebtedness, in the case of a Change of Control Event, and 100 per cent., in the case of an Asset Sale, in each case plus any accrued and unpaid interest thereon, but only if the Issuer (or a third party to the extent permitted by these Conditions) has complied with its obligations under Condition 4.5 (*Asset Sales*) and Condition 7.5 (*Redemption at the Option of Noteholders (Change of Control)*) and has repurchased the Notes to the extent validly tendered and not withdrawn in connection with such Asset Sale Offer or redeemed the Notes pursuant to the exercise of Noteholder redemption rights in respect of the Change of Control Event (as applicable);
 - (ix) the declaration or payment of any dividends or other distributions made by a Subsidiary of the Issuer to holders of its Capital Stock (or owners of an equivalent interest in the case of a Subsidiary that is an entity other than a corporation) on no more than a pro rata basis; and
 - (x) so long as no Potential Event of Default or Event of Default has occurred and is continuing, other Restricted Payments in an aggregate amount pursuant to this Condition 4.3 not to exceed U.S.\$50.0 million.
- (c) Notwithstanding the foregoing and the definition of Permitted Investments, the Issuer and its Subsidiaries shall not at any time be permitted to participate in any Joint Venture (including by making an Investment therein).
- (d) The Fair Market Value of property or assets (other than cash) shall be the Fair Market Value thereof as determined in good faith by an officer or the Board of Directors of the Issuer. The amount of all Restricted Payments (other than cash) will be the Fair Market Value on the date of the Restricted Payment of the asset(s) or securities proposed to be transferred or issued by the Issuer or such Subsidiary, as the case may be, pursuant to the Restricted Payment.
- (e) For purposes of determining compliance with Condition 4.3 (*Limitation on Restricted Payments*), in the event that a Restricted Payment (or portion thereof) meets the criteria of more than one of the categories of Permitted Payments described in Condition 4.3(b), or is permitted pursuant to Condition 4.3(a) and/or one or more of the paragraphs contained in the definition of “Permitted Investment,” the Issuer will be entitled to classify such Restricted Payment or Investment (or portion thereof) on the date of its payment or later reclassify (based on circumstances existing on the date of such reclassification) such Restricted Payment or Investment (or portion thereof) in any manner that complies with Condition 4.3 (*Limitation on Restricted Payments*), including as an Investment pursuant to one of more paragraphs contained in the definition of “Permitted Investment.”

4.4 Transactions with Affiliates

- (a) The Issuer will not, and will not permit any of its Subsidiaries to, enter into or permit to exist any transaction or a series of related transactions (including the purchase, sale, lease or exchange of

any property, employee compensation arrangements or the rendering of any service) with, or for the benefit of, any Affiliate of the Issuer (an “**Affiliate Transaction**”), unless:

- (i) the terms of the Affiliate Transaction are no less favourable to the Issuer or such Subsidiary than those that could be obtained at the time of the Affiliate Transaction in arm’s length dealings with a Person who is not an Affiliate;
 - (ii) if applicable, the terms of the Affiliate Transaction are in all material respects compliant with all applicable Turkish laws and regulations relating to transactions with affiliates; and
 - (iii) with respect to any Affiliate Transaction involving an aggregate value in excess of U.S.\$15.0 million the Issuer delivers to the Trustee an Officers’ Certificate confirming that such Affiliate Transaction complies with paragraph (i) above and a copy of a resolution adopted by a majority of the Disinterested Directors of the Board of Directors of the Issuer or the relevant Subsidiary (or, in the event that there is only one such Disinterested Director, adopted by such Disinterested Director). The Trustee shall be entitled to rely on any such Officers’ Certificate and resolution, without further investigation and without liability to any Person.
- (b) The following items will not be deemed to be Affiliate Transactions and, therefore, will not be subject to the provisions of Condition 4.4(a):
- (i) any Restricted Payment that does not violate Condition 4.3 (Limitation on Restricted Payments) and any Permitted Investments (other than any Permitted Investments described in paragraphs (c), (i) and (p) of the definition thereof);
 - (ii) any employment agreement, collective bargaining agreement or benefit arrangements with any employee, officer or director of the Issuer or any of its Subsidiaries, including under any stock option, stock incentive plans or similar plans, entered into in the ordinary course of business (including severance, termination and other similar payments to former or departing employees, officers or directors);
 - (iii) payment of reasonable fees and compensation and reimbursements of expenses (pursuant to indemnity arrangements or otherwise) to employees, officers, directors, consultants or agents of the Issuer or any of its Subsidiaries in the ordinary course of business;
 - (iv) transactions between the Issuer and its Subsidiaries and between and among the Issuer’s Subsidiaries;
 - (v) transactions with customers, clients, suppliers, purchasers or sellers and other providers of goods or services, lessors or lessees of plant, equipment and property or providers of employees or other labour, in each case, in the ordinary course of business and which are otherwise on terms that are fair to the Issuer or the relevant Subsidiary of the Issuer, in the reasonable determination of the members of the Board of Directors of the Issuer or the relevant Subsidiary or the senior management thereof, or are on terms at least as favourable to the Issuer or the relevant Subsidiary of the Issuer as might reasonably be obtained at such time from an unrelated third party (in each case, taken as a whole);
 - (vi) issuances or sales of, and any contribution to the capital of the Issuer in exchange for, Capital Stock (other than Disqualified Stock) of the Issuer;
 - (vii) Management Advances;

- (viii) transactions in the ordinary course of business with a Person that is an Affiliate of the Issuer solely because a director of such Person is also a director of the Issuer or any direct or indirect Issuer of the Issuer; provided, however, that such director abstains from voting as a director of the Issuer or such direct or indirect Issuer, as the case may be, on any matter involving such other Person;
- (ix) transactions in the ordinary course of business with a Person that is an Affiliate of the Issuer solely because the Issuer owns, directly or through a Subsidiary, Capital Stock in, or controls, such Person; and
- (x) in any calendar year, an Affiliate Transaction or series of related Affiliate Transactions involving an aggregate value for all such transactions pursuant to this paragraph (x) in an amount not to exceed U.S.\$5.0 million.

4.5 Asset Sales

- (a) The Issuer will not, and will not permit any of its Subsidiaries to, directly or indirectly, consummate any Asset Sale, unless:
 - (i) the consideration received by the Issuer or the relevant Subsidiary, as the case may be, is at least equal to the Fair Market Value (measured as of the date of the definitive agreement with respect to such Asset Sale) of the assets subject to such Asset Sale;
 - (ii) at least 75 per cent. of the consideration received in the Asset Sale by the Issuer or the relevant Subsidiary, as the case may be, is in the form of cash, Cash Equivalents or a combination thereof. For the purposes of this provision, each of the following shall be deemed to be cash:
 - (A) any liabilities, as recorded on the most recent consolidated balance sheet, of the Issuer or any Subsidiary of the Issuer (other than contingent liabilities and other than liabilities that are by their terms subordinated in right of payment to the Notes or any Guarantee) that are assumed by the transferee or otherwise released and/or discharged pursuant to a customary novation or a set-off agreement in connection with such Asset Sale;
 - (B) any securities, notes or other obligations received by the Issuer or any of its Subsidiaries from such transferee that are within 180 days of the Asset Sale converted by the Issuer or such Subsidiaries into cash or Cash Equivalents (to the extent of the cash or Cash Equivalents received in that conversion);
 - (C) the amount of any Designated Non-cash Consideration received by the Issuer or such Subsidiaries in an Asset Sale having an aggregate Fair Market Value, taken together with all other Designated Non-cash Consideration received pursuant to this paragraph that is at that time outstanding, does not exceed (at the time of the receipt of such Designated Non-cash Consideration or, at the Issuer's option, at the time of contractually agreeing to such Asset Sale) U.S.\$20.0 million;
 - (D) Indebtedness (other than Subordinated Obligations) of any Subsidiary of the Issuer that is no longer a Subsidiary as a result of such Asset Sale, to the extent that the Issuer and each other of its Subsidiaries are released from any guarantee of such Indebtedness in connection with such Asset Sale;

- (E) consideration consisting of Senior Indebtedness of the Issuer or any Guarantor received from Persons who are not the Issuer or any of its Subsidiaries that is cancelled; and
 - (F) any Additional Assets.
- (b) Within 365 days after the receipt of any Disposal Proceeds from an Asset Sale, the Issuer (or any of its Subsidiaries) may:
 - (i) apply an amount equal to the amount of such Disposal Proceeds:
 - (A) to repay Senior Indebtedness and, if the Senior Indebtedness repaid is revolving credit Indebtedness, to correspondingly reduce commitments with respect thereto;
 - (B) to purchase Notes (1) pursuant to an offer to all holders of the Notes at a purchase price in cash equal to at least 100 per cent. of the principal amount thereof, plus accrued and unpaid interest to, but not including, the date of purchase (subject to the right of holders of record on the relevant record date to receive interest due on the relevant interest payment date), or (2) pursuant to Condition 7.4 (*Redemption at the Option of the Issuer*) (*Premium*));
 - (C) to invest in Additional Assets; or
 - (D) any combination of the foregoing; or
 - (ii) enter into a binding commitment to apply the Disposal Proceeds pursuant to Condition 4.5(b)(i)(C) above; provided that such commitment shall be treated as a permitted application of the Disposal Proceeds from the date of such commitment until the earlier of (1) the date on which such acquisition or expenditure is consummated, and (2) the 180th day following the expiration of the aforementioned 365 day period.
- (c) Pending the final application of any Disposal Proceeds, the Issuer (or the applicable Subsidiary) may temporarily reduce Indebtedness or otherwise invest the Disposal Proceeds in any manner that is not prohibited by these Conditions.
- (d) Any Disposal Proceeds from Asset Sales that are not applied or invested as provided in Condition 4.5(b) will constitute “**Excess Proceeds.**” When the aggregate amount of Excess Proceeds exceeds U.S.\$15.0 million, within 10 Business Days thereof, or at any earlier time at the Issuer’s election, the Issuer will make an offer (an “**Asset Sale Offer**”) to all holders of Notes and, to the extent notified by the Issuer in such notice, make an offer to all holders of other Indebtedness that is *pari passu* with the Notes or any Guarantee to purchase, prepay or redeem with the proceeds of sales of assets, the maximum principal amount of Notes and such other *pari passu* Indebtedness (plus all accrued interest on the Indebtedness and the amount of all fees and expenses, including premiums, Incurred in connection therewith) that may be purchased, prepaid or redeemed out of the Excess Proceeds. The offer price for the Notes in any Asset Sale Offer will be equal to 100 per cent. of the principal amount and the offer price for any *pari passu* Indebtedness may be no greater than 100 per cent. of the principal amount, in each case, plus accrued and unpaid interest to the date of purchase, prepayment or redemption, subject to the rights of holders of Notes on the relevant record date to receive interest due on the relevant interest payment date, and will be payable in cash. If any Excess Proceeds remain after consummation of an Asset Sale Offer, the Issuer and its Subsidiaries may use those Excess Proceeds for any purpose not otherwise prohibited by these Conditions. If the aggregate principal amount of Notes and other *pari passu* Indebtedness tendered into (or to be prepaid or redeemed

in connection with) such Asset Sale Offer exceeds the amount of Excess Proceeds, the Notes will be selected in the manner described under Condition 7.7 (*Selection and Notice*), based on the amounts tendered or required to be prepaid or redeemed. Upon completion of each Asset Sale Offer, the amount of Excess Proceeds will be reset at zero. For the avoidance of doubt, the Issuer may make an Asset Sale Offer prior to the expiration of the 365-day period referred to above.

- (e) To the extent that any portion of Disposal Proceeds payable in respect of the Notes is denominated in a currency other than U.S. Dollars, the amount thereof payable in respect of such Notes shall not exceed the net amount of funds in U.S. Dollars that is actually received by the Issuer upon converting such portion of the Disposal Proceeds into U.S. Dollars.
- (f) The Issuer will comply with the requirements of any applicable securities laws and regulations to the extent those laws and regulations are applicable in connection with the repurchase of the Notes as a result of an Asset Sale Offer. To the extent that the provisions of any securities laws or regulations conflict with the Asset Sale provisions of this Condition 4.5, the Issuer will comply with the applicable securities laws and regulations and will not be deemed to have breached its obligations under this Condition 4.5 by virtue of such compliance.

4.6 Limitation on Layering

Neither the Issuer nor any Guarantor will Incur any Indebtedness that is or purports to be by its terms (or by the terms of any agreement governing such Indebtedness) subordinated in right of payment to any Senior Indebtedness of the Issuer or such Guarantor, unless such Indebtedness is also by its terms (or by the terms of any agreement governing such Indebtedness) made subordinated in right of payment to the Notes and the applicable Guarantee; *provided that* the foregoing limitation shall not apply to distinctions between categories of Senior Indebtedness that exist by reason of (x) any Liens or guarantees arising or created in respect of some but not all such Senior Indebtedness or (y) being secured on a junior priority basis or by virtue of the application of waterfall or other payment ordering provisions affecting different tranches of Indebtedness or (z) being unsecured.

4.7 Mergers and Similar Transactions

- (a) The Issuer may not, directly or indirectly, (x) merge, consolidate, amalgamate or otherwise combine with or into another Person (whether or not the Issuer is the surviving corporation); or (y) sell, assign, transfer, convey or otherwise dispose of all or substantially all of the properties or assets of the Issuer and its Subsidiaries, taken as a whole, in one or more related transactions, to another Person; unless:
 - (i) either:
 - (A) the Issuer will be the surviving entity; or
 - (B) the resulting, surviving or transferee Person, if not the Issuer (the “**Successor Company**”), shall be a Person organised in an Approved Jurisdiction and the Successor Company (if not the Issuer) shall expressly assume, by documentation supplemental thereto, executed and delivered to the Trustee, in form satisfactory to the Trustee, all the obligations of the Issuer under the Notes, the Trust Deed and the Agency Agreement;
 - (ii) immediately after giving pro forma effect to such transaction (and treating any Indebtedness which becomes an obligation of the Successor Company or any Subsidiary of the Successor Company as a result of such transaction as having been Incurred by such

Successor Company or such Subsidiary at the time of such transaction), no Potential Event of Default or Event of Default shall have occurred and be continuing;

- (iii) the Issuer or the Successor Company would, on the date of such transaction after giving pro forma effect thereto and any related financing transactions (as if the same had occurred at the beginning of the applicable fiscal period):
 - (A) be able to Incur an additional U.S.\$1.00 of Indebtedness pursuant to Condition 4.2(a) (*Incurrence of Indebtedness*); or
 - (B) (1) the Consolidated Net Leverage Ratio would be equal to or less than the Consolidated Net Leverage Ratio immediately prior to giving effect to such acquisition or other transaction calculated on a pro forma basis; and (2) the Consolidated Fixed Charge Coverage Ratio would be equal to or more than the Consolidated Fixed Charge Coverage Ratio immediately prior to giving effect to such acquisition or other transaction calculated on a pro forma basis; and
- (iv) the Issuer shall have delivered to the Trustee: an Officers' Certificate and an Opinion of Counsel, each stating that such consolidation, merger, conveyance, lease or transfer and such supplemental trust deed (if any) comply with the provisions of this Condition 4.7(a) and the Trust Deed and upon each of which the Trustee shall be entitled to rely without further investigation and without liability to any Person,

provided, however, that paragraph (iii) above will not be applicable to a Subsidiary of the Issuer consolidating with, merging into or selling, leasing, assigning, transferring or otherwise disposing of all or part of its properties and assets to the Issuer (so long as no Capital Stock of the Issuer is distributed to any Person).

The Successor Company will be the successor to the Issuer shall succeed to, and be substituted for, and may exercise every right and power of, the Issuer under the Notes, the Trust Deed and the Agency Agreement, and the predecessor Issuer, except in the case of a lease (in which case such predecessor Issuer shall become a Guarantor pursuant to Condition 3.3 (*Addition of Guarantors*)), shall be released from the obligation to pay the principal of and interest on the Notes.

- (b) The Issuer will not permit any Guarantor (other than any Guarantor whose Guarantee is to be released in connection with such transaction in accordance with the terms of these Conditions) to consolidate with or merge with or into, or convey, transfer or lease, in one transaction or a series of transactions, all or substantially all of its assets to any Person unless:
 - (i) the resulting, surviving or transferee Person shall be organised in an Approved Jurisdiction and shall expressly assume, by executing and delivering to the Trustee a Deed of Accession, all the obligations of such Guarantor, if any, under its Guarantee; and
 - (ii) where the resulting, surviving or transferee Person is not a Guarantor, either: (x) the Person acquiring the property in any such sale or disposition or the Person formed by or surviving any such consolidation or merger assumes, by executing and delivering to the Trustee a Deed of Accession, all the obligations of such Guarantor, if any, under its Guarantee; or (y) such sale or other disposition is otherwise not prohibited by these Conditions; and
 - (iii) immediately after giving effect to such transaction or transactions on a pro forma basis (and treating any Indebtedness which becomes an obligation of the resulting, surviving or transferee Person as a result of such transaction as having been issued by such Person at

the time of such transaction), no Potential Event of Default or Event of Default shall have occurred and be continuing; and

- (iv) the Issuer delivers to the Trustee an Officers' Certificate and an Opinion of Counsel, each stating that such consolidation, merger, conveyance, lease or transfer and such Deed of Accession, if any, complies with the provisions of this Condition 4.7(b) and the Trust Deed and upon each of which the Trustee shall be entitled to rely without further investigation and without liability to any Person.

This Condition 4.7 will not apply to any Guarantor consolidating with or merging with or into or selling, conveying, assigning, transferring, leasing or otherwise disposing of all or substantially all of its assets to the Issuer or another Guarantor.

- (c) For the purposes of this Condition 4.7, the sale, lease, conveyance, assignment, transfer or other disposition of all or substantially all of the properties and assets of one or more Subsidiaries of the Issuer or a Guarantor, which properties and assets, if held by the Issuer or such Guarantor instead of such Subsidiaries, would constitute all or substantially all of the properties and assets of the Issuer or such Guarantor on a consolidated basis, shall be deemed to be the transfer of all or substantially all of the properties and assets of the Issuer or such Guarantor.

4.8 Maintenance of Authorisations

- (a) Each of the Issuer and the Guarantors will, and will cause each of their respective Material Subsidiaries to, take all necessary action to obtain and do or cause to be done all things necessary to ensure the continuance of its corporate existence, its business and intellectual property relating to its business, except, in respect of the continuation of its intellectual property only, where failure to do so does not and will not have a Material Adverse Effect; and
- (b) the Issuer will, and will cause each Guarantor to, obtain or make, and procure the continuance or maintenance of, all registrations, recordings, filings, consents, licenses, approvals and authorisations, which may at any time be required to be obtained or made in any relevant jurisdiction for the purposes of the execution, delivery or performance of the Notes, the Trust Deed and the Agency Agreement and for the validity and enforceability thereof,

provided that, in any case, if the Issuer, a Guarantor or the relevant Material Subsidiary remedies any failure to comply with Conditions 4.8(a) and 4.8(b) within 90 days of such failure, then this covenant shall be deemed not to have been breached.

4.9 Maintenance of Property

Each of the Issuer and the Guarantors will, and will cause each of their respective Material Subsidiaries to, cause all property used in the conduct of its or their core business to be maintained and kept in good condition, repair and working order and supplied with all necessary equipment and shall cause to be made all necessary repairs, renewals, replacements and improvements thereof, all as may be reasonably necessary so that the core business carried on in connection therewith may be properly conducted at all times, except where failure to do so does not and will not have a Material Adverse Effect.

4.10 Maintenance of Insurance

Each of the Issuer and the Guarantors will, and will cause each of their respective Material Subsidiaries to, obtain and maintain insurance with an insurer or insurers of sufficient standing (in the reasonable judgment of the Issuer, the relevant Guarantor or the relevant Material Subsidiary) against such losses and risks and in such amounts as are prudent and customary in the businesses in which it is engaged in

the jurisdiction(s) where it operates, except where failure to do so does not, and could not reasonably be expected to have, a Material Adverse Effect.

4.11 Environmental Compliance

Each of the Issuer and the Guarantors will, and will cause each of their respective Material Subsidiaries to, comply with all Environmental Laws and obtain and maintain any Environmental Licenses and take all reasonable steps in anticipation of known or expected future changes to or obligations under the same, except where failure to do so does not and will not have a Material Adverse Effect.

4.12 Change of Business

The Issuer shall not, and shall cause the Material Subsidiaries not to, make any material change to the Core or Related Business.

4.13 Additional Guarantees

- (a) Subject to Condition 4.13(c) below, the Issuer and the Guarantors (after eliminating intra-group transactions) shall comprise 100 per cent. of each of the Consolidated EBITDA, gross assets, net assets and turnover of the Group (such requirement being the “**Guarantor Coverage Threshold**”). If, at any time, the Issuer and the Guarantors are not in compliance with the Guarantor Coverage Threshold, the Issuer and the Guarantors shall within 60 days cause any additional Subsidiaries of the Issuer and/or such Guarantors, on a joint and several basis with each other Guarantor, to unconditionally and irrevocably guarantee the due payment of all moneys payable by the Issuer and any other Guarantor under the Notes and the Trust Deed. in order to comply with the Guarantor Coverage Threshold.
- (b) The Issuer will cause any Subsidiary designated as a Guarantor pursuant to Condition 4.13(a) above to:
 - (i) execute and deliver to the Trustee and the Agents a Deed of Accession pursuant to which such Guarantor will, on a joint and several basis with each other Guarantor, unconditionally and irrevocably guarantee, to the maximum extent permitted by law, the due payment of all moneys payable by the Issuer and any other Guarantor under the Notes, the Trust Deed and the Agency Agreement and will become vested with all the duties and obligations of a Guarantor; and
 - (ii) waive and not in any manner whatsoever claim or take the benefit or advantage of any rights of reimbursement, indemnity or subrogation or any other rights against the Issuer or any of its Subsidiaries as a result of any payment by such Subsidiary under its Guarantee.
 - (iii) The Trustee shall (at the expense of the Issuer) enter into such Deed of Accession or such other document as may be reasonably required to be executed pursuant to this Condition 4.13 in a form and manner satisfactory to the Trustee and provided that such Deed of Accession shall not impose any Personal obligations on the Trustee or adversely affect the Personal rights, protections, duties liabilities, indemnifications or immunities of the Trustee.
- (c) The addition of any Guarantee(s) shall be conditional upon:
 - (i) completion of all matters referred to in Condition 4.13(b) above;
 - (ii) such accession not causing or otherwise resulting in the occurrence and continuation of a Potential Event of Default or an Event of Default under the Notes;

- (iii) receipt by the Trustee of:
 - (A) an Opinion of Counsel (at the expense of the Issuer and/or the acceding Guarantor) as to the enforceability of the Guarantor's obligations under the Trust Deed, the Agency Agreement, the Guarantee and as to the due capacity and authority of any such Guarantor thereunder (which opinion may be subject to customary qualifications and assumptions and may be addressed to the Issuer or the acceding Guarantor); and
 - (B) an Officers' Certificate confirming that the conditions precedent to the addition of such Guarantor have been satisfied; and
- (iv) receipt by the Trustee of such other conditions, documents or certificates as it may reasonably require, including in connection with its "know your customer" obligations or other identification checks or procedures necessary to comply with any applicable law and/or regulation.

The Trustee shall be entitled to accept and rely on such Opinion of Counsel and Officers' Certificate without further enquiry or liability to any Person as sufficient evidence of the matters certified or opined on therein.

- (d) Notwithstanding the above, the Issuer shall not be required to cause any of its Subsidiaries, and no such Subsidiary shall be required, to grant a Guarantee in respect of the Notes to the extent that such Guarantee would reasonably be expected to give rise to or result in (x) any violation of applicable law or regulation which cannot be avoided or otherwise prevented through measures reasonably available to the Issuer or such Subsidiary (including, but not limited to, 'whitewash' or similar procedures), or (y) liability or criminal sanctions for the officers, directors or (except in the case of a Subsidiary that is a partnership) shareholders of such Subsidiary (or, in the case of a Subsidiary that is a partnership, the directors or shareholders of the partners of such partnership).
- (e) Condition 4.13(a) will not be applicable to any guarantees of any Subsidiary of the Issuer: (i) existing on the Issue Date or pursuant to an amendment, modification, refinancing, replacement, exchange, renewal or extension to any such guarantee existing on the Issue Date, so long as such amendment, modification, refinancing, replacement, exchange, renewal or extension, taken as a whole, is not more disadvantageous to the holders of the Notes in any material respect than the original guarantee as in effect on the Issue Date, or (ii) given to a bank or trust company having combined capital and surplus and undivided profits of not less than U.S.\$250.0 million, whose debt has a rating, at the time such guarantee was given, of at least BBB+ or the equivalent thereof by Fitch, BBB+ or the equivalent thereof by S&P and at least Baa1 or the equivalent thereof by Moody's, in connection with the operation of cash management programs established in the ordinary course of business for the benefit of the Issuer.
- (f) Notwithstanding the above, each Guarantee may be limited as necessary to recognise certain defences generally available to guarantors (including those that relate to fraudulent conveyance or transfer, voidable preference, financial assistance, corporate purpose, capital maintenance or similar laws, regulations or defences affecting the rights of creditors generally) or other considerations under applicable law.
- (g) A Guarantor will be automatically and unconditionally released and discharged from its Guarantee:

- (i) upon any sale, exchange, transfer or other disposition of Capital Stock of such Guarantor or any holding company of such Guarantor to a Person that is not the Issuer or its Subsidiary (which sale, exchange, transfer or other disposition is not prohibited by these Conditions) and the Guarantor ceases to be a Subsidiary of the Issuer as a result of the sale, exchange, transfer or other disposition;
 - (ii) upon any sale, exchange, transfer or other disposition of all or substantially all of the assets of such Guarantor (including by way of merger, consolidation, amalgamation or combination) to a Person that is not the Issuer or any of its Subsidiaries (which sale, exchange, transfer or other disposition is not prohibited by these Conditions);
 - (iii) upon the payment in full of principal, interest and all other obligations on the Notes (or the Notes have otherwise been purchased and cancelled in whole, and not in part, in accordance with these Conditions);
 - (iv) as a result of a transaction permitted by Condition 4.7 (*Mergers and Similar Transactions*);
 - (v) with respect to the Guarantee of any Guarantor that was required to provide such Guarantee pursuant to Condition 4.13(a), upon such Guarantor being unconditionally released and discharged from its liability with respect to the Indebtedness giving rise to the requirement to provide such Guarantee so long as no Potential Event of Default or Event of Default would arise as a result and no other Indebtedness is at that time guaranteed by the relevant Guarantor that would result in the requirement that such Guarantor provide a Guarantee pursuant to Condition 4.13(a); or
 - (vi) pursuant to an Extraordinary Resolution of the Noteholders.
- (h) The Issuer will give not less than five Business Days' prior written notice to the Trustee in accordance with the Trust Deed of any Guarantor becoming or ceasing to be a Guarantor (upon which the Trustee shall be entitled to rely without further enquiry or liability) and, so long as the Notes are listed on the Stock Exchange and/or any other stock exchange on which the Notes may be listed or quoted from time to time, shall comply with applicable rules of the Stock Exchange and/or such other exchange in relation to any Guarantor becoming or ceasing to be a Guarantor.
- (i) The Issuer shall maintain an updated list of Guarantors and provide such list to the Trustee which, when furnished, (A) shall be made available for inspection by Noteholders at the registered office of the Trustee upon request during normal business hours on any Business Day or (B) may be provided by email to a Noteholder following their prior written request to the Trustee and provision of proof of holding and identity (in a form satisfactory to the Trustee) during normal business hours on any Business Day.

4.14 Financial Information

- (a) The Issuer shall publish on its website as soon as they become available but in any event:
- (i) within 120 days after the end of each of its financial years, commencing with the financial year ending December 31, 2024, the Issuer's consolidated financial statements for such financial year, with accompanying notes, audited by the Auditors and accompanied by a report thereon of the Auditors and prepared in accordance with Accounting Standards consistently applied with the corresponding financial statements for the preceding period prepared in accordance with Accounting Standards; and
 - (ii) within 90 days after the end of the first half of each of its financial years, commencing with the six months ended June 30, 2024, the Issuer's unaudited consolidated financial

statements for such period, with accompanying notes, reviewed by the Auditors and accompanied by a review report thereon of the Auditors.

- (b) Contemporaneously with the furnishing of the financial statements discussed in Condition 4.14(a) above, the Issuer shall ensure that the following information is published in English on its website:
 - (i) Consolidated Net Debt as at the end of the most recently ended fiscal period ;
 - (ii) Consolidated EBITDA for the period of 12 months preceding the end of such relevant fiscal period;
 - (iii) the aggregate cash balance standing to the credit of its bank accounts as at the end of the most recently ended fiscal period; and
 - (iv) the calculation of the Consolidated Net Leverage Ratio and the Consolidated Fixed Charge Coverage Ratio.
- (c) The Issuer will maintain the availability of all such financial statements and reports and additional information on its website for so long as any Note remains outstanding. In addition, if and so long as the Notes are listed on the Stock Exchange and the rules of the Stock Exchange so require, the Issuer will also publish all such financial statements and reports in the manner required by the rules of the Stock Exchange.
- (d) The Issuer will deliver to the Trustee, without undue delay, such additional information regarding the financial position or the business of the Issuer and the Guarantors (or, so far as permitted by applicable law, any information, and in such form, as it requires for the purposes of the discharge of the duties and discretions vested in it under the Trust Deed or by operation of law) as the Trustee may reasonably request.
- (e) The Issuer shall deliver to the Trustee within 14 Business Days (or such longer period as the Trustee may determine) of the time of delivery of any financial statements pursuant to Condition 4.14(a) and within 14 Business Days (or such longer period as the Trustee may determine) of any request by the Trustee, an Officers' Certificate certifying that, to the best of the knowledge, information and belief of the signatories thereof as at a date not more than five Business Days before the Certification Date (as defined in the Trust Deed): (i) that no Event of Default or Potential Event of Default has occurred and is continuing since the Certification Date of the last such certificate or (if none) the date on which the Trust Deed was first executed by the Issuer or, as the case may be, such Guarantor first acceded to the Trust Deed, and, if such an event had occurred, specifying all such Events of Default or Potential Events of Default and the details thereof of which the signatories may have knowledge and what action the Issuer is taking or proposes to take with respect thereto, (ii) that a Change of Control Event and a Change of Control Ratings Decline has not occurred since the Certification Date, and, if such an event had occurred, specifying all such details thereof; and (iii) which Subsidiaries of the Issuer are Material Subsidiaries. The Trustee may rely on such Officers' Certificate absolutely without liability to any Person for so doing and without further enquiry.

4.15 Minimum Liquidity

For so long as any Bond remains outstanding, the Issuer shall ensure that at all times an aggregate cash balance of at least U.S.\$25.0 million is standing to the credit of any one or more of its bank accounts that are not subject to any Liens (other than any Lien in respect of such bank account(s) that is created

or exists in favour of the holders of the Notes). The Issuer shall maintain such aggregate cash balance in U.S. Dollars.

5 Interest

5.1 Interest Accrual

Each Note bears interest from (and including) Issue Date at the rate of 9.000 per cent. per annum (the “**Rate of Interest**”) payable semi-annually in arrear on 15 April and 15 October in each year commencing on 15 April 2025 (each, an “**Interest Payment Date**”), subject as provided in Condition 6 (*Payments*). The period beginning on (and including) the Issue Date and ending on (but excluding) the first Interest Payment Date and each successive period beginning on (and including) an Interest Payment Date and ending on (but excluding) the next succeeding Interest Payment Date, is herein called an “**Interest Period.**”

5.2 Cessation of Interest

Each Note will cease to bear interest from the due date for final redemption unless, upon due surrender of the relevant Note, payment of principal is improperly withheld or refused. In such case, it will continue to bear interest at such rate (after as well as before judgment) until whichever is the earlier of (i) the day on which all sums due in respect of such Note up to that day are received by or on behalf of the relevant Noteholder and (ii) the day which is five Business Days after the Principal Paying Agent or the Trustee has notified the Noteholders that it has received all sums due in respect of the Notes up to such fifth Business Day (except to the extent that there is any subsequent default in payment) in accordance with Condition 13 (*Notices*).

5.3 Calculation of Interest for an Interest Period

The amount of interest payable in respect of each Note for any Interest Period shall be calculated by applying the Rate of Interest to the then outstanding principal amount of such Note, dividing the product by two and rounding the resulting figure to the nearest cent (half a cent being rounded upwards).

5.4 Calculation of Interest for any other Period

If interest is required to be calculated in respect of any period other than an Interest Period, it shall be calculated on the basis of a 360-day year consisting of 12 months of 30 days each and, in the case of an incomplete month, the number of days elapsed on the basis of a month of 30 days.

6 Payments

6.1 Principal

Payment of principal and premium in respect of each Note will be made in United States dollars upon application by the holder to the Specified Office of the Registrar or any Paying Agent not less than 15 days before the due date for any such payment, by transfer to a United States dollar account maintained by the payee with a bank in New York City and subject to the surrender (or, in the case of part payment only, endorsement) of the relevant Definitive Certificate at the Specified Office of the Registrar or of the Paying Agents.

6.2 Interest

Payments of interest in respect of each Note will be made to the Persons shown on the Register at close of business on the Record Date.

6.3 Record Date

Each payment in respect of a Note will be made to the Person shown in the Register at the close of business on the fifteenth day before the due date for the relevant payment (the “**Record Date**”).

6.4 Payments

Each payment in respect of the Notes pursuant to Conditions 6.1 (*Principal*) and 6.2 (*Interest*) will be made by transfer to a United States dollar account maintained by the payee with a bank in New York City.

Payment instructions (for value the due date, or, if the due date is not a business day, for value the next succeeding business day) will be initiated, in the case of principal, on the later of the due date for payment and the day on which the relevant Definitive Certificate is surrendered (or, in the case of part payment only, endorsed) and, in the case of interest on the due date for payment.

6.5 Agents

The names of the initial Principal Paying Agent, Registrar and Transfer Agent and their Specified Offices are set out below. The Issuer may at any time appoint additional Agents and/or terminate the appointment of any Agent at any time with the prior written approval of the Trustee (such consent not to be unreasonably withheld or delayed) by giving to the relevant Agent concerned at least 60 days’ prior written notice, which notice shall expire at least 30 days before or after any due date for payment in respect of the Notes, to vary or terminate the appointment of any Paying Agent, the Registrar or the Transfer Agent (including in circumstances where the Paying Agent does not become or ceases to be, a Participating FFI at a time when the Issuer or any Guarantor would be required to withhold or deduct any amount from any payment made by it to the Paying Agent pursuant to FATCA) and to appoint successor or additional Paying Agents or another Registrar or Transfer Agent, provided that it will at all times maintain:

- (a) a Principal Paying Agent;
- (b) a Paying Agent in a jurisdiction other than the Relevant Jurisdiction;
- (c) a Registrar; and
- (d) a Transfer Agent.

Notice of any such removal or appointment and of any change in the Specified Office of any Paying Agent or Registrar or Transfer Agent will be given to Noteholders in accordance with Condition 13 (*Notices*) as soon as practicable.

6.6 Payments subject to Fiscal Laws

All payments in respect of the Notes are subject in all cases to: (a) any fiscal or other laws and regulations applicable in the place of payment, but without prejudice to the provisions of Condition 8 (*Taxation*), and (b) any withholding or deduction required pursuant to FATCA.

6.7 No commissions

No commissions or expenses shall be charged to the Noteholders in respect of any payments made in accordance with this Condition 6 (*Payments*).

6.8 Delay in Payment

Noteholders will not be entitled to any interest or other payment in respect of any delay in payment resulting from the due date for payment not being a Payment Business Day.

6.9 Payment Business Days

Payment instructions (for value the due date, or, if the due date is not a Payment Business Day, for value the next succeeding Payment Business Day) will be initiated (i) in the case of payments of principal and interest payable on redemption, on the later of the due date for payment and the Payment Business Day on which the relevant Definitive Certificate is surrendered (or endorsed as the case may be) and (ii) in the case of payments of interest payable other than on redemption, on the due date for payment.

In this Condition 6 (*Payments*), “**Payment Business Day**” means a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in New York City and, in the case of surrender of a Definitive Certificate, the place of the Specified Office of the Registrar or relevant Paying Agent, to whom the relevant Definitive Certificate is surrendered.

7 Redemption and Purchase

7.1 Mandatory Redemption

Unless previously redeemed or purchased and cancelled as provided elsewhere in this Condition 7 (*Redemption and Purchase*), the Issuer will redeem each Note at its then outstanding principal amount on 15 October 2029 (the “**Maturity Date**”) subject as provided in Condition 6 (*Payments*).

7.2 Redemption for Taxation Reasons

The Notes may be redeemed at the option of the Issuer in whole, but not in part, at any time, on giving not less than 30 nor more than 60 days’ notice to the Noteholders in accordance with Condition 13 (*Notices*) (which notice shall be irrevocable) at 100 per cent. of their aggregate principal amount, together with interest accrued to (but excluding) the date fixed for redemption then due and which will become due on the date of the redemption as a result of the redemption or otherwise (subject to the right of Noteholders of such Notes on the relevant Record Date to receive interest due on the relevant Interest Payment Date in respect thereof), if, immediately before giving such notice, the Issuer satisfies the Trustee that:

- (a) it has become or will become obliged to pay additional amounts as provided or referred to in Condition 8 (*Taxation*) on the next Interest Payment Date as a result of any change in, or amendment to, the laws or regulations of the Relevant Jurisdiction or any political subdivision or any authority thereof or therein having power to tax, or any change in the application or official interpretation of such laws or regulations, which change or amendment is publicly announced and becomes effective on or after 7 October 2024 or, if later, on or after the date a jurisdiction becomes a Relevant Jurisdiction (each a “**Change in Tax Law**”); and
- (b) such obligation cannot be avoided by the Issuer, taking reasonable measures available to it,

provided that no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which the Issuer would be obliged to pay such additional amounts if a payment in respect of the Notes were then due.

Prior to the publication of any notice of redemption pursuant to this Condition 7.2 (*Redemption for Taxation Reasons*), the Issuer shall deliver to the Trustee (x) an Officers’ Certificate stating that the obligation referred to in (a) above cannot be avoided by the Issuer taking reasonable measures available to it and (y) an opinion in form and substance satisfactory to the Trustee of independent legal or tax advisers of recognised standing to the effect that the Issuer has or will become obliged to pay such additional amounts as a result of the relevant Change in Tax Law (which opinion may be addressed to the Issuer). The Trustee shall be entitled to accept such certificate and opinion as sufficient evidence of

the satisfaction of the condition precedent set out in (a) above in which event it shall be conclusive and binding on the Noteholders.

Upon the expiry of any such notice as is referred to in this Condition 7.2 (*Redemption for Taxation Reasons*), the Issuer shall be bound to redeem the Notes in accordance with this Condition 7.2 (*Redemption for Taxation Reasons*).

7.3 Redemption at the Option of the Issuer (Equity Offering)

At any time prior to 15 October 2026, the Issuer may on any one or more occasions, upon not less than 10 days nor more than 60 days' notice to the Noteholders, redeem up to 35 per cent. of the aggregate principal amount of the Notes at a redemption price equal to 109.000 per cent. of the principal amount of the Notes redeemed, plus accrued and unpaid interest to the date of redemption (subject to the rights of holders of the Notes on the relevant record date to receive interest on the relevant Interest Payment Date), with the net cash proceeds of an Equity Offering to the extent the proceeds from such Equity Offering are contributed to the shares of common stock of or other common equity interests of the Issuer or are paid to the Issuer as consideration for the issuance of or as Subordinated Shareholder Funding, provided that:

- (a) at least 60 per cent. of the aggregate principal amount of the Notes originally issued (excluding the Notes held by the Issuer and its Subsidiaries) remains outstanding immediately after the occurrence of such redemption; and
- (b) the redemption occurs within 180 days of the date of the closing of such Equity Offering.

Notice of any redemption upon any Equity Offering may be given prior to the completion thereof, and any such redemption or notice may, at the Issuer's discretion, be subject to one or more conditions precedent, including but not limited to, completion of the related Equity Offering.

Unless the Issuer defaults in the payment of the redemption price payable under this Condition 7.3, interest will cease to accrue on the Notes or portions thereof called for redemption on (but excluding) the applicable redemption date.

7.4 Redemption at the Option of the Issuer (Premium)

The Issuer may, at any time, having given:

- (a) not less than 30 nor more than 60 days' notice to the Noteholders in accordance with Condition 13 (*Notices*); and
- (b) not less than seven days before the giving of the notice referred to in paragraph (a) above, notice to the Trustee and to the Principal Paying Agent,

(which notices shall specify the date fixed for redemption), redeem all, or some only, of the Notes at a redemption price equal to the sum of the principal amount of Notes then outstanding, plus any interest accrued and unpaid to (but excluding) the date fixed for redemption, plus the following applicable premium:

Applicable Period	Applicable Premium
From (and including) the Issue Date to (but excluding) 15 October 2026	the Make-Whole Premium
From (and including) 15 October 2026 to (but excluding) 15 October 2027	U.S.\$45.00 per U.S.\$1,000 of outstanding principal amount of Notes

From (and including) 15 October 2027 to (but excluding) 15 October 2028	U.S.\$22.50 per U.S.\$1,000 of outstanding principal amount of Notes
From (and including) 15 October 2028 to (but excluding) the Maturity Date.....	Nil

Any such redemption and notice may, in the Issuer’s discretion, be subject to the satisfaction of one or more conditions precedent. If such redemption or notice is subject to satisfaction of one or more conditions precedent, such notice shall state that, in the Issuer’s discretion, the redemption date may be delayed until such time as any or all such conditions shall be satisfied, or such redemption may not occur and such notice may be rescinded in the event that any or all such conditions shall not have been satisfied by the redemption date, or by the redemption date so delayed, provided that in no case shall the notice have been delivered less than 30 days or more than 60 days prior to the date on which such redemption (if any) occurs. In addition, the Issuer may provide in such notice that payment of the redemption price and performance of the Issuer’s obligations with respect to such redemption may be performed by another Person. In no event shall the Trustee be responsible for monitoring, or charged with knowledge of, the maximum aggregate amount of the Notes eligible under these Conditions to be redeemed.

For the purposes of this Condition 7.4 (*Redemption at the Option of the Issuer (Premium)*):

“**Make-Whole Premium**” means, with respect to any Note redeemed pursuant to this Condition 7.4 (*Redemption at the Option of the Issuer (Premium)*), the greater of:

- (a) the amount equal to 1.0 per cent. of the then outstanding principal amount of such Note; and
- (b) the excess (to the extent positive) of:
 - (i) the present value of the remaining scheduled payments of principal and interest due on such Note to and including 15 October 2026 (excluding accrued but unpaid interest to the redemption date), computed using a discount rate equal to the Treasury Rate as of such redemption date plus 50 basis points; over
 - (ii) the outstanding aggregate principal amount of the Note at the relevant redemption date,

for the purposes of which, “**Treasury Rate**” means, as of any redemption date, the yield to maturity as of such redemption date of United States Treasury securities with a constant maturity (as compiled and published in the most recent Federal Reserve Statistical Release H.15 (“**Statistical Release**”) that has become publicly available at least two Business Days prior to the redemption date (or, if such Statistical Release is no longer published, any publicly available source of similar market data)) most nearly equal to the period from the redemption date to 15 October 2026; provided, however, that if the period from the redemption date to 15 October 2026 is less than one year, the weekly average yield on actually traded United States Treasury securities adjusted to a constant maturity of one year will be used. For the avoidance of doubt, calculation of the Make-Whole Premium shall not be an obligation of the Trustee or any Agent.

7.5 **Redemption at the Option of Noteholders (Change of Control)**

Upon the occurrence of both:

- (a) a Change of Control Event (as defined below); and
- (b) a Change of Control Ratings Decline (as defined below),

the Issuer shall, at the option of the holder of any Note, upon the holder of such Note giving notice to the Issuer as provided in this Condition 7.5 (*Redemption at the Option of Noteholders (Change of Control)*) at any time during the Redemption Period (as defined below), redeem such Note on the Redemption Date (as defined below) at 101 per cent. of its principal amount together (if applicable) with interest accrued and unpaid to (but excluding) the Redemption Date.

Immediately upon the Issuer becoming aware that (i) a Change of Control Event and/or (ii) a Change of Control Ratings Decline has occurred, the Issuer shall give notice (a “**Change of Control Notice**”) to the Noteholders in accordance with Condition 13 (*Notices*) specifying the nature of the Change of Control Event and/or Change of Control Ratings Decline and (if applicable) the procedure for exercising the put option contained in this Condition 7.5 (*Redemption at the Option of Noteholders (Change of Control)*).

To exercise the right to require the Issuer to redeem a Note pursuant to this Condition 7.5 (*Redemption at the Option of Noteholders (Change of Control)*), the Noteholder must deposit, at the Specified Office of any Paying Agent at any time during normal business hours of such Paying Agent on a Business Day falling within the Redemption Period, the relevant Note(s), together with a duly completed and signed notice of exercise (a “**Put Notice**”) in the form (for the time being current) obtainable from the Specified Office of any Paying Agent. The Paying Agent with which a Note and Put Notice are so deposited shall deliver a duly completed receipt (in the form specified in the Agency Agreement) (the “**Put Receipt**”) to the depositing Noteholder. Payment by the Issuer in respect of any Note so delivered shall be made to the bank account or otherwise as specified in the Put Notice by transfer to that account (or as otherwise specified in the Put Notice) on the relevant Redemption Date. No Note, once deposited with a duly completed Put Notice in accordance with this Condition 7.5 (*Redemption at the Option of Noteholders (Change of Control)*), may be withdrawn; *provided, however*, that if, prior to the relevant Redemption Date, any such Note becomes immediately due and payable or, upon due presentation of any such Note on the relevant Redemption Date, payment of the redemption moneys is improperly withheld or refused, the relevant Paying Agent shall mail notification thereof to the depositing Noteholder at such address as may have been given by such Noteholder in the relevant Put Option Notice and shall hold the relevant Note(s) at its Specified Office for collection by the depositing Noteholder against surrender of the relevant Put Receipt. For so long as any outstanding Note is held by a Paying Agent in accordance with this Condition 7.5 (*Redemption at the Option of Noteholders (Change of Control)*), the depositor of such Note and not such Paying Agent shall be deemed to be the holder of such Note for all purposes.

For the purpose of this Condition 7.5 (*Redemption at the Option of Noteholders (Change of Control)*):

- (a) a “**Change of Control Event**” will occur if, at any time, the Permitted Holder ceases to have direct or indirect Control of the Issuer, *provided that* such Change of Control Event shall not be deemed to occur in respect of any commercial lender or regulated entity in its capacity as security agent (or any affiliate thereof) which acquires Control of the Issuer directly as a result of enforcement of collateral over the Issuer’s Voting Stock. For the purposes of this definition, a Person will be deemed to “**Control**” the Issuer if (whether directly or indirectly and whether by ownership of share capital, the possession of voting power, contract, trust or otherwise, or any combination thereof) they have the power to appoint and/or remove all or the majority of the members of the Board of Directors of the Issuer or other governing body of management of the Issuer or otherwise direct or cause the direction of the management and affairs of the Issuer;
- (b) a “**Change of Control Ratings Decline**” means the occurrence on any date within the 90-day period following the occurrence of a Change of Control Event (which period shall be extended so long as during such period the rating of the Notes is under publicly announced consideration

by a Rating Agency, unless such Rating Agency has indicated that the rating is on review for upgrade) of any of the following events;

- (i) at least one Rating Agency shall issue or confirm a rating on the Notes which rating is at least one notch below the rating of the Notes issued by such Rating Agency as of the date immediately prior to the earlier of (i) such Change of Control Event, (ii) the date of public notice of the occurrence of such Change of Control Event, or (iii) public notice of the intention by the Issuer to effect such Change of Control Event; or
- (ii) at least one Rating Agency shall withdraw its rating of the Notes,

provided that, in the case of the preceding paragraphs (i) and (ii), such rating decline or withdrawal will not be deemed to have occurred in respect of a particular Change of Control Event (and thus will be disregarded in determining whether a Change of Control Rating Decline has occurred) if the Rating Agency making the reduction or withdrawal does not announce or publicly confirm or inform the Issuer that the reduction was the result, in whole or in part, of any event or circumstance comprising of or arising as a result of, or in connection with, the applicable Change of Control Event (whether or not the applicable Change of Control Event has occurred at the time of the decline or withdrawal). For the avoidance of doubt and notwithstanding the previous sentence, no Change of Control Rating Decline shall apply to a Change of Control Event following the first date on which each of the relevant rating Agencies has publicly affirmed or upgraded the ratings of the Notes after the occurrence of such Change of Control Event. If no Rating Agency which has an issued rating of the Notes announces an action with regard to its rating of the Notes within 30 days after the occurrence of an event specified in the definition of Change of Control Event, the Issuer shall request each such Rating Agency to confirm its rating of the Notes before the end of such 90-day period;

- (c) **“Redemption Date”** means, in respect of any Note, the date which falls 14 days after the date on which the relevant holder exercises its option in accordance with this Condition 7.5 (*Redemption at the Option of Noteholders (Change of Control)*); and
- (d) **“Redemption Period”** means the period from and including the first date on which both a Change of Control Event and a Change of Control Ratings Decline have occurred (whether or not the Issuer has given a Change of Control Notice in respect of such event) to and including the date falling 60 days after the date on which such Change of Control Notice is given, provided that if no Change of Control Notice is given, the Redemption Period shall not terminate.

7.6 No other Redemption

The Issuer shall not be entitled to redeem the Notes otherwise than as provided this in Condition 7.

7.7 Selection and Notice

In the case of a partial redemption of any Note under these Conditions, the Notes shall be redeemed on a pro rata basis according to the holding of each Noteholder; subject, in each case, to compliance with any applicable laws and Stock Exchange or other relevant regulatory requirements. Only Notes in an amount equal to or in excess of the Authorised Denomination may be redeemed under these Conditions.

If the Notes are represented by Global Certificates or are in definitive form and held through DTC, Euroclear or Clearstream, Luxembourg, in the case of a partial redemption of Notes, the Notes to be redeemed will be selected in accordance with the rules and procedures of Euroclear and/or Clearstream,

Luxembourg and/or DTC (to be reflected in the records of Euroclear, Clearstream, Luxembourg and/or DTC as either a pool factor or a reduction in principal amount, at their discretion).

7.8 Purchase

The Issuer may at any time purchase or procure others to purchase for its account Notes in the open market or otherwise and at any price. All Notes so purchased will be surrendered for cancellation at the option of the Issuer or otherwise, as the case may be in compliance with Condition 7.9 (*Cancellation of Notes*) below, and may not be held, reissued or resold.

7.9 Cancellation of Notes

All Notes which are redeemed pursuant to Conditions 7.2 (*Redemption for Taxation Reasons*) to 7.5 (*Redemption at the Option of Noteholders (Change of Control)*) or submitted for cancellation pursuant to Condition 7.8 (*Purchase*) will be cancelled and may not be reissued or resold. For so long as the Notes are admitted to trading on the Stock Exchange and the rules of such exchange so require, the Issuer shall promptly inform the Stock Exchange of the cancellation of any Notes under this Condition 7.9 (*Cancellation of Notes*).

8 Taxation

8.1 Payment without Withholding

All payments of principal, premium and interest in respect of the Notes shall be made free and clear of, and without withholding or deduction for, any taxes, imposts, duties, assessments or governmental charges (including any penalties, interest and additions to tax related thereto) of whatsoever nature imposed, levied, collected, withheld or assessed by or on behalf of any Relevant Jurisdiction (“**Taxes**”), unless such withholding or deduction is required by law. In that event, the Issuer or, as the case may be, the relevant Guarantor, shall pay such additional amounts as will result in the receipt by the Noteholders of such amounts as would have been received by them if no such withholding or deduction had been required (including any deduction or withholding attributable to the additional amounts), except that no such additional amounts shall be payable in respect of any Note:

- (a) presented for payment by or on behalf of a holder who is liable to such Taxes in respect of such Note by reason of a holder having some connection with a Relevant Jurisdiction other than the mere holding of such Note; or
- (b) with respect to any Taxes imposed in connection with a Note that is presented for payment in any Relevant Jurisdiction by or on behalf of a holder; or
- (c) where (in the case of a payment of principal, premium or interest on redemption) the relevant Definitive Certificate is surrendered for payment more than 30 days after the Relevant Date except to the extent that the holder of it would have been entitled to such additional amounts on surrendering such Definitive Certificate for payment on the last day of such period of 30 days.

For the avoidance of doubt, neither the Issuer or, as the case may be, any Guarantor nor any Agent nor any other Person will be obliged to make any additional payments to the Noteholders in respect of amounts withheld or deducted pursuant to FATCA.

8.2 Additional Amounts

Any reference in these Conditions to any amounts in respect of the Notes shall be deemed also to refer to any additional amounts which may be payable under this Condition or under any undertakings given in addition to, or in substitution for, this Condition pursuant to the Trust Deed.

9 Prescription

Claims in respect of principal, premium and interest will become void unless the relevant Definitive Certificate is surrendered for payment as required by Condition 6 (*Payments*) within a period of 10 years, in the case of principal and premium, or five years, in the case of interest, from the appropriate Relevant Date.

10 Events of Default

10.1 Events of Default

The Trustee at its discretion may, and if so requested in writing by the holders of not less than one-quarter in principal amount of the Notes then outstanding or if so directed by an Extraordinary Resolution shall (subject, in each case, to being indemnified and/or prefunded and/or secured to its satisfaction against all Liabilities, actions, proceedings, claims and demands to which it may thereby render itself liable and all costs, charges, damages and expenses which it may incur by so doing and, for this purpose, the Trustee may demand prior to taking any such action, that there be paid to it in advance such sums as it considers (without prejudice to any further demand) shall be sufficient so to indemnify it), give notice to the Issuer that the Notes are, and shall thereupon immediately become, due and repayable, in each case at their principal amount together with interest accrued to (but excluding) the date of repayment, if any of the following events (each, an “**Event of Default**”) occurs and is continuing:

10.2 Non-Payment

The Issuer or the Guarantors, as the case may be, fails to pay any amount of principal or premium in respect of the Notes within 7 days of the due date for payment when the same becomes due and payable either at maturity, by declaration or otherwise or the Issuer or the Guarantors, as the case may be, is in default with respect to the payment of interest or any additional amount payable in respect of any of the Notes and such default in respect of interest or additional amounts continues for a period of 14 days.

10.3 Breach of Certain Limitations

The Issuer or any Guarantor, as the case may be, does not comply with its obligations under Condition 4.1 (*Limitation on Liens*) or Condition 4.7 (*Mergers and Similar Transactions*).

10.4 Breach of Other Obligations

The Issuer or the Guarantors, as the case may be, defaults in the performance or observance of any of its other obligations under the Notes, the Trust Deed or the Agency Agreement and such default: (i) is in the opinion of the Trustee, incapable of remedy or (ii) being a default which is, in the opinion of the Trustee, capable of remedy, remains unremedied for 45 days after the Trustee has given written notice thereof, addressed to the Issuer and the Guarantors (it being understood that the foregoing paragraph (ii) is without prejudice to the proviso in Condition 4.8 (*Maintenance of Authorisations*) in respect of the Issuer’s obligations thereunder).

10.5 Cross-Acceleration

- (a) Any Indebtedness for Borrowed Money of the Issuer, the Guarantors or any of their respective Material Subsidiaries becomes due and payable prior to its Stated Maturity by reason of an event of default (howsoever described), or is not repaid at maturity within the originally applicable grace period for the payment thereof; or
- (b) Any Indebtedness Guarantee in respect of Indebtedness for Borrowed Money given by the Issuer, the Guarantors or any of their respective Material Subsidiaries is not honoured when due and called upon,

provided that the amount of Indebtedness for Borrowed Money referred to in Condition 10.5(a) above and/or the amount payable under any Indebtedness Guarantee referred to in Condition 10.5(b) above, individually or in the aggregate, exceeds U.S.\$30,000,000 (or its equivalent in any other currency or currencies).

10.6 Consents

If any authorisation, consent of, or filing or registration with, any governmental authority necessary for the performance of any payment obligation of the Issuer or any Guarantor under the Notes and, as the case may be, the relevant Guarantee, when due, ceases to be in full force and effect or remain valid and subsisting.

10.7 Judgment Default

One or more judgments or orders or arbitration awards for the payment an amount in excess of U.S.\$30,000,000 (or its equivalent in any other currency or currencies), whether individually or in aggregate, is rendered or granted against the Issuer, the Guarantor or any of their respective Material Subsidiaries and continue(s) unsatisfied and unstayed for a period of 30 days after the date thereof or, if later, the date therein specified for payment.

10.8 Security Enforced

An encumbrances takes possession or sells or otherwise enforces, or any expropriation or sequestration is levied against any material part of the property, assets or revenues of the Issuer (taken as a whole) or substantially the whole of the property, assets or revenue of any Guarantor or any Material Subsidiary.

10.9 Insolvency, etc.

- (a) If, other than pursuant to a Permitted Reorganisation:
- (i) the Issuer, any Guarantor or any of their respective Material Subsidiaries fails or is unable to pay its debts generally as they come due;
 - (ii) the Issuer, any Guarantor or any Material Subsidiary seeks, consents or acquiesces in the introduction of proceedings for its liquidation or bankruptcy or the appointment to it of a liquidation commission or a similar officer;
 - (iii) the commencement of any proceedings in respect of the Issuer, any Guarantor or any Material Subsidiary in any court, arbitration court or before any agency for its bankruptcy, insolvency, dissolution or liquidation, which in the case of any proceedings that are commenced pursuant to a petition presented or filed by a Person (other than the Issuer, such Guarantor or such Material Subsidiary, as the case may be) is not dismissed within 60 days;
 - (iv) the Issuer, any Guarantor or any of their respective Material Subsidiaries takes any action for a readjustment, deferment, concordat (konkordato) or a moratorium of payment of its debts generally or makes a general assignment or an arrangement or composition with or for the benefit of its creditors generally; or
 - (v) the Issuer, any Guarantor or any of their respective Material Subsidiaries ceases or threatens to cease to carry on all or any substantial part of its business.

10.10 Winding-Up

An order is made or an effective resolution is passed for the winding up (*tasfiye*), liquidation (*iradi tasfiye*) or striking off the register or dissolution (*infisah*) of the Issuer, any Guarantor or any of their respective Material Subsidiaries, save in connection with a Permitted Reorganisation.

10.11 Invalidity or Unenforceability

- (a) Any action, condition or thing at any time required to be taken, fulfilled or done in order to:
 - (i) enable the Issuer or any Guarantor lawfully to enter into, exercise their rights and perform and comply with their obligations under and in respect of the Notes, the Trust Deed (including, in the case of any Guarantors, the relevant Guarantee) or the Agency Agreement,
 - (ii) ensure that those obligations are legal, valid, binding and enforceable; and
 - (iii) make the Notes, the Trust Deed and the Agency Agreement admissible as evidence in the courts of the Relevant Jurisdiction,

in each case is not taken, fulfilled or done.

- (b) It is or will become unlawful for the Issuer or any Guarantor to perform or comply with any of their obligations under or in respect of the Notes, the Trust Deed (including, in the case of any Guarantors, the relevant Guarantee) or the Agency Agreement, including, without limitation, the payment of interest on the Notes, as a result of any change in law or regulation in any Relevant Jurisdiction or any ruling of any court in any Relevant Jurisdiction whose decision is final and unappealable or for any reason such obligations cease to be in full force and effect.

10.12 Government Intervention

- (a) All or any substantial part of the undertaking, assets and revenues of the Issuer is condemned, seized or otherwise appropriated by any Person acting under the authority of any national, regional or local government; or
- (b) All or substantially all of the undertaking, assets and revenues of any Guarantor or any of Issuer's or any Guarantor's respective Material Subsidiaries is condemned, seized or otherwise appropriated by any Person acting under the authority of any national, regional or local government; or
- (c) The Issuer, any Guarantor or any of their respective Material Subsidiaries is prevented by any national, regional or local government from exercising normal control over all or (in the case of the Issuer) any substantial part of, or (in the case of any Guarantor or any of the Issuer's or any Guarantor's respective Material Subsidiaries) substantially all of, its undertaking, assets and revenues.

10.13 Analogous Events

Any event occurs which under the laws of any Relevant Jurisdiction has an analogous effect to any of the events referred to in Conditions 10.6 to 10.12 (inclusive).

11 Replacement of Definitive Certificates

If any Definitive Certificate is lost, stolen, mutilated, defaced or destroyed it may be replaced at the Specified Office of the Registrar or the Transfer Agent subject to all applicable laws and stock exchange or other relevant authority requirements, upon payment by the claimant of the expenses incurred in connection with such replacement and on such terms as to evidence, collateral, indemnity and otherwise as the Issuer may require (provided that the requirement is reasonable in the light of prevailing market practice). Mutilated or defaced Definitive Certificates must be surrendered before replacements will be issued.

12 Meetings of Noteholders, Modification, Waiver and Authorisation

12.1 Meetings of Noteholders

The Trust Deed contains provisions for convening meetings of Noteholders to consider any matters relating to the Notes, including the modification of any provision of these Conditions or the Trust Deed. Any such modification may be made if sanctioned by an Extraordinary Resolution. Such a meeting may be convened by the Trustee or the Issuer, or by the Trustee upon the request in writing of Noteholders holding not less than one-tenth in principal amount of the outstanding Notes. The quorum at any meeting convened to vote on an Extraordinary Resolution will be one or more Persons holding or representing in the aggregate more than half of the principal amount of the Notes for the time being outstanding, or, at any adjourned meeting, one or more Persons being or representing Noteholders whatever the principal amount of the Notes for the time being outstanding so held or represented; *provided, however*, that each Reserved Matter may only be sanctioned by an Extraordinary Resolution passed at a meeting of Noteholders at which one or more Persons holding or representing not less than two-thirds or, at any adjourned meeting, one-third of the aggregate principal amount of the outstanding Notes form a quorum. The Trust Deed provides that an Extraordinary Resolution shall be passed at a meeting of Noteholders duly convened and held in accordance with the provisions of the Trust Deed if such Extraordinary Resolution is approved by at least three-quarters of the votes cast at such meeting.

The Noteholders may sanction by Extraordinary Resolution the waiver of any or all past or existing Events of Default and rescind any declaration that the Notes are immediately due and payable as a result of any such Event of Default (including any failure to pay any principal and/or interest following such declaration); *provided, however*, that any proposal for any waiver of any Event of Default (or related rescission of a declaration that the Notes are immediately due and payable) arising from a matter (including any modification of any provisions of these Conditions or the Trust Deed) a proposal to effect which would be a Reserved Matter shall itself be a Reserved Matter. Any Extraordinary Resolution duly passed at any such meeting shall be binding on all the Noteholders, whether present at the meeting(s) or not.

12.2 Electronic Consent

The Trust Deed provides that a resolution proposed and notified to the Noteholders through the relevant Clearing System(s) (as defined in the Trust Deed) will take effect as if it were an Extraordinary Resolution if such Noteholders have been given at least 10 days' notice of such resolution, and the resolution is approved by or on behalf of Persons holding at least three-quarters of the aggregate principal amount of the outstanding Notes.

12.3 Written Resolution

The Trust Deed provides that a resolution in writing will take effect as if it were an Extraordinary Resolution if it is signed: (a) by or on behalf of all Noteholders who for the time being are entitled to receive notice of a meeting of Noteholders under the Trust Deed or (b) if such Noteholders have been given at least 10 days' notice of such resolution, by or on behalf of Persons holding at least three-quarters of the aggregate principal amount of the outstanding Notes. Such a resolution in writing may be contained in one document or several documents in the same form, each signed by or on behalf of one or more Noteholders.

12.4 Modification Without Noteholders' Consent

The Trustee may from time to time and at any time, without any consent or sanction of the Noteholders, concur with the Issuer or any other Person in making:

- (a) any modification to the Trust Deed, the Agency Agreement or the Notes (other than in respect of Reserved Matters or any provision of the Trust Deed referred to in that specification) which in the opinion of the Trustee it may be proper to make provided the Trustee is of the opinion that such modification will not be materially prejudicial to the interests of the Noteholders; or
- (b) any modification to the Trust Deed, the Agency Agreement or the Notes if in the opinion of the Trustee such modification is of a formal, minor or technical nature or made to correct a manifest error.

The Trustee shall not be obliged to agree to any modification which, in the sole opinion of the Trustee, would have the effect of: (i) exposing the Trustee to any liability against which it has not been indemnified and/or secured and/or pre-funded to its satisfaction; or (b) increasing the obligations or duties, or decreasing the rights or protections, of the Trustee in the Trust Deed, the Agency Agreement and/or these Conditions.

In addition, the Trustee may, without the consent of the Noteholders, authorise or waive any proposed breach or breach of these Conditions, the Trust Deed or the Agency Agreement (other than a proposed breach or breach relating to the subject of a Reserved Matter) if, in the opinion of the Trustee, the interests of the Noteholders will not be materially prejudiced thereby.

Any such modification or authorisation or determination may be made on such terms and subject to such conditions (if any) as the Trustee may determine, shall be binding upon the Noteholders and shall be notified by the Issuer to the Noteholders in accordance with Condition 13 (*Notices*) as soon as practicable thereafter.

13 Notices

All notices to the Noteholders will be mailed to them at their respective addresses in the Register maintained by the Registrar. Any such notice shall be deemed to have been given on the fourth day after the date of mailing. Notices to Noteholders will be valid if published, for so long as the Notes are admitted to trading on any stock exchange and the rules of such exchange so require.

So long as any of the Notes are represented by the Global Certificates, notices required to be published in accordance with this Condition 13 (Notices) may instead be given by delivery of the relevant notice to DTC, Euroclear and Clearstream, Luxembourg for communication by them to the relevant accountholders, provided however, that, so long as the Notes are admitted to trading on any stock exchange, and its rules so require, notices will also be published on the website of such stock exchange.

14 Trustee

14.1 Indemnification

Under the Trust Deed, the Trustee is entitled to be indemnified and relieved from responsibility in certain circumstances and to be paid its costs and expenses in priority to the claims of the Noteholders. In addition, the Trustee is entitled to enter into business transactions with the Issuer and any entity relating to the Issuer without accounting for any profit and to act as trustee for the holders of any other securities issued or guaranteed by, or relating to, the Issuer, the Guarantors and/or any of their respective Subsidiaries.

14.2 Exercise of Power and Discretion

In the exercise of its powers and discretion under these Conditions and the Trust Deed, the Trustee will have regard to the interests of the Noteholders as a class and will not be responsible for any consequence for individual holders of Notes as a result of such holders being connected in any way with a particular territory or taxing jurisdiction.

14.3 Enforcement; Reliance

The Trustee may at any time after the Notes become due and payable, at its discretion and without notice, institute such proceedings as it thinks fit to enforce its rights under the Trust Deed and these Conditions in respect of the Notes, but it shall not be bound to do so unless:

- (a) it has been so requested in writing by the holders of at least one-quarter in principal amount of the outstanding Notes or has been so directed by an Extraordinary Resolution; and
- (b) it has been indemnified, pre-funded or provided with collateral to its satisfaction against all Liabilities, actions, proceedings, claims and demands to which it may thereby render itself liable and all costs, charges, damages and expenses which it may incur by so doing and, for this purpose, the Trustee may demand prior to taking any such action, that there be paid to it in advance such sums as it considers (without prejudice to any further demand) shall be sufficient so to indemnify it.

The Trustee may, in making any determination under these Conditions, act on the opinion or advice of, or information obtained from, any expert and will not be responsible for any loss, liability, cost, claim, action, demand, expense or inconvenience which may result from it so acting.

Until the Trustee has actual or express knowledge to the contrary, the Trustee may assume that no Event of Default or Potential Event of Default has occurred.

The Trustee is not liable for any failure to monitor compliance by the Issuer with these Conditions (including Conditions 4 (*Covenants*) and Condition 10 (*Events of Default*)), however, the Trust Deed obliges the Issuer to furnish the Trustee with a certificate annually, on which the Trustee may rely as to such compliance.

14.4 Failure to Act

No Noteholder may proceed directly against the Issuer or any Guarantor unless the Trustee, having become bound to do so, fails to do so within a reasonable time and such failure is continuing.

14.5 Confidentiality

Unless ordered to do so by a court of competent jurisdiction or unless required by the rules of the Stock Exchange, the Trustee shall not be required to disclose to any Noteholder any confidential financial or other information made available to the Trustee by the Issuer or any Guarantor.

15 Provision of Information

The Issuer shall, during any period in which it is not subject to or in compliance with the reporting requirements of Section 13 or 15(d) of the United States Securities Exchange Act of 1934 (the “**Exchange Act**”) nor exempt from reporting pursuant to Rule 12g3-2(b) under the Exchange Act, duly provide to any holder of a Note which is a “**restricted security**” within the meaning of Rule 144(a)(3) under the Securities Act or to any prospective purchaser of such securities designated by such Noteholder, upon the written request of such Noteholder or (as the case may be) prospective Noteholder addressed to the Issuer and delivered to the Issuer or to the Specified Office of the Registrar, the information specified in Rule 144A(d)(4) under the Securities Act.

16 Further Issues

The Issuer may from time to time, without notice to or the consent of the Noteholders and in accordance with the Trust Deed, create and issue further notes having the same terms and conditions as the Notes in all respects (or in all respects except for the date for and amount of the first payment of interest) so as to be consolidated and form a single series with the Notes (“**Further Notes**”); *provided that* such Further Notes are issued with less than a *de minimis* amount of original issue discount for U.S. federal income tax purposes or are otherwise fungible with the existing Notes for U.S. federal income tax purposes (or, if not so fungible, trade under a separate CUSIP, ISIN or other identifying number) and will be guaranteed together with the outstanding Notes, to the satisfaction of the Trustee. Any Further Notes shall be constituted by a deed supplemental to the Trust Deed.

17 Currency Indemnity

The Trust Deed provides that if any Noteholder receives or recovers any amount in a currency other than the Contractual Currency (as defined in the Trust Deed) (whether as a result of, or the enforcement of, a judgment or order of a court of any jurisdiction, in the insolvency, winding up or dissolution of the Issuer or otherwise), in respect of any sum expressed to be due to it from the Issuer, that amount will only discharge the Issuer to the extent of the Contractual Currency amount which the recipient is able to purchase with the amount so received or recovered in that other currency on the date of that receipt of recovery (or, if it is not practicable to make that purchase on that date, on the first date on which it is practicable to do so).

If that Contractual Currency amount is less than the Contractual Currency amount expressed to be due to the relevant Noteholder under the Notes, the Issuer will indemnify such Noteholder against any loss sustained by it as a result on the written demand of such Noteholder addressed to the Issuer and delivered to the Issuer or to the Specified Office of the Registrar or any Paying Agent with its Specified Office in London. In any event, the Issuer will indemnify the relevant Noteholder against the cost of making any such purchase.

18 Governing Law and Submission to Jurisdiction

18.1 Governing Law

The Trust Deed, the Agency Agreement and the Notes, and any non-contractual obligations arising out of or in connection with them, are governed by, and will be construed in accordance with, English law.

18.2 Jurisdiction

The Issuer and the Guarantors agree for the benefit of the Trustee that the High Court of Justice of England and Wales sitting in London (the “**High Court of Justice**”) (and any competent England and Wales appellate court in respect of any appeal relating to any judgment or order originally from the High Court of Justice) shall have exclusive jurisdiction to hear and determine any suit, action or proceedings arising out of or in connection with the Notes (including any non-contractual obligations arising out of or in connection with the Notes) (“**Proceedings**”) and, for such purposes, irrevocably submits to the jurisdiction of such courts. Nothing in this paragraph shall (or shall be construed so as to) limit the right of the Trustee to take Proceedings in any other court of competent jurisdiction, nor shall the taking of Proceedings in any one or more jurisdictions preclude the taking of Proceedings by the Trustee in any other jurisdiction (whether concurrently or not) if and to the extent permitted by law.

18.3 Appropriate Forum

For the purposes of Condition 18.2 (*Jurisdiction*), the Issuer and each Guarantor irrevocably waives any objection which it might now or hereafter have to the High Court of Justice in London (and any competent England and Wales appellate court in respect of any appeal relating to any judgment or order

originally from the High Court of Justice) being nominated as the forum to hear and determine any Proceedings and agrees not to claim that any such court is not a convenient or appropriate forum.

18.4 Consent to Enforcement

The Issuer and each Guarantor agrees, without prejudice to the enforcement of a judgment obtained in the High Court of Justice (and any competent England and Wales appellate court in respect of any appeal relating to any judgment or order originally from the High Court of Justice) according to the provisions of Article 54 of the International Private and Procedural Law of Türkiye (Law No. 5718), that in the event that any action is brought in relation to the Issuer or a Guarantor in a court in the Republic of Türkiye in connection with the Notes, in addition to other permissible legal evidence pursuant to the Civil Procedure Code of the Republic of Türkiye (Law No. 6100), any judgment obtained in the High Court of Justice (and any competent England and Wales appellate court in respect of any appeal relating to any judgment or order originally from the High Court of Justice) in connection with such action shall constitute conclusive evidence of the existence and amount of the claim against the Issuer or the relevant Guarantor pursuant to the provisions of the first sentence of Article 193 of the Civil Procedure Code of Türkiye (Law No. 6100) and Articles 58 and 59 of the International Private and Procedural Law of Türkiye (Law No. 5718).

18.5 Proceedings in Türkiye

To the extent that the Issuer or any Guarantor may, in any suit, action or proceeding brought before a court of the Republic of Türkiye or elsewhere arising out of or in connection with the Notes, be entitled to the benefit of any provisions of law requiring the Trustee in such suit, action or proceeding to post security for the costs of the Issuer or the relevant Guarantor, as the case may be (*cautio judicatum solvi*), or to post a bond or to take similar action, the Issuer and each Guarantor hereby irrevocably waives such benefit, in each case to the fullest extent now or hereafter permitted under the laws of the Republic of Türkiye or, as the case may be, such other jurisdiction.

18.6 Service of Process

The Issuer and each Guarantor agrees that the process by which any Proceedings are commenced in England pursuant to Condition 18.2 (*Jurisdiction*) may be served on it by being delivered to Law Debenture Corporate Services Limited at 8th Floor, 100 Bishopsgate, London EC2N 4AG or, if different, Law Debenture Corporate Services Limited's registered office from time to time. If such Person is not or ceases to be effectively appointed to accept service of process on behalf of the Issuer or a Guarantor, the Issuer or the relevant Guarantor (as the case may be) shall, on the written demand of the Trustee, appoint a further Person in England to accept service of process on its behalf and, failing such appointment within 14 days, the Trustee shall be entitled to appoint such a Person by written notice to the Issuer. Nothing in this paragraph shall affect the right of the Trustee to serve process in any other manner permitted by law.

19 Definitions

For the purposes of these Conditions:

Any reference in these Conditions or the Notes to principal, premium and/or interest shall be deemed to include any additional amounts which may be payable under Condition 8 (*Taxation*) or any undertaking given in addition to or substitution for it under the Trust Deed.

“**Accounting Standards**” means IFRS, Turkish Financial Reporting Standards or any other internationally recognised set of accounting standards deemed equivalent to IFRS by the Committee of European Securities Regulators from time to time.

“**Additional Assets**” means:

- (a) any assets (other than Capital Stock, cash or Cash Equivalents or assets classified as current assets under IFRS) that are used or useful in a Core or Related Business; or
- (b) the Capital Stock of a Person that becomes a Subsidiary engaged in a Core or Related Business as a result of the acquisition of such Capital Stock by the Issuer or a Subsidiary,

but excluding, for the avoidance of doubt, any interest in any Joint Ventures.

“**Affiliate**” of any specified Person means any other Person, directly or indirectly controlling, controlled by, or under direct or indirect common control with, such specified Person. For the purposes of this definition, “**control**” (including, with correlative meanings, the terms “**controlling**,” “**controlled by**” and “**under common control with**”), as applied to any Person, means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of such Person, whether through the ownership of voting securities, by contract or otherwise, provided that ownership of 30 per cent. or more of the voting securities of any Person shall be deemed to be control.

“**Agency**” means any agency, authority, central bank, department, committee, government, legislature, minister, ministry, official or public or statutory Person (whether autonomous or not).

“**Approved Bank**” means a bank or trust company which is organised under, or authorised to operate as a bank or trust company under, the laws of a member state of the Pre-Expansion European Union, the United Kingdom or of the United States of America or any state thereof or Switzerland, *provided* that the long-term debt of such bank or trust company is rated “A1” or higher by Moody’s or “A” or higher by S&P or the equivalent rating category of another internationally recognised rating agency.

“**Approved Jurisdiction**” means any member state of the Pre-Expansion European Union, Norway, Switzerland, the United Kingdom, the United States of America, any state thereof, the District of Columbia and Türkiye.

“**Asset Sale**” means any lease, sale, sale and lease-back, transfer or other disposition either in one transaction or in a series of related transactions, including any disposition by means of a merger, consolidation or similar transaction, of any of its assets (including any shares of Capital Stock of a Subsidiary (other than directors’ qualifying shares or shares required by applicable law to be held by a Person other than the Issuer or any of its Subsidiaries)) or properties, other than:

- (a) the sale, lease, transfer or other disposition of any asset or property in a single transaction or a series of related transactions with an aggregate Fair Market Value of less than U.S.\$5.0 million;
- (b) by and among the Issuer and its Subsidiaries;
- (c) a disposition of all or substantially all the assets of the Issuer, the Issuer or any Guarantor in accordance with Condition 4.7 (*Mergers and Similar Transactions*);
- (d) the creation of a Lien (but not the sale or other disposition of the property subject to such Lien) in compliance with Condition 4.1 (*Limitation on Liens*);
- (e) the licensing or sublicensing of rights to software, intellectual property or other intangibles in the ordinary course of business and on arms’ length terms;
- (f) the abandonment, sale, lease or other disposition of obsolete, redundant, written-off (in accordance with Accounting Standards), damaged, worn out, negligible, surplus or outdated plant, equipment or machinery or other assets, in each case which is no longer used or useful in the conduct of the business of the Issuer and its Subsidiaries;

- (g) the lease, assignment or sublease of any property in the ordinary course of business (including any operating lease);
- (h) sales or other dispositions of assets or property received by the Issuer or any of its Subsidiaries upon the foreclosure on a Lien granted in favour of the Issuer or any of its Subsidiaries or any other transfer of title with respect to any ordinary course secured investment in default;
- (i) the foreclosure, condemnation or any similar action with respect to any property or other assets or the surrender or waiver of contract rights or the settlement, release, or surrender of contract, tort or other claims, in the ordinary course of business;
- (j) sales of energy, inventory, stock-in-trade, goods, services and other current assets (including accounts receivable) in the ordinary course of business;
- (k) sales and dispositions of cash and Cash Equivalents; and
- (l) a Restricted Payment that does not violate Condition 4.3 (*Limitation on Restricted Payments*) or a Permitted Investment.

“**Asset Sale Offer**” has the meaning given in Condition 4.5(d) (*Asset Sales*).

“**Auditors**” means the auditors for the time being of the Issuer and its Subsidiaries or, if they are unable or unwilling to carry out any action requested of them under the Trust Deed and the Notes, any other firm of chartered accountants of internationally recognised standing appointed by the Issuer.

“**Authorised Signatory**” means any Person who (i) is a director or member of the management board of the Issuer or (ii) has been notified by the Issuer in writing to the Trustee as being duly authorised to sign documents and to do other acts and things on behalf of the Issuer for the purposes of the Notes, the Trust Deed and the Agency Agreement.

“**Board of Directors**” means, as to any Person, the board of directors, supervisory board or other equivalent executive body of such Person (including, without limitation, a general director) or any duly authorised committee thereof.

“**Business Day**” means a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in New York City, London and Istanbul and the city in which the Specified Office of the Registrar, the Transfer Agent or, as the case may be, the Principal Paying Agent is located.

“**Capital Stock**” means, with respect to any Person, any and all shares, interests (including partnership interests), rights to purchase, warrants, options, participations or other equivalents (however designated, whether voting or non-voting) of such Person’s equity, including any Preferred Stock of such Person, whether now outstanding or issued after the Issue Date, including without limitation, all series and classes of such Capital Stock but excluding any debt securities convertible into or exchangeable for such Capital Stock.

“**Cash Equivalents**” means:

- (a) securities issued or directly and fully guaranteed or insured by the government of any of the United States of America or any member state of the European Union or Türkiye or any agency or instrumentality of any of the foregoing (provided that the full faith and credit of the relevant jurisdiction is pledged in support thereof) or by any European Union central bank, and in each case having maturities of not more than one year from the date of acquisition;
- (b) certificates of deposit, time deposits and money market deposits denominated in Turkish lira, Euro, U.S. dollars or British pound sterling with maturities of one year or less from the date of acquisition, bankers’

acceptances with maturities not exceeding six months and overnight bank deposits, in each case, with a commercial bank or trust company which commercial bank or trust company has which has a rating for its long-term unsecured and non-credit-enhanced debt obligations of at least “BBB-” or the equivalent thereof by S&P, at least “Baa3” or the equivalent thereof by Moody’s or at least “BBB-” or the equivalent thereof by Fitch or, with respect to banks in Türkiye, the highest rating obtainable by commercial banks in such jurisdiction;

- (c) repurchase obligations with a term of not more than seven days for underlying securities of the types described in paragraphs (a) and (b) above entered into with any commercial bank or trust company which commercial bank or trust company has which has a rating for its long-term unsecured and non-credit-enhanced debt obligations of at least “BBB-” or the equivalent thereof by S&P, at least “Baa3” or the equivalent thereof by Moody’s or at least “BBB-” or the equivalent thereof by Fitch or, with respect to banks in Türkiye, the highest rating obtainable by commercial banks in such jurisdiction;
- (d) commercial paper having a rating at the time of the investment of at least “P-1” from Moody’s or “A-1” from S&P (or, if no rating is available in respect of the commercial paper, the issuer of which has, in respect of its long-term debt obligations, an equivalent rating) and in each case maturing within one year after the date of acquisition; and
- (e) money market funds at least 95.0 per cent. of the assets of which constitute Cash Equivalents of the kinds described in paragraphs (a) through (d) of this definition.

For purposes of this definition of “Cash Equivalents,” a subsidiary of an international bank or financial institution will be attributed the same rating as its issuer.

“**Change in Tax Law**” has the meaning given in Condition 7.2 (*Redemption for Taxation Reasons*).

“**Code**” means the U.S. Internal Revenue Code of 1986, as amended.

“**Consolidated EBITDA**” means, in relation to any period, the sum of:

- (a) “Operating Profit” (or equivalent line item), as stated in the statement of income in the financial statements most recently delivered pursuant to Condition 4.14 (*Financial Information*);
- (b) “Depreciation” and “Amortisation” (or equivalent line item), each as stated in the statement of cashflows in the financial statements most recently delivered pursuant to Condition 4.14 (*Financial Information*); and
- (c) “Capital expenditures reimbursements related to service concession arrangements” (or equivalent line item), as stated in the statement of cashflows in the financial statements most recently delivered pursuant to Condition 4.14 (*Financial Information*).

“**Consolidated Interest Expense**” means, with respect to any Person for any period, without duplication, the sum of:

- (a) consolidated net interest expense of such Person and its Subsidiaries for such period (in each case, determined on the basis of Accounting Standards), to the extent such expense was deducted (and not added back) in computing Consolidated Net Income (including (i) amortisation of original issue discount or premium resulting from the issuance of Indebtedness at less than par, (ii) all commissions, discounts and other fees and charges owed with respect to letters of credit or bankers acceptances, (iii) non-cash interest payments (but excluding any non-cash interest expense attributable to the movement in the mark to market valuation of any hedging obligations or other derivative instruments pursuant to Accounting Standards), (iv) the interest component of lease obligations, and (v) net payments, if any, pursuant to

interest rate Hedging Obligations with respect to Indebtedness but excluding any payment-in-kind interest accruing on any Subordinated Shareholder Funding); plus

- (b) consolidated capitalised interest of such Person and its Subsidiaries that are Subsidiaries for such period, whether paid or accrued (but excluding any interest capitalised, accrued, accreted or paid in respect of Subordinated Shareholder Funding),

provided that, for the purposes of this definition, interest on a lease (including any Lease Obligation) shall be deemed to accrue at an interest rate reasonably determined by such Person to be the rate of interest implicit in such lease in accordance with Accounting Standards.

“Consolidated Net Debt” means, at any Determination Date, the aggregate amount of Indebtedness of the Group (excluding (i) Hedging Obligations and (ii) for the avoidance of doubt, any other Indebtedness of the type specified in Condition 4.2(b)(iii) (*Incurrence of Indebtedness*) as determined in accordance with the Accounting Standards, *less* the aggregate amount of cash and Cash Equivalents of the Group.

“Consolidated Net Income” means, with respect to any specified Person for any period, the net profit or loss (or equivalent line item) of such Person and its Subsidiaries for such period, on a consolidated basis, determined in accordance with Accounting Standards.

“Consolidated Net Leverage Ratio” as of any date of determination (a **“Determination Date”**) means the ratio of: (x) Consolidated Net Debt to (y) Consolidated EBITDA for the Relevant Period ending prior to such Determination Date (the **“EBITDA Calculation Period”**); *provided, however, that*:

- (a) if (i) any member of the Group has incurred any Indebtedness since the balance sheet date (the **“Balance Sheet Date”**) of the most recent consolidated financial statements of the Group which remains outstanding on the Determination Date; or (ii) the transaction giving rise to the need to calculate the Consolidated Net Leverage Ratio is an incurrence of Indebtedness, or both, the Consolidated Net Leverage Ratio shall be calculated by adjusting the Consolidated Net Debt for such period to give effect to the incurrence of any Indebtedness mentioned in (i) or (ii) above, or both, as if such Indebtedness had been incurred on the Balance Sheet Date; *provided* that no effect shall be given to any cash or Cash Equivalents received by any member of the Group as proceeds of such Indebtedness that gave rise to the need to calculate the Consolidated Net Leverage Ratio;
- (b) if: (i) any member of the Group has repaid, repurchased, defeased or otherwise discharged any Indebtedness since the Balance Sheet Date; or (ii) if any Indebtedness is to be repaid, repurchased, defeased or otherwise discharged (in each case other than Indebtedness incurred under any revolving credit facility unless such Indebtedness has been permanently repaid and has not been replaced) on the date of the transaction giving rise to the need to calculate the Consolidated Net Leverage Ratio, or both, the Consolidated Net Leverage Ratio shall be calculated by adjusting the Consolidated Net Debt for such period to give effect to such repayment, repurchase, defeasement or discharge mentioned in (i) or (ii) above, as if such repayment, repurchase, defeasement or discharge had occurred on the Balance Sheet Date;
- (c) if since the Balance Sheet Date any member of the Group has made an Asset Sale as a result of which a Person ceased to be a member of the Group, the Consolidated Net Leverage Ratio shall be calculated by adjusting the Consolidated Net Debt for such period to give effect to any reduction of Indebtedness (to the extent originally included) equal to the Indebtedness of such Person as if such disposal had occurred on the Balance Sheet Date;
- (d) if since the beginning of the EBITDA Calculation Period any member of the Group (by merger or otherwise) shall have made an investment in any Person which as a result of such investment becomes a member of the Group or an acquisition of assets which constitutes all or substantially all of an operating

unit of a business (including any acquisition of assets occurring in connection with a transaction requiring a calculation to be made hereunder), the Consolidated Net Leverage Ratio shall be calculated by adjusting the Consolidated EBITDA for such EBITDA Calculation Period as if such investment or acquisition had occurred on the first day of such EBITDA Calculation Period; and

- (e) if since the beginning of the EBITDA Calculation Period any member of the Group shall have made an Asset Sale, the Consolidated Net Leverage Ratio shall be calculated by reducing the Consolidated EBITDA for such EBITDA Calculation Period by an amount equal to the Consolidated EBITDA (if positive) directly attributable to the assets which are the subject of such Asset Sale, or increased by an amount equal to the Consolidated EBITDA (if negative), directly attributable thereto for such period as if such Asset Sale had occurred on the first day of such EBITDA Calculation Period.

The Consolidated Net Leverage Ratio shall be determined in good faith by an authorised officer of the Issuer, whose determination will be conclusive (in the absence of manifest error).

“Contingent Obligations” means, with respect to any Person, any obligation of such Person guaranteeing in any manner, whether directly or indirectly, any operating lease, dividend or other obligation that, in each case, does not constitute Indebtedness (“*primary obligations*”) of any other Person (the “*primary obligor*”), including any obligation of such Person, whether or not contingent:

- (a) to purchase any such primary obligations or any property constituting direct or indirect collateral therefor;
- (b) to advance or supply funds:
 - (i) for the purchase or payment of any such primary obligation; or
 - (ii) to maintain the working capital or equity capital of the primary obligor or otherwise to maintain the net worth or solvency of the primary obligor; or
- (c) to purchase property, securities or services primarily for the purpose of assuring the owner of any such primary obligations of the ability of the primary obligor to make payment of such primary obligations against loss in respect thereof.

“Core or Related Business” means the distribution of electricity within the regions of İzmir and Manisa, and any business related, ancillary or complementary to any of the foregoing, including but not limited to the operation, maintenance, repair and enhancement of the electrical grid infrastructure, customer service operations, energy efficiency initiatives, energy monitoring and reporting activities.

“Currency Agreement” means any foreign exchange contract, currency swap agreement or other similar agreement with respect to currency values.

“Deed of Accession” has the meaning given in the Trust Deed.

“Designated Non-Cash Consideration” means the non-cash consideration received by the Issuer or one of its Subsidiaries in connection with an Asset Sale that is so designated as “Designated Non-Cash Consideration” pursuant to an Officer’s Certificate, setting forth the basis of the valuation thereof, less the amount of cash or Cash Equivalents received in connection with a subsequent sale of such Designated Non-Cash Consideration (which cash or Cash Equivalents shall be considered to have been received as consideration for such Asset Sale).

“Disinterested Director” means, with respect to any Affiliate Transaction or Asset Sale, a member of the Board of Directors of the Issuer or the relevant Subsidiary having no material direct or indirect financial interest in or with respect to such Affiliate Transaction or Asset Sale and who is not an officer or director of the Affiliate that

is the counterparty to the Affiliate Transaction or Asset Sale. For the avoidance of doubt, the members of the Board of Directors will not be deemed to have such a financial interest solely by virtue of having been appointed to such position by a Permitted Holder or by reason of such member's holding Capital Stock of the Issuer or its Subsidiary of the Issuer or any options, warrants or other rights in respect of such Capital Stock.

“Disposal Proceeds” means the aggregate cash proceeds received by the Issuer or any of its Subsidiaries in respect of any Asset Sale (including, without limitation, any cash received upon the sale, conversion or other disposition of other consideration received in non-cash form or Cash Equivalents substantially concurrently received in any Asset Sale), net of the direct costs relating to such Asset Sale or other consideration received in non-cash form, including, without limitation:

- (a) brokerage or sales commissions and other fees and expenses (including fees and expenses of accounting and/or legal advisers and/or investment bankers), title and recording tax expenses, commissions and other fees and expenses relating to such Asset Sale;
- (b) provision for all taxes required to be paid or payable, or required to be accrued as a liability determined in conformity with Accounting Standards as a result of such Asset Sale;
- (c) payments made to repay Indebtedness or any other obligation outstanding at the time of such Asset Sale that either is secured by a Lien on the property or assets sold, or is required, in the ordinary course of business and not in contemplation of such sale, to be paid as a result of such sale;
- (d) all distribution and other payments required to be made to minority interest holders in Subsidiaries of the Issuer as a result of such Asset Sale;
- (e) any portion of the purchase price from an Asset Sale placed in escrow, whether as a reserve for adjustment of the purchase price, for satisfaction of indemnities in respect of such Asset Sale or otherwise in connection with that Asset Sale; provided, however, that upon the termination of that escrow, Disposal Proceeds will be increased by any portion of funds in the escrow that are released to the Issuer or any of its Subsidiaries; and
- (f) appropriate amounts to be provided by the Issuer or any of its Subsidiaries as a reserve against any liabilities associated with such Asset Sale, including, without limitation, pension and other post-employment benefit liabilities, liabilities related to environmental matters and liabilities under any indemnification obligation associated with such Asset Sale, all as determined in conformity with Accounting Standards.

“Disqualified Stock” means, with respect to any Person, any Capital Stock which by its terms (or by the terms of any collateral into which it is convertible or for which it is exchangeable at the option of the holder) or upon the happening of any event:

- (a) matures or is mandatorily redeemable (other than redeemable only for Capital Stock of such Person which is not itself Disqualified Stock) pursuant to a sinking fund obligation or otherwise;
- (b) is convertible or exchangeable at the option of the holder for Indebtedness or Disqualified Stock; or
- (c) is mandatorily redeemable or must be purchased upon the occurrence of certain events or otherwise, in whole or in part,

in each case on or prior to the date that is six months after the final maturity of the Notes; provided, however, that any Capital Stock that would not constitute Disqualified Stock but for provisions thereof giving holders thereof the right to require such Person to purchase or redeem such Capital Stock upon the occurrence of an “asset sale” or “change of control” occurring prior to the six-month anniversary of the final maturity of the Notes shall not constitute Disqualified Stock if the terms of such Capital Stock provide that the issuer thereof

may not repurchase or redeem any such Capital Stock pursuant to such provisions unless such repurchase or redemption complies with Condition 4.3 (*Limitation on Restricted Payments*).

The amount of any Disqualified Stock that does not have a fixed redemption, repayment or repurchase price will be calculated in accordance with the terms of such Disqualified Stock as if such Disqualified Stock were redeemed, repaid or repurchased on any date on which the amount of such Disqualified Stock is to be determined pursuant to the Trust Deed; provided, however, that if such Disqualified Stock could not be required to be redeemed, repaid or repurchased at the time of such determination, the redemption, repayment or repurchase price will be the book value of such Disqualified Stock as reflected in the most recent financial statements of such Person.

“Environment” means living organisms including the ecological systems of which they form part and the following media:

- (a) air (including air within natural or man-made structures, whether above or below ground);
- (b) water (including territorial, coastal and inland waters, water under or within land and water in drains and sewers); and/or
- (c) land (including land under water).

“Environmental Laws” means all laws and regulations of any relevant jurisdiction which:

- (a) have as a purpose or effect the protection of, and/or prevention of harm or damage to, the Environment;
- (b) provide remedies or compensation for harm or damage to the Environment; and
- (c) relate to hazardous substances or health or safety matters.

“Environmental Licenses” means any authorisation, consent, approval, resolution, license, exemption, filing or registration required at any time under Environmental Law for the operation of the business of the Issuer, the Guarantors and their respective Material Subsidiaries conducted on or from the properties owned or used by the Issuer, the Guarantors and their respective Material Subsidiaries.

“Equity Interest” means Capital Stock and all warrants, options or other rights to acquire Capital Stock (but excluding any debt security that is convertible into, or exchangeable for, Capital Stock).

“Equity Offering” means any public or private sale or issuance of common stock or preferred stock of the Issuer (excluding Disqualified Stock) other than issuances to any Material Subsidiary of the Issuer.

“Excess Proceeds” has the meaning set out in Condition 4.5(d) (*Asset Sales*).

“Exchange Act” means the U.S. Securities Exchange Act of 1934, as amended.

“Extraordinary Resolution” means a resolution passed (a) at a meeting duly convened and held in accordance with these Conditions and the Trust Deed, (b) by a Written Resolution (as defined in the Trust Deed) or (c) by an Electronic Consent (as defined in the Trust Deed).

“Event of Default” has the meaning given in Condition 10.1 (*Events of Default*).

“Fair Market Value” means with respect to any property, asset or Investments, the fair market value of such property, asset or Investment at the time of the event requiring such determination, as determined in good faith by the Board of Directors of the Issuer.

“FATCA” means sections 1471 to 1474 of the Code, any regulations or agreements promulgated thereunder, any official interpretations thereof, any agreement described in section 1471(b) of the Code, or any law implementing an intergovernmental approach thereto.

“**FFI**” means a “foreign financial institution” as such term is defined pursuant to FATCA.

“**Fitch**” means Fitch Ratings Inc. and any successor to its rating agency business.

“**Fixed Charge Coverage Ratio**” means, as of any date of determination, the ratio of the Consolidated EBITDA for such Relevant Period to Consolidated Fixed Charges of the Group for such Relevant Period, *provided that*, for the purposes of calculating the Consolidated Fixed Charge Coverage Ratio:

- (a) acquisitions of businesses or assets that have been made by the Issuer or any of its Subsidiaries, including through mergers, consolidations, amalgamations or other business combinations and including any related financing transactions during such Relevant Period or subsequent to such Relevant Period and on or prior to the determination date (or that are to be made on the determination date), will be given *pro forma* effect as if they had occurred on the first day of the Relevant Period;
- (b) Indebtedness incurred or discharged by the Issuer or any of its Subsidiaries during or subsequent to the Relevant Period and on or prior to the determination date (or that are to be incurred or discharged on the determination date) will be deemed incurred or discharged, as the case may be, on a *pro forma* basis, at the first day of the Relevant Period;
- (c) the Consolidated EBITDA attributable to discontinued operations, as determined in accordance with Accounting Standards, and operations or businesses (and ownership interests therein) disposed of prior to the determination date, will be excluded;
- (d) any Person that is a Subsidiary on the determination date will be deemed to have been a Subsidiary at all times during such Relevant Period; and
- (e) any Person that is not a Subsidiary on the determination date will be deemed not to have been a Subsidiary at any time during such Relevant Period.

For the purposes of this definition and the definitions of “Consolidated EBITDA,” “Consolidated Fixed Charges” and “Consolidated Net Interest Expense,” *pro forma* calculations will be as determined in good faith by a responsible financial or accounting officer of the Issuer.

“**Fixed Charges**” means, with respect to any Person for any period, the sum of (without duplication):

- (a) Consolidated Interest Expense of such Person for such period;
- (b) all cash dividends or other distributions paid (excluding items eliminated in consolidation) on any series of Preferred Stock of any Subsidiary of such Person during such period; and
- (c) all cash dividends or other distributions paid (excluding items eliminated in consolidation) on any series of Disqualified Stock during this period.

“**Group**” means the Issuer, the Guarantors and their respective Subsidiaries.

“**Guarantees**” means the guarantees of the Notes provided by each Guarantor pursuant to Condition 4.13 (*Additional Guarantees*).

“**Guarantor Coverage Threshold**” has the meaning given in Condition 4.13(a) (*Additional Guarantees*).

“**Guarantors**” means those entities that have executed and delivered a Deed of Accession and provided a Guarantee of the Notes, and “**Guarantor**” means any of them, but which expressions exclude any entity released for the time being from being a Guarantor pursuant to these Conditions.

“**Hedging Obligations**” of any Person means the obligations of such Person pursuant to any Interest Rate Agreement or Currency Agreement or any other derivative transaction entered into in connection with

protection against or benefit from fluctuation in any rate or price (including but not limited to fluctuations with respect to any index or the price of any commodity), with the amount of obligations in respect of any such derivative transaction determined with reference to the marked to market value thereof (or, if any actual amount is due as a result of the termination or close-out of that derivative transaction, that amount), without set off for any cash collateral in respect of such obligations.

“**IFRS**” means International Financial Reporting Standards.

“**Incur**” means, with respect to any Indebtedness or other obligation of any Person, to create, issue, incur (including by conversion or exchange, but for the avoidance of doubt, excluding extensions of maturity), assume, guarantee or otherwise become liable in respect of such Indebtedness or other obligation of such Person (and “**Incurrence**,” “**Incurred**” and “**Incurring**” shall have meanings correlative to the preceding). Indebtedness of any acquired Person or any of its Subsidiaries existing at the time such acquired Person becomes a Subsidiary (or is merged into or consolidated with the Issuer or any of its Subsidiaries), whether or not such Indebtedness was Incurred in connection with, as a result of, or in contemplation of, such acquired Person becoming a Subsidiary (or being merged into or consolidated with the Issuer or any of its Subsidiaries), shall be deemed Incurred at the time any such acquired Person becomes a Subsidiary (or merges into or consolidates with the Issuer or any of its Subsidiaries). Notwithstanding the foregoing, the following will not be deemed to be an Incurrence:

- (a) the accrual of interest or preferred stock dividends or the accretion or amortisation of original issue discount;
- (b) the amortisation of debt discount or the accretion of principal with respect to a non-interest bearing or other discount collateral;
- (c) the payment of interest in the form of additional Indebtedness or the payment of dividends on Capital Stock in the form of additional Capital Stock of the same class and with the same terms;
- (d) the reclassification of preferred stock as Indebtedness due to a change in accounting principles; and
- (e) the obligation to pay a premium in respect of Indebtedness arising in connection with the issuance of the notice of redemption or the making of a mandatory offer to purchase such Indebtedness.

“**Indebtedness**” means, with respect to any Person at any date of determination (without duplication):

- (a) indebtedness for, or in respect of, moneys borrowed;
- (b) any amount raised by acceptance under any acceptance credit facility;
- (c) any amount raised pursuant to any note purchase facility or issue of bonds, notes, debentures, loan stock or other similar instruments, including, in each case, any premium on such indebtedness to the extent such premium has become due and payable;
- (d) any amounts raised pursuant to any issue of shares which are expressed to be redeemable, including any Disqualified Stock or, with respect to any Subsidiary of the Issuer, any Preferred Stock (for the avoidance of doubt, excluding any issue of Preferred Stock of the Issuer);
- (e) representing Lease Obligations;
- (f) the amount of any liability in respect of any advance or deferred purchase agreement if the primary reason for entering into such agreement is to raise finance;
- (g) all conditional sale obligations of such Person and all obligations of such Person under any title retention agreement, if one of the primary reasons for entering into such obligations is to raise finance (but

excluding any accounts payable or other liability to trade creditors arising in the ordinary course of business);

- (h) all obligations of such Person in respect of letters of credit or similar instruments (other than obligations with respect to documentary facilities, including without limitation, letters of credit, performance guarantees, documentary credits and advance payment bonds, provided by or at the request of such Person, in the ordinary course of business of such Person to the extent such documentary facilities, letters of credit, performance guarantees, documentary credits and advance payment bonds are not drawn upon or, if and to the extent drawn upon, such drawing is reimbursed no later than the 30 days following receipt by such Person of a demand for reimbursement following payment on such documentary facilities, letters of credit, performance guarantees, documentary credits and advance payment bonds);
- (i) all obligations of the type referred to in paragraphs (a) through (h) above and (j) through (l) below of other Persons secured by any Lien on any property or asset of such Person (whether or not such obligation is assumed by such Person), the amount of such outstanding obligation being deemed to be the lesser of the Fair Market Value of such property or assets at the date of determination and the amount of the obligation so secured;
- (j) to the extent not otherwise included in this definition, Hedging Obligations of such Person;
- (k) any amount raised under any other transaction (including any forward sale or purchase agreement) having the commercial effect of a borrowing; and
- (l) the amount of any liability in respect of any guarantee, suretyship or indemnity for any of the items referred to in paragraphs (a) to (k) above (other than the Guarantees),

if and to the extent any of the preceding items (other than Hedging Obligations and the items specified in paragraphs (h), (i) and (l) above) would appear as a liability upon a balance sheet (excluding the notes thereto) of the specified Person prepared in accordance with the Accounting Standards. The amount of Indebtedness of any Person at any date shall be the outstanding balance at such date of all unconditional obligations as described above and, with respect to contingent obligations as described above, the liability upon the occurrence of the contingency giving rise to the obligation.

The term “Indebtedness” shall not include:

- (x) Subordinated Shareholder Funding;
- (y) Contingent Obligations in the ordinary course of business; and
- (z) (i) trade payables and accrued expenses and (ii) deferred or prepaid revenues including prepayments or deposits received from clients or customers, in each case, in the ordinary course of business.

“**Indebtedness for Borrowed Money**” means any indebtedness of any Person for or in respect of:

- (a) moneys borrowed;
- (b) amounts raised by acceptance under any acceptance credit facility;
- (c) amounts raised pursuant to any note purchase facility or the issue of bonds, notes, debentures, loan stock or similar instruments;
- (d) the amount of any liability in respect of leases or hire purchase contracts which would, in accordance with International Financial Reporting Standards, be treated as finance or capital leases;

- (e) the amount of any liability in respect of any purchase price for assets or services the payment of which is deferred primarily as a means of raising finance or financing the acquisition of the relevant asset or service;
- (f) amounts raised under any other transaction (including any forward sale or purchase agreement and the sale of receivables or other assets on a “with recourse” basis) having the commercial effect of a borrowing;
- (g) any derivative transaction entered into in connection with protection against or benefit from fluctuation in any rate or price (and, when calculating the value of any derivative transaction, only the mark-to-market value shall be taken into account); or
- (h) any counter-indemnity obligation in respect of any guarantee, indemnity, bond, standby or documentary letter of credit or any other instrument issued by a bank or financial institution.

“**Indebtedness Guarantee**” means in relation to any indebtedness of any Person, any obligation of another Person to pay such indebtedness including (without limitation) (i) any obligation to purchase such indebtedness, (ii) any obligation to lend money, to purchase or subscribe shares or other securities or to purchase assets or services in order to provide funds for the payment of such indebtedness, (iii) any indemnity against the consequences of a default in the payment of such indebtedness and (iv) any other agreement to be responsible for repayment of such indebtedness.

“**Interest Payment Date**” has the meaning given in Condition 5.1 (*Interest Accrual*).

“**Interest Period**” has the meaning given in Condition 5.1 (*Interest Accrual*).

“**Interest Rate Agreement**” means any interest rate swap agreement, interest rate cap agreement or other financial agreement or arrangement with respect to exposure to interest rates.

“**International Financial Reporting Standards**” means the International Financial Reporting Standards (formerly International Accounting Standards) issued by the International Accounting Standards Board (“**IASB**”) and interpretations issued by the International Financial Reporting Interpretations Committee of the IASB (as amended, supplemented or re issued from time to time).

“**Investments**” means, with respect to any Person, all direct or indirect investments by such Person in other Persons (including Affiliates) in the form of any direct or indirect advance, loan or other extension of credit (excluding advances or extensions of credit to customers, suppliers, directors, officers or employees of any Person made in the ordinary course of business and rent deposits), or capital contribution to (including by means of any transfer of cash or other property to others, but excluding commission, travel and similar advances to officers and employees made in the ordinary course of business and further excluding any capital expenditure), or the incurrence of any guarantee of any obligation of, or any purchase or other acquisition of Capital Stock, Indebtedness or other securities issued by, such other Persons, together with all items that are or would be classified as investments on a balance sheet (excluding the footnotes) prepared in accordance with Accounting Standards. If the Issuer or any of its Subsidiaries sells or otherwise disposes of any Capital Stock of any direct or indirect Subsidiary such that, after giving effect to any such sale or disposition, such Person is no longer a Subsidiary, the Issuer shall be deemed to have made an Investment on the date of any such sale or disposition equal to the Fair Market Value of the Issuer’s Investments in such Subsidiary that were not sold or disposed of. The acquisition by the Issuer or any of its Subsidiaries of a Person that holds an Investment in a third Person shall be deemed to be an Investment by the Issuer or such Subsidiary in such third Person in an amount equal to the Fair Market Value of the Investment held by the acquired Person in such third Person. The amount of any Investment outstanding at any time shall be the original cost of such Investment, reduced (at the Issuer’s option) by any dividend, distribution, interest payment, return of capital, repayment or other amount or value received in respect of such Investment.

“**Issue Date**” means 15 October 2024.

“**Joint Venture**” means any joint venture entity, whether a company, unincorporated firm, undertaking, association, joint venture or partnership or any other entity, including, for the avoidance of doubt, any interest in any Person where the Issuer owns less than 100 per cent. of the outstanding voting power and/or beneficial economic interest in such entity.

“**Lease Obligation**” means, at the time any determination is to be made, the amount of the liability in respect of any lease that would at that time would be required to be treated as a balance sheet liability in accordance with IFRS. The Stated Maturity of any Lease Obligation shall be the date of the last payment of rent or any other amount due under the relevant lease prior to the first date upon which such lease may be prepaid by the lessee without payment of a penalty.

“**Lien**” means any mortgage, pledge, lien, encumbrance, lien or charge of any kind (including, without limitation, any conditional sale or other title retention agreement or lease in the nature thereof, any sale with recourse against the seller or any Affiliate of the seller, or any agreement to give any lien) securing any obligation of any Person.

“**Management Advances**” means loans or advances made to, or guarantees with respect to loans or advances made to, directors, officers, employees or consultants of the Issuer:

- (a) in respect of travel, entertainment or moving-related expenses incurred in the ordinary course of business of the Issuer or any of its Subsidiaries;
- (b) in respect of moving-related expenses incurred in connection with any closing or consolidation of any facility or office of the Issuer or any of its Subsidiaries; or
- (c) any other such loans, advances or guarantees provided that they are made in the ordinary course of business of the Issuer or any of its Subsidiaries and do not exceed U.S.\$1.0 million in the aggregate outstanding at any time.

“**Material Adverse Effect**” means a material adverse effect on:

- (a) the business, results of operations, property, assets, condition (financial or otherwise) or prospects of the Issuer, any Guarantor or any of their respective Material Subsidiaries; or
- (b) the Issuer’s or the Guarantors’ ability to perform its obligations under the Notes, the Trust Deed (including, in the case of the Guarantors, the Guarantee) and the Agency Agreement; or
- (c) the validity, legality or enforceability of the Trust Deed (including the Guarantee) or the rights or remedies of the Noteholders, the Agents or the Trustee under the Notes, the Trust Deed or the Agency Agreement.

“**Material Subsidiary**” means at any relevant time a Subsidiary:

- (a) whose standalone total assets, EBITDA or revenue represent not less than 7.50 per cent. of the Total Assets, Consolidated EBITDA or consolidated revenue of the Group (determined by reference to the most recent publicly available annual or semi-annual consolidated financial statements of the Group prepared in accordance with Accounting Standards and the latest annual or semi-annual financial statements of the Subsidiary prepared in accordance with Accounting Standards);
- (b) to which is transferred all or substantially all the assets and undertakings of a Subsidiary (the “**Original Material Subsidiary**”) of the Issuer which immediately prior to such transfer is a Material Subsidiary *provided that*: (i) the transferee (the “**New Material Subsidiary**”) shall cease to be a Material Subsidiary if upon delivery of any of the financial statements referred to in paragraph (a) above it no longer

constitutes a Material Subsidiary under paragraph (a) above, and (ii) the Original Material Subsidiary shall cease to be a Material Subsidiary on the date of such transfer until such time as it may constitute a Material Subsidiary again under paragraph (a) above; or

(c) that is a Guarantor.

“**Moody’s**” means Moody’s Investors Service, Inc. and any successor to its rating agency business.

“**Net Cash Proceeds**,” with respect to any issuance or sale of Capital Stock or Indebtedness, means the cash proceeds of such issuance or sale net of legal fees, accountants’ fees, underwriters’ or placement agents’ fees, discounts or commissions and brokerage, consultant and other fees actually incurred in connection with such issuance or sale and net of taxes paid or payable as a result thereof.

“**Officers’ Certificate**” means a certificate signed by two Authorised Signatories of the Issuer.

“**Opinion of Counsel**” means a written opinion from legal counsel of international standing which is acceptable to the Trustee and/or the Security Agent (as applicable) in each case acting reasonably.

“**outstanding principal amount**” means, in respect of each Note, its current principal amount, being the nominal amount of such Note less payments of principal made on such Note from time to time pursuant to Condition 7 (*Redemption and Purchase*).

“**Participating FFI**” means an FFI that is a “participating foreign financial institution” as from the effective date of withholding on “passthru payments” (as terms are defined pursuant to FATCA).

“**Permitted Debt**” has the meaning set out in Condition 4.2(b) (*Incurrence of Indebtedness*).

“**Permitted Investments**” means:

- (a) any Investment in the Issuer or any of its Subsidiaries (by the Issuer or its Subsidiary) (but excluding, for the avoidance of doubt, any Investment in any Joint Ventures);
- (b) any Investment in cash, (for the avoidance of doubt, including cash held in any current account with any bank or financial institution) or Cash Equivalents;
- (c) any Investment by the Issuer or its Subsidiary in a Person, if as a result of such Investment:
 - (i) such Person becomes a Subsidiary; or
 - (ii) such Person is merged, consolidated or amalgamated with or into, or transfers or conveys all or substantially all of its assets to, or is liquidated into, the Issuer or its Subsidiary,but excluding, for the avoidance of doubt, any such transaction involving any Joint Ventures;
- (d) any Investment made as a result of the receipt of non-cash consideration from a sale or other disposition of property or assets, including an Asset Sale, in each case, that was made pursuant to and in compliance with Condition 4.5 (*Asset Sales*);
- (e) any Investments received in settlement of debts created in the ordinary course of business or in compromise or resolution of:
 - (i) obligations of trade creditors or customers that were incurred in the ordinary course of business of the Issuer or any of its Subsidiaries, including pursuant to any plan of reorganisation or similar arrangement upon the bankruptcy or insolvency of any trade creditor or customer; or
 - (ii) litigation, arbitration or other disputes;

- (f) Investments in receivables owing to the Issuer or any of its Subsidiaries if created or acquired in the ordinary course of business;
- (g) Investments represented by Hedging Obligations, which obligations are permitted by Condition 4.2(b)(iii)(vi) (*Incurrence of Indebtedness*);
- (h) Pledges or deposits (i) with respect to leases or utilities provided to third parties in the ordinary course of business or (ii) otherwise described in the definition of “Permitted Liens” or made in connection with Liens permitted under Condition 4.1 (*Limitation on Liens*);
- (i) (i) guarantees of Indebtedness not prohibited by Condition 4.2 (*Incurrence of Indebtedness*) hereof and (ii) (other than with respect to Indebtedness) guarantees, keepwells and similar arrangements in the ordinary course of business;
- (j) (i) Investments in the Notes and (ii) any Investments in any other Indebtedness of the Issuer or any of its Subsidiaries;
- (k) any Investment existing on, or made pursuant to legally binding commitments in existence on, the Issue Date and any extension, modification or renewal of any such Investment; provided that the amount of the Investment may be increased (i) as required by the terms of the Investment or (ii) as otherwise permitted under these Conditions;
- (l) Investments acquired after the Issue Date as a result of the acquisition by the Issuer or any of its Subsidiaries of another Person, including by way of a merger, amalgamation or consolidation with or into the Issuer or any of its Subsidiaries in a transaction that is not prohibited by Condition 4.7 (*Mergers and Similar Transactions*) after the Issue Date to the extent that such Investments were not made in contemplation of such acquisition, merger, amalgamation or consolidation and were in existence on the date of such acquisition, merger, amalgamation or consolidation (but excluding, for the avoidance of doubt, in any Person that is a Joint Venture);
- (m) Management Advances;
- (n) any performance, bid, completion, surety or appeal bonds or similar instruments, guarantees or obligations entered into in the ordinary course of business;
- (o) any guarantee given in respect of the netting or set-off arrangements permitted pursuant to paragraph (j) of the definition of “Permitted Liens”; and
- (p) other Investments in any Person having an aggregate Fair Market Value (measured on the date each such Investment was made and without giving effect to subsequent changes in value), when taken together with all other Investments made pursuant to this paragraph (p) that are at the time outstanding do not exceed the greater of (i) U.S.\$50.0 million and (ii) 2.5 per cent. of Total Assets; provided that if an Investment is made pursuant to this paragraph (p) in a Person that is not a Subsidiary at the date of the making of such Investment and such Person subsequently becomes a Subsidiary (excluding any Joint Ventures), such Investment shall thereafter be deemed to have been made pursuant to paragraph (a) or (c) above and not this paragraph (p).

“**Permitted Liens**” means:

- (a) any Lien existing on the Issue Date;
- (b) Liens imposed by law or by agreement having the same effect, including but without limitation, Liens of landlords and carriers, warehousemen, mechanics, suppliers, material men, repairmen or other similar Liens arising in the ordinary course of business;

- (c) Liens on property or shares of Capital Stock of another Person at the time such other Person becomes a Subsidiary of or is merged or consolidated with or into the Issuer or any of its Subsidiaries; *provided, however, that* the Liens may not extend to any other property owned by the Issuer or any of its Subsidiaries (other than assets and property affixed or appurtenant thereto);
- (d) Liens on property at the time the Issuer or any of its Subsidiaries acquires the property, including any acquisition by means of a merger or consolidation with or into the Issuer or such Subsidiary; *provided, however, that* the Liens may not extend to any other property owned by the Issuer or any of its Subsidiaries (other than assets and property affixed or appurtenant thereto);
- (e) any Lien securing the Notes and the Guarantees;
- (f) any Lien incurred, or pledges or deposits in connection with workers' compensation, unemployment insurance and other social security benefits and other obligations of like nature in the ordinary course of business;
- (g) Liens (including deposits) to secure the performance of bids, trade contracts, government contracts, leases, statutory obligations, customs duties, guarantees, completion, surety and appeal bonds, performance or return-of-money bonds or liabilities to insurance carriers under insurance or self-insurance arrangements and other obligations of like nature, in each case so long as such Liens do not secure obligations constituting Indebtedness for money borrowed and are incurred in the ordinary course of business, including Liens to secure letters of credit or other documentary facilities issued to assure payment of such obligations;
- (h) survey exceptions, easements, rights of way, restrictions (including zoning restrictions), reservations, permits, servitudes, defects or irregularities in title and other similar charges and encumbrances, and Liens arising under leases or subleases granted to others, in each case not interfering in any material respect with the business of the Issuer or any of its Subsidiaries and existing, arising or incurred in the ordinary course of business incidental to the conduct of the business of such Person or to the ownership of its properties which were not Incurred in connection with Indebtedness and which do not individually or in the aggregate materially adversely affect the value of said properties or materially impair their use in the operation of the business of such Person;
- (i) any Lien securing reimbursement obligations of the Issuer or any of its Subsidiaries with respect to letters of credit or bank guarantees encumbering only documents and other property relating to such letters of credit or bank guarantees and the products or proceeds thereof in the ordinary course of business; *provided that* such letters of credit or bank guarantees do not constitute Indebtedness;
- (j) Liens on property of the Issuer securing Hedging Obligations permitted to be Incurred under Condition 4.2(b)(vi) (*Incurrence of Indebtedness*);
- (k) (i) a right of set-off, right to combine accounts or any analogous right which any bank or other financial institution may have relating to any credit balance of the Issuer or any of its Subsidiaries; *provided, however, that* (x) such deposit account is not a dedicated cash collateral account and is not subject to restrictions against access by the Issuer or any of its Subsidiaries, and (y) such deposit account is not intended by the Issuer or any of its Subsidiaries to provide collateral to the depository institution and (ii) any Lien arising in the ordinary course of banking transactions, *provided that* the Lien is limited to the assets which are the subject of the relevant transaction;
- (l) any Lien for taxes, assessments, customs or other governmental charges and similar charges or claims, including VAT, which either are not delinquent or are being contested in good faith by appropriate proceedings for which the Issuer or relevant Subsidiary has set aside in its accounts reserves to the extent required by Accounting Standards;

- (m) Liens to secure any Refinancing Indebtedness (excluding Liens to secure Refinancing Indebtedness initially secured pursuant to paragraph (j) above) permitted to be Incurred under these Conditions; *provided, however, that:*
 - (i) the new Lien is limited to all or part of the same property and assets that secure or, under the written agreements pursuant to which the original Lien arose, could secure the original Lien (plus improvements and accessions to such property or proceeds or distributions thereof); and
 - (ii) the Indebtedness secured by the new Lien is not increased to any amount greater than the sum of (A) the outstanding principal amount, or, if greater, committed amount, of the Indebtedness Refinanced with such Refinancing Indebtedness and (B) an amount necessary to pay any fees and expenses, including premiums, related to such Refinancing;
- (n) any Liens arising under any retention of title, hire purchase, consignment or conditional sale arrangement or arrangements having similar effect in respect of goods supplied to the Issuer or any of its Subsidiaries in the ordinary course of business and on the supplier's standard or usual terms and not arising as a result of any default or omission by the Issuer or any of its Subsidiaries;
- (o) Liens arising out of judgments or awards not constituting an Event of Default and notices of *lis pendens* and associated rights related to litigation being contested in good faith by appropriate proceedings or for which adequate reserves have been made;
- (p) Liens on insurance policies and proceeds thereof, or other deposits, to secure insurance premium financings;
- (q) Liens on cash, Cash Equivalents or other property arising in connection with the defeasance, discharge or redemption of Indebtedness;
- (r) Liens on specific items of inventory or other goods (and the proceeds thereof) of any Person securing such Person's obligations in respect of bankers' acceptances issued or created in the ordinary course of business for the account of such Person to facilitate the purchase, shipment or storage of such inventory or other goods;
- (s) (i) mortgages, liens, restrictions, encumbrances or any other matters of record that have been placed by any developer, landlord or other third party on property over which the Issuer or any of its Subsidiaries has easement rights or on any real property leased by the Issuer or any of its Subsidiaries and subordination or similar agreements relating thereto and (ii) any condemnation or eminent domain proceedings or compulsory purchase order affecting real property;
- (t) Liens on any proceeds loan made by the Issuer, any Subsidiary of the Issuer or a special purpose financing entity to the Issuer or any of its Subsidiaries in connection with, and in the amount not exceeding the proceeds of, any future Incurrence of Indebtedness and securing that Indebtedness, *provided that* the Incurrence of such Indebtedness and the Incurrence of such proceeds loan are permitted by these Conditions;
- (u) any interest or title of a lessor under any operating lease;
- (v) Liens Incurred in connection with a cash management program established in the ordinary course of business;
- (w) pledges of goods, the related document of title and/or other related documents arising or created in the ordinary course of the Issuer's or any Subsidiary's business or operations as Liens only for Indebtedness to a bank or financial institution directly relating to the goods or documents on or over which the pledge exist; and

- (x) any extension, renewal or replacement, in whole or in part, of any Lien described in the foregoing paragraphs, *provided that* any such extension, renewal or replacement shall not extend to any additional property or assets.

“Permitted Reorganisation” means:

- (a) any disposal by any Subsidiary of the Issuer or the Guarantors of the whole or substantially all of its business, undertaking or assets either (i) to the Issuer, the Guarantors or any other Subsidiary of the Issuer or the Guarantors, or (ii) on arms’ length terms (provided, in the case of the sale of all or substantially all of the assets of the Issuer, the Guarantors and their respective Subsidiaries taken together (in one or a series of transactions), the acquirer(s) assumes the obligations of the Issuer and the Guarantors under the Notes, the Trust Deed and the Agency Agreement pursuant to supplements thereto);
- (b) any amalgamation, consolidation or merger of a Subsidiary of the Issuer or a Guarantor with:
 - (i) the Issuer or a Guarantor (provided that the Issuer or such Guarantor is the surviving entity of such amalgamation, consolidation or merger); or
 - (ii) any other Subsidiary of the Issuer or the Guarantors; or
- (c) any amalgamation, consolidation, restructuring, merger or reorganisation (including with any Person which is not a member of the Group on arms’ length terms) or voluntary winding-up or dissolution whilst solvent of a Subsidiary of the Issuer provided that, in the case of any amalgamation, consolidation, restructuring, merger or reorganisation involving all or substantially all of the assets of the Issuer, the Guarantors and their respective Subsidiaries taken together (in one or a series of transactions), the acquirer(s) assumes the obligations of the Issuer and the Guarantors under the Notes, the Trust Deed and the Agency Agreement pursuant to supplements thereto, or on terms approved by an Extraordinary Resolution of Noteholders,

provided that, in each case, any such actions contemplated in paragraphs (a), (b) or (c) above are performed in compliance with, or do not otherwise violate, Condition 7.8 (*Mergers and Similar Transactions*).

“Person” means any individual, company, corporation, firm, partnership, joint venture, association, unincorporated organisation, trust or other judicial entity, including, without limitation, any state or agency of a state or other entity, whether or not having separate legal Personality

“Permitted Holders” means Ceyhan Saldanlı, his spouse and their direct descendants and any entities solely Controlled directly or indirectly by them. Any Person or Persons acting in concert that acquires or otherwise obtains direct or indirect Control (as defined in Condition 7.5 (*Redemption at the Option of Noteholders (Change of Control)*)) of the Issuer and which constitutes a Change of Control Event in respect of which Noteholders have been granted the right to have their Notes redeemed in accordance with Condition 7.5 (*Redemption at the Option of Noteholders (Change of Control)*) and the relevant Redemption Period has expired will thereafter, together with its Affiliates, constitute an additional Permitted Holder.

“Potential Event of Default” means any condition, event or act which, with the lapse of time and/or the issue, making or giving of any notice, certification, declaration, demand, determination and/or request and/or the taking of any similar action, would constitute an Event of Default.

“Pre-Expansion European Union” means the European Union as of 1 January 2004, including the countries of Austria, Belgium, Denmark, Finland, France, Germany, Greece, Ireland, Italy, Ireland, the Netherlands, Portugal, Spain, Sweden and the United Kingdom, but not including any country which became or becomes a member of the European Union after 1 January 2004.

“Preferred Stock,” as applied to the Capital Stock of any Person, means Capital Stock of any class or classes (however designated) which is preferred as to the payment of dividends or distributions, or as to the distribution of assets upon any voluntary or involuntary liquidation or dissolution of such Person, over shares of Capital Stock of any other class of such Person.

“Rate of Interest” has the meaning given in Condition 5.1 (*Interest Accrual*).

“Rating Agency” means S&P, Fitch and Moody’s.

“Refinance” means, in respect of any collateral or Indebtedness, to refinance, extend, renew, refund, repay, prepay, redeem, defease, discharge or retire, or to issue a collateral or Indebtedness in exchange or replacement for, such collateral or Indebtedness in whole or in part. **“Refinanced”** and **“Refinancing”** shall have correlative meanings.

“Refinancing Indebtedness” means Indebtedness of the Issuer or any of its Subsidiaries that Refinances any Indebtedness of the Issuer or any of its Subsidiaries existing on the Issue Date or Incurred in compliance with the Trust Deed, including Indebtedness that Refinances Refinancing Indebtedness; provided, however, that:

- (a) such Refinancing Indebtedness has a final maturity date that is either (i) no earlier than the final maturity date of the Indebtedness being Refinanced or (ii) after the final maturity date of the Notes;
- (b) such Refinancing Indebtedness has a Weighted Average Life to Maturity at the time such Refinancing Indebtedness is Incurred that is equal to or greater than the Weighted Average Life to Maturity of the Indebtedness being Refinanced;
- (c) such Refinancing Indebtedness has an aggregate principal amount (or if Incurred with original issue discount, an aggregate issue price) that is equal to or less than the aggregate principal amount (or if Incurred with original issue discount, the aggregate accreted value) then outstanding (plus accrued interest, fees and expenses, including any premium and defeasance costs) under the Indebtedness being Refinanced;
- (d) if the Indebtedness being Refinanced is contractually subordinated in right of payment to the Notes or any Guarantee, such Refinancing Indebtedness is subordinated in right of payment to the Notes and such Guarantee at least to the same extent as the Indebtedness being Refinanced; and
- (e) if the Issuer or any Guarantor was the obligor on the Indebtedness being Refinanced, such Indebtedness is Incurred either by the Issuer or by a Guarantor.

Refinancing Indebtedness in respect of any credit facility, pre-export financing or any other Indebtedness may be Incurred from time to time after the termination, discharge or repayment of any such credit facility, pre-export financing or other Indebtedness; provided that it is used to refinance amounts thereunder or other Indebtedness within six months of the relevant termination, disclosure or repayment date.

“Relevant Date” means, in relation to a payment of principal, premium and/or interest, whichever is the later of (i) the date on which such payment first becomes due and (ii) if the full amount payable has not been received in New York City by the Principal Paying Agent or the Trustee on or prior to such due date, the date on which (the full amount plus any accrued interest having been so received) notice to that effect shall have been given to the Noteholders by the Issuer in accordance with Condition 13 (*Notices*).

“Relevant Jurisdiction” means the Republic of Türkiye or any other jurisdiction (or any political subdivision or taxing authority or agency thereof) in which the Issuer or any Guarantor is incorporated, organised or otherwise resident or engaged in or carrying on business for tax purposes or from or through which the Issuer or any Guarantor makes any payment on the Notes or under the Guarantees.

“**Relevant Period**” means the most recently ended two semi-annual periods for which the Group’s financial statements are prepared in accordance with Accounting Standards and are delivered or deliverable to the Trustee pursuant to Condition 4.14 (*Financial Information*).

“**Reserved Matters**” means an amendment or waiver of any term of the Trust Deed, the Agency Agreement or the Notes which has the effect of changing or which relates to:

- (a) any change of any date fixed for payment of principal, premium or interest in respect of the Notes;
- (b) a reduction or cancellation of the amount of principal, premium or interest or additional amounts payable on any date in respect of the Notes or to reduce the rate of interest on the Notes;
- (c) a change to the currency of payment under the Notes;
- (d) a modification or cancellation (otherwise than in accordance with these Conditions) of any Guarantee granted in accordance with these Conditions;
- (e) any amendment of this definition; or
- (f) a change to the quorum requirements relating to meetings or the majority required to pass an Extraordinary Resolution.

“**Restricted Investment**” means an Investment other than a Permitted Investment.

“**Restricted Payment**” with respect to any Person means:

- (a) the declaration or payment of any dividends or any other distributions in respect of its Capital Stock (including any payment in connection with any merger or consolidation involving such Person) to the direct or indirect holders of its Capital Stock (other than (A) dividends or distributions payable solely in its Capital Stock (other than Disqualified Stock) or in options, warrants or other rights to purchase such stock or in Subordinated Shareholder Funding and (B) dividends or distributions payable solely to the Issuer or its Subsidiaries);
- (b) the purchase, repurchase, redemption, defeasance or other acquisition or retirement for value of any Capital Stock of the Issuer held by any Person (other than by a Subsidiary of the Issuer), including in connection with any merger or consolidation and including the exercise of any option to exchange any Capital Stock (other than into Capital Stock of the Issuer that is not Disqualified Stock);
- (c) the purchase, repurchase, redemption, defeasance or other acquisition or retirement for value, prior to scheduled maturity, scheduled repayment or scheduled sinking fund payment of any Subordinated Obligations of the Issuer or any Guarantor, except a payment of interest or principal at the Stated Maturity thereof;
- (d) the making of any payment (whether in respect of interest or principal), or the purchase, repurchase, redemption, defeasance or other acquisition or retirement for value of Subordinated Shareholder Funding (other than any payment of interest thereon in the form of additional Subordinated Shareholder Funding); or
- (e) the making of any Restricted Investment.

“**S&P**” means Standard & Poor’s, a division of The McGraw-Hill Companies, Inc., and any successor to its rating agency business.

“**Securities Act**” means the United States Securities Act of 1933, as amended, and the rules and regulations of the U.S. Securities and Exchange Commission promulgated thereunder.

“**Senior Indebtedness**” means, whether outstanding on the Issue Date or thereafter incurred, all amounts payable by, under or in respect of all other Indebtedness of the Issuer or any of its Subsidiaries including premiums and accrued and unpaid interest (including interest accruing on or after the filing of any petition in bankruptcy or for reorganisation relating to the Issuer or such Subsidiary at the rate specified in the documentation with respect thereto whether or not a claim for post filing interest is allowed in such proceeding) and fees relating thereto; provided, however, that Senior Indebtedness will not include:

- (a) any obligation of the Issuer or any of its Subsidiaries to the Issuer or any of its Subsidiaries;
- (b) any liability for taxes owed or owing by the Issuer or any of its Subsidiaries;
- (c) any Indebtedness of the Issuer or any of its Subsidiaries in respect of Subordinated Obligations or Disqualified Stock;
- (d) any accounts payable or other liability to trade creditors arising in the ordinary course of business (including guarantees thereof or instruments evidencing such liabilities); and
- (e) that portion of any Indebtedness which at the time of Incurrence is Incurred in violation of these Conditions.

“**Specified Office**” has the meaning given in the Agency Agreement.

“**Stated Maturity**” means:

- (a) with respect to any Indebtedness, the date specified in such Indebtedness as the fixed date on which the final instalment of principal of such Indebtedness is due and payable; and
- (b) with respect to any scheduled instalment of principal of or interest on any Indebtedness, the date specified in such Indebtedness as the fixed date on which such instalment is due and payable.

“**Stock Exchange**” means the Irish Stock Exchange plc trading as Euronext Dublin.

“**Subordinated Obligation**” means, with respect to a Person, any Indebtedness of such Person (whether outstanding on the Issue Date or thereafter Incurred) which is subordinate or junior in right of payment to the Notes or a Guarantee, pursuant to a written agreement to that effect.

“**Subordinated Shareholder Funding**” means, collectively, any funds provided to the Issuer by any Affiliate of the Issuer in exchange for or pursuant to any collateral, instrument or agreement other than Capital Stock, in each case, issued to and held by any of the foregoing Persons, provided that such Subordinated Shareholder Funding:

- (a) does not mature or require any amortisation, redemption or other repayment of principal or any sinking fund payment prior to the first anniversary of the final maturity of the Notes (other than through conversion or exchange of such funding into Capital Stock (other than Disqualified Stock) of the Issuer or any funding meeting the requirements of this definition);
- (b) does not require, prior to the first anniversary of the final maturity of the Notes, payment of cash interest, cash withholding amounts or other cash gross-ups, or any similar cash amounts, except for any such payments made in compliance with Condition 4.3 (*Limitation on Restricted Payments*);
- (c) contains no change of control or similar provisions and does not accelerate and has no right to declare a default or event of default or take any enforcement action or otherwise require any cash payment, in each case, prior to the first anniversary of the Stated Maturity of the Notes;
- (d) does not provide for or require any lien or encumbrance over any property or asset of the Issuer or any of its Subsidiaries; and

- (e) is made to the Issuer pursuant to its terms is fully subordinated and junior in right of payment to the Notes pursuant to a written agreement or deed poll,

and, *provided further that* in any event or circumstance that results in such funds ceasing to qualify as Subordinated Shareholding Funding, such funds shall constitute an incurrence of Indebtedness by the Issuer and any and all Restricted Payments made through the use of the net proceeds from the incurrence of such Indebtedness since the date of the original issuance of such Subordinated Shareholder Funding shall constitute new Restricted Payments that are deemed to have been made after the date of the original issuance of such Subordinated Shareholder Funding.

“**Subsidiary**” of any Person means (a) any corporation, association or other business entity more than 50 per cent. of the outstanding voting power of the Capital Stock of which is owned or controlled, directly or indirectly, by such Person or by one or more other Subsidiaries of such Person, or by such Person and one or more other Subsidiaries thereof, (b) any limited partnership of which such Person or any Subsidiary of such Person is a general partner, (c) any other Person in which such Person, or one or more other Subsidiaries of such Person, or such Person and one or more other Subsidiaries, directly or indirectly, has more than 50 per cent. of the outstanding partnership or similar interests or has the power, by contract or otherwise, to direct or cause the direction of the policies, management and affairs thereof or (d) any Person whose financial statements are required by Accounting Standards to be consolidated into the consolidated financial statements of the relevant Person.

“**Taxes**” has the meaning set out in Condition 8 (*Taxation*).

“**Total Assets**” means the consolidated assets of the Issuer and its Subsidiaries as shown in the latest consolidated financial statements of the Group which are internally available and prepared in accordance with Accounting Standards.

“**U.S. Dollar**” or “**U.S.\$**” means the United States Dollar, the lawful currency of the United States of America.

“**U.S. Dollar Equivalent**” means with respect to any amount denominated in a currency other than U.S. Dollars, at any time for the determination thereof, the amount of U.S. Dollars obtained by converting such other currency involved into U.S. Dollars at the spot rate for the purchase of U.S. Dollars with the applicable foreign currency as quoted by Reuters at approximately 11:00 a.m. (New York time) on the date not more than two Business Days prior to the date of determination.

“**VAT**” means:

- (a) any tax imposed in compliance with the Council Directive of 28 November 2006 on the common system of value added tax (EC Directive 2006/112); and
- (b) any other tax of a similar nature, whether imposed in a member state of the European Union in substitution for, or levied in addition to, such tax referred to in paragraph (a) above, or imposed elsewhere.

“**Voting Stock**” of a Person means all classes of Capital Stock of such Person then outstanding and normally entitled (without regard to the occurrence of any contingency) to vote in the election of directors, managers or trustees thereof.

“**Weighted Average Life to Maturity**” means, when applied to any Indebtedness at any date, the number of years obtained by dividing:

- (a) the sum of the products obtained by multiplying:

- (i) the amount of each then remaining instalment, sinking fund, serial maturity or other required payment of principal or liquidation preference, as the case may be, including payment at final maturity, in respect thereof (provided that any payments of principal, the making of which is subject to any conditions, including availability of cash of an obligor, shall be not treated as “required” for the purposes of this paragraph (i)), by
 - (ii) the number of years (calculated to the nearest one-twelfth) which will elapse between such date and the making of such payment, by
- (b) the then outstanding aggregate principal amount or liquidation preference, as the case may be, of such Indebtedness.

THE GLOBAL CERTIFICATES

The Global Certificates contain the following provisions which apply to the Notes in respect of which they are issued while they are represented by the Global Certificates, some of which modify the effect of the Conditions. Terms defined in the Conditions have the same meaning in the paragraphs below.

Form of the Notes

All Notes will be in fully registered form, without interest coupons attached. Notes offered and sold outside the United States in reliance on Regulation S will be represented by interests in the Unrestricted Global Certificate, which will be deposited on or about the Issue Date with the Common Depositary for Euroclear and Clearstream, Luxembourg, and registered in the name of a nominee for such Common Depositary in respect of interests held through Euroclear and Clearstream, Luxembourg.

Notes offered and sold in reliance on Rule 144A will be represented by interests in one or more Restricted Global Certificates which will be registered in the name of Cede & Co., as nominee for, and which will be deposited on or about the Issue Date with The Bank of New York Mellon, London Branch, acting as custodian (the “**Custodian**”) for, DTC. The Restricted Global Certificate (and any Definitive Certificates (as defined below) issued in exchange therefor) will be subject to certain restrictions on transfer contained in a legend appearing on the face of such Note as set forth under paragraph 3 below.

For the purposes of the Restricted Global Certificate and the Unrestricted Global Certificate, any reference in the Conditions to “**Definitive Certificate**” or “**Definitive Certificates**” shall, except where the context otherwise requires, be construed so as to include the Restricted Global Certificate or, as the case may be, the Unrestricted Global Certificate and interests therein.

Notices

So long as the Notes are represented by a Global Certificate and the Global Certificate is held on behalf of a clearing system, notices to Noteholders required may be given by delivery of the relevant notice to that clearing system for communication by it to entitled accountholders in substitution for notification as required by Condition 13 (*Notices*). Any such notice shall be deemed to have been given to such Noteholders on the day after the day on which such notice is delivered to such clearing system.

Whilst any of the Notes held by a Noteholder are represented by a Global Certificate, notices to be given by such Noteholder may be given by such Noteholder (where applicable) through the applicable clearing system’s operational procedures and otherwise in such manner as the Trustee and the applicable clearing system may approve for this purpose.

Exchange of Interests in Global Certificates for Definitive Certificates

The Restricted Global Certificate will become exchangeable, free of charge to the holder, in whole but not in part, for Note certificates in definitive form (“**Restricted Definitive Certificates**”) if DTC (a) notifies the Issuer that it is no longer willing or able to discharge properly its responsibilities as depositary with respect to the Restricted Global Certificate or ceases to be a “**clearing agency**” registered under the Exchange Act, or is at any time no longer eligible to act as such, and the Issuer is unable to locate a qualified successor within 90 days of receiving notice of such ineligibility on the part of DTC or (b) an Event of Default (as defined and set out in Condition 10 (*Events of Default*) of the Notes) occurs. In such circumstances, such Restricted Definitive Certificates shall be registered in such names as DTC shall direct in writing and the Issuer will procure that the Registrar notify the holders as soon as practicable after the occurrence of the events specified in (a) and (b).

The Unrestricted Global Certificate will become exchangeable, free of charge to the holder, in whole but not in part, for Note certificates in definitive form (“**Unrestricted Definitive Certificates**”) if (a) Euroclear or Clearstream, Luxembourg is closed for business for a continuous period of 14 days (other than by reason of

legal holidays) or announces an intention permanently to cease business or does in fact do so or (b) an Event of Default (as defined and set out in Condition 10 (*Events of Default*) of the Notes) occurs. In such circumstances, such Unrestricted Definitive Certificates will be registered in such names as Euroclear and Clearstream, Luxembourg shall direct in writing and the Issuer will procure that the Registrar notify the holders as soon as practicable after the occurrence of the events specified in (a) and (b).

In the event that the Restricted Global Certificate is to be exchanged for Restricted Definitive Certificates or the Unrestricted Global Certificate is to be exchanged for Unrestricted Definitive Certificates (together “**Definitive Certificates**”) the relevant Global Certificate shall be exchanged in full for the relevant Definitive Certificates and the Issuer will, without charge to the holder or holders thereof, but against such indemnity as the Registrar may require in respect of any tax or other duty of whatever nature which may be levied or imposed in connection with such exchange, cause sufficient Definitive Certificates to be executed and delivered to the Registrar for completion, authentication and dispatch to the relevant Noteholders.

On exchange, a person having an interest in a Global Certificate must provide the Registrar with (i) a written order containing instructions and such other information as the Issuer and the Registrar may require to complete, execute and deliver such Definitive Certificates and (ii) in the case of the Restricted Global Certificate only, a fully completed, signed certification substantially to the effect that the exchanging holder is not transferring its interest at the time of such exchange or, in the case of simultaneous sale pursuant to Rule 144A, a certification that the transfer is being made in compliance with the provisions of Rule 144A. Definitive Certificates issued in exchange for a beneficial interest in the Restricted Global Certificate shall bear the legends applicable to transfers pursuant to Rule 144A, as set out under “*Transfer Restrictions*.” Restricted Definitive Certificates issued as described above will not be exchangeable for beneficial interests in the Unrestricted Global Certificate and Unrestricted Definitive Certificates issued as described above will not be exchangeable for beneficial interests in the Restricted Global Certificate.

In addition to the requirements described under “*Transfer Restrictions*,” the holder of a Note may transfer such Note only in accordance with the provisions of Condition 2 (*Transfers and Registration*) of the Notes.

Upon the transfer, exchange or replacement of a Restricted Definitive Certificate bearing the legend referred to under “*Transfer Restrictions*,” or upon specific request for removal of the legend on a Restricted Definitive Certificate, the Issuer will deliver only Restricted Definitive Certificates that bear such legend, or will refuse to remove such legend, as the case may be, unless there is delivered to the Issuer and the Registrar such satisfactory evidence, which may include an opinion of counsel, as may reasonably be required by the Issuer that neither the legend nor the restrictions on transfer set forth therein are required to ensure compliance with the provisions of the U.S. Securities Act.

The Registrar will not will be required to register the transfer of any Note (or part thereof) (i) during the period of 15 days immediately prior to the due date for any payment of principal or interest in respect of the Notes, or (ii) after any such Note has been called for redemption.

Holders

So long as DTC or its nominee or Euroclear, Clearstream, Luxembourg or the nominee of their Common Depositary is the registered holder of a Global Certificate, DTC, Euroclear, Clearstream, Luxembourg or such nominee, as the case may be, will be considered the sole owner or holder of the Notes represented by such Global Certificate for all purposes under the Agency Agreement, the Trust Deed and the Notes. Payments of principal, premium, interest and Additional Amounts, if any, in respect of Global Certificates will be made to DTC, Euroclear, Clearstream, Luxembourg or such nominee, as the case may be, as the registered holder thereof. None of the Issuer, the Trustee, the Principal Paying Agent, the Registrar and Transfer Agent or the Joint Bookrunners or any affiliate of any of the above or any person by whom any of the above is controlled for the purposes of the U.S. Securities Act will have any responsibility or liability for any aspect of the records

relating to or payments made on account of beneficial ownership interests in the Global Certificates or for maintaining, supervising or reviewing any records relating to such beneficial ownership interests.

The holdings of book-entry interests in the Notes through Euroclear, Clearstream, Luxembourg and DTC will be reflected in the book entry accounts of each such institution. As necessary, the Registrar and Transfer Agent will adjust the amounts of each series of Notes on the Register for the accounts of (i) a nominee of the Common Depository for Euroclear and Clearstream, Luxembourg (ii) Cede & Co. to reflect the amounts of each series of Notes held through Euroclear and Clearstream, Luxembourg on the one hand and DTC on the other. Beneficial ownership of Notes will be held directly through DTC, Euroclear or Clearstream, Luxembourg in the case of accountholders (“**Direct Participants**”) or indirectly through organizations that are accountholders therein (“**Indirect Participants**” and, together with Direct Participants, “**Participants**”).

Prescription

Claims against the Issuer in respect of principal, premium and interest on the Notes while the Notes are represented by a Global Certificate will become void unless it is presented for payment within a period of ten years (in the case of principal and premium) and five years (in the case of interest) from the appropriate Relevant Date (as defined in Condition 9 (*Prescription*) of the Notes).

Payments

So long as the Notes are represented by a Global Certificate, payments of principal, premium and interest in respect of Notes represented by a Global Certificate shall be made to the person(s) shown as the Noteholder(s) in the Register at the close of business on the Clearing System Business Day before the due date for payment, where “Clearing System Business Day” means a day on which each clearing system for which the Global Certificate is being held is open for business, and shall be made against presentation for endorsement and if no further payment falls to be made in respect of the Notes, surrender of the Global Certificate.

Meetings

The holder of a Global Certificate will be treated as being two persons for the purposes of any quorum requirements of, or the right to demand a poll at, a meeting of Noteholders and, at any such meeting, as having one vote in respect of each U.S.\$1,000 in principal amount of Notes for which the Global Certificate may be exchanged.

Purchase and Cancellation

Cancellation of any Note required by the Conditions to be cancelled following its purchase will be effected by reduction in the principal amount of the relevant Global Certificate.

Trustee’s Powers

In considering the interests of Noteholders while a Global Certificate is held on behalf of a clearing system, the Trustee may have regard to any information provided to it by such clearing system or its operator or any accountholders as to the identity (either individually or by category) of any persons beneficially entitled to the Notes represented by the relevant Global Certificate and may consider such interests as if such persons were the holder of the relevant Global Certificate.

Call Option

No drawing of Notes will be required under Conditions 7.3 (*Redemption at the Option of the Issuer (Equity Offering)*) or 7.4 (*Redemption at the option of the Issuer (Premium)*) of the Notes in the event that the Issuer exercises its call option in such Condition while the Notes are represented by a Global Certificate in respect of less than the aggregate principal amount of Notes outstanding. In such event, the partial redemption will be effected in accordance with the rules and procedures of DTC, Euroclear and Clearstream, Luxembourg (to be

reflected in the records of Euroclear and Clearstream, Luxembourg as either a pool factor or a reduction in nominal amount, at their discretion).

Put Option

No drawing of Notes will be required under Condition 7.5 (*Redemption at the Option of the Holders Upon a Change of Control*) in the event that a Noteholder exercises a put option provided by such Condition while the Notes are represented by a Global Certificate in respect of less than the aggregate principal amount of Notes outstanding. In such event, the partial redemption will be effected in accordance with the rules and procedures of Euroclear and Clearstream, Luxembourg (to be reflected in the records of Euroclear and Clearstream, Luxembourg as either a pool factor or a reduction in nominal amount, at their discretion).

CLEARING AND SETTLEMENT

Custodial and depository links are to be established between DTC, Euroclear and Clearstream, Luxembourg to facilitate the initial issue of the Notes and cross-market transfers of the Notes associated with secondary market trading. Investors may hold their interests in a Global Certificate directly through DTC, Euroclear or Clearstream, Luxembourg as Direct Participants or indirectly through organizations that are accountholders therein as Indirect Participants.

Euroclear and Clearstream, Luxembourg

Euroclear and Clearstream, Luxembourg each hold securities for their customers and facilitate the clearance and settlement of securities transactions through electronic book-entry transfer between their respective accountholders. Indirect access to Euroclear and Clearstream, Luxembourg is available to other institutions which clear through or maintain a custodial relationship with an accountholder of either system. Euroclear and Clearstream, Luxembourg provide various services including safekeeping, administration, clearance and settlement of internationally traded securities and securities lending and borrowing. Euroclear and Clearstream, Luxembourg also deal with domestic securities markets in several countries through established depository and custodial relationships. Euroclear and Clearstream, Luxembourg have established an electronic bridge between their two systems across which their respective customers may settle trades with each other. Their customers are worldwide financial institutions including underwriters, securities brokers and dealers, banks, trust companies and clearing corporations.

DTC

DTC has advised the Issuer as follows: DTC is a limited purpose trust company organized under the laws of the Issuer of New York, a “banking organization” under the laws of the Issuer of New York, a member of the US Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial code and a “clearing agency” registered pursuant to the provisions of Section 17A of the Exchange Act. DTC was created to hold securities for its participants (“**DTC Participants**”) and facilitate the clearance and settlement of securities transactions between DTC Participants through electronic computerized book-entry changes in accounts of its DTC Participants, thereby eliminating the need for physical movement of certificates. DTC Participants include securities brokers and dealers, banks, trust companies, clearing corporations and certain other organizations. Indirect access to DTC is available to others, such as banks, securities brokers, dealers and trust companies that clear through or maintain a custodial relationship with a DTC Participant, either directly or indirectly.

Investors may hold their interests in the Restricted Global Certificate directly through DTC if they are Direct Participants in the DTC system, or as Indirect Participants through organizations which are Direct Participants in such system.

DTC has advised the Issuer that it will take any action permitted to be taken by a holder of Notes only at the direction of one or more Direct Participants and only in respect of such portion of the aggregate principal amount of the Restricted Global Certificate as to which such Participant or Participants has or have given such direction. However, in the circumstances described under “*The Global Certificates—Exchange of Interest in Global Certificates for Definitive Certificates*,” DTC will cause the Custodian to surrender the Restricted Global Certificate for exchange for a Restricted Definitive Certificate.

Book-Entry Ownership

Euroclear and Clearstream, Luxembourg

The Unrestricted Global Certificate will have an ISIN and a Common Code and will be registered in the name of a nominee of the Common Depository for, and deposited with the Common Depository on behalf of, Euroclear and Clearstream, Luxembourg.

The address of Euroclear is 1 Boulevard du Roi Albert II, B-1210 Brussels, Belgium, and the address of Clearstream, Luxembourg is 42 Avenue J.F. Kennedy, L-1855, Luxembourg.

DTC

The Restricted Global Certificate will have an ISIN and a CUSIP number and will be deposited with the Custodian for and registered in the name of Cede & Co. as nominee of, DTC. The Custodian and DTC will electronically record the principal amount of the Notes held within the DTC System.

The address of DTC is 55 Water Street, New York, New York 10041, United States of America.

Relationship of Participants with Clearing Systems

Each of the persons shown in the records of DTC, Euroclear or Clearstream, Luxembourg as the holder of any Note evidenced by a Global Certificate must look solely to DTC, Euroclear or Clearstream, Luxembourg (as the case may be) for its share of each payment made by the Issuer to the holder of such Global Certificate and in relation to all other rights arising under such Global Certificate, subject to and in accordance with the respective rules and procedures of DTC, Euroclear or Clearstream, Luxembourg (as the case may be). The Issuer expects that, upon receipt of any payment in respect of Notes evidenced by a Global Certificate, the Common Depository by whom such Note is held, or nominee in whose name it is registered, will immediately credit the relevant Participants' or account holders' accounts in the relevant clearing system with payments in amounts proportionate to their respective beneficial interests in the principal amount of the relevant Global Certificate as shown on the records of the Common Depository or its nominee. The Issuer also expects that payments by Direct Participants in any clearing system to owners of beneficial interests in any Global Certificate held through such Direct Participants in any clearing system will be governed by standing instructions and customary practices. Save as aforesaid, such persons shall have no claim directly against the Issuer in respect of payments due on the Notes for so long as the Notes are evidenced by such Global Certificate and the obligations of the Issuer will be discharged by payment to the registered holder of such Global Certificate in respect of each amount so paid. None of the Issuer or any Agent will have any responsibility or liability for any aspect of the records relating to or payments made on account of ownership interests in any Global Certificate or for maintaining, supervising or reviewing any records relating to such ownership interests.

Euroclear, Clearstream, Luxembourg and DTC Arrangements

So long as DTC or its nominee or Euroclear, Clearstream, Luxembourg or the nominee of their Common Depository is the registered holder of a Global Certificate, DTC, Euroclear, Clearstream, Luxembourg or such nominee, as the case may be, will be considered the sole owner or holder of the Notes represented by such Global Certificate for all purposes under the Agency Agreement, the Trust Deed and the Notes. Payments of principal, premium, interest and Additional Amounts, if any, in respect of Global Certificates will be made to DTC, Euroclear, Clearstream, Luxembourg or such nominee, as the case may be, as the registered holder thereof. None of the Issuer, the Trustee, any paying agent or the Joint Bookrunners or any affiliate of any of the above or any person by whom any of the above is controlled for the purposes of the Securities Act will have any responsibility or liability for any aspect of the records relating to or payments made on account of beneficial ownership interests in the Global Certificates or for maintaining, supervising or reviewing any records relating to such beneficial ownership interests.

Distributions of principal, premium and interest with respect to book-entry interests in the Notes held through Euroclear or Clearstream, Luxembourg will be credited, to the extent received by Euroclear or Clearstream, Luxembourg from the Principal Paying Agent, to the cash accounts of Euroclear or Clearstream, Luxembourg customers in accordance with the relevant system's rules and procedures.

Holders of book-entry interests in the Notes through DTC will receive, to the extent received by DTC from the Principal Paying Agent, all distributions of principal, premium and interest with respect to book-entry interests in the Notes from the Principal Paying Agent through DTC. Distributions in the United States will be subject to relevant U.S. tax laws and regulations.

The laws of some states of the United States require that certain persons take physical delivery of securities in definitive form. Consequently, the ability to transfer interests in a Global Certificate to such persons will be limited. Because DTC, Euroclear and Clearstream, Luxembourg can only act on behalf of Participants, who in turn act on behalf of Indirect Participants, the ability of a person having an interest in a Global Certificate to pledge such interest to persons or entities which do not participate in the relevant clearing system, or otherwise take actions in respect of such interest, may be affected by the lack of a physical certificate in respect of such interest.

The holdings of book-entry interests in the Notes in Euroclear, Clearstream, Luxembourg and DTC will be reflected in the book-entry accounts of each such institution. As necessary, the Registrar and Transfer Agent will adjust the amounts of Notes on the Register for the accounts of a nominee of the Common Depositary for Euroclear and Clearstream, Luxembourg and Cede & Co. to reflect the amounts of Notes held through Euroclear and Clearstream, Luxembourg on the one hand and DTC, on the other. Beneficial ownership in Notes will be held through financial institutions as Direct and Indirect Participants in Euroclear, Clearstream, Luxembourg and DTC.

Interests in the Unrestricted Global Certificate and the Restricted Global Certificate will be in uncertificated book-entry form.

Trading between Euroclear and/or Clearstream, Luxembourg Account Holders.

Secondary market sales of book-entry interests in the Notes held through Euroclear or Clearstream, Luxembourg to purchasers of book-entry interests in the Notes through Euroclear or Clearstream, Luxembourg will be conducted in accordance with the normal rules and operating procedures of Euroclear and Clearstream, Luxembourg and will be settled using the procedures applicable to conventional Eurobonds.

Trading between DTC Participants.

Secondary market sales of book-entry interests in the Notes between DTC participants will occur in the ordinary way in accordance with DTC rules and will be settled using the procedures applicable to United States corporate debt obligations in DTC's Same Day Funds Settlement System. Under Rule 15c6 of the Exchange Act, trades in the secondary market generally are required to settle in two business days unless the parties to any such trade agree otherwise.

Trading between DTC Seller and Euroclear/Clearstream, Luxembourg Purchaser.

When book-entry interests in Notes are to be transferred from the account of a DTC participant holding a beneficial interest in the Restricted Global Certificate to the account of a Euroclear or Clearstream, Luxembourg accountholder wishing to purchase a beneficial interest in the Unrestricted Global Certificate (subject to such certification procedures as are provided in the Agency Agreement), the DTC participant will deliver instructions for delivery to the relevant Euroclear or Clearstream, Luxembourg accountholder to DTC by 12 noon, New York time, on the settlement date. Separate payment arrangements are required to be made between the DTC participant and the relevant Euroclear or Clearstream, Luxembourg accountholder. On the settlement date, the Custodian will instruct the Registrar and Transfer Agent to (a) decrease the amount of Notes registered in the

name of Cede & Co. and evidenced by the Restricted Global Certificate(s) and (b) increase the amount of Notes registered in the name of the nominee of the Common Depository for Euroclear and Clearstream, Luxembourg and evidenced by the Unrestricted Global Certificate. Book-entry interests will be delivered free of payment to Euroclear or Clearstream, Luxembourg, as the case may be, for credit to the relevant accountholder on the first business day following the settlement date. See “*The Global Certificates*” concerning the Record Date for payment of interest.

Trading between Euroclear/Clearstream, Luxembourg Seller and DTC Purchaser.

When book-entry interests in the Notes are to be transferred from the account of a Euroclear or Clearstream, Luxembourg accountholder to the account of a DTC participant wishing to purchase a beneficial interest in the Restricted Global Certificate (subject to such certification procedures as are provided in the Agency Agreement), the Euroclear or Clearstream, Luxembourg participant must send to Euroclear or Clearstream, Luxembourg delivery free of payment instructions by 7:45 p.m. Brussels or Luxembourg time, one business day prior to the settlement date. Euroclear or Clearstream, Luxembourg, as the case may be, will in turn transmit appropriate instructions to the Common Depository for Euroclear and Clearstream, Luxembourg and the Registrar and Transfer Agent to arrange delivery to the DTC participant on the settlement date. Separate payment arrangements are required to be made between the DTC participant and the relevant Euroclear or Clearstream, Luxembourg account holder, as the case may be. On the settlement date, the Common Depository for Euroclear and Clearstream, Luxembourg will (a) transmit appropriate instructions to the Custodian who will in turn deliver such book-entry interest in the Notes free of payment to the relevant account of the DTC participant and (b) instruct the Registrar and Transfer Agent to (i) decrease the amount of Notes registered in the name of the nominee for the Common Depository for Euroclear and Clearstream, Luxembourg and evidenced by the Unrestricted Global Certificate and (ii) increase the amount of Notes registered in the name of Cede & Co. and evidenced by the Restricted Global Certificate. See “*The Global Certificates*” concerning the Record Date for payment of interest.

Although the foregoing sets out the procedures of Euroclear, Clearstream, Luxembourg and DTC in order to facilitate the transfers of interests in the Notes among participants of DTC, Clearstream, Luxembourg and Euroclear, none of Euroclear, Clearstream, Luxembourg or DTC is under any obligation to perform or continue to perform such procedures, and such procedures may be discontinued at any time. None of the Issuer, the Trustee, any Paying Agent, the Registrar and Transfer Agent or any of the Joint Bookrunners or any affiliate of any of the above, or any person by whom any of the above is controlled for the purposes of the Securities Act, will have any responsibility for the performance by DTC, Euroclear and Clearstream, Luxembourg or their respective direct or indirect participants or accountholders of their respective obligations under the rules and procedures governing their operations or for the sufficiency for any purpose of the arrangements described above.

CERTAIN INSOLVENCY AND ENFORCEABILITY CONSIDERATIONS

The following is a brief description of certain insolvency and enforceability considerations in Türkiye. The descriptions below do not purport to be complete or discuss all of the limitations or considerations that may affect the Notes. Proceedings of bankruptcy, insolvency or a similar event could be initiated in any of these jurisdictions. The application of these various laws in multiple jurisdictions could trigger disputes over which jurisdiction's law should apply and could adversely affect Noteholders' ability to enforce their rights and to collect payment in full under the Notes. Prospective investors in the Notes should consult their own legal advisers with respect to such limitations and considerations. See "Risk Factors—Risks Relating to Enforcement."

Türkiye

Enforceability of Judgments

The Issuer is a joint stock company (*anonim şirket*) incorporated under the laws of Türkiye. All of the directors and officers of the Issuer reside inside Türkiye. It should be noted that enforcement of court judgments obtained in countries other than Türkiye is subject to certain limitations. In accordance with Articles 50-59 of the Turkish International Private and Procedure Law No. 5718, the courts of Türkiye will not enforce any judgment obtained in a court established in a country other than Türkiye unless:

- there is in effect a treaty between such country and Türkiye providing for reciprocal enforcement of court judgments (de jure reciprocity);
- there is de facto enforcement in such country of judgments rendered by Turkish courts (de facto reciprocity); or
- there is a provision in the laws of such country that provides for the enforcement of judgments of Turkish courts.

There is no treaty between the United States and Türkiye or between the United Kingdom and Türkiye providing for reciprocal enforcement of judgments. There is no de facto reciprocity between the United States and Türkiye. Moreover, there is uncertainty as to the ability of an investor to bring an original action in Türkiye based on United States federal or non-Turkish securities laws.

As to de facto reciprocity between the United Kingdom and Türkiye, Turkish courts have rendered at least one judgment in the past confirming de facto reciprocity between the United Kingdom and Türkiye. However, since de facto reciprocity is decided by the relevant court on a case-by-case basis, there is uncertainty as to the enforceability of court judgments obtained in the United States or the United Kingdom by the Turkish courts.

In addition, the Turkish courts will not enforce any judgment obtained in a court established in a country other than Türkiye if:

- the defendant was not duly summoned or represented;
- the defendant's fundamental procedural rights were not observed and the defendant brings an objection before the Turkish court against the request for enforcement on either of these grounds;
- the judgment in question was rendered with respect to a matter within the exclusive jurisdiction of the Turkish courts;
- the judgment is incompatible with a judgment of a Turkish court between the same parties and relating to the same issues or, as the case may be, with an earlier foreign judgment on the same issue and enforceable in Türkiye;

- the judgment is not of a civil nature;
- the judgment is clearly against public policy rules of Türkiye;
- the court rendering the judgment did not have jurisdiction to render such judgment;
- the judgment is not final and binding with no further recourse for appeal under the laws of the country where the judgment has been rendered; or
- the judgment was rendered by a foreign court, which treated itself as competent even though it had no actual relationship with the parties or the subject matter at hand and the defendant brings an objection before the Turkish court against the request for enforcement on this ground.

Furthermore, to be enforceable under the laws of Türkiye, the choice of laws of a foreign jurisdiction or submission to the jurisdiction of the courts of such a foreign jurisdiction should indicate the competent courts with sufficient precision. Therefore, lack of precision while determining the competent court of a foreign jurisdiction may render the choice of foreign court unenforceable.

As a result, it may not be possible to:

- effect service of process outside Türkiye upon any of the directors and executive officers named in this Offering Memorandum; or
- enforce, in Türkiye, court judgments obtained in courts of jurisdictions other than Türkiye against the Issuer or any of the directors and executive officers named in this Offering Memorandum in any action.

In addition, it may be difficult or impossible to enforce, in original actions brought in courts in jurisdictions located outside the United States, liabilities predicated upon securities laws of the United States.

Furthermore, as a matter of Turkish law, the choice of jurisdiction requires explicit agreement of the parties as to the exclusive jurisdiction of a particular court, defined with sufficient precision. Non-exclusive jurisdiction clauses or general references to courts of a country may not be honored by Turkish courts. Therefore, any Turkish court may claim jurisdiction if a lawsuit is filed in Türkiye by the parties in relation to a document regarding matters arising thereunder and may refrain from honoring relevant jurisdiction clauses in the event it is considered that such explicit agreement is lacking as to the jurisdiction of a particular court(s).

In any suit or action against a company in the Turkish courts, a foreign plaintiff may be required to deposit security for court costs (*cautio judicatum solvi*), *provided however that* the court may in its discretion waive such requirement for security in the event that the plaintiff is considered to be (i) a national of one of the contracting states of the Convention Relating to Civil Procedures signed at The Hague on March 1, 1954 (ratified by Türkiye by Law No. 1574); save for legal entities incorporated under the laws of such contracting states or (ii) a national of a state that has signed a bilateral treaty with Türkiye which is duly ratified and contains, *inter alia*, a waiver of the *cautio judicatum solvi* requirement on a reciprocal basis.

Bankruptcy

Bankruptcy proceedings may be initiated either by (i) application to the commercial court after initiation of a debt collection proceeding in which the debtor objects to the debt or does not pay the claimed amount while not objecting, or (ii) direct application to the commercial court by the debtor itself or the creditors under certain conditions.

The general cause for bankruptcy is the inability of a debtor to pay their debts as they become due, in spite of the bankruptcy suit.

In such cases, where a creditor initiates a bankruptcy proceeding through request for payment of a due debt, the debtor may avoid the bankruptcy by payment of the claimed debt or raising a valid objection against such request. On the other hand, the creditors may directly file a bankruptcy lawsuit against the debtor without being required to start a debt collection proceeding if the debtor (a) does not have a permanent residence and is likely to change its location for the purposes of avoiding the discharge of its obligations; (b) executes or attempts to execute fraudulent transactions to the detriment of its creditors; (c) conceals its assets during attachment procedures; (d) permanently suspends its payments; (e) fails to make any payment despite an execution order based on a court judgement; or (f) if the concordat (*konkordato*) request of the debtor is not approved by the relevant court.

Finally, the debtor is obliged to file for its own bankruptcy if (i) half of the assets are attached as a result of a debt collection proceeding(s) and the other half is not adequate to cover its due and payable debts and the debts that will become due and payable within a year or (ii) if the assets of the company is not sufficient to cover its liabilities. The creditors will have fifteen days as of the said announcement to intervene to the court proceeding to object to the bankruptcy. However, the filing or the declaration of the bankruptcy is not individually notified or served to the creditors.

In case where the bankruptcy request is filed by the creditors, the commercial court hearing the request may decide to enforce protective measures over the assets of the debtor.

In the event a person is declared bankrupt, all its assets will form the bankrupt's estate over which the bankruptcy administration would have utmost control. In this case, the bankruptcy administration would liquidate all the assets of the relevant person and distribute the proceeds thereof to the creditors pursuant to the ranking of receivables prescribed by the Code of Execution and Bankruptcy of the Republic of Türkiye numbered 2004 (the "**Bankruptcy Code**"). However, the rights secured with pledges have priority to the other receivables. The debts for which the bankrupt person issued a suretyship are recorded with the bankruptcy estate although they are not due.

In case of the declaration of the bankruptcy, any person possessing an asset of the bankrupt person is required to deliver such asset to the order of the bankruptcy estate regardless under what capacity they hold such assets. If the assets are not delivered in the required time, then the holder of the asset will not be able to use its priority rights (e.g. pledge) and would be subject to penalty. This rule also covers the assets located outside of Türkiye.

Once a person is declared bankrupt by the court, all of its unsecured debts are accelerated. All of its assets are liquidated by the bankruptcy office for repayment of its debts in accordance with the procedure and valuation rules stipulated under the Bankruptcy Code. All debt of a bankrupt person is converted to Turkish Lira as of the date of the bankruptcy decision. In the liquidation of assets, secured claims and unsecured claims are treated separately in terms of priority. Upon the sale of the secured assets by the bankruptcy administration and the deduction of the sale and bankruptcy administration expenses, the secured creditors of the bankrupt person will have priority over its other creditors with respect to the receivables covered by the assets pledged to them. If the secured assets are insufficient to pay the secured creditors for the debts of the bankrupt person, such creditors will be entitled to proceed against the remaining assets of the bankrupt person as unsecured creditors.

Other Forms of Insolvency Proceedings

There are two types of other formal debt reorganization procedures under Turkish bankruptcy law: (i) concordat (*konkordato*), and (ii) restructuring upon settlement. Secured creditor rights are not affected in principle by these organizations, but enforcement of the security rights may be delayed.

As explained below, in concordat, no execution proceeding may be initiated against the debtor, and pending execution proceedings are suspended, except for those initiated by the secured creditors. Nevertheless,

proceedings for the enforcement of a pledge may be initiated by the secured creditors, but the secured assets may not be sold during the course of the concordat.

In the restructuring upon settlement, which is not a common method used in the Turkish practice, terms and conditions of enforcement of the security and debt collection proceedings would be subject to the restructuring project that is accepted by (i) the majority of the creditors who are affected by the restructuring project, and (ii) the receivables of such majority corresponding to two-thirds of the receivables the creditors who are affected by the restructuring and participated to the voting. It should also be noted that the court is entitled to reject the restructuring plan although these quorums are met.

Concordat

The purpose of the concordat is for the debtor to gain the ability to pay the debts while avoiding bankruptcy to protect both the continuity of the business and the creditors. The restructuring can be carried out in a variety of methods, including but not limited to by extending the maturity of the debts, and/or by making a discount on the debts due to its creditors. Creditors are also entitled to request a debtor to be subject to the concordat in certain cases.

If there is no missing document in the concordat application, the commercial court will declare immediately a temporary standstill period (*geçici mühlet*). The initial temporary standstill period may be three months. Prior to expiry of such three-month period, the commercial court may extend the temporary standstill period for a maximum of two months. The total period of temporary standstill cannot exceed five months.

In its decision to declare a temporary standstill period, the commercial court shall also appoint 1 (one) to 3 (three) temporary concordat trustee(s), whose main duty is examining the likelihood of success of concordat and acting as a custodian to the operations.

The main consequences of a concordat period which apply to the temporary standstill period are as follows:

- Suspension of execution proceedings: During the temporary stay, except for any employee claims, the existing execution proceedings are suspended and no new execution proceeding can be initiated. Further, the courts and execution offices cannot enforce any decision imposing an interim injunction (*ihiyati tedbir*) or interim attachment (*ihiyati haciz*). Limitation periods that may restart through an execution proceeding are suspended.
- Invalidity regarding assigned future receivables: If any future receivables (i.e. receivable that are not in existence by the date of assignment) prior to when the temporary standstill period is assigned and such receivable has arisen during the temporary standstill period; such assignment becomes automatically invalid.
- Suspension of sale of pledged assets: The secured creditors can initiate execution proceedings or continue existing proceedings for their pledges during the temporary standstill period. However, no interim measures can be imposed over the assets within the scope of such execution, and the asset cannot be liquidated as a result of such execution proceeding.
- Impact to certain contractual provisions: As for the agreements, which are important for the continuity of the operations (material agreements), irrespective as to whether the counterparty of an agreement is affected by the concordat project, the following provisions are deemed to be inapplicable, and in any case, the counterparty may not terminate the agreement due to the concordat request:
 - (c) Concordat request is a breach of the agreement.
 - (d) Concordat request is a valid ground for termination.

(e) Concordat request accelerates the debt under the agreement.

- Termination of certain agreements on the grounds of concordat: The debtor is entitled to terminate continuing performance agreements (i.e. an agreement regarding long-term service supply) preventing the successful completion of the concordat project, upon approval of the commercial court and the affirmative consent of the concordat trustees. Any indemnification that the debtor is obliged to pay as a result of such termination is subject to the concordat project.
- Continuing the operations during the temporary standstill period: During the temporary standstill period, in principle, the debtor can continue its operations, under the custody of the concordat trustee. However, when declaring the standstill period, the court may order that the concordat trustee, rather than management of the debtor, will continue the operations of the debtor. Alternatively, the court may also order that, certain transactions of the debtor can only be effected upon approval of the concordat trustee. If this is the case and the concordat trustee commissar does not approve such transactions, those will be deemed invalid.
- Prohibition on granting security and providing guarantees: As of the temporary standstill period, the debtor cannot (i) grant any pledge over its assets, (ii) sell real estate or permanent assets of the business or establish any encumbrance over thereof; (iii) cannot issue suretyship for any debt and (iv) cannot dispose of any asset without consideration. The debtor subject to concordat can only consummate such transactions upon approval of the commercial court. If the commercial court does not approve such transactions, those will be deemed invalid.

If the commercial court arrives at the judgment that the successful completion of concordat is likely, it declares a definite standstill period (*kesin mühlet*). When deciding on the definite standstill, the commercial court considers the opinion of the temporary concordat trustee, or panel of trustees, as well as objections of the creditors, if any. The commercial court is obliged within the temporary standstill period to decide whether it will grant a definite standstill. The initial period for definite standstill is one year. This period may be extended for a maximum of six months.

The commercial court orders the temporary concordat trustee to continue its duty during the definite standstill, unless there is a reasonable reason for his/her removal from duty.

The commercial court hearing the concordat request may also order the formation of a creditors' committee, consisting of a maximum of seven persons and in an odd number. The creditors' committee takes decisions with a simple majority of the attendants at its meetings. The creditors' committee's main duty is examining the activities of the concordat trustee and submitting complaints to the commercial court about such activities, if necessary.

Unless otherwise included in the restructuring project, unsecured debts shall not accrue interest during the definitive stay period.

Upon declaration of temporary standstill, the temporary concordat trustee invites the creditors to declare their receivables from the debtor within 15 days.

After the declarations of receivables and completion of the verification of these declared receivables, the commercial court invites the creditors to negotiate the concordat project submitted by the debtor in a meeting set on a date at least 15 days later than such invitation.

The concordat trustee chairs such meeting, and reports on the status of the debtor. The proposed concordat project is accepted if:

- (1) Approved by a majority exceeding (a) 50% of the declared creditors and (b) 50% of the declared receivable; or
- (2) Approved by a majority exceeding (a) 25% of the declared creditors and (b) two-thirds of the declared receivable.

Only the creditors affected by the project can vote. The secured creditors' receivables are taken into account; to the extent the value of their security is not sufficient to cover the total amount of their receivables.

The creditors present at the aforementioned meeting sign the minutes of the meeting to indicate their affirmative or dissenting vote. Alternatively, within seven (7) days from the meeting, any creditor can participate in the voting by signing the minutes of the meeting and indicating its affirmative or dissenting vote. After the expiry of such period of seven days, the concordat trustee submits a reasoned report to the commercial court within seven days, along with the minutes of the meeting and all other documents regarding the concordat.

The last step for the concordat project to be binding, is its approval by the commercial court. The commercial court shall decide after hearing the concordat trustee and examining its reasoned report regarding concordat, and in any case, before the end of the standstill period. The commercial court requires the following conditions to be met for approving the concordat project:

- The actual amount proposed to be paid to the creditors in the concordat project should be higher than the amount which can be collected by the creditors in a possible scenario of bankruptcy;
- The actual amount proposed to be paid to the creditors should be proportionate to the resources of the debtor;
- The concordat project is duly approved by the majority of creditors and receivables, in accordance with the quorums described above;
- Full repayment of the receivables of the employees' of the debtor, and the receivables arisen due to agreements executed within the standstill period with the approval of the concordat trustee must be sufficiently secured with collateral; and
- Litigation expenses for approval of concordat and charges to be collected over the amount agreed to be paid to the creditors in case of approval of the concordat should be deposited.

The commercial court is entitled to make adjustments in the concordat project ex officio or upon demand.

The decision on approval of the concordat request contains the rates of discounts made in the receivables and the timetable of payments of the debts.

Further, in its decision to approve the concordat project, the commercial court shall also be entitled to appoint a custodian (*kayyim*) to the debtor to supervise the operations of the debtor and take the necessary measures for the concordat to succeed.

Consequences of approval of the concordat project

If the project is accepted by the required creditors and approved by the commercial court, it covers certain obligations of the debtor and binds certain creditors as detailed below. The discount rates and repayment schedule as approved in the concordat project become applicable to all the creditors affected by the concordat. The attachments within the scope of the execution proceedings initiated prior to the temporary standstill period become invalid, *provided that* the attached assets are not liquidated.

The creditors of the following privileged/secured receivables are not affected by the concordat, in respect of their privileged receivables:

- proceedings of secured debts;
- public debts in relation to specific assets, e.g. real estate tax for immovable, customs tax for movables,
- privileged receivables, which are registered during the concordat period, defined in the applicable law, e.g. employee receivables, alimony debts, receivables of Savings Deposit Insurance Fund; and
- receivables arising from transactions executed with the approval of the concordat trustee during the concordat period.

In addition, upon request of the debtor, in its decision of approval of the concordat project, the commercial court may postpone seizure and the sale of collateral as a result of the enforcement proceedings of secured creditors *provided that*:

- The secured debt has arisen before filing the concordat request.
- Whole interest accrued on the secured debt prior to the date of concordat request has been repaid.
- The debtor plausibly proves that the asset given as security for such debt is mandatory for its operations and if it is sold, the debtor's economic integrity and operations will be endangered.

Bankruptcy during the concordat process and revocation of the concordat

If any of the following cases occur during the standstill period, the commercial court dismisses the concordat request and declares the bankruptcy of the debtor *ex officio*, upon receiving the written report of the concordat trustee:

- Bankruptcy is a better option to protect the creditors and the estate of the debtor.
- It is understood that the concordat cannot be completed successfully.
- The debtor acts in breach of prohibition on providing security and guarantees, on orders/instructions of the concordat trustee.
- The debtor requests its own bankruptcy.

Separately, in any case, if the commercial court rejects to approve the concordat project, it should declare the company bankrupt *ex officio*, in the presence of a reason for direct bankruptcy.

Finally, after the approval of the concordat project, any creditor against whom the debtor has failed to fulfil its obligations in accordance with the approved project, can request revocation of the concordat or disapplication of the project specifically for itself. Furthermore, any creditor can request the revocation of concordat in case the concordat becomes ineffective due to bad faith of the debtor. Accordingly, any secured creditor against whom the debtor has failed to fulfil its obligations in accordance with the agreement reached for restructuring of its secured obligations, can request cancellation of such agreement. Further, if the cancellation of such agreements results in the overall secured receivable which agreed to the restructuring of secured obligations falling below the threshold of two-thirds of the secured receivable; (i) the dissenting secured creditors will be no longer subject to the longest maturity in the agreements made with other secured creditors, and (ii) other secured creditors will be entitled to unilaterally terminate the restructuring agreement that they have reached with the debtor.

Restructuring of secured obligations

As a relatively new mechanism introduced by the Law No. 7101 on Amendment of Enforcement and Bankruptcy Code, secured receivables can also be restructured under certain circumstances.

For restructuring the secured obligations, the debtor must indicate its plan to restructure its secured obligations in the preliminary project for concordat. This restructuring process runs in parallel with the ordinary restructuring of unsecured receivables.

Within the period of the definitive stay, the concordat trustee invites all secured creditors for negotiating the restructuring proposals made in the preliminary project for concordat, such as discounts in principal or interest, and extensions of maturity. In such a meeting of the secured creditors, the proposed restructuring of secured obligations is deemed accepted if the debtor reaches an agreement to restructure with creditors having two-thirds of the total secured debt. Similar to the process described above for approval of the concordat project, within seven days from the meeting, the debtor may agree with any secured creditor to restructure and such agreement will also be taken into account for the calculation whether the aforementioned meets the required quorum.

If the debtor succeeds to agree with the creditors on the restructuring by the quorum mentioned above; the secured creditors who have not agreed to restructure, become subject to the longest maturity in the agreements made with other secured creditors.

If the agreements meet the foregoing requirements; the commercial court includes the agreements executed with the secured creditors and the repayment plan for secured creditors in the decision approving the concordat project. Accordingly, if the proposed concordat project is not accepted by the majority of the creditors as described above; the agreements made to restructure the secured debts are also deemed refused and the repayment plan relating to the secured creditors would not be valid.

Out-of-Court Restructuring

In addition to the foregoing, certain formal out-of-court restructuring regimes are available to debtors, notably under restructuring framework agreements executed by Turkish creditor institutions (i.e., mainly banks and financial institutions) under the “Financial Restructuring Program (FYY)” introduced by the Banking Regulation and Supervision Authority.

Within the scope of this programme, debtors may conclude out-of-court financial restructuring agreements with creditor institutions that are signatories of the framework agreements executed under such programme and (if any) other creditors opting-into the restructuring.

The restructuring agreement is in principle approved by two or more creditors holding two thirds of the total debt within the restructuring and binding over all creditor institutions that are signatories to the framework agreement.

The framework agreements prescribe a contractual standstill on the creditor institutions that are signatories of the framework agreement or otherwise opted-into the restructuring, such that, during the restructuring negotiations and during the continuation of the restructuring programme, no execution or bankruptcy proceedings, or enforcement of security may be initiated by them against the debtor or any ongoing execution, bankruptcy or enforcement proceedings initiated by such creditors against the debtor cannot be continued, save for certain exceptions.

Voidability of Liens

Articles 277, 278, 279 and 280 of the Bankruptcy Code govern the cancellation lawsuits with respect to certain transactions. However, the transactions identified in these articles of the Bankruptcy Code are not exhaustive. The Turkish Court of Cassation has explicitly stated in various instances that Turkish courts have the discretion to cancel transactions in addition to those identified in Articles 278, 279 and 280 of the Bankruptcy Code. The legal framework established in such articles of the Bankruptcy Code would be applied by the court in such instances.

Pursuant to Article 277 of the Bankruptcy Code, (i) each creditor holding a certificate of insolvency (*aciz vesikası*) (either temporary (*muvaakkat*) or conclusive (*kat'i*)), (ii) the bankruptcy administration, or (iii) creditors in the cases which Article 245 or Article 255(3) of the Bankruptcy Code apply, may file a cancellation lawsuit.

Under Article 278 of the Bankruptcy Code, gratuitous dispositions and donations by a debtor (other than those undertaken in the ordinary course of business) within two years preceding the date of the bankruptcy, insolvency or attachment may be deemed void. “Gratuitous dispositions” and “donations” are those transactions with a material imbalance between the considerations exchanged by the parties. In the case of attachment, the date to be taken into account to determine the two years is the date attachment is made. If the debtor has no property to be attached or such property is not sufficient to satisfy the debt, this situation is registered in the attachment report prepared by the execution office and constitutes a determination of the borrower’s inability to pay its debts. This report is deemed to be a certificate of insolvency.

Under Article 279 of the Bankruptcy Code, certain dispositions may be deemed void if (i) they authorized within one year preceding a bankruptcy judgment, the debtor’s inability to pay its debts (as determined by the execution office), or a judgment of attachment and (ii) the debtor was insolvent at the time of the disposition. The dispositions subject to this article are: (i) prepayments of undue debts, (ii) payments made by means other than cash or other regular payment method, (which may include by check, commercial bill and interest coupon), (iii) pledges established by the debtor to secure an existing debt save for cases where the debtor has previously undertaken to provide security and (iv) registration of a personal right with the land registry to strengthen its effect against third parties. Turkish law assumes that the recipient of the relevant disposition was aware of the debtor’s insolvency at the time of the disposition and the burden is on the recipient to prove otherwise.

Finally, Article 280 of the Bankruptcy Code governs other statutory claims of voidability, especially fraudulent conveyances. Under this article, all dispositions authorized (i) within five years preceding the date on which attachment or bankruptcy proceedings are initiated against an insolvent debtor, (ii) that were authorized with the intent of harming the creditors of the debtor and (iii) where the counterparty of the disposition was aware or should reasonably have been aware of such intent and of the financial status of the debtor, may be deemed void.

Under Article 284 of the Bankruptcy Code, the general statute of limitations for initiating cancellation lawsuits against dispositions subject to cancellation is five years from the date of occurrence of such disposition.

Apart from the grounds established in the Bankruptcy Code for voiding a disposition, an action for the recovery of property (*istihkak davası*) or unjust enrichment (*sebepsiz zenginleşme*) could be initiated in the event of “simulation,” i.e., a sham contract. “Simulation” covers the situation in which the parties to a contract agree that such contract will not actually have any effect between them or will have the effect of an agreement other than as set forth in the contract. Pursuant to Article 19 of the TCO, contracts constituting simulations will not be taken into account and the actual intention of the parties will be considered.

TAXATION

The following discussion is a summary of certain Turkish tax considerations relating to an investment in the Notes. The discussion is based on current law and is for general information only. The discussion below is not intended to constitute a complete analysis of all tax consequences relating to ownership of the Notes. You should consult your own tax advisors concerning the tax consequences of your particular situation. The discussion is based upon laws and relevant interpretations thereof in effect as of the date of this Offering Memorandum, all of which are subject to change, possibly with retroactive effect.

Turkish Taxation

The following discussion is a summary of certain Turkish tax considerations relating to an investment by a person who is a non-resident of Türkiye in Notes of a Turkish company issued abroad. The discussion is based upon current law and is for general information only. The discussion below is not intended to constitute a complete analysis of all tax consequences relating to the acquisition, ownership or disposition of the Notes that may be relevant to a decision to make an investment in the Notes. Furthermore, the discussion only relates to the investment by a person where the Notes will not be held in connection with the conduct of a trade or business through a permanent establishment in Türkiye. Each investor should consult its own tax advisors concerning the tax considerations applicable to its particular situation. This discussion is based upon laws and relevant interpretations thereof in effect as of the date of this Offering Memorandum, all of which are subject to change, possibly with retroactive effect. In addition, it does not describe any tax consequences: (a) arising under the laws of any taxing jurisdiction other than Türkiye or (b) applicable to a resident of Türkiye or a permanent establishment in Türkiye that is constituted either by the existence of a fixed place of business or appointment of a permanent representative. This summary does not discuss all of the income tax consequences that may be relevant to an investor in light of such investor's particular circumstances or to investors subject to special rules, such as regulated investment companies, certain financial institutions or insurance companies. Prospective investors are advised to consult their tax advisors with respect to the tax consequences of the purchase, ownership or disposition of the Notes (or the purchase, ownership or disposition by an owner of beneficial interests therein). References to "resident" herein refer to tax residents of Türkiye and references to "non-resident" herein refer to persons who are not tax residents of Türkiye.

For Turkish tax purposes, a legal entity is a resident of Türkiye if its corporate domicile is in Türkiye or its effective place of management is in Türkiye. A resident legal entity is subject to Turkish taxes on its worldwide income, whereas a non-resident legal entity is only liable to the Turkish taxes for the trading income made through a permanent establishment or for the income sourced in Türkiye otherwise.

An individual is a resident of Türkiye if such individual has established domicile in Türkiye or stays in Türkiye more than six months in a calendar year. On the other hand, foreign individuals who stay in Türkiye for six months or more for a specific job or business or particular purposes that are specified in the Turkish Income Tax Law may not be treated as a resident of Türkiye, depending on the characteristics of the stay. A resident individual is liable for Turkish taxes on his/her worldwide income, whereas a non-resident individual is liable for Turkish tax for the income sourced in Türkiye.

Income from capital investment is sourced in Türkiye when the principal is invested in Türkiye. Capital gain derived from trading income is considered sourced in Türkiye when the activity or transaction generating such income is performed or accounted for in Türkiye, which means that a payment is made in Türkiye, or if the payment is made abroad, it is recorded in the books in Türkiye or apportioned from the profits of the payer or the person on whose behalf the payment is made in Türkiye.

Any withholding tax levied on income derived by a non-resident person is the final tax for such non-resident person and no further declaration is required. Any other income of a non-resident person sourced in Türkiye that has not been subject to withholding tax will be subject to taxation through declaration where treaty relief and exemptions are reserved.

Interest paid on debt instruments (such as the Notes) issued abroad by a resident corporation is subject to withholding tax, as regulated through the Decrees. The withholding tax rates are set according to the original maturity of notes issued abroad by resident corporations as follows:

- 7 % withholding tax for notes with an original maturity of less than one year;
- 3 % withholding tax for notes with an original maturity of at least one year and less than three years; and
- 0 % withholding tax for notes with an original maturity of three years or more.

In general, capital gains are not taxed through withholding tax and therefore any capital gain sourced in Türkiye with respect to the Notes may be subject to declaration. However, pursuant to Provisional Article 67 (which is effective until December 31, 2025) of the Turkish Income Tax Law, as amended by laws numbered 6111, 6655 and 7256, special or separate tax returns will not be submitted for capital gains from the notes of a resident corporation issued abroad when the income is derived by a non-resident. Therefore, no tax is levied in Türkiye on non-residents in respect of capital gains from such Notes and no declaration is required.

A non-resident holder will not be liable for Turkish estate, inheritance or similar tax with respect to its investment in the Notes, nor will it be liable for any Turkish stamp, registration or similar tax or duty relating thereto.

Reduced Withholding Tax Rates

Under current laws and regulations in Türkiye, interest payments on certain debt instruments issued abroad by a resident holder will be subject to a withholding tax at a rate between 7% and 0% in Türkiye, as detailed above.

If a bilateral tax treaty is in effect between Türkiye and the jurisdiction of which the holder of the notes is a resident for the purposes of such bilateral taxation (in some cases, the term “beneficial owner” is used concerning the provisions stipulated therein) that provides for the application of a lower withholding tax rate than the local rate to be applied by the issuer corporation, then the rate in such treaty may be applicable. For the application of withholding at such a treaty-reduced rate, an original copy of the certificate of residence signed by the competent authority, which is usually defined in Article 3 of Türkiye’s bilateral tax treaties, is required (along with certain other requirements and procedures sought by the related tax office, the banks and intermediary institutions) prior to the application of withholding tax is required. In the event the certificate of residence is not delivered prior to the application of withholding tax, then upon the subsequent delivery of the certificate of residency, a refund of the excess tax shall be granted to the beneficial owner pursuant to the provisions of the relevant treaty and the Turkish tax legislation.

Value Added Tax (“VAT”)

Note issuances and interest payments on the bonds are exempt from the VAT pursuant to Article 17/4-g of the VAT Law No. 3065, as amended pursuant to the Turkish Tax Bill Regarding Improvement of the Investment Environment Law No. 6728, published in the Official Gazette dated August 9, 2016 and numbered 29796.

Certain U.S. Federal Income Tax Considerations

The following is a summary of certain U.S. federal income tax consequences of the acquisition, ownership and disposition of Notes by a U.S. Holder (as defined below). This summary deals only with initial purchasers of

Notes at the “**issue price**” (the first price at which a substantial amount of Notes is sold for money, excluding sales to underwriters, placement agents or wholesalers) in the initial offering that are U.S. Holders and that will hold the Notes as capital assets (generally, assets held for investment). The discussion does not cover all aspects of U.S. federal income taxation that may be relevant to, or the actual tax effect that any of the matters described herein will have on, the acquisition, ownership or disposition of Notes by particular investors (including consequences under the alternative minimum tax or net investment income tax), and does not address state, local, non-U.S. or other tax laws (such as estate or gift tax laws). This summary also does not discuss all of the tax considerations that may be relevant to certain types of investors subject to special treatment under the U.S. federal income tax laws (such as financial institutions, insurance companies, regulated investment companies, real estate investment trusts, individual retirement accounts and other tax-deferred accounts, tax-exempt organisations, dealers in securities or currencies, investors that will hold the Notes as part of straddles, hedging transactions, conversion, or other integrated transactions for U.S. federal income tax purposes, persons that have ceased to be U.S. citizens or lawful permanent residents of the United States, U.S. Holders that hold Notes through non-U.S. brokers or other non-U.S. intermediaries, investors holding the Notes in connection with a trade or business conducted outside of the United States, U.S. citizens or lawful permanent residents living abroad, investors that are required to take certain amounts into income no later than the time such amounts are reflected on an applicable financial statement or investors whose functional currency is not the U.S. dollar).

As used herein, the term “**U.S. Holder**” means a beneficial owner of Notes that is, for U.S. federal income tax purposes, (i) an individual citizen or resident of the United States, (ii) a corporation created or organised under the laws of the United States, any state thereof or the District of Columbia, (iii) an estate the income of which is subject to U.S. federal income tax without regard to its source or (iv) a trust if a court within the United States is able to exercise primary supervision over the administration of the trust and one or more U.S. persons have the authority to control all substantial decisions of the trust, or the trust has validly elected to be treated as a domestic trust for U.S. federal income tax purposes.

The U.S. federal income tax treatment of a partner in an entity or arrangement treated as a partnership for U.S. federal income tax purposes that holds Notes will depend on the status of the partner and the activities of the partnership. Prospective purchasers that are entities or arrangements treated as partnerships for U.S. federal income tax purposes should consult their tax advisers concerning the U.S. federal income tax consequences to them and their partners of the acquisition, ownership and disposition of Notes by the partnership.

This summary is based on the tax laws of the United States, including the Internal Revenue Code of 1986, as amended (the “**Code**”), its legislative history, existing and proposed regulations thereunder, published rulings and court decisions, as well as on the income tax treaty between the United States and Türkiye (the “**Treaty**”), all as at the date hereof and all subject to change at any time, possibly with retroactive effect.

THE SUMMARY OF U.S. FEDERAL INCOME TAX CONSEQUENCES SET OUT BELOW IS FOR GENERAL INFORMATION ONLY. ALL PROSPECTIVE PURCHASERS SHOULD CONSULT THEIR TAX ADVISERS AS TO THE PARTICULAR TAX CONSEQUENCES TO THEM OF ACQUIRING, OWNING, AND DISPOSING OF THE NOTES, INCLUDING THE APPLICABILITY AND EFFECT OF STATE, LOCAL, NON-U.S. AND OTHER TAX LAWS, INCLUDING THE TREATY, AND POSSIBLE CHANGES IN TAX LAW.

Characterisation of the Notes

In certain circumstances (including, for example, but not limited to, “*Terms and Conditions of the Notes – Redemption and Purchase – Redemption for Taxation Reasons*,” “*Terms and Conditions of the Notes – Redemption and Purchase – Redemption at the Option of the Issuer (Equity Offering)*,” “*Terms and Conditions of the Notes – Redemption and Purchase – Redemption at the Option of the Issuer (Premium)*,” and “*Terms and*

Conditions of the Notes – Redemption and Purchase – Redemption at the Option of Noteholders (Change of Control)”), the Issuer may redeem or be obligated to redeem the Notes prior to maturity or to pay amounts on the Notes that are in excess of stated interest or principal on the Notes. These potential payments may implicate the provisions of U.S. Treasury regulations relating to “contingent payment debt instruments,” but the Issuer does not intend to treat the possibility of such contingent payments on the Notes as subjecting the Notes to the contingent payment debt instrument rules. The Issuer’s determination that the Notes are not subject to the contingent payment debt instrument rules is binding on a U.S. Holder, unless such U.S. Holder discloses its contrary position in the matter required by applicable U.S. Treasury regulations. It is possible that the Internal Revenue Service (“**IRS**”) may take a different position, in which case, if such position is sustained, a U.S. Holder might be required to accrue ordinary interest income at a higher rate than the stated interest rate and to treat as ordinary income rather than capital gain any gain realised on the taxable disposition of the Notes. The remainder of this discussion assumes that the Notes will not be treated as contingent payment debt instruments. U.S. Holders are encouraged to consult their own tax advisors regarding the possible application of the contingent payment debt instrument rules to the Notes.

Payments of Interest

Stated interest on a Note (including any non-U.S. taxes withheld and any additional amounts paid with respect thereto) will be taxable to a U.S. Holder as ordinary income at the time it is received or accrued, depending on such U.S. Holder’s method of accounting for U.S. federal income tax purposes. Interest paid on the Notes generally will constitute income from sources outside the United States.

It is expected, and this discussion assumes, that the Notes will not be considered as issued with original issue discount (“**OID**”) for U.S. federal income tax purposes. The Notes will be treated as issued without OID if the difference between their principal amount and their issue price is less than the product of one-fourth of one% (0.25%) of their principal amount multiplied by the number of full years to their maturity. In general, if the Notes are issued with OID for U.S. federal income tax purposes, a U.S. Holder will be required to include OID in gross income, as ordinary income, under a “constant-yield method” before the receipt of cash attributable to such income, regardless of the U.S. Holder’s regular method of accounting for U.S. federal income tax purposes.

Subject to certain limitations, a U.S. Holder may be entitled to a credit against its U.S. federal income tax liability, or at such U.S. Holder’s election, may be eligible as a deduction in computing such holder’s U.S. federal taxable income, for any non-refundable non-U.S. taxes withheld (at a rate not exceeding any applicable treaty rate). An election to deduct creditable foreign taxes instead of claiming foreign tax credits must be applied to all foreign taxes paid or accrued in the U.S. Holder’s taxable year. Interest generally will constitute “passive category income” for purposes of the foreign tax credit. The rules governing foreign tax credits are complex, and final Treasury regulations (the “**Final FTC Regulations**”) have imposed additional requirements that must be met for a foreign tax to be creditable, and the Issuer does not intend to determine whether such requirements will be met. However, recent notices from the IRS (such notices the “**Notices**”) indicate that the U.S. Treasury and the IRS are considering proposing amendments to the Final FTC Regulations and allow taxpayers, subject to certain conditions, to defer the application of many aspects of the Final FTC Regulations until the date when a notice or other guidance withdrawing or modifying this temporary relief is issued (or any later date specified in such notice or other guidance). U.S. Holders should consult their tax advisors concerning the foreign tax credit and deductibility implications of any non-U.S. taxes withheld.

Sale or Other Taxable Disposition of Notes

A U.S. Holder generally will recognise gain or loss on the sale or other taxable disposition of a Note equal to the difference between the amount realised on the sale or other taxable disposition and the U.S. Holder’s

adjusted tax basis of the Note. A U.S. Holder's adjusted tax basis in a Note generally will be its U.S. dollar cost. The amount realized does not include the amount attributable to accrued but unpaid interest, which will be taxable as interest income to the extent not previously included in income. Gain or loss recognized on the sale or other taxable disposition of a Note will be U.S. source capital gain or loss and will be long-term capital gain or loss if the U.S. Holder's holding period in the Notes exceeds one year. Non-corporate U.S. Holders generally are subject to tax on long-term capital gains at reduced rates. The deductibility of capital losses is subject to limitations. The rules governing foreign tax credits are very complex and there are significant limitations on the creditability of non-U.S. taxes imposed on disposition gains and therefore a U.S. Holder may not be able to obtain a credit for such taxes (if any). Prospective purchasers should consult their tax advisers as to the U.S. federal income tax implications if any non-U.S. taxes are imposed on disposition gains in their particular circumstances, including creditability, deductibility, determination of the amount realized and any applicable limitations.

Backup Withholding and Information Reporting

Payments of principal and interest on, and the proceeds of the sale or other taxable disposition (including a retirement or redemption) of, the Notes will be reported to the IRS and to the U.S. Holder as may be required under applicable Treasury regulations. Backup withholding may apply to these payments if the U.S. Holder fails to provide an accurate taxpayer identification number or certification of exempt status or fails to comply with applicable certification requirements. Certain U.S. Holders are not subject to backup withholding. Backup withholding is not an additional tax and any amounts withheld under the backup withholding rules may be allowed as a refund or a credit against a U.S. Holder's U.S. federal income tax liability provided the required information is timely furnished to the IRS. U.S. Holders should consult their tax advisers about these rules and any other reporting obligations that may apply to the ownership or disposition of Notes, including requirements related to the holding of certain "specified foreign financial assets."

TRANSFER RESTRICTIONS

By its purchase of Notes, each purchaser of Notes will be deemed to have acknowledged, represented, and agreed with the Joint Bookrunners and the Issuer as follows:

- (1) the purchaser (a) (i) is a QIB within the meaning of Rule 144A, (ii) is acquiring the Notes for its own account or for the account of such a QIB and (iii) is aware that the sale of the Notes to it is being made in reliance on Rule 144A or (b) is purchasing the Notes outside of the United States in an offshore transaction pursuant to and in accordance with Regulation S;
- (2) the Notes are being offered only in a transaction not involving any public offering in the United States within the meaning of the Securities Act, and the Notes offered hereby have not been and will not be registered under the Securities Act and may not be reoffered, resold, pledged, or otherwise transferred except pursuant to an exemption from or in a transaction not subject to, the registration requirements of the Securities Act and in compliance with any applicable State securities laws;
- (3) it is purchasing these Notes for its own account, or for one or more investor accounts for which it is acting as a fiduciary or agent, in each case for investment, and not with a view to, or for offer or sale in connection with, any distribution thereof in violation of the Securities Act or any other securities laws, subject to any requirement of law that the disposition of its property or the property of such investor account or accounts be at all times within its or their control and subject to its or their ability to resell such Notes pursuant to Rule 144A, Regulation S or any other available exemption from registration available under the Securities Act;
- (4) it acknowledges that this Offering Memorandum relates to an offering that is exempt from registration under the Securities Act and may not comply in important respects with SEC rules that would apply to an offering document relating to a public offering of securities;
- (5) the Restricted Global Certificate and any Restricted Definitive Certificate will bear a legend to the following effect, unless the Issuer determines otherwise in accordance with applicable law:

“THE NOTES REPRESENTED HEREBY HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE “**SECURITIES ACT**”) OR ANY SECURITIES LAW OF ANY STATE OF THE UNITED STATES. THE HOLDER HEREOF, BY PURCHASING THE NOTES REPRESENTED HEREBY, AGREES FOR THE BENEFIT OF THE ISSUER THAT THE NOTES REPRESENTED HEREBY MAY BE REOFFERED, RESOLD, PLEDGED OR OTHERWISE TRANSFERRED ONLY IN COMPLIANCE WITH THE SECURITIES ACT AND OTHER APPLICABLE LAWS AND ONLY (1) PURSUANT TO RULE 144A UNDER THE SECURITIES ACT (“**RULE 144A**”) TO A PERSON THAT THE HOLDER AND ANY PERSON ACTING ON ITS BEHALF REASONABLY BELIEVE IS A QUALIFIED INSTITUTIONAL BUYER (“**QIB**”) WITHIN THE MEANING OF RULE 144A PURCHASING FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF A QIB WHOM THE HOLDER HAS INFORMED, IN EACH CASE, THAT THE REOFFER, RESALE, PLEDGE OR OTHER TRANSFER IS BEING MADE IN RELIANCE ON RULE 144A, (2) OUTSIDE OF THE UNITED STATES IN AN OFFSHORE TRANSACTION IN ACCORDANCE WITH RULE 903 OR RULE 904 OF REGULATION S UNDER THE SECURITIES ACT, (3) PURSUANT TO AN EXEMPTION FROM REGISTRATION UNDER THE SECURITIES ACT PROVIDED BY RULE 144 THEREUNDER (IF AVAILABLE), OR (4) TO THE ISSUER OR ITS AFFILIATES.”
- (6) if it is acquiring any Notes for the account of one or more investor accounts, the purchaser represents that it has sole investment discretion with respect to each such account and that it has full power to make the foregoing acknowledgements, representations and agreements on behalf of each such account;

- (7) it acknowledges that neither the Issuer, the Joint Bookrunners nor any person representing the Issuer or the Joint Bookrunners, has made any representation to it with respect to the Issuer or the offer or sale of any of the Notes other than (in the case of the Issuer) the information contained in this Offering Memorandum, which Offering Memorandum has been delivered to it and upon which it is relying in making an investment decision with respect to the Notes. It acknowledges that the Joint Bookrunners make no representation or warranty as to the accuracy or completeness of this Offering Memorandum;
- (8) it understands that such Notes have not been and will not be registered under the Securities Act and that, according to Article 15d(ii) of Decree 32, residents in Türkiye will be free to purchase and sell securities and other capital market instruments traded on financial markets abroad, and to transfer funds for the purchase of such securities abroad only through licensed banks or licensed brokerage institutions authorized pursuant to the Banking Law and/or the Capital Markets Law and related legislation;
- (9) if an investor in the European Economic Area, that it represents that it is not a “retail investor.” For the purposes of this paragraph, the expression “retail investor” means a person who is one (or more) of the following:
- a “retail client” as defined in point (11) of Article 4(1) of MiFID II; or
 - a customer within the meaning of the Insurance Distribution Directive, where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II;
- (10) if it is an investor in the United Kingdom, that it represents that it is not a “retail investor.” For the purposes of this paragraph, the expression “retail investor” means a person who is one (or more) of the following:
- a “retail client” as defined in point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of domestic law by virtue of the EUWA; or
 - a customer within the meaning of the provisions of the FSMA and any rules or regulations made under the FSMA to implement the Insurance Distribution Directive, where that customer would not qualify as a professional client as defined in point (8) of Article 2(1) of Regulation (EU) No 600/2014 as it forms part of domestic law by virtue of the EUWA;
- (11) it understands that the Issuer, the Joint Bookrunners, their respective affiliates and others will rely upon the truth and accuracy of the foregoing acknowledgements, representations and agreements and agrees that, if any of the acknowledgements, representations or agreements deemed to have been made by it by its purchase of the Notes is no longer accurate, it shall promptly notify the Issuer and the Joint Bookrunners;
- (12) it agrees that it will give to each person to whom it transfers these Notes notice of any restrictions on the transfer of the Notes; and
- (13) it understands that no action has been taken in any jurisdiction (including the United States) by the Issuer or the Joint Bookrunners that would permit a public offering of the Notes or the possession, circulation or distribution of this Offering Memorandum or any other material relating to the Issuer or the Notes in any jurisdiction where action for such purpose is required. Consequently, any transfer of the Notes will be subject to the selling restrictions set forth under “*Subscription and Sale.*”

SUBSCRIPTION AND SALE

The Joint Bookrunners have agreed with the Issuer, pursuant to a subscription agreement to be dated on or about the date of this Offering Memorandum (the “**Subscription Agreement**”), severally (and not jointly or jointly and severally) and subject to the satisfaction of certain conditions, to subscribe for the Notes. The Issuer will pay the Joint Bookrunners a customary fee and will reimburse the Joint Bookrunners for certain expenses related to the Offering.

The Subscription Agreement provides that the obligations of the Joint Bookrunners to purchase the Notes are subject to approval of legal matters by counsel and to other conditions. The offering of the Notes by the Joint Bookrunners is subject to receipt and acceptance of, and the Joint Bookrunners’ right to reject, any order in whole or in part.

The Issuer has agreed to indemnify the Joint Bookrunners against certain liabilities, including liabilities under the Securities Act. The Joint Bookrunners are entitled in certain circumstances to be released and discharged from their obligations under the Subscription Agreement prior to the closing of the Offering, including in the event that certain conditions precedent are not delivered or met to their satisfaction on the Issue Date. In this situation, the Offering may not be completed. Investors will have no rights against the Issuer or the Joint Bookrunners in respect of any expense incurred or loss suffered in these circumstances.

The Joint Bookrunners initially propose to offer the Notes for resale at the prices indicated on the cover page of this Offering Memorandum. After the initial offering of the Notes, the offering prices and other selling terms of the Notes may, from time to time, be varied by the Joint Bookrunners without notice. The Joint Bookrunners may offer and sell Notes through certain of their affiliates. If a jurisdiction requires that the Offering be made by a licensed broker or dealer and one or more of the Joint Bookrunners is/are or any affiliate of one or more of the Joint Bookrunners is/are a licensed broker or dealer in that jurisdiction, the Offering shall be deemed to be made by such Joint Bookrunner(s) or such affiliate(s) on behalf of the Issuer in such jurisdiction.

Persons who purchase Notes from the Joint Bookrunners may be required to pay stamp duty, taxes and other charges in accordance with the laws and practice of the country of purchase in addition to the offering price set forth on the cover page hereof.

The Conditions will not incorporate, or include any of, or otherwise be subject to, the provisions of the U.S. Trust Indenture Act of 1939, as amended.

It is expected that delivery of the Notes will be made against payment therefor on or about October 15, 2024, which will be six business days (as such term is used for the purposes of Rule 15c6-1 of the U.S. Exchange Act) following the date of the pricing of the Notes (such settlement cycle being referred to as “**T+6**”). Under Rule 15c6-1 of the U.S. Exchange Act, trades in the secondary market generally are required to settle in one business day unless the parties to any such trade expressly agree otherwise. Accordingly, purchasers who wish to trade the Notes on the date of the pricing or the next four succeeding business days will be required, by virtue of the fact that the Notes initially will settle in T+6, to specify an alternative settlement cycle at the time of any such trades to prevent failed settlement. Purchasers of the Notes who wish to make such trades should consult their own advisors.

The Notes will constitute a new class of securities of the Issuer with no established trading market. The Issuer cannot provide any assurances to investors that the prices at which the Notes (or beneficial interests therein) will sell in the market after this offering of the Notes will not be lower than the initial offering price or that an active trading market for such Notes will develop and continue after this Offering. The Joint Bookrunners have advised the Issuer that they currently intend to make a market in the Notes. However, they are not obligated to do so, and they may discontinue any market-making activities with respect to the Notes at their sole discretion and at any time without notice. In addition, any such market-making activity will be subject to the limits

imposed by the Securities Act and the Exchange Act. Applications have been made to admit the Notes to listing on the Official List and to have the Notes admitted to trading on the Global Exchange Market. The Issuer cannot provide any assurances to investors as to the liquidity of or the trading market for the Notes. See *“Risk Factors—Risks Relating to the Notes—There is no public trading market for the Notes and an active trading market in respect of the Notes may never be established or may be illiquid and this would adversely affect the value at which an investor could sell their Notes.”*

In connection with the offering of the Notes, the Joint Bookrunners may purchase and sell the Notes in the open market. These transactions may include short sales and purchases on the open market to cover positions created by short sales. Short sales involve the sale by the Joint Bookrunners of a greater principal amount of Notes than they are required to purchase in the Offering. The Joint Bookrunners must close out any short position by purchasing Notes in the open market. A short position is more likely to be created if the Joint Bookrunners are concerned that there may be downward pressure on the price of the Notes in the open market after pricing that could adversely affect investors who purchase in the Offering described in this Offering Memorandum.

Similar to other purchase transactions, the Joint Bookrunners’ purchases to cover the syndicate short sales may have the effect of raising or maintaining the market price of the Notes or preventing or retarding a decline in the market price of the Notes. As a result, the price of the Notes may be higher than the price that might otherwise exist in the open market.

Neither the Issuer nor the Joint Bookrunners make any representation or prediction as to the direction or magnitude of any effect that the transactions described above may have on the price of the Notes. In addition, neither the Issuer nor the Joint Bookrunners make any representation that the Joint Bookrunners will engage in these transactions or that these transactions, once commenced, will not be discontinued without notice.

The Joint Bookrunners and their respective affiliates are full service financial institutions engaged in various activities, which may include securities trading, commercial and investment banking, financial advisory, investment management, principal investment, hedging, financing and brokerage activities. The Joint Bookrunners or their respective affiliates may have performed investment banking and advisory services for the Issuer and its affiliates from time to time for which they may have received fees, expenses, reimbursements and/or other compensation. The Joint Bookrunners or their respective affiliates may, from time to time, engage in transactions with and perform advisory and other services for the Issuer and its affiliates in the ordinary course of their business. Certain of the Joint Bookrunners and/or their respective affiliates may have acted and could in the future act as a lender to the Issuer and/or its subsidiaries and/or otherwise participate in transactions with the Issuer and/or its subsidiaries.

In the ordinary course of their various business activities, the Joint Bookrunners and their respective affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers and may at any time hold long and short positions in such securities and instruments. Such investment and securities activities may involve securities and/or instruments of the Issuer (including the Notes) or the Issuer’s affiliates. In addition, the Joint Bookrunners and/or their respective affiliates hedge any credit exposure to the Issuer pursuant to their customary risk management policies. These hedging activities could have an adverse effect on the future trading prices of the Notes offered hereby. The Joint Bookrunners and their respective affiliates may also make investment recommendations and/or publish or express independent research views in respect of such securities or financial instruments and may hold, or recommend to clients that they acquire, long and/or short positions in such securities and instruments.

SELLING RESTRICTIONS

General

No action has been or will be taken in any jurisdiction by any Joint Bookrunner or the Issuer that would permit a public offering of the Notes, or possession or distribution of this Offering Memorandum (in preliminary, proof or final form) or any other offering or publicity material relating to the Notes, in any country or jurisdiction where action for that purpose is required.

Accordingly, the Notes may not be offered or sold, directly or indirectly, and neither this Offering Memorandum nor any other offering material or advertisements in connection with the Notes may be distributed or published, in or from any country or jurisdiction, except in compliance with any applicable rules and regulations of any such country or jurisdiction. This Offering Memorandum does not constitute an offer to purchase or a solicitation of an offer to sell in any jurisdiction where such offer or solicitation would be unlawful. Persons into whose possession this Offering Memorandum comes are advised to inform themselves about, and to observe any restrictions relating to, the Offering, the distribution of this Offering Memorandum and re-sale of the Notes. See “*Transfer Restrictions.*”

United States

The Notes have not been and will not be registered under the Securities Act and may not be offered or sold within the United States except in certain transactions exempt from the registration requirements of the Securities Act.

The Notes are being offered and sold outside the United States in reliance on Regulation S. The Subscription Agreement provides that the Joint Bookrunners may directly or through their respective U.S. broker-dealer affiliates arrange for the offer and resale of Notes within the United States only to QIBs in reliance on Rule 144A.

Until 40 days after the commencement of the Offering, any offer or sale of the Notes within the United States by a dealer (whether or not participating in the Offering) may violate the registration requirements of the Securities Act if such offer or sale is made otherwise than in accordance with Rule 144A.

Türkiye

The Offering of the Notes has been authorized by the CMB on August 28, 2024 through the approval of the Issuance Certificate (ihraç belgesi) only for the purpose of the sale of the Notes outside of Türkiye in accordance with Article 11 of the Capital Markets Law, Article 15(b) of Decree 32 and the Communiqué on Debt Instruments. The Notes (or beneficial interests therein) must be offered or sold outside of Türkiye and the CMB has approved the Issuance Certificate (ihraç belgesi); provided that, following the primary sale of the Notes, no transaction that may be deemed as a sale of the Notes (or beneficial interests therein) in Türkiye by way of private placement or public offering may be engaged in.

Notwithstanding the foregoing, in accordance with Article 15(d)(ii) of Decree 32, residents of Türkiye may purchase or sell notes denominated in a currency other than Turkish Lira (or beneficial interests therein) in offshore transactions on an unsolicited (reverse inquiry) basis, provided that such purchase or sale is made in the financial markets outside of Türkiye through licensed banks authorized by the BRSA or licensed brokerage institutions authorized pursuant to the CMB regulations and the purchase price is transferred through such licensed banks. As such, Turkish residents should use such banks or licensed brokerage institutions while purchasing the Notes (or beneficial interests therein) and transfer the purchase price through such licensed banks.

Any directed selling efforts within Türkiye in connection with the Notes are strictly prohibited. Under no circumstances, no form of general solicitation or general advertising in connection with any offer and sale of

the Notes in Türkiye is permitted and no disclosure in Türkiye in relation to the Issuer, the Notes or the Memorandum may be made without the prior consent of the Issuer, save as may be required by applicable law, court order or regulation.

European Economic Area

The Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the EEA. For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU, as amended (“**MiFID II**”); or (ii) a customer within the meaning of Directive (EU) 2016/97 (the “**Insurance Distribution Directive**”) where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; the expression “offer” includes the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe the Notes.

This Offering Memorandum has been prepared on the basis that any offer of Notes in any Member State of the EEA will be made pursuant to an exemption under Regulation (EU) 2017/1129 (the “**Prospectus Regulation**”) from a requirement to publish a prospectus for offers of such securities. This Offering Memorandum is not a prospectus for the purposes of the Prospectus Regulation.

United Kingdom

Prohibition of sales to United Kingdom retail investors

The Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the United Kingdom (the “**United Kingdom**” or the “**UK**”). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client, as defined in point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of domestic law by virtue of the EUWA; or (ii) a customer within the meaning of the provisions of the Financial Services and Markets Act 2000 (the “**FSMA**”) and any rules or regulations made under the FSMA to implement Insurance Distribution Directive, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of UK MiFIR; the expression “offer” includes the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe the Notes.

This Offering Memorandum has been prepared on the basis that any offer of the Notes in the UK will be made pursuant to an exemption under Regulation (EU) 2017/1129 as it forms part of domestic law by virtue of the EUWA (the “**UK Prospectus Regulation**”) from a requirement to publish a prospectus for offers of Notes. This Offering Memorandum is not a prospectus for the purpose of the UK Prospectus Regulation.

Other United Kingdom regulatory restrictions

No person may communicate or cause to be communicated any invitation or inducement to engage in investment activity (within the meaning of Section 21 of the FSMA) received by it in connection with the issue or sale of the Notes other than in circumstances in which Section 21(1) of the FSMA does not apply.

GENERAL INFORMATION

Authorizations

The Issuer has obtained all necessary consents, approvals and authorizations in Türkiye in connection with the issue and the execution and performance of its obligations under the Notes. The issue of the Notes was duly authorized by a resolution of the Board of Directors of the Issuer passed on August 9, 2024.

Clearing Systems

The Notes have been accepted for clearance through DTC, Euroclear and Clearstream, Luxembourg.

The ISIN for the Regulation S Notes is XS2911134604 and for the Rule 144A Notes is US36270TAA16. The Common Code for the Regulation S Notes is 291113460 and for the Rule 144A Notes is 290873444. The CUSIP number for the Rule 144A Notes is 36270T AA1.

The address of Euroclear is Euroclear Bank SA/NV, 1 Boulevard du Roi Albert II, B-1210 Brussels. The address of Clearstream, Luxembourg is Clearstream Banking S.A., 42 Avenue JF Kennedy, L-1855 Luxembourg.

Listing

Application has been made to Euronext Dublin for the Notes to be admitted to the Official List and to trading on the Global Exchange Market. It is expected that admission of the Notes to the Official List and to trading on the Global Exchange Market will become effective on or about October 15, 2024.

Listing Agent

Walkers (Ireland) LLP is acting solely in its capacity as listing agent for the Republic in relation to the Notes and is not itself seeking admission of the Notes to the Official List of Euronext Dublin or to trading on the Global Exchange Market.

Material Adverse Change

There has been no significant change in the financial or trading position of the Issuer since June 30, 2024 and no material adverse change in the financial position or prospects of the Issuer or of the Group since December 31, 2023.

Litigation

The Issuer is not involved in any governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened) which may have or have had during the 12 months preceding the date of this Offering Memorandum, a significant effect on the financial position or profitability of the Issuer.

Material Contracts

Except as disclosed in this Offering Memorandum, the Issuer has not entered into any material contract outside the ordinary course of its business that could result in the Issuer being under an obligation or entitlement that is material to its ability to meet its obligations in respect of the Notes.

Documents on Display

For as long as the Notes are listed on the Official List of Euronext Dublin and admitted to trading on the Global Exchange Market, copies of the following documents will be available in physical form for inspection at the registered office of the Issuer and at the specified offices of the Principal Paying Agent for the time being at 160 Queen Victoria Street, London EC4V 4LA, United Kingdom during normal business hours upon prior written request and provision of proof of holding and identity in a form satisfactory to the Principal Paying Agent::

- the constitutional documents of the Issuer;

- the annual report and audited financial statements of the Issuer in respect of the financial years ended December 31, 2023, 2022, and 2021, together with the audit reports in connection therewith.
- the unaudited interim financial statements of the Issuer for the six-month period ended June 30, 2024;
- the Trust Deed;
- the Agency Agreement; and
- this Offering Memorandum and any supplements thereto.

Conflicts of Interest

There are no potential conflicts of interest between any duties of the members of the administrative, management or supervisory bodies of the Issuer towards the Issuer and their private interests and/or other duties.

LEGAL MATTERS

Certain legal matters with respect to the Offering will be passed upon for the Issuer by Linklaters LLP as to English law and U.S. federal law. Certain legal matters relating to Turkish law will be passed upon for the Issuer by Ünsal Avukatlık Ortaklığı.

Certain legal matters with respect to the Offering will be passed upon for the Managers by White & Case LLP as to English law and U.S. federal law. Certain legal matters relating to Turkish law will be passed upon for the Managers by Devrim Güniz Gökçe Avukatlık Bürosu (GKC Partners).

INDEPENDENT AUDITORS

The financial statements of GDZ Elektrik Dağıtım Anonim Şirketi as of December 31, 2021, 2022 and 2023 and for the years then ended, included in this Offering Memorandum, have been audited by Güney Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik Anonim Şirketi (member of Ernst & Young Global Limited), independent auditors, as stated in their audit report appearing herein.

The interim financial statements of GDZ Elektrik Dağıtım Anonim Şirketi as of June 30, 2024 and for the six month period then ended, included in this Offering Memorandum, have been reviewed by Güney Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik Anonim Şirketi (member of Ernst & Young Global Limited), independent auditors, as stated in their review report appearing herein.

The address of Güney Bağımsız Denetim Serbest Muhasebecilik ve Mali Müşavirlik Anonim Şirketi (member of Ernst & Young Global Limited) is Maslak Mahallesi Eski Büyükdere Caddesi No 27 Orjin Maslak Daire 54-57-59 Kat 2-3-4 34485 Sarıyer, İstanbul.

Güney Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş. is a member of the Chambers of Certified Public Accountants of Türkiye, and is authorized by the Public Oversight, Accounting and Auditing Standards Authority to conduct independent audits of companies in Türkiye.

**APPENDIX: CONVERSION OF DECEMBER 31, 2021, 2022 AND 2023
FINANCIAL STATEMENTS**

The following tables show the conversion of financial statements for the years ended December 31, 2021, 2022 and 2023 from the purchasing power of Turkish Lira as of December 31, 2023 to the purchasing power of Turkish Lira as of June 30, 2024.

The indices and adjustment coefficients used in the conversion to the purchasing power of the Turkish Lira as of June 30, 2024, are as follows:

Date	Index ⁽¹⁾	Conversion factor ⁽¹⁾
June 30, 2024	2,319.29	
December 31, 2023	1,859.38	1.2473

(1) Source: Turkish Statistical Institute.

	Purchasing power of TL as of December 31, 2023			Conversion factor	Purchasing power of TL as of June 30, 2024		
	December 31, 2023	December 31, 2022	December 31, 2021		December 31, 2023	December 31, 2022	December 31, 2021
Assets							
Current Assets	13,525,884,900	12,343,912,644	9,521,221,210	1.2473	16,871,456,930	15,397,128,697	11,876,256,138
Cash and cash equivalents	32,094,541	138,775,469	22,738,950	1.2473	40,032,993	173,101,012	28,363,335
Trade receivables	4,910,578,260	2,309,216,937	2,924,284,722	1.2473	6,125,189,607	2,880,392,254	3,647,594,526
- Due from related parties	3,177,898,742	794,761,609	2,026,174,396	1.2473	3,963,938,933	991,342,626	2,527,340,304
- Due from third parties	1,732,679,518	1,514,455,328	898,110,326	1.2473	2,161,250,674	1,889,049,628	1,120,254,222
Other receivables	17,234,283	284,512,979	300,056,567	1.2473	21,497,112	354,886,093	374,274,325
- Due from related parties	—	266,537,814	275,049,339	1.2473	—	332,464,846	343,081,663
- Due from third parties	17,234,283	17,975,165	25,007,228	1.2473	21,497,112	22,421,247	31,192,662
Financial assets related to concession arrangements.....	7,546,054,752	8,384,273,041	5,002,125,186	1.2473	9,412,540,377	10,458,088,515	6,239,380,289
Inventories	890,026,686	665,576,252	826,714,324	1.2473	1,110,171,128	830,203,803	1,031,198,715
Prepaid expenses	30,121,603	50,733,670	30,974,079	1.2473	37,572,058	63,282,434	38,635,391
Current income tax asset	8,261,827	—	194,549,719	1.2473	10,305,356	—	242,670,792
Other current assets	91,512,948	510,824,296	219,777,663	1.2473	114,148,299	637,174,586	274,138,765
Non-Current Assets	15,348,537,710	13,546,702,226	11,316,229,017	1.2473	19,144,886,083	16,897,423,338	14,116,157,894
Other receivables	87,303,315	1,406,310,604	2,380,251,710	1.2473	108,897,430	1,754,155,751	2,968,997,186
- Due from related parties	—	1,333,623,107	2,311,502,770	1.2473	—	1,663,489,300	2,883,243,479
- Due from third parties	87,303,315	72,687,497	68,748,940	1.2473	108,897,430	90,666,451	85,753,707
Financial assets related to concession arrangements.....	14,027,836,811	11,953,229,403	8,171,977,458	1.2473	17,497,564,585	14,909,811,562	10,193,282,491
Property, plant and equipment.....	9,371,733	14,645,792	19,866,354	1.2473	11,689,793	18,268,368	25,677,153
Right of use assets.....	90,430,303	151,919,344	174,222,908	1.2473	112,797,867	189,495,970	217,316,228
Intangible assets	290,335	309,002	522,392	1.2473	362,149	385,433	660,816
Prepaid expenses	4,467,079	8,356,905	3,390,083	1.2473	5,571,992	10,423,951	4,228,606
Deferred tax assets	834,372,026	—	—	1.2473	1,040,701,178	—	—
Other non-current assets.....	294,466,108	11,931,176	565,998,111	1.2473	367,301,089	14,882,303	705,995,414
Total Assets	28,874,422,610	25,890,614,870	20,837,450,226	1.2473	36,016,343,013	32,294,552,035	25,992,414,032
	December 31, 2023	December 31, 2022	December 31, 2021	Conversion factor	December 31, 2023	December 31, 2022	December 31, 2021
Liabilities							

	Purchasing power of TL as of December 31, 2023			Conversion factor	Purchasing power of TL as of June 30, 2024		
	January 1, - December 31, 2023	January 1, - December 31, 2022	January 1, - December 31, 2021		January 1, - December 31, 2023	January 1, - December 31, 2022	January 1, - December 31, 2021
Other income from operating activities.....	102,083,635	145,318,626	100,747,746	1.2473	127,333,602	181,262,589	125,667,286
Other expenses from operating activities.....	(2,243,345,603)	(1,326,958,038)	(1,014,239,496)	1.2473	(2,798,227,918)	(1,655,175,655)	(1,265,107,469)
Operating profit	13,965,480,244	12,277,145,136	7,129,721,337	1.2473	17,421,382,401	15,319,903,811	8,894,148,807
Finance income	435,119,212	1,002,066,846	1,708,419,104	1.2473	542,744,159	1,249,923,960	2,130,989,548
Finance expense	(6,510,119,646)	(6,064,801,695)	(8,527,600,562)	1.2473	(8,120,370,978)	(7,564,905,465)	(10,636,867,510)
Net monetary gains/ (losses).....	(3,812,424,090)	(1,614,434,176)	(785,216,297)	1.2473	(4,721,487,849)	(2,020,956,710)	(979,504,855)
Income before tax.....	4,078,055,720	5,599,976,111	(474,676,418)	1.2473	5,122,267,733	6,983,965,596	(591,234,010)
Tax expense	2,399,906,892	(974,613,435)	(340,420,591)	1.2473	2,993,231,234	(1,215,444,626)	(424,624,236)
Current tax income / (expense).....	(22,748,415)	52,019,832	(121,356,324)	1.2473	(28,375,142)	64,886,724	(151,373,311)
Deferred tax income / (expense) ...	2,422,655,307	(1,026,633,267)	(219,064,267)	1.2473	3,021,606,376	(1,280,331,350)	(273,250,925)
Net profit (loss) for the period ...	6,477,962,612	4,625,362,676	(815,097,009)	1.2473	8,115,498,967	5,768,520,970	(1,015,858,246)

FINANCIAL STATEMENTS

Unaudited Interim Financial Statements of the Issuer for the six months ended June 30, 2024

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Audited Financial Statements of the Issuer for the years ended December 31, 2021, 2022 and 2023

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

Report on Review of Interim Financial Statements

To the Shareholders of GDZ Elektrik Dağıtım Anonim Şirketi:

Introduction

We have reviewed the accompanying interim statement of financial position of GDZ Elektrik Dağıtım Anonim Şirketi ("the Company") as of June 30, 2024 and the interim statements of profit or loss and other comprehensive income, statements of changes in equity and the statements of cash flows for the six-month period then ended as of June 30, 2024 and as of June 30, 2023, and a summary of significant accounting policies and other explanatory notes. Company management is responsible for the preparation and fair presentation of these interim financial statements in accordance with Turkish Financial Reporting Standards. Our responsibility is to express a conclusion on these interim financial statements based on our review.

Scope of Review

We conducted our review in accordance with the Standard on Review Engagements ("SRE") 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review of interim financial information is substantially less in scope than an audit conducted in accordance with Independent Auditing Standards and the objective of which is to express an opinion on the financial statements. Consequently, a review of the interim financial information does not provide assurance that the audit firm will be aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim financial statements do not present fairly, in all material respects, the financial position of the Company as at June 30, 2024 and as at June 30, 2023, and its financial performance and its cash flows for the six-month periods then ended in accordance with Turkish Financial Reporting Standards.

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



Seçkin Özdemir, SMMM
Partner

25 September, 2024
İstanbul, Türkiye

GDZ ELEKTRİK DAĞITIM A.Ş.

**Convenience Translation of Financial Statements
for the Periods Ended 30 June 2024 and Special Independent
Auditor's Report**

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

(Convenience translation of financial statements originally issued in Turkish)
GDZ ELEKTRİK DAĞITIM A.Ş.

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(Convenience translation of financial statements originally issued in Turkish)

GDZ ELEKTRİK DAĞITIM A.Ş.

Statement of Financial Position as at 30 June 2024

(Amounts expressed in Turkish Lira ("TL") in terms of purchasing power of the TL at 30 June 2024 unless otherwise indicated.)

		Reviewed/ current period	Audited/ prior period
		30 June 2024	31 December 2023
	Notes		
ASSETS			
Current Assets		13,688,430,871	16,871,456,930
Cash and cash equivalents	25	14,397,686	40,032,993
Trade receivables		5,490,674,683	6,125,189,607
- Due from related parties	3	2,222,551,411	3,963,938,933
- Due from third parties	4	3,268,123,272	2,161,250,674
Other receivables		23,109,490	21,497,112
- Due from related parties	3	869,834	-
- Due from third parties	5	22,239,656	21,497,112
Financial assests related to concession arrangements	8	7,272,043,670	9,412,540,377
Inventories	6	818,204,023	1,110,171,128
Prepaid expenses	7	61,730,931	37,572,058
Assest related with current taxes	21	8,270,388	10,305,356
Other current assets	14	-	114,148,299
Non-Current Assets		20,164,440,872	19,144,886,083
Trade receivables		1,212,828,362	-
- Due from third parties	4	1,212,828,362	-
Other receivables		165,396,257	108,897,430
- Due from third parties	5	165,396,257	108,897,430
Financial assests related to concession arrangements	8	17,932,546,950	17,497,564,585
Property, plant and equipment	9	9,283,954	11,689,793
Right of use assets	9	435,520,327	112,797,867
Intangible assets	10	267,856	362,149
Prepaid expenses	7	4,204,099	5,571,992
Deferred tax assets	21	62,815,895	1,040,701,178
Other non-current assets	14	341,577,172	367,301,089
TOTAL ASSETS		33,852,871,743	36,016,343,013

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

(Convenience translation of financial statements originally issued in Turkish)

GDZ ELEKTRİK DAĞITIM A.Ş.

Statement of Financial Position as at 30 June 2024

(Amounts expressed in Turkish Lira ("TL") in terms of purchasing power of the TL at 30 June 2024 unless otherwise indicated.)

		Reviewed/ current period	Audited/ prior period
		30 June 2024	31 December 2023
	Notes		
LIABILITIES			
Short-term liabilities			
9,539,313,753			
11,346,082,598			
Short term portion of long-term borrowings	22	2,406,317,840	2,282,690,705
Other financial liabilities	22	94,521,613	106,956,175
Trade payables		5,217,941,293	6,630,122,720
- Due to related parties	3	415,620,253	629,291,113
- Due to third parties	4	4,802,321,040	6,000,831,607
Payables for employee benefits	13	39,887,789	27,233,455
Other payables		183,319,220	178,082,051
- Due to related parties	3	108,804,738	67,918
- Due to third parties	5	74,514,482	178,014,133
Deferred income	7	1,264,577,783	1,605,346,480
Short-term provisions		165,886,377	242,578,331
- Short term provisions related to employee benefits	13	-	71,556,991
- Other short term provisions	11	165,886,377	171,021,340
Other short-term liabilities	14	166,861,838	273,072,681
Long-term liabilities			
8,754,259,829			
11,177,549,883			
Long-term borrowings	22	8,094,137,914	9,280,510,210
Other financial liabilities	22	218,051,460	298,437,846
Other payables		55,666,539	98,512,832
- Due to third parties	5	55,666,539	98,512,832
Deferred income	7	226,889,566	1,362,179,219
Long-term provisions		159,514,350	137,909,776
- Unused vacation		49,642,906	39,822,205
- Long term provisions related to employee benefits	13	109,871,444	98,087,571
Deferred tax liabilities	21	-	-
TOTAL LIABILITIES		18,293,573,582	22,523,632,481
EQUITY			
Paid-in capital	15	509,716,000	509,716,000
Adjustment to share capital	15	5,588,287,372	5,588,287,372
Capital advance		-	142,468,232
Accumulated other comprehensive income/ (expense) that will not be reclassified to profit or loss	15	1,985,969	995,532
- Remeasurement gains of defined benefit plans		1,985,969	995,532
Restricted profit reserves	15	798,725,529	798,725,529
Accumulated profits / (losses)		6,594,986,099	(1,662,981,100)
Net profit / (loss) for the period		2,065,597,192	8,115,498,967
Total equity		15,559,298,161	13,492,710,532
TOTAL EQUITY AND LIABILITIES		33,852,871,743	36,016,343,013

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

(Convenience translation of financial statements originally issued in Turkish)

GDZ ELEKTRİK DAĞITIM A.Ş.

Statement of Profit or Loss and Other Comprehensive Income for the Periods Ended 30 June 2024

(Amounts expressed in Turkish Lira ("TL") in terms of purchasing power of the TL at 30 June 2024 unless otherwise indicated.)

		Reviewed/ current period	Reviewed/ prior period
	Notes	1 January - 30 June 2024	1 January - 30 June 2023
Revenue	16	11,685,906,883	15,389,774,816
Cost of sales (-)	17	(2,598,758,459)	(3,838,026,645)
Gross profit		9,087,148,424	11,551,748,171
General administrative expenses (-)	18	(2,153,773,975)	(1,784,140,287)
Other income from operating activities	19	1,231,547,197	19,056,524
Other expenses from operating activities (-)	19	(533,992,544)	(1,819,673,881)
Operating profit		7,630,929,102	7,966,990,527
Finance income	20	278,387,435	321,184,985
Finance expense (-)	20	(2,689,829,131)	(5,298,746,029)
Net monetary gains/ (losses)		(2,176,335,077)	(1,688,349,155)
Profit / (loss) before tax		3,043,152,329	1,301,080,328
Tax income / (expense)		(977,555,137)	(871,528,126)
Current tax income / (expense)	21	-	(39,035,633)
Deferred tax income / (expense)	21	(977,555,137)	(832,492,493)
Net profit / (loss) for the period		2,065,597,192	429,552,202
Other comprehensive income or expenses			
Items that will not be reclassified to profit or loss		990,437	(578,301)
Remeasurement gain/ (losses) of defined benefit plans	13	1,320,583	(722,876)
Taxes related to other comprehensive income / (expense)	21	(330,146)	144,575
Total comprehensive income/ (expenses)		2,066,587,629	428,973,901
Distribution of net income / (expense)			
Earnings per share (TL)	15	4.05	0.84
Distribution of total comprehensive income/ (expenses)			
Earnings per share (TL)	15	4.05	0.84

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

(Convenience translation of financial statements originally issued in Turkish)

GDZ ELEKTRİK DAĞITIM A.Ş.

Statement of Changes in Equity for the Periods Ended 30 June 2024

(Amounts expressed in Turkish Lira ("TL") in terms of purchasing power of the TL at 30 June 2024 unless otherwise indicated.)

				Other comprehensive income/ (expense) items that will not be reclassified to profit or (loss)	Accumulated profits/ (losses)			
	Paid-in Capital	Adjustment to share capital	Capital advance	Defined benefit plans	Legal reserves	Accumulated (losses)/profits	Net profit / (loss) for the period	Total equity
Balance as at 1 January 2023	509,716,000	5,588,287,372	-	(4,708,559)	798,725,529	(6,084,879,573)	5,768,520,970	6,575,661,739
Net profit/ (loss) for the period	-	-	-	-	-	-	429,552,202	429,552,202
Other payments to shareholders except dividends	-	-	-	-	-	(1,295,261,959)	-	(1,295,261,959)
Remeasurement gains of defined benefit plans	-	-	-	(578,301)	-	-	-	(578,301)
Toplam kapsamlı gelir	-	-	-	(578,301)	-	-	429,552,202	428,973,901
Transfers	-	-	-	-	-	5,768,520,970	(5,768,520,970)	-
Balance as at 30 June 2023	509,716,000	5,588,287,372	-	(5,286,860)	798,725,529	(1,611,620,562)	429,552,202	5,709,373,681
Balance as at 1 January 2024	509,716,000	5,588,287,372	142,468,232	995,532	798,725,529	(1,662,981,100)	8,115,498,967	13,492,710,532
Net profit/ (loss) for the period	-	-	-	-	-	-	2,065,597,192	2,065,597,192
Remeasurement gains of defined benefit plans	-	-	-	990,437	-	-	-	990,437
Total comprehensive income	-	-	-	990,437	-	-	2,065,597,192	2,066,587,629
Transfers	-	-	(142,468,232)	-	-	8,257,967,199	(8,115,498,967)	-
Balance as at 30 June 2024	509,716,000	5,588,287,372	-	1,985,969	798,725,529	6,594,986,099	2,065,597,192	15,559,298,161

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

(Convenience translation of financial statements originally issued in Turkish)

GDZ ELEKTRİK DAĞITIM A.Ş.

Statement of Cash Flows for the Periods Ended 30 June 2024

(Amounts expressed in Turkish Lira ("TL") in terms of purchasing power of the TL at 30 June 2024 unless otherwise indicated.)

		Reviewed/ current period	Reviewed/ prior period
	Notes	1 January - 30 June 2024	1 January - 30 June 2023
A. CASH FLOWS FROM OPERATING ACTIVITIES			
Profit / (loss) for the period		1,722,759,252	2,030,951,136
Adjustment to reconcile net income for the period		(1,106,727,515)	1,918,896,088
Adjustment related to depreciation and amortization		208,345,412	59,062,805
<i>Adjustment related to depreciation of right of use assets</i>	9	201,763,135	55,694,904
<i>Adjustment related to depreciation of property, plant and equipment</i>	9	6,308,876	3,293,485
<i>Adjustment related to depreciation of intangible assets</i>	10	273,401	74,416
Adjustment related to impairment loss		482,431,587	1,055,887,054
<i>Adjustment related to doubtful provision expense</i>	4-5	482,431,587	1,055,887,054
Adjustment related to provisions		85,930,508	61,010,116
<i>Adjustment for provisions related with employee benefit</i>		57,152,323	48,552,008
<i>Adjustment related to employee termination benefits provision</i>	13	37,685,844	36,633,630
<i>Adjustment related to unused vacation provision</i>	13	19,466,479	11,918,378
<i>Adjustment related to provision for bonus</i>	13	-	-
<i>Adjustment related to legal case provision</i>	11	28,778,185	12,458,108
Adjustment related to tax expense		977,555,137	871,528,126
<i>Adjustment related to current tax (income) / expense</i>	21	-	39,035,633
<i>Adjustment related to deferred tax expense</i>	21	977,555,137	832,492,493
Adjustment related to interest (income) / expense, net		992,179,370	300,954,516
<i>Adjustments related to interest income</i>	20	(278,387,435)	(321,184,985)
<i>Adjustments related to interest expense</i>	20	1,270,566,805	622,139,501
Adjustments related to unrealized foreign exchange loss	20	1,325,864,682	4,495,220,368
Adjustments related to reconcile profit / (loss)		(7,819,363,544)	(7,782,862,531)
<i>Adjustments related to rediscount (income) / expense, net</i>	19	(18,491,034)	118,237,955
<i>Adjustments related to interest (income) / expense from tariff receivables and payables</i>	19	(1,164,723,345)	221,197,916
<i>Adjustments related to financial income from service concession arrangements</i>	16	(6,636,149,165)	(8,122,298,402)
Net monetary (gains) / losses		2,640,329,333	2,858,095,634
Changes in working capital		(2,104,098,636)	(2,847,765,322)
Adjustments related to (increase) / decrease in trade receivables		(2,181,713,167)	(3,766,092,641)
<i>Adjustments for (increase) / decrease in trade receivables due from related parties</i>	3	1,741,387,522	(1,775,501,902)
<i>Adjustments for (increase) / decrease in trade payables due from related parties</i>	3	(213,670,860)	(470,989,673)
<i>Adjustments for (increase) / decrease in trade receivables due from third parties</i>		(2,516,035,801)	(1,448,806,342)
<i>Adjustments for (increase) / decrease in trade payables due from third parties</i>		(1,193,394,028)	(70,794,724)
Adjustments related to (increase) / decrease in other receivables		(92,878,987)	683,441,211
<i>Adjustments related to (increase) / decrease in other receivables due from related parties</i>		(869,834)	205,823,570
<i>Adjustments related to (increase) / decrease in other payables due from related parties</i>		(108,736,820)	(529,067,959)
<i>Adjustments related to (increase) / decrease in other receivables from third parties</i>		(54,400,028)	(36,714,741)
<i>Adjustments related to (increase) / decrease in other payables from third parties</i>		71,127,695	1,043,400,341
Adjustments related to (increase) / decrease in inventories	6	291,967,105	(567,611,777)
Adjustments related to (increase) / decrease in prepaid expenses and deferred income		(334,125,985)	108,159,782
Adjustments related to (increase) / decrease in payables for employee benefits	13	12,654,334	7,765,770
Adjustments related to (increase) / decrease in other assets and liabilities		199,998,064	686,572,333
Cash generated from operating activities		(1,145,228,959)	(499,317,032)
Payments related with provisions for employee benefits		(72,555,684)	(67,369,476)
<i>Severance payments</i>	13	(5,130,843)	(9,853,398)
<i>Unused vacation payments</i>	13	(1,749,124)	(1,546,907)
<i>Bonus payment</i>	13	(65,675,717)	(55,969,171)
Tax payments	21	-	(39,035,633)
Collections from doubtful receivable	4-5	66,560,070	83,818,064
Other cash in-flows		2,873,983,825	2,552,855,213
<i>Capital expenditures reimbursements related to service concession arrangements</i>	8	1,740,798,376	1,539,055,797
<i>WACC reimbursements related to service concession arrangements</i>	8	1,133,185,449	1,013,799,416

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

(Convenience translation of financial statements originally issued in Turkish)

GDZ ELEKTRİK DAĞITIM A.Ş.

Statement of Cash Flows for the Periods Ended 30 June 2024

(Amounts expressed in Turkish Lira ("TL") in terms of purchasing power of the TL at 30 June 2024 unless otherwise indicated.)

		Reviewed/ current period	Reviewed/ prior period
	Notes	1 January - 30 June 2024	1 January - 30 June 2023
B. CASH FLOWS FROM INVESTING ACTIVITIES		(618,997,333)	(905,462,701)
Cash used for purchase of tangible and intangible assets		-	(79,777)
Other cash out-flows		(618,997,333)	(905,382,924)
<i>Capital expenditures related to service concession arrangements</i>		<i>(618,997,333)</i>	<i>(905,382,924)</i>
C. CASH FLOWS FROM FINANCING ACTIVITIES		(1,125,882,990)	(866,248,085)
Cash in-flows from borrowings	22	-	-
Capital increase		-	-
Cash out-flows for borrowings		(38,869,070)	(299,159,336)
<i>Repayment of borrowings</i>	22	-	<i>(260,316,962)</i>
<i>Cash out-flows from other financial liabilities</i>	22	<i>(38,869,070)</i>	<i>(38,842,374)</i>
Repayment of of lease liabilities	22	(90,611,772)	(30,750,465)
Interest received	20	267,319,160	52,288,713
<i>Interest income from related parties</i>	3	<i>250,584,727</i>	<i>21,897,144</i>
<i>Interest income from third parties</i>		<i>16,734,433</i>	<i>30,391,569</i>
Interest paid		(1,263,174,050)	(605,395,821)
<i>Payments to related parties</i>	20	<i>(16,450,070)</i>	<i>(29,488,285)</i>
<i>Payments to third parties</i>		<i>(1,246,723,980)</i>	<i>(575,907,536)</i>
Other cash in-flows / (out-flows)		(547,258)	16,768,824
D. INFLATION EFFECT ON CASH AND CASH EQUIVALENTS		(3,514,236)	(198,108,145)
INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS (A+B+C+D)		(25,635,307)	61,132,205
E. CASH AND CASH EQUIVALENTS AT THE BEGINING OF THE PERIOD	25	40,032,993	173,101,012
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD (A+B+C+D+E)	25	14,397,686	234,233,217

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

GDZ ELEKTRİK DAĞITIM A.Ş.

Notes to the Financial Statements for the Periods Ended 30 June 2024

(Amounts expressed in Turkish Lira ("TL") in terms of purchasing power of the TL at 30 June 2024 unless otherwise indicated.)

1 ORGANIZATION AND NATURE OF OPERATIONS OF THE COMPANY

GDZ Elektrik Dağıtım A.Ş. ("The Company or GDZ EDAŞ"), in which Türkiye Elektrik Dağıtım A.Ş. ("TEDAŞ"), covered in scope and program of privatization through the decision, dated 2 April 2004 and numbered 2004/2, of High Council of Privatization, has been established on 25 January 2005 in accordance with provisions of Article 20/A of the Law numbered 4046 and taken over the rights regarding transferring of operating rights of current electricity distribution facilities in İzmir and Manisa regions for 30 years, improvement of aforementioned facilities, construction of new distribution lines and facilities and conducting energy trade as of 1 September 2006 in accordance with related provision of the Law numbered 3096.

As of 1 September 2006, for a period of 30 years, the Company obtained a "Distribution License" with the decision numbered 874-33 dated 24 August 2006, and a "Retail Sales License" with the decision numbered 874-34, issued by the Energy Market Regulatory Authority ("EMRA"), to operate in distribution and retail sales activities in accordance with the repealed Electricity Market Law No. 4628 and related legislation.

As of 31 December 2012, the Company, which was conducting distribution and retail sales activities together, transferred its assets, liabilities, and relevant portion of equity to the newly established Gediz Elektrik Satış A.Ş. ("Gediz EPSAŞ") by separating its distribution and retail sales activities through a partial demerger method, due to the obligation brought by the changing legislation, starting from 1 January 2013.

The address of the registered office of the Company is Üniversite Caddesi No:57 35042 Bornova, İzmir.

The Company has 997 employees as of 30 June 2024 (30 June 2023: 989, 31 December 2023: 992). As of 30 June 2024, the main shareholder of the Company is GDZ Enerji Yatırımları A.Ş. (as of 31 December 2023 GDZ Enerji Yatırımları A.Ş.) and its ultimate parent company is Aydem Holding A.Ş. ("Aydem Holding").

Laws/ Regulations affecting business activities

The company is subject to the Electricity Market Law No. 6446 dated 14 March 2013, which entered into force on 30 March 2013, as well as the regulations and communiqués published by the Energy Market Regulatory Authority ("EMRA") related to its electricity generation and sales activities.

Approval of financial statements:

The financial statements were authorized for issue by the Board of Directors of the Company on 25 September 2024. The General Assembly have the power to change the financial statements.

2 BASIS OF PRESENTATION OF FINANCIAL STATEMENTS

2.1 Basis of Presentation

The accompanying financial statements have been prepared on the historical cost basis except for the presentation of certain assets and liabilities being carried by their fair values.

Adjustment of Financial Statements for Hyperinflation Adjustments

Entities applying Turkish Financial Reporting Standards ("TFRS")'s have started to apply inflation accounting in accordance with TAS 29 Financial Reporting in Hyperinflation Economies as of financial statements for the annual reporting period ending on or after 31 December 2023 with the announcements made by the Public Oversight Accounting and Auditing Standards Authority of Türkiye ("POA") on 23 November 2023. TAS 29 is applied to the financial statements, including the financial statements, of any entity whose functional currency is the currency of a hyperinflationary economy.

GDZ ELEKTRİK DAĞITIM A.Ş.

Notes to the Financial Statements for the Periods Ended 30 June 2024

(Amounts expressed in Turkish Lira ("TL") in terms of purchasing power of the TL at 30 June 2024 unless otherwise indicated.)

2 BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (continued)

2.1 Basis of Presentation (continued)

Adjustment of Financial Statements for Hyperinflation Adjustments (continued)

In addition, in accordance with the decision of the Capital Markets Board of Turkey ("CMB") dated 28 December 2023 and numbered 81/1820, issuers and capital market institutions subject to financial reporting regulations applying Turkish Accounting/Financial Reporting Standards are required to apply inflation accounting by applying the provisions of TAS 29 starting from the annual financial reports for the accounting periods ending on 31 December 2023.

Financial statements and corresponding figures for previous periods have been restated for the changes in the general purchasing power of Turkish Lira ("TL") and, as a result, are expressed in terms of purchasing power of TL as of 30 June 2024 as per TAS 29.

On the application of TAS 29, the entity used the conversion coefficient derived from the Customer Price Indexes ("CPI") published by Turkish Statistical Institute ("TSI") according to directions given by POA. The CPI for current and previous year periods and corresponding conversion factors since the time when the TL previously ceased to be considered currency of hyperinflationary economy, i.e., since 1 January 2005, were as follow:

Year end	Index	Index %	Conversion factor
2004	113.86	9.35	20.36966
2005	122.65	7.72	18.90982
2006	134.49	9.65	17.24507
2007	145.77	8.39	15.91061
2008	160.44	10.06	14.45581
2009	170.91	6.53	13.57024
2010	181.85	6.40	12.75386
2011	200.85	10.45	11.54737
2012	213.23	6.16	10.87694
2013	229.01	7.40	10.12746
2014	247.72	8.17	9.36255
2015	269.54	8.81	8.60462
2016	292.54	8.53	7.92811
2017	327.41	11.92	7.08375
2018	393.88	20.30	5.88832
2019	440.50	11.84	5.26513
2020	504.81	14.60	4.59438
2021	686.95	36.08	3.37621
2022	1,128.45	64.27	2.05529
2023-6 months	1,351.59	19.77	1.71597
2023	1,859.38	64.77	1.24735
2024-6 months	2,319.29	24.73	1.00000

GDZ ELEKTRİK DAĞITIM A.Ş.

Notes to the Financial Statements for the Periods Ended 30 June 2024

(Amounts expressed in Turkish Lira ("TL") in terms of purchasing power of the TL at 30 June 2024 unless otherwise indicated.)

2 BASIS OF PRESENTATION OF FINANCIAL STATEMENTS *(continued)*

2.1 Basis of Presentation *(continued)*

Adjustment of Financial Statements for Hyperinflation Adjustments *(continued)*

Assets and liabilities were separated into those that were monetary and non-monetary, with non-monetary items were further divided into those measured on either a current or historical basis to perform the required restatement of financial statements under TAS 29. Monetary items and non-monetary items carried at amounts current at the end of the reporting period were not restated because they are already expressed in terms of measuring unit as of 30 June 2024. Non-monetary items which are not expressed in terms of measuring unit as of 30 June 2024 were restated by applying the conversion factors. The restated amount of a non-monetary item was reduced, in accordance with appropriate TFRSs, in cases where it exceeds its recoverable amount or net realizable value. Components of shareholders' equity in the statement of financial position and all items in the statement of profit or loss and other comprehensive income have also been restated by applying the conversion factors.

Non-monetary items measured at historical cost that were acquired or assumed and components of shareholders' equity that were contributed or arose before the time when the TL previously ceased to be considered currency of hyperinflationary economy, i.e. before 1 January 2005, were restated by applying the change in the CPI from 1 January 2005 to 30 June 2024.

The application of TAS 29 results in an adjustment for the loss of purchasing power of the TL presented in Net Monetary Position Gains/ (Losses) item in the profit or loss section of the statement of profit or loss and comprehensive income. In a period of inflation, an entity holding an excess of monetary assets over monetary liabilities loses purchasing power and an entity with an excess of monetary liabilities over monetary assets gains purchasing power to the extent the assets and liabilities are not linked to a price level. This gain or loss on the net monetary position is derived as the difference resulting from the restatement of non-monetary items, owners' equity and items in the statement of profit or loss and other comprehensive income and the adjustment of index linked assets and liabilities.

2.2 Statement of Compliance

The financial statements attached have been prepared in accordance with the provisions of the Capital Markets Board's ("CMB") Communiqué on the Principles of Financial Reporting in the Capital Markets, No. II, 14.1 ("Communiqué"), published in the Official Gazette dated 13 June 2013 and numbered 28676. The financial statements are prepared based on the Turkish Accounting Standards / Turkish Financial Reporting Standards ("TAS/TFRS") and their related amendments and interpretations, which have been put into effect by the Public Oversight, Accounting and Auditing Standards Authority ("POA") in accordance with Article 5 of the Communiqué. TAS/TFRS are updated through communiqués to ensure alignment with the International Financial Reporting Standards ("IFRS").

The Company base its accounting records and preparation of statutory financial statements on the Turkish Commercial Code ("TCC"), tax legislation, and the Uniform Chart of Accounts issued by the Ministry of Treasury and Finance of the Republic of Türkiye. The financial statements are prepared in TL on a historical cost basis, reflecting necessary adjustments and classifications required by TAS/TFRS for accurate presentation in accordance with legal records, in addition to financial assets and liabilities presented at fair values.

In addition, the Company has prepared its financial statements in accordance with the accounting policies stated in Note 2 for accurate presentation in accordance with TAS/TFRS. The financial statements are presented in accordance with the formats determined in the "Announcement on TAS/TFRS Taxonomy" published by the POA on 3 July 2024, which includes Financial Statement Examples and Usage Guide.

GDZ ELEKTRİK DAĞITIM A.Ş.

Notes to the Financial Statements for the Periods Ended 30 June 2024

(Amounts expressed in Turkish Lira ("TL") in terms of purchasing power of the TL at 30 June 2024 unless otherwise indicated.)

2 BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (continued)

2.3 Functional and Presentation of Currency

The Company has presented its financial statements in Turkish Lira ("TL"), which is the functional currency of the Company.

During the preparation of the Company's financial statements, transactions in foreign currencies (other than TL) are recorded based on the exchange rates at the transaction date. Foreign currency-denominated monetary assets and liabilities in the balance sheet are translated into TL using the exchange rates valid on the balance sheet date. Non-monetary items recorded in foreign currencies, which are measured at fair value, are translated into TL using the exchange rates at the date when the fair value was determined. Non-monetary items denominated in foreign currencies measured at historical cost are not subject to revaluation in foreign currency. Any income or expense resulting from adjustments or translations of foreign currency-denominated items has been included in the statement of profit or loss and other comprehensive income.

2.4 Comparative Information and Restatement of Prior Period Financial Statements

In order to allow for the determination of the financial situation and performance trends, the Company's financial statements have been presented comparatively with the prior period. If the presentation or classification of the current period financial statements is changed, in order to maintain consistency, comparative information is also adjusted or reclassified in line with the related changes.

There is no classification and adjustment in 30 June 2024.

2.5 Changes in accounting policies

Significant changes in accounting policies are applied retrospectively and prior period financial statements are restated.

The company has consistently applied its accounting policies throughout all periods covered in this report.

2.6 Changes and Misstatements in Accounting Estimates

If changes in accounting estimates are related to only one period, the changes are applied prospectively in the current period in which changes are made. If changes in accounting estimates are related to future periods, the changes are applied prospectively both in the current period in which changes are made and also in future periods.

Significant accounting errors are applied retrospectively and prior period financial statements are restated. There have been no significant changes in the Company's accounting estimates in the current year and the Company has applied its accounting estimates consistently for all financial periods presented in this report.

2.7 Going Concern

The Company has prepared its financial statements in accordance with the going concern principle.

2.8 Seasonal Change in Operations

The Company's activities are not impacted from seasonal fluctuations.

GDZ ELEKTRİK DAĞITIM A.Ş.

Notes to the Financial Statements for the Periods Ended 30 June 2024

(Amounts expressed in Turkish Lira ("TL") in terms of purchasing power of the TL at 30 June 2024 unless otherwise indicated.)

2 BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (continued)

2.9 New and Revised Turkish Financial Reporting Standards

The accounting policies adopted in preparation of the financial statements as of June 30, 2024 are consistent with those of the previous financial year, except for the adoption of new and amended TFRS and TFRS interpretations effective as of January 1, 2024 and thereafter. The effects of these standards and interpretations on the Company's financial position and performance have been disclosed in the related paragraphs.

i) The new standards, amendments and interpretations applicable as at 1 January 2024 are as follows:

Amendments to TAS 1- Classification of liabilities as current and non-current liabilities

In March 2020 and January 2023, POA issued amendments to TAS 1 to specify the requirements for classifying liabilities as current or non-current. According to the amendments made in January 2023 if an entity's right to defer settlement of a liability is subject to the entity complying with the required covenants at a date subsequent to the reporting period ("future covenants"), the entity has a right to defer settlement of the liability even if it does not comply with those covenants at the end of the reporting period. In addition, January 2023 amendments require an entity to provide disclosure when a liability arising from a loan agreement is classified as non-current and the entity's right to defer settlement is contingent on compliance with future covenants within twelve months. This disclosure must include information about the covenants and the related liabilities. The amendments clarify that the requirement for the right to exist at the end of the reporting period applies to covenants which the entity is required to comply with on or before the reporting date regardless of whether the lender tests for compliance at that date or at a later date. The amendments also clarified that the classification of a liability is unaffected by the likelihood that the entity will exercise its right to defer settlement of the liability for at least twelve months after the reporting period. The amendments must be applied retrospectively in accordance with TAS 8.

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

Amendments to TFRS 16- Lease liabilities in sale and leaseback

In January 2023, POA issued amendments to TFRS 16. The amendments specify the requirements that a seller-lessee uses in measuring the lease liability arising in a sale and leaseback transaction, to ensure the seller-lessee does not recognise any amount of the gain or loss that relates to the right of use it retains. In applying requirements of TFRS 16 under "Subsequent measurement of the lease liability" heading after the commencement date in a sale and leaseback transaction, the seller lessee determines 'lease payments' or 'revised lease payments' in such a way that the seller-lessee would not recognise any amount of the gain or loss that relates to the right of use retained by the seller-lessee. The amendments do not prescribe specific measurement requirements for lease liabilities arising from a leaseback. The initial measurement of the lease liability arising from a leaseback may result in a seller-lessee determining 'lease payments' that are different from the general definition of lease payments in TFRS 16. The seller-lessee will need to develop and apply an accounting policy that results in information that is relevant and reliable in accordance with TAS 8. A seller-lessee applies the amendments retrospectively in accordance with TAS 8 to sale and leaseback transactions entered into after the date of initial application of TFRS 16.

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

GDZ ELEKTRİK DAĞITIM A.Ş.

Notes to the Financial Statements for the Periods Ended 30 June 2024

(Amounts expressed in Turkish Lira ("TL") in terms of purchasing power of the TL at 30 June 2024 unless otherwise indicated.)

2 BASIS OF PRESENTATION OF FINANCIAL STATEMENTS *(continued)*

2.9 New and Revised Turkish Financial Reporting Standards *(continued)*

- i) **The new standards, amendments and interpretations applicable as at 1 January 2024 are as follows:**
(continued)

Amendments to TAS 7 and TFRS 7- Disclosures: Supplier Finance Arrangements

The amendments issued by POA in September 2023 specify disclosure requirements to enhance the current requirements, which are intended to assist users of financial statements in understanding the effects of supplier finance arrangements on an entity's liabilities, cash flows and exposure to liquidity risk. Supplier finance arrangements are characterized by one or more finance providers offering to pay amounts an entity owes its suppliers and the entity agreeing to pay according to the terms and conditions of the arrangements at the same date as, or a date later than, suppliers are paid. The amendments require an entity to provide information about terms and conditions of those arrangements, quantitative information on liabilities related to those arrangements as at the beginning and end of the reporting period and the type and effect of non-cash changes in the carrying amounts of those liabilities. In the context of quantitative liquidity risk disclosures required by TFRS 7, supplier finance arrangements are also included as an example of other factors that might be relevant to disclose.

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

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

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

Amendments to TFRS 10 and TAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

In December 2017, POA postponed the effective date of this amendment indefinitely pending the outcome of its research project on the equity method of accounting. Early application of the amendments is still permitted.

The standard is not applicable for the Company.

GDZ ELEKTRİK DAĞITIM A.Ş.

Notes to the Financial Statements for the Periods Ended 30 June 2024

(Amounts expressed in Turkish Lira ("TL") in terms of purchasing power of the TL at 30 June 2024 unless otherwise indicated.)

2 BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (continued)

2.9 New and Revised Turkish Financial Reporting Standards (continued)

ii) Standards that are issued but not yet effective and not early adopted (continued)

IFRS 17- The new Standard for insurance contracts

POA issued IFRS 17 in February 2019, a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. IFRS 17 model combines a current balance sheet measurement of insurance contract liabilities with the recognition of profit over the period that services are provided. The mandatory effective date of the Standard postponed to accounting periods beginning on or after January 1, 2025 with the announcement made by the POA.

The standard is not applicable for the Company and will not have an impact on the financial position or performance of the Company.

Amendments to TAS 21 - Lack of exchangeability

In May 2024, POA issued amendments to TAS 21. The amendments specify how an entity should assess whether a currency is exchangeable and how it should determine a spot exchange rate when exchangeability is lacking. When an entity estimates a spot exchange rate because a currency is not exchangeable into another currency, it discloses information that enables users of its financial statements to understand how the currency not being exchangeable into the other currency affects, or is expected to affect, the entity's financial performance, financial position and cash flows. The amendments will be effective for annual reporting periods beginning on or after 1 January 2025. Early adoption is permitted but will need to be disclosed. When applying the amendments, an entity cannot restate comparative information.

The standard is not applicable for the Company and will not have an impact on the financial position or performance of the Company.

iii) Amendments that are effective from the time of issue

Amendments to TAS 12- International Tax Reform – Pillar Two Model Rules

In September 2023, POA issued amendments to TAS 12, which introduce a mandatory exception in TAS 12 from recognizing and disclosing deferred tax assets and liabilities related to Pillar Two income taxes. The amendments clarify that TAS 12 applies to income taxes arising from tax laws enacted or substantively enacted to implement the Pillar Two Model Rules published by the Organization for Economic Cooperation and Development (OECD). The amendments also introduced targeted disclosure requirements for entities affected by the tax laws. The temporary exception from recognition and disclosure of information about deferred taxes and the requirement to disclose the application of the exception apply immediately and retrospectively upon issue of the amendments.

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

GDZ ELEKTRİK DAĞITIM A.Ş.

Notes to the Financial Statements for the Periods Ended 30 June 2024

(Amounts expressed in Turkish Lira ("TL") in terms of purchasing power of the TL at 30 June 2024 unless otherwise indicated.)

2 BASIS OF PRESENTATION OF FINANCIAL STATEMENTS *(continued)*

2.9 New and Revised Turkish Financial Reporting Standards *(continued)*

iv) The new amendments that are issued by the International Accounting Standards Board ("IASB") but not issued by POA

The following amendments to IFRS 9 and IFRS 7 as well as IFRS 18 and IFRS 19 are issued by IASB but not yet adapted/issued by POA. Therefore, they do not constitute part of TFRS. The Company will make the necessary changes to its financial statements after the amendments and new Standard are issued and become effective under TFRS.

Amendments to IFRS 9 and IFRS 7 – Classification and measurement of financial instruments

In May 2024, IASB issued amendments to the classification and measurement of financial instruments (amendments to IFRS 9 and IFRS 7). The amendment clarifies that a financial liability is derecognized on the 'settlement date'. It also introduces an accounting policy option to derecognize financial liabilities that are settled through an electronic payment system before settlement date if certain conditions are met. The amendment also clarified how to assess the contractual cash flow characteristics of financial assets that include environmental, social and governance (ESG)-linked features and other similar contingent features as well as the treatment of non-recourse assets and contractually linked instruments. Additional disclosures in IFRS 7 for financial assets and liabilities with contractual terms that reference a contingent event (including those that are ESG-linked), and equity instruments classified at fair value through other comprehensive income are added with the amendment.

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

IFRS 18- Presentation and Disclosures in New Financial Statements

In April 2024, IASB issued IFRS 18 which replaces IAS 1. IFRS 18 introduces new requirements on presentation within the statement of profit or loss, including specified totals and subtotals. IFRS 18 requires an entity to classify all income and expenses within its statement of profit or loss into one of five categories: operating; investing; financing; income taxes; and discontinued operations. It also requires disclosure of management-defined performance measures and includes new requirements for aggregation and disaggregation of financial information based on the identified 'roles' of the primary financial statements and the notes. In addition, there are consequential amendments to other accounting standards, such as IAS 7, IAS 8 and IAS 34.

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

IFRS 19 – Subsidiaries without Public Accountability: Disclosures

In May 2024, IASB issued IFRS 19, which allows eligible entities to elect to apply reduced disclosure requirements while still applying the recognition, measurement and presentation requirements in other IFRS accounting standards. Unless otherwise specified, eligible entities that elect to apply IFRS 19 will not need to apply the disclosure requirements in other IFRS accounting standards. An entity that is a subsidiary, does not have public accountability and has a parent (either ultimate or intermediate) which prepares financial statements, available for public use, which comply with IFRS accounting standards may elect to apply IFRS 19.

The standard is not applicable for the Company.

GDZ ELEKTRİK DAĞITIM A.Ş.

Notes to the Financial Statements for the Periods Ended 30 June 2024

(Amounts expressed in Turkish Lira ("TL") in terms of purchasing power of the TL at 30 June 2024 unless otherwise indicated.)

2 BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (continued)

2.10 Summary of Material Accounting Policies

Related Parties

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

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

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

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

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

A related party transaction is a transfer of resources, services or obligations between a reporting entity and a related party, regardless of whether a price is charged. Transactions with related parties are accounted for at transaction prices, unless the asset or liability subject to the transaction has to be valued at market value. For the purpose of the financial statements, shareholders, key management personnel and members of the Board of Directors, their families and companies controlled by or affiliated with them, affiliates and partnerships, Aydem Holding Group companies and key management personnel of the enterprise or its parent are considered and expressed as related parties.

GDZ ELEKTRİK DAĞITIM A.Ş.

Notes to the Financial Statements for the Periods Ended 30 June 2024

(Amounts expressed in Turkish Lira ("TL") in terms of purchasing power of the TL at 30 June 2024 unless otherwise indicated.)

2 BASIS OF PRESENTATION OF FINANCIAL STATEMENTS *(continued)*

2.10 Summary of Material Accounting Policies

Revenue

The company recognizes revenue in the financial statements based on the following five fundamental principles:

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

The Company assesses the goods or services promised in each contract with customers and determines each commitment to transfer such goods or services as a separate performance obligation. For each performance obligation, it is determined at the beginning of the contract whether the performance obligation will be fulfilled over time or at a certain time. If the Company transfers control of a good or service over time, and therefore fulfils the performance obligations related to the related sales over time, the Company recognises revenue over time by measuring the progress towards the full satisfaction of the performance obligations in question. The Company uses a method that reliably measures the work performed. The Company uses costs incurred to measure progress towards completion of the project using the input method and uses units transferred to measure progress towards completion of the project using the output method.

Distribution part of the revenue is composed of distribution, meter reading services, transmission and theft and loss components. Distribution and meter reading service components are considered within the content of service concession arrangements due to the regulations of EMRA. Additionally, according to the Electricity Market Law, the Electricity Market Tariffs Communiqué and other related regulations, the Company's distribution, transmission and meter reading services are subject to revenue caps which cover operating expenses and investment requirements related to distribution and meter reading services. Moreover, transmission revenue is a complete pass-through of transmission costs as charged by Türkiye Elektrik İletim A.Ş. ("TEİAŞ"). These regulations guarantee revenue to the Company during the transition period regardless of the consumption level. The under billings or overbillings made by the Company are adjusted by EMRA in the tariffs to be effective in two years.

Fees for the use of the distribution system are calculated by considering the distribution revenue cap and demand forecasts. Distribution revenue cap consists of system operation revenue cap and lost energy revenue cap.

Revenue related to the utilisation of the distribution system are determined based on the costs required for distribution companies to carry out distribution activities. In this context, in determining the revenues related to the utilisation of the distribution system, all costs and services within the scope of the execution of distribution activities such as investment expenditures required for the execution of distribution activities and a reasonable return on investment expenditures, system operation cost, technical and non-technical loss cost, cutting-binding service cost, meter reading cost, reactive energy cost and amounts paid within the scope of transmission tariff are taken into consideration.

The costs related to technical and non-technical losses are included in the distribution tariffs and reflected to consumers, provided that they do not exceed the target loss rates determined by EMRA for technical and non-technical losses to be taken as basis for the tariffs of distribution companies.

The provisions of EMRA's Communiqué on the Regulation of Distribution Tariff and the procedures and principles issued by EMRA for the determination of the target loss rates of electricity distribution companies shall be taken into consideration in determining the fees for the use of the distribution system, determining and changing the target rates for technical and non-technical losses, including the cost to be incurred in the tariffs and reflecting them to consumers.

The revenues to be collected by electricity distribution companies for system operation activities in a tariff year are limited by the system operation revenue caps approved by EMRA for each electricity distribution company. For each tariff year, the difference between the year-end adjusted system operation revenue cap calculated by EMRA based on the realised system operation revenues of each electricity distribution company and the year-end realised system operation revenues is adjusted by EMRA through tariffs after two years.

GDZ ELEKTRİK DAĞITIM A.Ş.

Notes to the Financial Statements for the Periods Ended 30 June 2024

(Amounts expressed in Turkish Lira ("TL") in terms of purchasing power of the TL at 30 June 2024 unless otherwise indicated.)

2 BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (continued)

2.10 Summary of Material Accounting Policies

Revenue (continued)

Following the final determination of the amount by EMRA, the difference between the year-end adjusted system operating revenue cap calculated by EMRA and the year-end realised system operating revenue is recognised as trade receivable or deferred income on an accrual basis in the financial statements.

The revenue difference based on the lost energy correction component is calculated by subtracting the portion of the price equalisation amount related to the lost energy and the portion of the revenue accrued to the users for the use of the distribution system related to the lost energy from the total lost energy cost realised in line with the target loss rate. As in the case of the revenue difference adjustment component, the lost energy adjustment component is adjusted by EMRA after two years for each tariff year through tariffs. The revenue difference based on the lost energy adjustment component is recognised as trade receivables or deferred income on an accrual basis in the financial statements.

Price Equalisation

The price equalization mechanism is implemented by Energy Market Regulatory Authority ("EMRA") in order to eliminate the imbalance between the costs incurred for sales in different regions and thus to partially or completely protect consumers from cost differences between distribution regions. As a result of the implementation of the price equalization mechanism, the amount to be supported or to be supported by companies for each distribution region is calculated according to the formula determined by EMRA and notified to the parties before the price equalization period. These amounts are recognized by the Company in the statement of profit or loss in revenue.

General Lighting Receivables

Under the Electricity Market Law No. 6446 and other secondary legislation, electricity distribution companies are obliged to supply energy to the general lighting consumer group. Electricity sales to the general lighting consumer group are made at the same time as the purchase and sale of electricity due to the fact that electricity is currently low cost and there is no stock that can be stored in high quantities, and accordingly, sales and costs are realised at the time of use.

Service Concession Arrangements

Service concession arrangements are defined within scope of TFRIC 12 as those whereby a government or other body grants contracts for the supply of public services – operations such as roads, energy distribution, prisons or hospitals – to private operators. The Company's electricity distribution and meter reading service businesses are in the scope of service concession agreements.

Under the terms of a contractual arrangement within the scope of TFRS Interpretation 12, the Company acts as a service provider and builds or renovates infrastructure used to provide a public service (construction or renovation services) and operates and maintains that infrastructure for a specified period (operating services). The Company recognises revenue and costs incurred as a result of capital expenditure in accordance with TFRS 15 "Revenue from Contracts with Customers".

Income from capital expenditures is recognised as a single performance obligation when the related investments are fulfilled.

Considering the Company's terms in the service concession arrangements, a financial asset model where the Company recognizes TFRIC 12 as a financial asset to the extent that it has an unconditional contractual right to receive cash or another financial asset from or at the direction of the grantor has been applied, since the right to receive cash for the distribution and meter reading services are constituted through actual billing to subscribers where the distribution and meter reading service components of the billing are already specified or determinable through the regulated by EMRA.

The Company recognizes the revenue on an effective interest method as "Financial Income from Service Concession Arrangements" in profit or loss and other comprehensive income and "Financial Assets from Service Concession Arrangements" on the statement of financial position.

GDZ ELEKTRİK DAĞITIM A.Ş.

Notes to the Financial Statements for the Periods Ended 30 June 2024

(Amounts expressed in Turkish Lira ("TL") in terms of purchasing power of the TL at 30 June 2024 unless otherwise indicated.)

2 BASIS OF PRESENTATION OF FINANCIAL STATEMENTS *(continued)*

2.10 Summary of Material Accounting Policies

Revenue *(continued)*

Financial income from service concession arrangements

Financial income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

Financial income related to service concession arrangements is recognized in accordance with Service Concession Arrangements ("TFRIC 12"). Financial income from service concession arrangement is recognized on a time-proportion basis using the effective interest method.

The Company recognizes the revenue calculated by the internal rate of return as "Financial Income from Service Concession Arrangements" in profit or loss and other comprehensive income statement. Main revenue source of distribution companies are financial income from the investments for improvement and maintenance of network. Therefore, Company evaluates that the financial income from service concession arrangements drives from the main business activity of the distribution companies and accordingly it is recognized as a part of revenue.

Other Income

The scope of other revenues consists of the revenues collected by the Company within the scope of the fees accrued to the users other than the fees related to the use of the distribution system mentioned above and the revenues obtained from the services provided to third parties. These revenues consist of other items specified in Article 25 of the Communiqué on Regulation of Distribution System Revenues and not explained above.

Principal and agent assessment

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

GDZ ELEKTRİK DAĞITIM A.Ş.

Notes to the Financial Statements for the Periods Ended 30 June 2024

(Amounts expressed in Turkish Lira ("TL") in terms of purchasing power of the TL at 30 June 2024 unless otherwise indicated.)

2 BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (continued)

2.10 Summary of Material Accounting Policies (continued)

Right of use assets

The Company has chosen the simplified retrospective approach from the transition provisions of TFRS 16, the right-of-use assets have been transferred from 1 January 2019, with reference to financial leasing agreements signed before 1 January 2019, the first application date of TFRS 16, and in progress as of 1 January 2019. It recognizes the date as the contract start date. The Company accounts for the right-to-use assets on the date of commencement of the leasing agreement (for example, as of the date on which the relevant asset is eligible for use). The right of use assets is calculated by deducting the accumulated depreciation and impairment losses from the cost value. In case the financial leasing debts are revalued, this figure is corrected.

Cost of right-of-use assets; the amount of the lease obligation, the direct costs include lease payments made on or before the start date.

The cost of the right of use asset includes:

- a) the first measurement of the lease obligation,
- b) the amount obtained from all lease payments made before or before the lease actually started, by deducting all lease incentives received, and
- c) All initial costs incurred by the company.

Unless the transfer of the ownership of the underlying asset to the Company at the end of the lease is reasonably finalized, the Company depreciates its asset right to use until the end of the useful life of the underlying asset. The useful life of right-of-use assets range from 1 year to 10 years.

Right-of-use assets consist of buildings and vehicles and are subject to impairment assessment.

Lease liabilities

The Company measures the lease obligation at the present value of the lease payments, which were not paid on the date the lease actually began.

The lease payments included in the measurement of the lease obligation at the date of the lease actually consist of the following payments to be made for the right of use of the underlying asset during the lease period and not paid at the date when the lease actually started:

- a) Fixed payments,
- b) Variable rental payments based on an index or rate, made using an index or rate at the date when the first measurement was actually started,
- c) Amounts expected to be paid by the Company within the scope of residual value commitments
- d) The price of use of this option if the Company is reasonably sure that it will use the purchase option and,
- e) If the rental period shows that the Company will use an option to terminate the lease, penalties for termination of the lease.

GDZ ELEKTRİK DAĞITIM A.Ş.

Notes to the Financial Statements for the Periods Ended 30 June 2024

(Amounts expressed in Turkish Lira ("TL") in terms of purchasing power of the TL at 30 June 2024 unless otherwise indicated.)

2 BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (continued)

2.10 Summary of Material Accounting Policies (continued)

Lease liabilities (continued)

Variable lease payments that do not depend on an index or rate are recorded as expenses in the period when the event or condition that triggered the payment occurred.

In case the revised discount rate and the implicit interest rate in the lease can be determined easily for the remainder of the Company lease period, this rate is; In case it cannot be determined easily, the Company determines the alternative borrowing interest rate on the date of re-evaluation. The Company measures the lease obligation after the lease actually starts as follows:

- (a) Increases the carrying amount to reflect the interest on the lease obligation, and
- (b) Reduces the carrying value to reflect the rent payments made.

In addition, in the event that there is a change in lease duration, a change in substance of fixed lease payments or a change in the assessment of the option to purchase an underlying asset, the value of financial lease liabilities is re-measured.

Forest land use included in the Company's leases of less than one year are accounted as general administrative expenses in the statement of profit or loss.

Inventories

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

Inventory costs are determined using the moving weighted average cost method and are calculated as the purchase cost of the inventories and other costs incurred to bring inventories to their current state and location.

Net realizable value is the estimated selling price in the ordinary course of business, less estimated completion the total of the estimated costs necessary to make the sale and the total of the estimated costs required to make the sale represents the amount. Inventories are mainly for electrical equipment and supplies related to the Company's electricity distribution business consists of materials.

Property, plant and equipment

Property, plant and equipment are measured by deducting accumulated depreciation and impairment, if any, from acquisition cost refers to expenditures directly related to the purchase of the related asset.

If the items that make up the tangible assets have different useful lives, they are recognized as separate items (basic components) of the tangible assets. Gains or losses related to the disposal of tangible assets are determined by comparing the amount of disposal with the registered value of the asset and included in the statement of profit or loss.

Costs arising from replacing any part of the tangible fixed assets are capitalized if it is likely to increase the future economic benefit of that tangible fixed asset and its cost can be measured reliably. The recorded values of the changed parts are excluded from the statement of financial position. Daily maintenance costs of tangible assets are recorded to profit or loss on the date they occur.

Tangible assets are depreciated over their useful lives by linear method and are accounted for in profit or loss.

GDZ ELEKTRİK DAĞITIM A.Ş.

Notes to the Financial Statements for the Periods Ended 30 June 2024

(Amounts expressed in Turkish Lira ("TL") in terms of purchasing power of the TL at 30 June 2024 unless otherwise indicated.)

2 BASIS OF PRESENTATION OF FINANCIAL STATEMENTS *(continued)*

2.10 Summary of Material Accounting Policies *(continued)*

Property, plant and equipment

The estimated useful lives of important tangible assets in the current and comparative periods are as follows:

Years

Fixture 3-15

Depreciation methods, useful lives and residual values are reviewed for each reporting period and are determined again when necessary.

Intangible assets

Other intangible assets that are purchased by the Company and have a certain useful life are measured by deducting the accumulated amortization and permanent impairments from the purchase cost values.

Subsequent costs are capitalized only if they have an impact that increases the future economic benefits of the intangible assets to which they relate. All other expenditures are recognized in profit or loss when incurred.

Intangible assets are recognized in profit or loss on a straight-line basis over their estimated useful lives starting from the date they are ready for use

Amortization methods, useful lives and residual values are reviewed at each reporting date and, where appropriate, adjusted.

The estimated useful lives of the important intangible assets in the current and comparative periods are as follows:

Years

Rights 3

Impairment of assets

Financial assets accounted for at amortized cost

Non-derivative financial assets

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

GDZ ELEKTRİK DAĞITIM A.Ş.

Notes to the Financial Statements for the Periods Ended 30 June 2024

(Amounts expressed in Turkish Lira ("TL") in terms of purchasing power of the TL at 30 June 2024 unless otherwise indicated.)

2 BASIS OF PRESENTATION OF FINANCIAL STATEMENTS *(continued)*

2.10 Summary of Material Accounting Policies *(continued)*

Impairment of assets *(continued)*

Financial assets accounted for at amortized cost *(continued)*

Non-derivative financial assets *(continued)*

The Company collectively assesses impairment by taking into account the timing of recovery and historical trends in the amount of losses incurred. While making this assessment, the Company management makes adjustments when necessary, taking into account the current economic situation and credit conditions, using the judgement that the realised losses should be more or less than the impairment provision allocated according to past trends.

Impairment refers to the difference between the carrying value of the asset and the reduction of the expected future cash flows to the present value and the original effective interest rate. Losses are recorded in profit or loss and shown using the provision account. The relevant amounts are deducted when the Company has no realistic expectations of asset recovery. If an event that occurs after the impairment has been recognized causes a decrease in impairment, this decrease is recognized in profit or loss and is canceled from the impairment loss previously recognized. Financial assets that are not recognized in profit or loss, an assessment is made in each reporting period to determine whether there is objective evidence of impairment.

Non-financial assets

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

For the purpose of impairment testing, assets that cannot be tested individually are grouped into the smallest unit or cash-generating unit ("CGU") that generates cash inflows from continuing operations that are independent of other assets and groups of assets.

The recoverable amount of an asset or CGU is the higher of its fair value less costs to sell and value in use. Value in use is the present value of future cash flows discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

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

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

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

GDZ ELEKTRİK DAĞITIM A.Ş.

Notes to the Financial Statements for the Periods Ended 30 June 2024

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2 BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (continued)

2.10 Summary of Material Accounting Policies (continued)

Financial Instruments

Non-derivative financial assets and financial liabilities

The Company classifies non-derivative financial assets into the following categories: Financial assets at amortized cost and whose fair value is reflected in profit or loss, Company's non-derivative financial assets, cash and cash equivalents, trade and other receivables, financial assets which are receivables from service concession arrangements.

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

Non-derivative financial assets and financial liabilities – recognition and derecognition

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

The Company derecognize financial assets when the rights related to the cash flows that occur in accordance with the contract related to the financial assets expire or when the Company transfer their rights to the ownership of all risks and returns related to this financial asset through a transaction. Any rights created or held from financial assets transferred by the Company are accounted for as a separate asset or liability. In cases where contractual obligations are fulfilled, canceled or terminated; The Company removes the financial liability in question from its records.

The Company net off its financial assets and liabilities only when the Company has a legal right to netting and if the intention is to perform the transaction on a net basis or to realize the fulfillment of the obligation and realization of the asset and present the net amount in its financial statements.

Non-derivative financial assets and financial liabilities – measurement

Non-derivative financial assets

Loans and receivables

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

Cash and cash equivalents

In the statement of cash flow, cash and cash equivalents include current accounts at the bank, which are repayable upon request and which are part of the Company's cash management.

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2 BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (continued)

2.10 Summary of Material Accounting Policies (continued)

Financial Instruments (continued)

Non-derivative financial assets and financial liabilities – measurement (continued)

Non-derivative financial assets (continued)

Financial Assets Related to Concession Arrangements

Operating right on additional components required to be used for the operation off distribution facilities and distribution facilities which are within the body of TEDAŞ in the framework of Transfer of Operating Rights Agreement ("TOR"), concluded between TEDAŞ and the Company on 24 July 2006, has been transferred to the Company for 30 years provided to be applicable as of 1 September 2006 in return for a consideration amounting to TL 158,786,428 which is unindexed. The consideration for aforementioned TOR was subject to amortization through being added to revenue cap with respect to first tariff period (2006-2010). The TOR consideration in question was totally amortized as of 31 December 2015.

Term of the TOR is 30 years as of 1 September 2006. Operation term can be extended by TEDAŞ at the end of such term in line with the applicable laws in related period.

The Company acts as the electricity distributor and constructs the facility used for performance of such distribution and run and maintain the facility during the specified period in accordance with this agreement which is in scope of TFRS Interpretation 12 "Service Concession Arrangements". No change has been made in the nature of the agreement during the current period.

In accordance with TOR, ownership of the facilities belongs to the public and receivables, entitled in terms of undertaken investment activities and renovation services, are recognized as financial assets under the guidance of guarantor ("EMRA") as long as the acquisition of other cash or other financial assets are unconditional and contractual rights.

The Company has initially recognized the investments, guaranteed to be paid back through tariffs, within "Financial Assets Related to Concession Arrangements" under trade receivables from other parties over fair value in accordance with TFRS 9 "Financial Instruments: Accounting and Measurement" standard. Following initial recognition, financial assets are measured at amortised cost.

The Company recognizes the revenue calculated by the internal rate of return as "Financial Income from Service Concession Arrangements" in profit or loss and other comprehensive income statement. Main revenue source of distribution companies is the financial income from the investments for improvement and maintenance of network. Therefore, the Company evaluates that the financial income from service concession arrangements drives from the main business activity of the distribution companies and accordingly it is recognized as a part of revenue. The Company includes the real reasonable returns on investments and the repayment amounts of the investments in the revenue model. Therefore, the Company considers the related reasonable returns and redemptions of the investments to be representative of the core and ordinary activities of the distribution companies and presents these elements under revenue.

Parameters regarding right of use brought by the "Distribution License", owned by the Company according to the Agreement, are updated through council decision by EMRA in five years' implementation periods. The Company owns the license right related to services privatized services on 1 September 2006 and has completed first implementation period covering between 2006 and 2010, second implementation period covering between 2011 and 2015 and third implementation period covering between 2016 and 2020. The distribution system operating income requirement for the fourth implementation period, which will be valid for the Company between 2021 and 2025, has been approved by EMRA with the Board Decision dated 24 December 2020 and numbered 9907-1.

GDZ ELEKTRİK DAĞITIM A.Ş.

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2 BASIS OF PRESENTATION OF FINANCIAL STATEMENTS *(continued)*

2.10 Summary of Material Accounting Policies *(continued)*

Financial Instruments *(continued)*

Non-derivative financial assets and financial liabilities – measurement *(continued)*

Non-derivative financial assets *(continued)*

Financial Assets Related to Concession Arrangements *(continued)*

Revenues and expenditures of the Company are subject to EMRA regulations. The amount of the revenue requirement of the Company is determined by EMRA. If income items are below or above the income requirement determined by EMRA, such differences may or may not be adjusted depending on the nature of the income. Income requirement currently regulated for 5-year periods; It includes the operating expenses required by the Company, the amortization of investment expenditures, the alternative investment costs of the non-amortized investment amounts, and the tax differences added to the income in order to compensate the periodic deviations arising from tax applications. Adjustments regarding the income requirement are calculated by updating with the Base CPI accepted by EMRA over the years.

Non-derivative financial liabilities

Borrowings

Loans are initially recorded at fair value after deducting transaction costs incurred. Borrowings are measured at amortized cost. The difference between revenues (less transaction costs) and amortization is recognized in profit or loss over the borrowing period using the effective interest method. Fees paid for the establishment of the loan facility are recognized as the transaction cost of the loan if it is probable that some or all of the loan will be retired. In this case, the fee will be delayed until the draw takes place. If there is no evidence that some or all of the loan will be retired, the fee is capitalized as a prepayment for liquidity services and amortized over the term of the relevant loan.

Liabilities are derecognized on the balance sheet when the contractual obligation is fulfilled, canceled or terminated.

Restructuring of debt instruments

Exchange of debt instruments with “significantly” different terms between an existing debtor and creditor indicates that the old financial liability has disappeared and a new financial liability should be recognized. In addition, a material change, in whole or in part, in the terms of an existing financial liability indicates that the old liability has ceased to exist and a new financial liability must be recognized.

Financial liabilities are derecognized when the debts arising from these liabilities are eliminated, canceled or expired. An exchange of debt instruments with significantly different terms between an existing debtor and a creditor, or a material change in the terms of an existing financial liability, indicates that the old financial liability has ceased to exist and a new financial liability should be recognized.

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2 BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (continued)

2.10 Summary of Material Accounting Policies (continued)

Financial Instruments (continued)

Non-derivative financial assets and financial liabilities – measurement (continued)

Non-derivative financial liabilities (continued)

Restructuring of debt instruments (continued)

As a result of the Company's negotiations with banks, the interest rates of USD currency loans were revised again in 2021. Since the effect of these changes on the net present value of the loans is less than 10%, the related loans are not considered as the extinguishment of the old financial liability and are considered as restructured financial liabilities. In this case, the amortized cost of the relevant loans has been recalculated by calculating the present value of the future flows of the financial instrument discounted at the original effective interest rate. The resulting adjustment was accounted for in financing income as "loan restructuring income".

Trade and other payables

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

Income taxes

Income tax comprises current and deferred tax. Current tax and deferred tax are recognized in profit or loss except to the extent that it relates to a business combination, or items recognized directly in equity or in other comprehensive income.

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

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

- Temporary differences arising in the initial registration of assets or liabilities resulting from a business combination that does not affect neither accounting profit nor taxable profit or loss;
- Temporary differences related to investments in subsidiaries and jointly controlled entities that are unlikely to reverse within a foreseeable future;
- At the time of the transaction, does not give rise to equal taxable and deductible temporary differences.

Deferred tax is measured by the tax rate effective at the time when the temporary differences are rejected at the end of the reporting period, or close to enforcement.

Deferred tax assets and deferred tax liabilities can be deducted in the event that they have the legal right to offset current period tax assets to deferred tax liabilities and deferred tax assets and deferred tax liabilities are the same taxpayer imposed by the same tax administration.

GDZ ELEKTRİK DAĞITIM A.Ş.

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2 BASIS OF PRESENTATION OF FINANCIAL STATEMENTS *(continued)*

2.10 Summary of Material Accounting Policies *(continued)*

Income taxes *(continued)*

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

Transfer pricing regulations

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

Tax risk

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

Thin Capitalization

The provisions concerning to the thin capitalization are stated in the Article 12 of new Corporation Tax Code. According to the Article 12, if the borrowings obtained directly or indirectly from the shareholders of the companies or persons related to shareholders exceeds three times of the shareholders' equity of the Company at any time during the related year, the exceeding portion of the borrowing will be treated as thin capital.

The financial borrowings were regarded as thin capitalization provided with;

- The borrowings obtained directly or indirectly from the shareholders of the companies or persons related to shareholders,
- Used for/in the entity,
- Borrowings exceeds three times of the shareholders' equity of the Company at any time during the related year.

GDZ ELEKTRİK DAĞITIM A.Ş.

Notes to the Financial Statements for the Periods Ended 30 June 2024

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2 BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (continued)

2.10 Summary of Material Accounting Policies (continued)

Payables for employee benefits

Termination and retirement benefit

Pursuant to the provisions of the Labor Law in force, employees are obliged to pay their legal severance pay to those whose employment contract expires in a way to qualify for severance pay. In addition, the Social Insurance Law No. 506, which is still in force, has an obligation to pay the severance pay to those who have been given the right to leave the job by getting severance pay in accordance with the provisions of the article 60 of 6 March 1981, number 2422 and 25 August 1999 and number 4447. Some transitional provisions related to pre-retirement terms of service were excluded from the Law by amending the relevant law on 23 May 2002. As of 30 June 2024, severance payment to be paid is subject to the monthly ceiling of nominal amounting to TL 35,058,58 (31 December 2023: TL 23,489.83, 30 June 2023: TL 19,982,83).

Severance pay liability is not subject to any funding legally. Provision for severance pay is calculated by estimating the present value of the future probable obligation of the Company arising from the retirement of the employees. The Company foresees the development of its liabilities by using actuarial valuation methods within defined benefit plans. Accordingly, actuarial assumptions used in the calculation of total liabilities are as follows:

	30 June 2024	30 June 2023	31 December 2023
Expected interest in the coming years %	25.05	9.40	25,05
Expected inflation in the coming years %	20.75	6.50	20,75
Expected probability of leaving without compensation in the coming years %	3.52	2.68	8,63

While calculating the provision for severance pay of the Company, the ceiling amount of TL 41,828.42, valid from 1 June 2024, has been taken into consideration.

All actuarial losses or gains are recognized in other comprehensive income and expense.

Vacation liability

The Company is required to pay to the employee, whose employment is terminated due to any reasons, or to its inheritors, the wage of the deserved and unused vacation rights over the prevailing wage at the date the contract is terminated. Accordingly, the Company recognizes a provision for unused vacation days as a short term employee benefits.

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

Share capital and dividends

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

GDZ ELEKTRİK DAĞITIM A.Ş.

Notes to the Financial Statements for the Periods Ended 30 June 2024

(Amounts expressed in Turkish Lira ("TL") in terms of purchasing power of the TL at 30 June 2024 unless otherwise indicated.)

2 BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (continued)

2.10 Summary of Material Accounting Policies (continued)

Earnings per share

Earnings per share disclosed in the statement of profit or loss and other comprehensive income are determined by dividing net earnings by the weighted average number of shares that have been outstanding during the related period. In Türkiye, companies can increase their share capital by making a pro-rata distribution of shares ("bonus shares") to existing shareholders from retained earnings on equity items. Such kind of bonus shares are taken into consideration in the computation of earnings per share as issued share certificates. For the purpose of earnings per share computations, the weighted average number of shares outstanding during the period has been adjusted in respect of bonus shares issues without a corresponding change in resources, by giving them retroactive effect for the year in which they were issued and each earlier year.

Netting/offsetting

Financial assets and liabilities are shown net in cases where there is a required legal right, there is an intention to evaluate the assets and liabilities on a net basis, or when the acquisition of assets and the fulfillment of liabilities are simultaneous.

Statement of cash flow

In statement of cash flows, cash flows are classified according to operating, investing and financing activities.

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

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

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

Cash flows related to financial assets accounted within the scope of TFRIC 12 are presented within the cash flows arising from operating activities since they represent the cash flow generated within the scope of the Company's core business.

Provisions, contingent liabilities and contingent assets

Provisions are determined by reducing the estimated future cash flows to the present value by using the pre-tax discount rate reflecting the time value of money and the risks specific to the liability. Discount amount is accounted as other expense from the main activities.

GDZ ELEKTRİK DAĞITIM A.Ş.

Notes to the Financial Statements for the Periods Ended 30 June 2024

(Amounts expressed in Turkish Lira ("TL") in terms of purchasing power of the TL at 30 June 2024 unless otherwise indicated.)

2 BASIS OF PRESENTATION OF FINANCIAL STATEMENTS *(continued)*

2.10 Summary of Material Accounting Policies *(continued)*

Provisions, contingent liabilities and contingent assets *(continued)*

Provision for EMRA

In case of non-compliance with the principles, rules, and practices related to the regulations and notifications published by the EMRA alongside the Electricity Market Law No. 6446, which entered into force with the Official Gazette dated 30 March 2013 and numbered 28603, the EMRA Inspection Department notifies the Company, stating the reasons, to make the payment of the penalty amount within a certain period of time. In addition to the penalties usually paid in advance, there may also be cases where payment is not made until the reconciliation process, especially in retrospective penalties.

Contingent liabilities

Contingent liabilities are continuously reviewed to determine whether it is possibility of outflow of economic benefits will occur from any source. Unless the outflow of economic benefits is remote, situations where the probability of outflow is low are disclosed in the notes to the financial statements.

A contingent liability is disclosed unless the probability of an outflow of economic benefits is remote. If the transfer of assets is certain, a contingent liability is recognized in the financial statements.

Transactions in foreign currency

Transactions in foreign currencies are reported by converting foreign currency-denominated monetary assets at the Turkish Republic Central Bank buying rate valid on the reporting date, and foreign currency-denominated monetary liabilities at the Turkish Republic Central Bank selling rate valid on the reporting date, based on the announcement of the POA dated 16 March 2021 regarding the subsequent measurement of foreign currency-denominated monetary items according to Turkish Accounting Standards.

The income and expenses resulting from the translation of items in foreign currency have been included in the financial income and financial expenses accounts in the income statement of the relevant period.

GDZ ELEKTRİK DAĞITIM A.Ş.

Notes to the Financial Statements for the Periods Ended 30 June 2024

(Amounts expressed in Turkish Lira ("TL") in terms of purchasing power of the TL at 30 June 2024 unless otherwise indicated.)

2 BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (continued)

2.10 Summary of Material Accounting Policies (continued)

Subsequent events after the reporting date

Refers to events occurring in favor of or against the entity between the reporting date and the authorization date for the publication of the financial statements. Events after the reporting date are divided into two:

- new evidence of the existence of relevant events as of the reporting date; and
- there is evidence that relevant events occurred after the reporting date (events that do not require correction after the reporting date).

In the event that there is new evidence for the existence of such events as of the reporting date or if the related events arise after the reporting date and these events require the correction of the financial statements, the Company adjusts its carve-out financial statements in accordance with the new situation. If these events do not require the restatement of the carve-out financial statements, the Company discloses the related events in its notes.

2.11 Critical Accounting Judgements and Key Sources of Estimation Uncertainty

Critical judgments in applying the Company's accounting policies

While preparing the financial statements, management should apply the Company's accounting policies and make judgments, estimates and assumptions that affect the amount of reported assets, liabilities, income and expenses. Actual results may differ from these estimates.

The important estimates and assumptions used by the Company in preparing its financial statements are given in the footnotes below:

Note 4 – Trade receivables and impairment

Note 7 – Deferred income

Note 8 – Financial assets and revenue recognition and related to concession arrangements

Note 11 – Provisions

Note 13 – Employment benefits

Note 21 – Taxation on income

Key sources of estimation uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, is discussed below:

The assumptions and the assumptions that form the basis of the estimates are constantly reviewed. Updates in the accounting estimates are recorded in the period when the estimates are updated and in the subsequent periods affected by these updates.

GDZ ELEKTRİK DAĞITIM A.Ş.

Notes to the Financial Statements for the Periods Ended 30 June 2024

(Amounts expressed in Turkish Lira ("TL") in terms of purchasing power of the TL at 30 June 2024 unless otherwise indicated.)

2 BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (continued)

2.11 Critical Accounting Judgements and Key Sources of Estimation Uncertainty (continued)

Key sources of estimation uncertainty (continued)

Financial assets concession arrangements

The Company determines the financial assets and financial income balances recognized under service concession arrangements based on the cash flows derived from the tariffs announced by EMRA. The distribution revenue requirement of the Company during the second (2011 - 2015) and third tariff periods (2016 - 2020) and fourth tariff periods (2021-2025) was determined by EMRA considering the projected expenses and related tariffs. These tariffs are revised yearly due to inflation, based on the changes in the Electricity Market Index ("EMI") (Since the "EMI" is not announced, CPI ("Consumer Price Index") is considered as based). The Company management uses the assumption that the weighted average cost of capital ratio will remain constant until the end of the model (2032) in determining the estimated cash inflows for future periods. Changes in CPI have been determined separately for each year between 2024 and 2032, in line with the calculations made by the Company management based on the long-term forecasts of international financial institutions. Changes in estimates regarding the CPI and the weighted average cost of capital rate affect the Company's financial asset amount in accordance with the financial asset model.

Revenue

Invoices of the subscribers other than residential and commercial groups are issued monthly at the end of each month by the Company whereas the invoices of the residential subscribers are issued continuously during each month due to the high number of subscribers in this group. Commercial group subscribers are also issued continuously during the month due to the high number of customers in this group although the subscribers with high consumption level are billed at the end of the month. Therefore, all electricity provided to residential and commercial group subscribers every month cannot be invoiced at the end of the period. Unbilled consumption for this group is estimated, and the consumption is recognized as revenue in the form of accrued revenue.

Deferred Tax

The Company recognizes deferred tax assets and liabilities on the temporary timing differences between the legal books and the financial statements prepared in accordance with TFRS. Such differences generally arise from timing differences of some revenue and expense balances in legal books and financial statements prepared in accordance with TFRS and are explained below. The Company has deferred tax assets that can be deducted from future profits. The partially or fully recoverable amount of deferred tax assets has been estimated under current conditions.

Deferred tax assets can only be recognized in accounting if it is probable that there will be sufficient taxable income in future periods for the realization of the tax benefits. In cases where the tax advantage is probable, deferred tax assets are calculated based on past year losses. The Company recognized the deferred tax asset as of 30 June 2024, based on the strong likelihood of sufficient income being generated in future periods that can offset tax liabilities. (Note 21).

Doubtful trade and other receivables provision

Impairment loss in trade receivables and other receivables is based on the Company management's assessment of the volume of trade receivables, past experiences and general economic conditions. The Company management has set aside provisions for all commercial and other receivables except for municipal and provincial private administration receivables and receivables from related parties whose invoice accrual date has exceeded 3 months.

Legal case provision

The Company management has made a provision in accordance with TAS 37 Provisions Standard for employee lawsuits, claims lawsuits, forest fires lawsuits, lawsuits and restitution lawsuits filed against the Company, which are expected to be cash out by the legal advisors of the Company.

GDZ ELEKTRİK DAĞITIM A.Ş.

Notes to the Financial Statements for the Periods Ended 30 June 2024

(Amounts expressed in Turkish Lira ("TL") in terms of purchasing power of the TL at 30 June 2024 unless otherwise indicated.)

3 RELATED PARTY DISCLOSURES

Aydem Holding A.Ş. is the Parent Company and the controlling party of the Company. GDZ Enerji Yatırımları A.Ş. ("GDZ EYAŞ"), which is a 100% subsidiary of Aydem Holding, is wholly owned the Company.

The shareholders, key management personnel and members of the Board of Directors, their families and partners and entities controlled by the ultimate shareholders are considered and referred to as related parties in the financial statements. The Group companies have carried out various transactions with related parties during their operations.

Trade receivables from related parties generally arise from distribution system usage transactions, and there is not any impairment regarding receivable. Accounts receivable are not typically collateralized; however, interest is charged. Trade payables to related parties usually arise from energy and various service purchases transactions, and no interest is charged on trade payables.

At the end of each month, interest income and expenses from other receivables and payables are calculated using current interest rates determined according to market conditions. Other receivables from related parties arise from the financing transactions of group companies and interest is charged on these receivables at market rates. Other payables to related parties arise from the financing transactions of group companies and interest is charged on these receivables at market rates.

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

- (1) Aydem Holding Group Companies
- (2) Ultimate shareholder
- (3) Companies and other individuals owned by the parent or ultimate Parent Company.

3.1 Related party balances

As of 30 June 2024 and 31 December 2023, the Company's short-term trade receivables from related parties are as follows:

Short-term trade receivables from related parties	30 June 2024	31 December 2023
Gediz Elektrik Perakende A.Ş. ("Gediz EPSAŞ") (1) (*)	2,148,417,703	3,871,291,824
Aydem Elektrik Perakende Satış A.Ş. ("Aydem EPSAŞ") (1)	74,131,256	92,639,738
Other	2,452	7,371
	<u>2,222,551,411</u>	<u>3,963,938,933</u>

(*) The Company's distribution system usage income receivable arising from the electricity energy distributed to the subscribers of Gediz EPSAŞ.

As of 30 June 2024 and 31 December 2023 the Company's other short-term receivables from related parties are as follows:

Short-term other receivables from related parties	30 June 2024	31 December 2023
Gediz EPSAŞ (1)	869,834	-
GDZ Enerji (2)	-	-
	<u>869,834</u>	<u>-</u>

GDZ ELEKTRİK DAĞITIM A.Ş.

Notes to the Financial Statements for the Periods Ended 30 June 2024

(Amounts expressed in Turkish Lira ("TL") in terms of purchasing power of the TL at 30 June 2024 unless otherwise indicated.)

3 RELATED PARTY DISCLOSURES (continued)**3.1 Related party balances (continued)**

As of 30 June 2024 and 31 December 2023, the Company's short-term trade payables to related are as follows:

Short-term trade payables to related parties	30 June 2024	31 December 2023
GDZ Enerji (2)	294,068,129	102,483,827
Panobel Elektrik Gereçleri A.Ş. ("Panobel") (1)	66,644,679	342,298,557
Aydem Holding A.Ş. ("Aydem Holding") (1)	54,857,250	141,588,372
BND Group Teknoloji A.Ş. (" BND") (1)	48,000	42,873,926
Other	2,195	46,431
	<u>415,620,253</u>	<u>629,291,113</u>

As of 30 June 2024 and 31 December 2023 the Company's other short-term payables to related parties are as follows:

Other short-term payables to relates parties	30 June 2024	31 December 2023
Aydem Holding (1) (*)	108,741,558	-
Yatağan Termik Enerji Üretim A.Ş. ("Yatağan") (1)	-	-
Çates Elektrik Üretim A.Ş. (1)	-	-
Other	63,180	67,918
	<u>108,804,738</u>	<u>67,918</u>

(*) Consist of common service expenes.

3.2 Related party transactions

Sales of goods and services	1 January - 30 June 2024	1 January - 30 June 2023
Gediz EPSAŞ (1)	25,414,955	26,263,225
Other	-	-
	<u>25,414,955</u>	<u>26,263,225</u>
Electricity distribution service revenue	1 January - 30 June 2024	1 January - 30 June 2023
Gediz EPSAŞ (1)	5,237,871,355	7,632,767,912
Aydem EPSAŞ (1)	417,842	1,333,860
Other	15,610	29,467
	<u>5,238,304,807</u>	<u>7,634,131,239</u>
Purchase of goods and services	1 January - 30 June 2024	1 January - 30 June 2023
GDZ Enerji (2)	909,885,048	1,862,068,536
Panobel (1)	38,296,527	204,335,772
Aydem Holding (1)	34,103,926	81,301,641
Gediz EPSAŞ (1)	7,637,086	10,332,309
BND (1)	2,218,865	7,601,047
Other	25,113	402,908
	<u>992,166,565</u>	<u>2,166,042,213</u>

GDZ ELEKTRİK DAĞITIM A.Ş.

Notes to the Financial Statements for the Periods Ended 30 June 2024

(Amounts expressed in Turkish Lira ("TL") in terms of purchasing power of the TL at 30 June 2024 unless otherwise indicated.)

3 RELATED PARTY DISCLOSURES (continued)

3.1 Related party balances (continued)

	1 January - 30 June 2024	1 January - 30 June 2023
<u>Electricity purchases</u>		
Gediz EPSAŞ (1)	4,243,215	1,185,901,222
	<u>4,243,215</u>	<u>1,185,901,222</u>
<u>Finance expenses</u>		
Aydem Holding (1)	65,790,175	76,613,112
Gediz EPSAŞ (1)	-	27,918,875
Yatağan (1)	-	237,714
Other	-	523,418
	<u>65,790,175</u>	<u>105,293,119</u>
<u>Finance income</u>		
Gediz EPSAŞ (1)	250,584,727	21,897,144
	<u>250,584,727</u>	<u>21,897,144</u>

Key management compensation

Key management includes the chairman of the board of directors, members of the board of directors, executive board members and directors. For the years ended 30 June 2024 and 30 June 2023, total short-term benefits such as salaries and attendance fees provided to key management personnel are as follows:

	1 January - 30 June 2024	1 January - 30 June 2023
Benefits to key management personnel	21,035,168	16,697,004
	<u>21,035,168</u>	<u>16,697,004</u>

GDZ ELEKTRİK DAĞITIM A.Ş.

Notes to the Financial Statements for the Periods Ended 30 June 2024

(Amounts expressed in Turkish Lira ("TL") in terms of purchasing power of the TL at 30 June 2024 unless otherwise indicated.)

4 TRADE RECEIVABLES AND PAYABLES

4.1 Trade Receivables

Short-term trade receivables	30 June 2024	31 December 2023
Trade receivables due from related parties (Note 3)	2,222,551,411	3,963,938,933
Trade receivables due from third parties	4,964,191,774	3,794,059,951
	<u>7,186,743,185</u>	<u>7,757,998,884</u>
Less: Allowances for doubtful trade receivables	(1,696,068,502)	(1,632,809,277)
	<u>5,490,674,683</u>	<u>6,125,189,607</u>
Short-term trade receivables due from third parties	30 June 2024	31 December 2023
Receivables from subscribers	2,494,641,486	2,520,528,492
Contract assets (*)	740,223,717	820,946,340
Income accruals related to		
EMRA revenue cap (**)	1,729,326,571	452,585,119
Allowances for expected credit losses (-) (***)	(1,696,068,502)	(1,632,809,277)
	<u>3,268,123,272</u>	<u>2,161,250,674</u>

(*) As of the balance sheet date, electricity sales were completed, but it consists of balances related to subscriber receivables originating from customers whose meter reading transactions occurred after the balance sheet date.

(**) According to the Electricity Market Law, the Electricity Market Tariffs Communique and other related regulations the Company's distribution is subject to revenue caps. Realized revenue is determined in a way to cover operating expenses and investment requirements. These regulations guarantee revenue to the Company regardless of the consumption level. The under billings or overbillings made by the Company are calculated at every year end and are adjusted through the tariffs to be effective in two years by EMRA. The effects of the under billings, which means the actual revenue is below the revenue cap set by EMRA, are accounted as short term trade receivables at the Company's accompanying financial statements.

(***) The Company recognizes the impairment of trade receivables, weighting the lifetime expected credit losses by default for all trade receivables excluding distribution segment on each customer basis and including non-overdue receivables.

The average collection period of the Company's trade receivables are 45-80 days for all periods presented in the financial statements.

As of 30 June 2024, trade receivables from third parties that are neither past due nor impaired amount to TL 4,251,208,188 (31 December 2023: TL 1,802,454,319).

As at 30 June 2024, trade receivables from third parties that are past due but not impaired amount to TL 229,743,446 (31 December 2023: TL 358,796,356). All of these receivables consist of public receivables. The aging table of overdue but not impaired trade receivables as of 30 June 2024 and 31 December 2023:

(Convenience translation of financial statements originally issued in Turkish)

GDZ ELEKTRİK DAĞITIM A.Ş.

Notes to the Financial Statements for the Periods Ended 30 June 2024

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4 TRADE RECEIVABLES AND PAYABLES (continued)

4.1 Trade Receivables (continued)

	30 June 2024	31 December 2023
Overdue up to 3 months	171,300,064	311,565,261
Overdue 3 to 6 months	28,314,601	15,452,155
Overdue over 6 months	30,128,781	31,778,940
	<u>229,743,446</u>	<u>358,796,356</u>

As at 30 June 2024, trade receivables from third parties amounting to TL 1,696,068,502 have been determined to be impaired and provision has been provided for these receivables (31 December 2023: TL 1,632,809,277). While determining the amount of provision for impaired trade receivables, the aging table obtained from the Company's invoicing and collection system is used. The Company management considers trade receivables from third parties that are 90 days or more past due (excluding receivables from Special Provincial Administration and street lighting receivables) as impaired trade receivables, taking into account past experience.

The movement of provision for trade receivables is as follows:

	1 January - 30 June 2024	1 January - 30 June 2023
Opening balance	1,632,809,277	1,340,306,544
Charge for period	482,408,196	1,055,135,204
Amounts collected during period	(66,537,808)	(83,701,664)
Monetary (gains)/ losses	(352,611,163)	(297,260,619)
Closing balance	<u>1,696,068,502</u>	<u>2,014,479,465</u>

<u>Long-term trade receivables due from third parties</u>	<u>30 June 2024</u>	<u>31 December 2023</u>
Income accruals related to EMRA revenue cap (*)	1,212,828,362	-
	<u>1,212,828,362</u>	<u>-</u>

(*) According to the Electricity Market Law, Electricity Market Tariff Regulation and other related regulations, the Company's distribution service revenues are subject to a revenue cap. Realized revenue is determined to cover the Company's operating expenses and investment needs related to the Company's services. These regulations guarantee the Company's revenue. Over or under invoicing by the Company is calculated at the end of each year and corrected by EMRA through tariffs after two years. The effect of the under-invoicing is recognized as long term trade receivables in the financial statements of the Company since the collection is expected to be more than one year.

GDZ ELEKTRİK DAĞITIM A.Ş.

Notes to the Financial Statements for the Periods Ended 30 June 2024

(Amounts expressed in Turkish Lira ("TL") in terms of purchasing power of the TL at 30 June 2024 unless otherwise indicated.)

4 TRADE RECEIVABLES AND PAYABLES (continued)

4.2 Trade Payables

Short-term trade payables	30 June 2024	31 December 2023
Trade payables due to related parties (Note 3)	415,620,253	629,291,113
Trade payables due to third parties	4,802,321,040	6,000,831,607
	<u>5,217,941,293</u>	<u>6,630,122,720</u>
Short-term trade payables due to third parties	30 June 2024	31 December 2023
Energy purchases and system usage payables (*)	4,113,889,857	4,232,190,294
Trade payables (**)	669,571,155	1,833,620,377
Expense accruals, net (***)	91,423,093	2,467,462
Rediscount for trade payables (-)	(72,563,065)	(67,446,526)
	<u>4,802,321,040</u>	<u>6,000,831,607</u>

(*) Trade payables mainly arise from the Company's electricity purchases from Elektrik Üretim A.Ş. ("EÜAŞ") and Türkiye Elektrik İletim A.Ş. ("TEİAŞ"). The average maturity of the payables related to electricity purchases is between 15 - 20 days.

(**) Trade payables consist of material and service purchase payables related to the Company's investments and operations. The average maturity of the related payables is 30 days.

(***) It consist of, sales and purchases related to loss energy.

The Company's exposure to liquidity and foreign currency risks related to trade receivables and trade payables and impairment losses are explained in Note 23.

5 OTHER RECEIVABLES AND PAYABLES

5.1 Other Receivables

Short-term other receivables	30 June 2024	31 December 2023
Other receivables due from related parties (Note 3)	869,834	-
Other receivables due from third parties	22,239,656	21,497,112
	<u>23,109,490</u>	<u>21,497,112</u>
Short-term other receivables	30 June 2024	31 December 2023
Deposits and guarantees given	10,594,273	16,159,175
Receivables from tax administration	1,511,271	811,745
Receivables from personnel	2,852,195	306,363
Doubtful other receivables	11,667,332	14,553,199
Allowances for expected credit losses (-)	(11,667,332)	(14,553,199)
Other sundry receivables (*)	7,281,917	4,219,829
	<u>22,239,656</u>	<u>21,497,112</u>

(*) Other receivables consist of the Company's base station rental income receivables.

The movement of provision for other receivables is as follows:

GDZ ELEKTRİK DAĞITIM A.Ş.

Notes to the Financial Statements for the Periods Ended 30 June 2024

(Amounts expressed in Turkish Lira ("TL") in terms of purchasing power of the TL at 30 June 2024 unless otherwise indicated.)

5 OTHER RECEIVABLES AND PAYABLES (continued)

5.1 Other Receivables

	1 January - 30 June 2024	1 January - 30 June 2023
<u>Movement of allowances for doubtful other receivables</u>		
Opening balance	14,553,199	23,311,038
Charge for period	23,391	751,850
Amounts collected during period	(22,262)	(116,400)
Monetary (gains)/ losses	(2,886,996)	(3,925,678)
Closing balance	<u>11,667,332</u>	<u>20,020,810</u>
<u>Long-term other receivables</u>	<u>30 June 2024</u>	<u>31 December 2023</u>
Other receivables due from related parties (Note 3)	-	-
Other receivables due from third parties	165,396,257	108,897,430
	<u>165,396,257</u>	<u>108,897,430</u>
<u>Long-term other receivables</u>	<u>30 June 2024</u>	<u>31 December 2023</u>
Income accruals (**)	165,396,257	108,897,430
	<u>165,396,257</u>	<u>108,897,430</u>

(**) The Company would receive reimbursement for severance pay with in the income requirement. Therefore, it has accrued a receivable equal to the provision for severance pay calculated by the Company. In addition, the Company has made provision for its receivables that are 90 days or less overdue in accordance with the TFRS 9 standard, and has accrued receivables equal to the provision made due to the guarantee of receivables by EMRA.

5.2 Other Payables

	30 June 2024	31 December 2023
<u>Short-term other payables</u>	<u>30 June 2024</u>	<u>31 December 2023</u>
Other payables due to related parties (Note 3)	108,804,738	67,918
Other payables due to third parties	74,514,482	178,014,133
	<u>183,319,220</u>	<u>178,082,051</u>
<u>Short-term other payables</u>	<u>30 June 2024</u>	<u>31 December 2023</u>
Deposits and guarantees received	64,342,851	165,743,835
Payables within Energy Market License Regulation	-	78,204
Other sundry payables	10,171,631	12,192,094
	<u>74,514,482</u>	<u>178,014,133</u>
<u>Long-term other payables</u>	<u>30 June 2024</u>	<u>31 December 2023</u>
Deposits and guarantees received	54,108,601	65,970,725
Payables within Energy Market License Regulation	1,557,938	32,542,107
	<u>55,666,539</u>	<u>98,512,832</u>

Liquidity and exchange rate risk that the Company is exposed to regarding other receivables and payables are explained in Note 23.

GDZ ELEKTRİK DAĞITIM A.Ş.

Notes to the Financial Statements for the Periods Ended 30 June 2024

(Amounts expressed in Turkish Lira ("TL") in terms of purchasing power of the TL at 30 June 2024 unless otherwise indicated.)

6 INVENTORIES

	30 June 2024	31 December 2023
Investment materials (*)	666,788,700	971,570,889
Electricity materials and supplies (**)	151,404,002	138,587,797
Other inventories (***)	11,321	12,442
	<u>818,204,023</u>	<u>1,110,171,128</u>

The turnover rate of the Company's inventories consisting of investment materials, electrical materials and equipment is 5.39 and 67 days as of 30 June 2024 (31 December 2023: 9.26 and 39 days). As of 30 June 2024, there is no inventory impairment (31 December 2023: None).

(*) The amounts consist of transformers, cables, investment materials and equipment to be used in investments as of 30 June 2024 and 31 December 2023.

(**) The amounts consist of meters, transformers, cables, electrical materials and equipment to be used in maintenance and repair works of the Company as of 30 June 2024 and 31 December 2023.

(***) The amounts in question consist of scrap materials.

7 PREPAID EXPENSES AND DEFERRED INCOME

7.1 Prepaid Expenses

	30 June 2024	31 December 2023
<u>Short-term prepaid expenses</u>		
Advances given to suppliers	31,725,640	7,499,773
Prepaid expenses for the following months	30,005,291	30,072,285
	<u>61,730,931</u>	<u>37,572,058</u>
<u>Long-term prepaid expenses</u>		
Prepaid expenses for the following years	4,204,099	5,571,992
	<u>4,204,099</u>	<u>5,571,992</u>

7.2 Deferred Income

	30 June 2024	31 December 2023
<u>Short-term deferred income</u>		
Expense accruals related to EMRA revenue cap (*)	1,264,577,783	1,605,346,480
	<u>1,264,577,783</u>	<u>1,605,346,480</u>
<u>Long-term deferred income</u>		
Expense accruals related to EMRA revenue cap (*)	226,889,566	566,019,532
Tax difference adjustment (**)	-	796,159,687
	<u>226,889,566</u>	<u>1,362,179,219</u>

(*) According to the Electricity Market Law, the Electricity Market Tariffs Communiqué and other related regulations the Company's distribution service have revenue caps which cover operating expenses and investment requirements related to distribution. These regulations guarantee a revenue to the Company regardless of the consumption level of subscribers. The underbillings or overbillings made by the Company are adjusted by EMRA in the tariffs to be effective in two years. The effects of the overbillings, which means the actual revenue is above the revenue cap set by EMRA, are accounted as income accruals in the Company's financial statements.

(**) Amount expected to be paid as a result of the correction of tax differences adjustment for the periods 2021-2023 has been accrued. The amounts expected to be refunded accrued within the scope of "Tax Difference Adjustment" for the years 2021, 2022 and 2023 have been cancelled in the current period within the framework of EMRA's decision to apply the tax difference amount as "0" for the years 2024 and 2025.

GDZ ELEKTRİK DAĞITIM A.Ş.

Notes to the Financial Statements for the Periods Ended 30 June 2024

(Amounts expressed in Turkish Lira ("TL") in terms of purchasing power of the TL at 30 June 2024 unless otherwise indicated.)

8 FINANCIAL ASSETS FROM SERVICE CONCESSION ARRANGEMENTS

	30 June 2024	31 December 2023
Within one year	7,272,043,670	9,412,540,377
1-3 years	10,344,884,406	11,635,140,213
3-5 years	4,945,638,654	4,440,657,123
More than 5 years	2,642,023,890	1,421,767,249
	<u>25,204,590,620</u>	<u>26,910,104,962</u>
Current financial assets related to service concession arrangements	7,272,043,670	9,412,540,377
Non-current financial assets related to service concession arrangements	17,932,546,950	17,497,564,585
	<u>25,204,590,620</u>	<u>26,910,104,962</u>
	30 June 2024	30 June 2023
Opening balance	26,910,104,962	25,367,900,077
Investments	452,660,642	791,741,189
Collections	(2,873,983,825)	(2,552,855,213)
<i>CAPEX reimbursements</i>	(1,740,798,376)	(1,539,055,797)
<i>WACC reimbursements</i>	(1,133,185,449)	(1,013,799,416)
Financial income from financial assets related to concession contracts	6,636,149,165	8,122,298,402
Monetary gains/ (losses)	(5,920,340,324)	(4,766,814,690)
Closing balance	<u>25,204,590,620</u>	<u>26,962,269,765</u>

9 PROPERTY, PLANT AND EQUIPMENTS AND RIGHT OF USE ASSETS

9.1 Property, Plant and Equipments

As of 30 June 2024, the net book value of the Company's tangible assets is TL 9,283,954 (31 December 2023: TL 11,689,793). As of 30 June 2024, there is no purchase of tangible assets (30 June 2023: None.)

As of 30 June 2024, depreciation expenses on property, plant and equipment amounting to TL 6,308.876 (30 June 2023: TL 3,293,485) are recognised under general administrative expenses.

There is no guarantee, pledge or mortgage on the tangible assets.

)

GDZ ELEKTRİK DAĞITIM A.Ş.

Notes to the Financial Statements for the Periods Ended 30 June 2024

(Amounts expressed in Turkish Lira ("TL") in terms of purchasing power of the TL at 30 June 2024 unless otherwise indicated.)

9 PROPERTY, PLANT AND EQUIPMENTS AND RIGHT OF USE ASSETS (continued)

9.2 Right of Use Assets

There are lease agreements for various buildings and vehicles used in the Company's operations. As of 30 June 2024 and 30 June 2023 the movements of assets for use during the period are as follows:

	<u>Building</u>	<u>Vehicles</u>	<u>Total</u>
<u>Cost</u>			
Opening balance as of 1 January 2023	83,453,408	259,206,750	342,660,158
Additions	19,093,835	-	19,093,835
Disposal	(545,053)	-	(545,053)
Closing balance as of 30 June 2023	<u>102,002,190</u>	<u>259,206,750</u>	<u>361,208,940</u>
Opening balance as of 1 January 2024	121,601,975	256,370,190	377,972,165
Additions	55,101,059	473,123,867	528,224,926
Disposal	-	(34,720,492)	(34,720,492)
Closing Balance as of 30 June 2024	<u>176,703,034</u>	<u>694,773,565</u>	<u>871,476,599</u>
<u>Accumulated depreciation</u>			
Opening balance as of 1 January 2023	(34,526,070)	(118,638,118)	(153,164,188)
Current expense	(12,094,232)	(43,600,672)	(55,694,904)
Variable lease payment adjustments	(2,828,802)	1,584,081	(1,244,721)
Disposal	545,053	-	545,053
Closing balance as of 30 June 2023	<u>(48,904,051)</u>	<u>(160,654,709)</u>	<u>(209,558,760)</u>
Opening balance as of 1 January 2024	(63,531,010)	(201,643,288)	(265,174,298)
Current expense	(22,381,993)	(179,381,142)	(201,763,135)
Variable lease payment adjustments	7,065,486	(10,804,817)	(3,739,331)
Disposal	-	34,720,492	34,720,492
Closing balance as of 30 June 2024	<u>(78,847,517)</u>	<u>(357,108,755)</u>	<u>(435,956,272)</u>
Net book value of 30 June 2023	<u>53,098,139</u>	<u>98,552,041</u>	<u>151,650,180</u>
Net book value of 30 June 2024	<u>97,855,517</u>	<u>337,664,810</u>	<u>435,520,327</u>

As of 30 June 2024, right of use asset depreciation expenses amounting to TL 201,763,135 have been recognized under general administrative expenses (30 June 2023: TL 55,694,904).

10 INTANGIBLE ASSETS

As of 30 June 2024, the net book value of the Company's intangible assets is TL 267,856 (31 December 2023: TL 362,149). As of 30 June 2024, there is no intangible asset purchase (30 June 2023: TL 79,777).

As of 30 June 2024, amortization amounting to TL 273,401 (30 June 2023: TL 74,416) is recognized under general administrative expenses.

GDZ ELEKTRİK DAĞITIM A.Ş.

Notes to the Financial Statements for the Periods Ended 30 June 2024

(Amounts expressed in Turkish Lira ("TL") in terms of purchasing power of the TL at 30 June 2024 unless otherwise indicated.)

11 CURRENT PROVISIONS

Other short-term provisions	30 June 2024	31 December 2023
Provision for litigation (*)	165,886,377	171,021,340
	<u>165,886,377</u>	<u>171,021,340</u>

(*) Legal claims are set for the probable cash outflows related to the legal disputes. As of 30 June 2024, the provision amount for the legal claims are determined according to the assessment made by the Company management, considering the probability of legal cases that will be finalized against the Company. The Company's recognised provisions consist of claims receivables, cases related to forest fires, lawsuits that will receive compensation and restitution cases.

The Company is charging the theft and loss costs to the subscribers in accordance with the tariff determined by EMRA. There are legal cases filed by the subscribers to claim back the theft and loss amounts from the Company claiming that they are unfair. Some cases are finalized against the Company while some others in favor of the Company at local courts and consumer arbitration committees. In June of 2016, statement of "In applications filed in respect of the amounts determined by EMRA within the scope of income and tariff regulations, the authority of the consumer arbitration committees and the courts is limited to the control of compliance with the regulatory procedures of EMRA." has been added to article 17 of Law No. 6446. By this article, it has been determined that in the cases for the theft and loss amounts, the courts can only examine if the theft and loss amounts incurred in accordance with the regulations of the EMRA and it has been ruled that no judgement can be made whether the theft and loss amounts will be collected or not. As of reporting date, the total amount of ongoing cases against the Company is TL 621,585.

Movement table of provisions is as follows:

	1 January - 30 June 2024	1 January - 30 June 2023
Opening balance	171,021,340	192,925,512
Additional provision (canceled provision)	28,778,185	12,458,108
Monetary (gains)/ losses	(33,913,148)	(31,850,931)
Closing balance	<u>165,886,377</u>	<u>173,532,689</u>

12 COMMITMENT AND CONTINGENCIES

12.1 Guarantees given, pledges, mortgages and bails

As of 30 June 2024 and 31 December 2023 the Company's collateral/pledge/mortgage/bail ("CPMB") position is as follows:

	30 June 2024			31 December 2023		
	TL equivalent	TL	USD	TL equivalent	TL	USD
A. Total amount of guarantees provided by the Company on behalf of itself (*)	1,314,860,798	1,314,860,798	-	1,323,857,815	1,323,857,815	-
B. Total amount of guarantees provided on behalf of the associates accounted under full consolidation method	-	-	-	-	-	-
C. Provided on behalf of third parties in order to maintain operating activities (to secure third party payables)	-	-	-	-	-	-
D. Other guarantees given	-	-	-	-	-	-
i. Total amount of guarantees given on behalf of the parent Company	-	-	-	-	-	-
ii. Total amount of guarantees provided on behalf of the associates which are not in the scope of B and C	-	-	-	-	-	-
iii. Total amount of guarantees provided on behalf of third parties which are not in the scope of C	-	-	-	-	-	-
Total	<u>1,314,860,798</u>	<u>1,314,860,798</u>	<u>-</u>	<u>1,323,857,815</u>	<u>1,323,857,815</u>	<u>-</u>

(*) Guarantees given by the Company on behalf of its own legal personality consist of letters of guarantee received from banks and given to EÜAŞ, TEİAŞ, EPIAŞ, to the Ministry of Energy, tax offices and enforcement directorates

GDZ ELEKTRİK DAĞITIM A.Ş.

Notes to the Financial Statements for the Periods Ended 30 June 2024

(Amounts expressed in Turkish Lira ("TL") in terms of purchasing power of the TL at 30 June 2024 unless otherwise indicated.)

12 COMMITMENT AND CONTINGENCIES (continued)

12.1 Guarantees given, pledges, mortgages and bails (continued)

	30 June 2024			31 December 2023		
	TL equivalent	TL	USD	TL equivalent	TL	USD
Guarentee	1,314,860,798	1,314,860,798	-	1,323,857,815	1,323,857,815	-
Pledge	-	-	-	-	-	-
Mortgage	-	-	-	-	-	-
Bail	-	-	-	-	-	-
Total	1,314,860,798	1,314,860,798	-	1,323,857,815	1,323,857,815	-

The ratio of other CPMBs given by the Company to the Company's equity is 0% as of 30 June 2024 (31 December 2023: 0%).

12.2 Investment obligations

As a regulated electricity distribution operator, distribution companies are obliged to make the necessary expansion investments in the distribution network infrastructure to ensure the security of supply of all customers of their respective regions. Such expansion investments are mostly the result of new customer connection or transmission connection requests, as well as new street lighting projects opened by municipalities, which are still within the scope of regulated activities of distribution companies.

Annual expansion, replacement, and improvement investments that are stated in TOR and required to be completed by the Company has been determined during the preparation of the tariffs. These investments have been included in the 4. Implementation period tariffs approved by EMRA and as a result the Company is obliged to make these determined investments. Implementation of these investments is monitored by EMRA by the reports received from the Company at the end of each year. Some of these investments are subject to unit prices per announced by EMRA. According to the regulations, the Company is allowed to make transfers between the years after taking approval of EMRA.

12.3 Energy sales agreements

Distribution and retail companies signed Energy Sales Agreements ("ESA") with EÜAŞ in order to obtain their energy needs during the year. These energy sales agreements have been established based on regulated prices. During the year, the Company is obliged to purchase the energy quantity stated in these agreements. At the current operating conditions and market structure, the Company's energy needs are higher than the contracted quantities and the Company makes purchases regularly from EPIAŞ. As a result, the Company management does not expect any liability related to the Energy Sales Agreements arising from not fulfilling the requirements of Energy Sales Agreements.

12.4 Guarantee letters and bails received

As of 30 June 2024, the Company has a letter of guarantee amounting to TL 531,261,370 from the contractor companies. (31 December 2023 TL 402,552,956).

As of 30 June 2024, the Company has received letters of energy guarantee amounting to TL 1,024,672,069 (31 December 2023: 948,895,322).

GDZ ELEKTRİK DAĞITIM A.Ş.

Notes to the Financial Statements for the Periods Ended 30 June 2024

(Amounts expressed in Turkish Lira ("TL") in terms of purchasing power of the TL at 30 June 2024 unless otherwise indicated.)

13 EMPLOYMENT BENEFITS

As at 30 June 2024 and 31 December 2023 the Company's payables related to employee benefits are as follows:

<u>Payables for employee benefits</u>	<u>30 June 2024</u>	<u>31 December 2023</u>
Social security withholdings payable	38,389,057	26,980,082
Payable to personnel	1,498,732	253,373
	<u>39,887,789</u>	<u>27,233,455</u>

As at 30 June 2024 and 31 December 2023 the Company's short-term provisions are as follows:

<u>Short-term provisions related to employee benefits</u>	<u>30 June 2024</u>	<u>31 December 2023</u>
Bonus provisions	-	71,556,991
	<u>-</u>	<u>71,556,991</u>

As at 30 June 2024 and 31 December 2023 the Company's long-term provisions are as follows:

<u>Long-term provisions related to employee benefits</u>	<u>30 June 2024</u>	<u>31 December 2023</u>
Provisions for employment termination benefits	109,871,444	98,087,571
Provisions for unused vacation	49,642,906	39,822,205
	<u>159,514,350</u>	<u>137,909,776</u>

The movement for bonus provisions is as follows:

	<u>1 January - 30 June 2024</u>	<u>1 January - 30 June 2023</u>
Opening balance	71,556,991	57,829,850
Payments	(65,675,717)	(55,969,171)
Additional provision recognized	-	-
Monetary (gains)/ losses	(5,881,274)	(1,860,679)
Closing balance	<u>-</u>	<u>-</u>

The movement of unused vacation provisions are as follows:

	<u>1 January - 30 June 2024</u>	<u>1 January - 30 June 2023</u>
Opening balance	39,822,205	29,046,649
Payments	(1,749,124)	(1,546,907)
Additional provision recognized	19,466,479	11,918,378
Monetary (gains)/ losses	(7,896,654)	(4,795,441)
Closing balance	<u>49,642,906</u>	<u>34,622,679</u>

The movement for termination and retirement benefit provisions is as follows:

	<u>1 January - 30 June 2024</u>	<u>1 January - 30 June 2023</u>
Opening balance	98,087,571	88,707,712
Service cost	25,400,376	33,200,373
Interest cost	12,285,468	3,433,257
Retirement payments	(5,130,843)	(9,853,398)
Actuarial (gain)/loss	(1,320,583)	722,876
Monetary (gains)/ losses	(19,450,545)	(14,645,151)
Closing balance	<u>109,871,444</u>	<u>101,565,669</u>

GDZ ELEKTRİK DAĞITIM A.Ş.**Notes to the Financial Statements for the Periods Ended 30 June 2024**

(Amounts expressed in Turkish Lira ("TL") in terms of purchasing power of the TL at 30 June 2024 unless otherwise indicated.)

14 OTHER ASSETS AND LIABILITIES

Current assets	30 June 2024	31 December 2023
Deferred VAT	-	113,773,260
Other current assets	-	375,039
	-	114,148,299
Non-current assets	30 June 2024	31 December 2023
Construction in progress within TFRS 12 (*)	341,577,172	367,301,089
	341,577,172	367,301,089

(*) It consists of investments which are construction in progress.

Short-term liabilities	30 June 2024	31 December 2023
Taxes and funds payables	88,611,070	211,340,085
VAT payable	77,311,023	61,192,234
Other	939,745	540,362
	166,861,838	273,072,681

15 SHARE CAPITAL, RESERVES AND OTHER EQUITY ITEMS**15.1 Share Capital**

As of 30 June 2024, the Company's paid-in capital is divided into 509,716,000 shares, each with a nominal value of TL 1. (31 December 2023: TL 509,716,000).

Shareholders	30 June 2024		31 December 2023	
	Share %	TL	Share %	TL
GDZ Enerji Yatırımları A.Ş.	100%	509,716,000	% 100	509,716,000
	100%	509,716,000	% 100	509,716,000
Adjustments to Share Capital		5,588,287,372		5,588,287,372
Total Share Capital		6,098,003,372		6,098,003,372

In accordance with the Tax Procedure Law and the relevant Communiqué published in the Official Gazette dated 30 December 2023, and numbered 32415 (2nd Duplicate), the balance sheet prepared in accordance with the Tax Procedure Law as of 31 December 2023, has been adjusted through inflation accounting using the Producer Price Index ("PPI") published by the Turkish Statistical Institute. The financial statements attached have been adjusted for inflation using the Consumer Price Index ("CPI") published by the Turkish Statistical Institute in accordance with IAS 29, and ultimately, the amounts for the current and previous reporting periods have been expressed in purchasing power as of 30 June 2024. Due to the use of different indices in the Tax Procedure Law and IAS 29 inflation accounting applications, and the adjustment of amounts for previous reporting periods to the purchasing power as of 30 June 2024 in the IAS 29 application, differences have arisen between the amounts in the balance sheet prepared in accordance with the Tax Procedure Law and the amounts in the financial statements prepared in accordance with IAS/IFRS for the items "Capital Adjustment Differences", "Capital Advances", and "Restricted Reserves from Profits". These differences have been reflected in the "Retained Earnings or Losses from Previous Years" item in the TAS/TFRS financial statements, and the details of these differences are provided below.

GDZ ELEKTRİK DAĞITIM A.Ş.

Notes to the Financial Statements for the Periods Ended 30 June 2024

(Amounts expressed in Turkish Lira ("TL") in terms of purchasing power of the TL at 30 June 2024 unless otherwise indicated.)

15 SHARE CAPITAL, RESERVES AND OTHER EQUITY ITEMS (continued)

15.1 Share Capital (continued)

	30 June 2024	
	Adjustment to share capital	Restricted profit reserves
According to TAS/IFRS Financial Statements	5,588,287,372	798,725,529
According to Tax Procedure Law	8,984,916,860	1,217,468,309
Difference (*)	3,396,629,488	418,742,780

(*) Regarding differences reflected Company's accumulated profit and loss.

As of 1 January 2021, the amount of "Accumulated Losses" without inflation adjustment is TL 472,025,207 within a scope of TAS 29 the amount of Accumulated Losses as of 1 January 2021 TL 1,176,913,449 after inflation adjustment according to 30 June 2024 prices.

15.2 Earnings per share

Earnings per share as stated in the income statement is calculated by dividing the portion of net income attributable to common shareholders by the weighted average number of common shares outstanding during the period.

	1 January - 30 June 2024	1 January - 30 June 2023
Net profit (loss) for the period	2,065,597,192	429,552,202
Shares	509,716,000	509,716,000
Earnings (loss) / per share (TL)	4.05	0.84

Earnings per share as stated in the income statement is calculated by dividing the portion of total comprehensive income attributable to common shareholders by the weighted average number of common shares outstanding during the period.

	1 January - 30 June 2024	1 January - 30 June 2023
Total comprehensive income/ (expenses)	2,066,587,629	428,973,901
Shares	509,716,000	509,716,000
Earnings (loss) / per share (TL)	4.05	0.84

GDZ ELEKTRİK DAĞITIM A.Ş.

Notes to the Financial Statements for the Periods Ended 30 June 2024

(Amounts expressed in Turkish Lira ("TL") in terms of purchasing power of the TL at 30 June 2024 unless otherwise indicated.)

15 SHARE CAPITAL, RESERVES AND OTHER EQUITY ITEMS (continued)

15.3 Restricted profit reserves

	<u>30 June 2024</u>	<u>31 December 2023</u>
Restricted profit reserves	798,725,529	798,725,529

According to the Turkish Commercial Code, legal reserves are divided into two as primary and secondary legal reserves. Primary legal reserves are reserved at the rate of 5 percent of the legal period profit until it reaches 20 percent of the Company's capital. Secondary legal reserves are separated by 1/11 of all cash dividend distributions exceeding 5 percent of the Company's capital. Mentioned amounts should be classified in "restricted reserves allocated from profit" in accordance with the "Financial Statement Examples and Usage Guide" published by POA. As of 30 June 2024, the Company's legal reserves totaled TL 798,725,529 (31 December 2023: TL 798,725,529).

15.4 Accumulated other comprehensive income items that will not be reclassified to profit or loss

With the change in the TAS 19 "Employee Benefits" standard, actuarial gains and losses considered in the calculation of severance pay are not allowed to be recognized in the income statement. Actuarial gains and losses resulting from changes in actuarial assumptions are recognized in the equity section under the "Remeasurement Gains/(Losses)" account. The defined benefit plans related to the Parent Company have experienced a decrease in revaluation as follows:

	<u>30 June 2024</u>	<u>31 December 2023</u>
Remeasurement gains of defined benefit plans	1,985,969	995,532

16 REVENUE

	<u>1 January - 30 June 2024</u>	<u>1 January - 30 June 2023</u>
Financial income from service concession arrangements (Note 8)	6,636,149,165	8,122,298,402
Distribution service revenue	2,194,469,340	3,369,191,048
Transmission revenue	1,792,027,253	2,095,805,129
Lighting sales revenue	610,600,483	1,010,739,048
Revenue from capital expenditures	452,660,642	791,741,189
	<u>11,685,906,883</u>	<u>15,389,774,816</u>

17 COST OF SALES

	<u>1 January - 30 June 2024</u>	<u>1 January - 30 June 2023</u>
System usage fee (**)	(1,792,027,253)	(2,095,805,129)
Electricity purchases (*)	(354,070,564)	(950,480,327)
Investment cost	(452,660,642)	(791,741,189)
	<u>(2,598,758,459)</u>	<u>(3,838,026,645)</u>

(*) Includes theft/loss and lighting related electricity purchases.

(**) Includes system usage costs reflected as transmission revenue.

GDZ ELEKTRİK DAĞITIM A.Ş.**Notes to the Financial Statements for the Periods Ended 30 June 2024**

(Amounts expressed in Turkish Lira ("TL") in terms of purchasing power of the TL at 30 June 2024 unless otherwise indicated.)

18 GENERAL ADMINISTRATIVE EXPENSES

	1 January - 30 June 2024	1 January - 30 June 2023
Network repair and maintenance expenses	(763,641,226)	(602,191,265)
Personnel expenses	(501,642,541)	(398,130,542)
Depreciation and amortization expenses (Note 9, 10)	(208,345,412)	(59,062,805)
Meter reading, disconnect, reconnect expenses	(174,486,690)	(135,723,343)
Litigation expenses	(76,382,475)	(59,898,559)
Outsourcing expenses	(70,448,996)	(111,553,136)
Call center expenses	(63,949,031)	(55,877,356)
Administrative expenses	(47,472,393)	(48,975,400)
Material expenses	(42,546,792)	(56,543,574)
Consulting expenses	(41,361,714)	(38,993,245)
Repair and maintenance expenses	(36,800,938)	(29,280,929)
Duties, taxes and levies	(36,096,287)	(97,125,275)
Licence and due expenses	(27,616,278)	(29,605,411)
Insurance expenses	(23,822,094)	(21,054,133)
Rent expenses	(16,045,750)	(19,650,685)
Fuel expenses	(14,232,317)	(11,985,210)
Other expenses	(8,883,041)	(8,489,419)
	<u>(2,153,773,975)</u>	<u>(1,784,140,287)</u>

19 OTHER INCOME AND EXPENSES FROM OPERATING ACTIVITIES**19.1 Other Income from Operating Activities**

	1 January - 30 June 2024	1 January - 30 June 2023
Interest income related to tariff receivables, net (*)	1,164,723,345	-
Late payment caharges on commercial transaction	19,568,338	11,882,294
Rediscount interest income, net	18,491,034	-
Lawsuit, execution, compensation and penalty income	10,832,377	7,174,230
Tax offset revenues	5,360,812	-
Other income (**)	12,571,291	-
	<u>1,231,547,197</u>	<u>19,056,524</u>

(*) Interest income related to tariff receivables of gross income amounting to TL 1,299,389,071 and expense amounting to TL 134,665,726.

(**) Other income consist of income from stock sales.

19.2 Other Expenses from Operating Activities

	1 January - 30 June 2024	1 January - 30 June 2023
Provision for doubtful trade receivables and other receivables expenses (Note 4,5), net	(415,871,517)	(972,068,990)
Foreign exchange loss from operating activities, net	(62,655,860)	(435,440,914)
Payments made within the scope of service quality	(19,283,587)	(19,414,660)
Lawsuit, execution, compensation and penalty expense	(9,539,271)	(26,429,759)
Interest expense related to tariff payables, net	-	(221,197,916)
Rediscount interest expense, net	-	(118,237,955)
Other expenses (*)	(26,642,309)	(26,883,687)
	<u>(533,992,544)</u>	<u>(1,819,673,881)</u>

(*) Consists of the Company's payments related to claim expenses..

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20 FINANCE INCOME AND EXPENSES

20.1 Finance Income

	1 January - 30 June 2024	1 January - 30 June 2023
Late fee income (*)	249,707,815	19,983,430
Loan restructuring income	11,068,275	268,896,272
Interest income on time deposits	14,614,312	21,476,854
Interest income from related and other parties	2,997,033	10,828,429
	<u>278,387,435</u>	<u>321,184,985</u>

(*) Consists of overdue interest income on system usage receivables from Gediz Epsaş in current period end.

20.2 Finance Expenses

	1 January - 30 June 2024	1 January - 30 June 2023
Foreign exchange loss, net	(1,325,864,682)	(4,495,220,368)
Late fee expense (*)	(844,785,940)	(179,803,167)
Interest expense related to financial liabilities	(409,330,795)	(412,848,049)
Letters of guarantees and comission expenses	(93,397,644)	(181,386,160)
Interest expense from related parties	(16,450,070)	(29,488,285)
	<u>(2,689,829,131)</u>	<u>(5,298,746,029)</u>

(*) Consist of interest expenses incurred in relation to the Company's energy payables.

21 TAXATION ON INCOME

21.1 Corporate tax

The Company is subject to Turkish corporate taxes.

Corporate tax is applied on taxable corporate income, which is calculated from the statutory accounting profit by adding back non-deductible expenses, and by deducting the tax-exempt earnings, other exempt income and other deductions (losses of previous periods, investment incentives utilized).

With the Law No. 7456 published in the Official Gazette dated 15 July 2023, the first paragraph of Article 32 of the Corporate Tax Law was amended and the corporate tax rate was increased to 25% for corporate earnings for the year 2023 and the following taxation periods.

Valid rate of corporate tax as of 30 June 2024 is 25% (30 June 2023: 20%).

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21 TAXATION ON INCOME *(continued)*

21.1 Corporate tax *(continued)*

In Turkey, advance tax is calculated and accrued on a quarterly basis. Companies calculate advance tax at the rate of 25% (December 31, 2023: 25%) on their quarterly financial profits and declare it until the fourteenth day of the second month following that period and pay it until the evening of the seventeenth day. Advance tax paid during the year is deducted from the corporate tax to be calculated on the corporate tax return to be submitted in the following year. If there is an amount of advance tax paid despite the offset, this amount can be refunded in cash or can be deducted.

Losses are allowed to be carried 5 years' maximum to be deducted from the taxable profit of the following years. Tax carry back is not allowed.

In Türkiye, there is no procedure for a final and definitive agreement on tax assessments. Companies file their tax returns between 1-25 April following the close of the accounting year to which they relate. Tax authorities may examine such returns and the underlying accounting records and may revise assessments within five years.

21.2 Deferred tax

The Company recognizes deferred tax assets and liabilities on the temporary timing differences between the legal books and the financial statements prepared in accordance with TFRS. Such differences generally arise from timing differences of some revenue and expense balances in legal books and financial statements prepared in accordance with TFRS and are explained Note 21.5.

For the calculation of deferred tax, a tax rate of 25% is used for temporary differences expected to be realized/closed in the years ending 30 June 2024 and thereafter. (31 December 2023: 25% is used for temporary differences expected to be realized/closed in 2023 and thereafter).

21.3 Income withholding tax

There is withholding tax on dividend distributions and this withholding tax is accrued in the period in which the dividend payment is made. Türkiye, with a permanent establishment or permanent representative obtain income through dividend payments and the resident institutions other than those made to companies' resident in Türkiye are subject to 15% withholding tax. Withholding tax rates on profit distribution to non-resident corporations and natural persons are subject to withholding tax included in the relevant Double Taxation Avoidance Agreements. The allocation of retained earnings to capital is not considered as profit distribution, therefore it is not subject to withholding tax.

21.4 Transfer pricing arrangements

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

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

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21 TAXATION ON INCOME (continued)

21.5 Tax expense

	30 June 2024	31 December 2023
<u>Current tax (asset) / liability</u>		
Current corporate tax provision	-	-
Less: Prepaid taxes and funds	(8,270,388)	(10,305,356)
Current tax assets	(8,270,388)	(10,305,356)

Tax expenses are as follows:

	1 January - 30 June 2024	1 January - 30 June 2023
Tax expense incurred within the scope of Law No. 7440 and tax base increase	-	(39,035,633)
Deferred tax expense / (income) relating to the origination and reversal of temporary differences, net	(977,555,137)	(832,492,493)
	(977,555,137)	(871,528,126)

Reconciliation of the effective tax rate

	1 January - 30 June 2024	1 January - 30 June 2023
<u>Tax reconciliation</u>		
Current profit/ (loss)	2,065,597,192	429,552,202
Tax (income) / expense	977,555,137	871,528,126
Profit from operations	3,043,152,329	1,301,080,328
Income tax charge at effective tax rate (2024:25%, 2023: 20%)	(760,788,082)	(260,216,066)
Tax effects of:		
- deductions	-	1,715,972
- donations and grants	-	-
- non deductible expenses in determining taxable profit	(18,939,635)	(129,905,563)
- deferred tax effect of temporary differences arising from inflation accounting in accordance with tax procedure law (*)	-	-
- tax base increase expenses	-	(39,035,633)
- changes in income tax rate	-	-
- non-taxable inflation adjustments	(351,967,314)	50,502,588
- the current year financial loss impact that does not create a tax effect	120,732,993	-
- the prior years financial loss impact that does not create a tax effect	30,811,919	-
- the effect of tax losses on which deferred tax assets have been recognized in prior years but which have been reversed in the current period"	-	(494,589,424)
- other	2,594,982	-
Current tax expense	(977,555,137)	(871,528,126)

(*) In accordance with the Tax Procedure Law dated 30 December 2023 and numbered 32415 (2nd Repeated), it consists of the deferred tax effect of temporary differences arising from the adjustments made in relation to inflation accounting.

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21 TAXATION ON INCOME (continued)

21.5 Tax expense (continued)

Deferred tax asset and liability

Deferred tax assets/ (liabilities)	30 June 2024	31 December 2023
Unused tax losses (*)	588,217,962	544,682,334
Carrying amount differences of property, plant and equipment intangible assets and concession arrangement difference	424,053,835	434,980,754
Provision for litigation	41,471,594	42,755,335
Provisions for employment termination benefits	27,467,861	24,521,893
Provisions for unused vacation	12,410,727	9,955,551
Bonus provisions	-	12,522,473
Cash and cash equivalents	(239,664)	(298,944)
Trade payables	(13,815,436)	(11,466,448)
Other receivables	(41,014,863)	(26,795,208)
Carrying amount differences of right of use assets and lease liabilities	(67,029,906)	(17,587,336)
Inventories	(84,634,758)	(93,630,529)
Interest accruals	(175,788,626)	(221,783,889)
Trade receivables	(254,363,013)	(281,034,073)
Income and expense accruals	(393,919,818)	623,879,265
	<u>62,815,895</u>	<u>1,040,701,178</u>

(*) As of 30 June 2024, the details of carried forward losses that are subject to recognition of deferred tax assets and their respective expiration dates are summarized in the table below:

	30 June 2024	31 December 2023
Expiring in 2029	(482,931,971)	-
Expiring in 2028	(1,228,305,518)	(1,378,389,358)
Expiring in 2027 (*)	-	-
Expiring in 2026 (*)	(641,634,358)	(800,339,979)
Total carried forward losses	<u>(2,352,871,847)</u>	<u>(2,178,729,337)</u>
Deferred tax assets on financial losses	<u>(588,217,962)</u>	<u>(544,682,334)</u>

(*) The Company increased the tax base in its 2021 and 2022. As a result of tax base increase, the Company waived half of loss for 2021 and all of loss for 2022.

The movement of deferred tax asset / (liability) is as follows:

	1 January - 30 June 2024	1 January - 30 June 2023
Movement of deferred tax (assets)/liabilities		
Opening balance	1,040,701,178	(1,979,479,175)
Recognized in profit or loss	(977,555,137)	(832,492,493)
Recognized in other comprehensive income	(330,146)	144,575
Closing balance	<u>62,815,895</u>	<u>(2,811,827,093)</u>

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22 FINANCIAL INSTRUMENTS

22.1 Financial Liabilities

	30 June 2024	31 December 2023
Short-term portion of long term lease liabilities	102,994,336	30,244,494
Short-term portion of long term borrowings	2,303,323,504	2,252,446,211
Total short-term borrowings	<u>2,406,317,840</u>	<u>2,282,690,705</u>
Long-term lease liabilities	64,406,368	12,204,027
Long-term bank loans	8,029,731,546	9,268,306,183
Total long-term borrowings	<u>8,094,137,914</u>	<u>9,280,510,210</u>
Total financial liabilities	<u>10,500,455,754</u>	<u>11,563,200,915</u>

Repayments of loan agreements according to their original maturities are as follows:

	30 June 2024	31 December 2023
To be paid within 1 year or when requested	2,303,323,504	2,252,446,211
To be paid second year	1,561,128,669	1,726,048,431
To be paid third year	1,472,351,880	1,636,997,252
To be paid fourth year	1,345,391,241	1,515,370,379
To be paid fifth year	1,186,668,359	1,343,916,961
To be paid after five year	2,464,191,397	3,045,973,160
	<u>10,333,055,050</u>	<u>11,520,752,394</u>

As of 30 June 2024 and 30 June 2023 the movement of borrowings is as follows:

	1 January- 30 June 2024	1 January- 30 June 2023
Opening balance	11,520,752,394	12,340,478,796
Additions	-	-
Principal payments	-	(260,316,962)
Payment of interest	(393,527,712)	(386,482,227)
Interest accruals	360,430,523	124,825,027
Foreign exchange movements	1,298,706,727	4,349,927,861
Monetary (gains) /losses	(2,453,306,882)	(2,155,208,919)
Closing balance	<u>10,333,055,050</u>	<u>14,013,223,576</u>

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22 FINANCIAL INSTRUMENTS (continued)

22.1 Financial Liabilities (continued)

Interest and currency details of the loans are as follows:

Currency	Average effective annual interest rate range	30 June 2024	
		Short-term	Long-term
US Dollars	6%	2,303,323,504	8,029,731,546
		<u>2,303,323,504</u>	<u>8,029,731,546</u>
Currency	annual interest rate range	31 December 2023	
		Short-term	Long-term
US Dollars	6%	2,252,446,211	9,268,306,183
		<u>2,252,446,211</u>	<u>9,268,306,183</u>

Commitments for bank loan

The Company signed a loan structuring agreement with all lenders on 21 June 2019, and the refinancing process was completed with the prerequisites provided on 19 July 2019. The Company and lenders agreed on a new reimbursement plan, and the interest rate of loans, which used to be a floating interest rate, has changed steadily. As a result of the negotiations with the banks, the interest rates of the USD currency loans were revised again in 2021.

The following commitments will remain until the last repayment date, in accordance with the common terms agreement:

- Purchasing, Merger, Separation and Similar Transactions: The Company will not take over any Company, be merged with any other Company and will not enter into merger, acquisition or transfer transactions without the prior written approval of the loan representative.
- Dividend Distribution and Repayment of Receivables: The Company does not distribute any dividends or pay consecutive receivables without the permission of existing lenders under loan restructuring agreements.
- Shareholder Structure: The shareholder structure of the Company cannot be changed without the approval of the lenders.
- Transfer of Resources and Related Party Transactions: Except for the transfers permitted in accordance with the agreements, any funds will not be transferred between Aydem Group companies and shareholders.
- Treasury Transactions: The Company will not engage in derivative transactions including speculative hedging transactions until the repayment of all bank debts, except that they can be made in accordance with the Hedging Strategy Agreement.

Default conditions

- Violation of liability -Misrepresentation – Abuse of loans – Lawlessness
- Insolvency: If any of the borrower declare that they cannot pay their debts on due date because of the financial difficulties.
- Insolvency related transactions - Bankruptcy, administrator or appointment of manager - Being subject to enforcement proceedings
- Cancellation, Suspension, Suspension of Permits and Licenses
- Interruption of Activities: Completely or substantial part of the activities of any of the borrowers and guarantors (except Elsan and Tümaş) has stopped
- Seizure, Expropriation ve Public intervention – Litigation or administrative action facility
- Violation of electricity sales judgments specified in the commitment section
- Guarantee Letters: if becomes illegal or unenforceable
- If the guarantees are invalid, it becomes illegal or not applicable
- Conflict between shareholders
- Subsequent conditions are not presented to the loan representative within specified periods.

The loans of the Company are under the guarantee of the ultimate parent company Aydem Holding.

Liquidity and exchange rate risk that the Company is exposed to regarding financial liabilities are explained in Note 2-

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22 FINANCIAL INSTRUMENTS (continued)

22.2 Other Financial Liabilities

	30 June 2024	31 December 2023
Short-term financial liabilities	94,521,613	106,956,175
Long-term financial liabilities	218,051,460	298,437,846
	<u>312,573,073</u>	<u>405,394,021</u>

The details of other financial liabilities are as follows:

	30 June 2024	31 December 2023
European Investment Bank ("EIB") (*)	312,573,073	405,394,021
	<u>312,573,073</u>	<u>405,394,021</u>

(*) The Company has participated in the tender as part of the Electricity Distribution Network Improvement Project for the loan received from the EIB for investment, with an initial 5-year grace period and 20-year maturity by Tedaş in 2006. The project was realized within all of Türkiye, Izmir and Manisa investment expenditures made by the Company are provided through financing. Tedaş takes the loan on a Euro basis and reflects in Euro to the distribution companies.

Repayments of other financial liabilities according to their original maturities are as follows:

	30 June 2024	31 December 2023
To be paid within 1 year or when requested	94,521,613	106,956,175
To be paid second year	91,126,762	103,926,465
To be paid third year	68,332,374	101,063,513
To be paid fourth year	33,351,740	53,650,541
To be paid fifth year	14,046,337	22,164,952
To be paid after five year	11,194,247	17,632,375
	<u>312,573,073</u>	<u>405,394,021</u>

As of 30 June 2024, the original currency of other financial liabilities is Euro, and the weighted average interest rates range between 3.99% and 4.90%. (As of 31 December 2023: 3,99%-4,90%)

As of 30 June 2024 and 30 June 2023 the movement of other financial liabilities are as follows:

	1 January- 30 June 2024	1 January- 30 June 2023
Opening balance	405,394,021	500,435,688
Principal payments	(38,869,070)	(38,842,374)
Payment of interest	(8,410,328)	(9,622,142)
Interest accruals	11,456,079	11,073,584
Foreign exchange movements	26,610,698	162,061,333
Monetary (gains) /losses	(83,608,327)	(88,536,806)
Closing balance	<u>312,573,073</u>	<u>536,569,283</u>

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22 FINANCIAL INSTRUMENTS (continued)

22.3 Lease Liabilities

The details of the lease liabilities are as follows:

	Buildings	Vehicles	Total
Opening balance as of 1 January 2023	26,861,454	82,179,545	109,040,999
Additions/ (cancellations)	16,265,033	1,584,081	17,849,114
Interest expense	2,404,533	5,648,633	8,053,166
Payments	(5,763,278)	(24,987,187)	(30,750,465)
Monetary (gains) /losses	(16,877,448)	(14,832,903)	(31,710,351)
Closing balance as of 30 June 2023	<u>22,890,294</u>	<u>49,592,169</u>	<u>72,482,463</u>
Opening balance as of 1 January 2024	20,633,311	21,815,210	42,448,521
Additions/ (cancellations)	62,166,545	462,319,050	524,485,595
Interest expense	2,379,155	23,996,762	26,375,917
Payments	(7,170,058)	(83,441,714)	(90,611,772)
Monetary (gains) /losses	(56,809,603)	(278,487,954)	(335,297,557)
Closing balance as of 30 June 2024	<u>21,199,350</u>	<u>146,201,354</u>	<u>167,400,704</u>

The original currency of the payables arising from lease liabilities is TL and their maturities are as follows:

	30 June 2024	31 December 2023
To be paid within 1 year	102,994,336	30,244,494
To be paid after 1 year and over	64,406,368	12,204,027
	<u>167,400,704</u>	<u>42,448,521</u>

The Company used a 60% interest rate for lease contracts.(30 June 2023: 30%)

The amounts of borrowings related to financial instruments denominated in original currency are as follows:

	30 June 2024				31 December 2023			
	TL equivalent	TL	US Dollars	EUR	TL equivalent	TL	US Dollars	EUR
Financial borrowings	10,333,055,050	-	314,215,016	-	11,520,752,394	-	350,331,376	-
Lease liabilities	167,400,704	167,400,704	-	-	42,448,521	42,448,521	-	-
Other financial liabilities	312,573,073	-	-	8,882,011	405,394,021	-	-	11,519,592
Total borrowings	<u>10,813,028,827</u>	<u>167,400,704</u>	<u>314,215,016</u>	<u>8,882,011</u>	<u>11,968,594,936</u>	<u>42,448,521</u>	<u>350,331,376</u>	<u>11,519,592</u>

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23 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

23.1 Capital risk management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The capital structure of the Company consists of debt, cash and cash equivalents and equity attributable to equity holders of the parent, comprising issued capital and reserves.

The ratio of the net debt, calculated by deducting cash and cash equivalents from financial debts, by dividing it by the invested capital is as follows:

	<u>30 June 2024</u>	<u>31 December 2023</u>
Financial liabilities (Note 22)	10.813.028.827	11.968.594.936
Less: Cash and cash equivalents (Note 25)	(14.397.686)	(40.032.993)
Net financial liabilities	10.798.631.141	11.928.561.943
Total equities	15.559.298.161	13.492.710.532
Invested capital	26.357.929.302	25.421.272.475
Net financial liabilities / invested capital (%)	41%	47%

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23 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(continued)*

23.2 Financial risk factors

The Company's activities expose it to a variety of financial risks: market risk, credit risk and liquidity risk. Company management and board of directors review and accept the policies regarding the management of the risks mentioned below.

23.2.1 Credit risk management

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in a financial loss to the Company. Book values of financial assets show the maximum credit risk exposed.

	Receivables				Cash in banks	Financial assets related concession arrangements
	Trade Receivables		Other Receivables			
30 June 2024	Related parties	Other parties	Related parties	Other parties		
Maximum exposure to credit risk as of reporting date (A+B+C)	2,222,551,411	4,480,951,634	869,834	187,635,913	13,761,014	25,204,590,620
- Secured part of the maximum credit risk exposures via collateral etc.	-	1,555,933,438	-	-	-	-
A. Net book value of financial assets those are neither overdue nor impaired	1,435,590,433	4,251,208,188	869,834	187,635,913	13,761,014	25,204,590,620
B. Net book value of financial assets that are overdue but not impaired	786,960,978	229,743,446	-	-	-	-
C. Net book value of impaired financial assets	-	-	-	-	-	-
- Overdue (gross book value)	-	1,696,068,502	-	11,667,332	-	-
- Impairment amount (-)	-	(1,696,068,502)	-	(11,667,332)	-	-

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23 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

23.2 Financial risk factors (continued)

23.2.1 Credit risk management (continued)

	Receivables				Cash in banks	Financial assets related concession arrangements
	Trade Receivables		Other Receivables			
31 December 2023	Related parties	Other parties	Related parties	Other parties		
Maximum exposure to credit risk as of reporting date (A+B+C)	3,963,938,933	2,161,250,674	-	130,394,542	172,823,809	26,910,104,962
- Secured part of the maximum credit risk exposures via collateral etc.	-	1,351,448,278	-	-	-	-
A. Net book value of financial assets those are neither overdue nor impaired	1,497,251,324	1,802,454,318	-	130,394,542	172,823,809	26,910,104,962
B. Net book value of financial assets that are overdue but not impaired	2,466,687,609	358,796,356	-	-	-	-
C. Net book value of impaired financial assets	-	-	-	-	-	-
- Overdue (gross book value)	-	1,632,809,277	-	14,553,199	-	-
- Impairment amount (-)	-	(1,632,809,277)	-	(14,553,199)	-	-

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23 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)**23.2 Financial risk factors (continued)**23.2.2 Liquidity risk management

Liquidity risk is the risk that the Company will not be able to meet its future financial liabilities. The liquidity risk of the Company is managed by providing sufficient financing opportunities from various financial institutions in order not to damage the Company or damage its reputation in order to fund the current and future possible debt requirements under normal conditions or crisis situations.

30 June 2024	Book value	Estimated / Contractual cash flow	0-3 months	3-12 months	1-5 years	more than 5 years
Non-derivative financial liabilities						
Financial liabilities	10,813,028,827	14,089,936,321	479,015,373	2,082,236,722	7,354,670,447	4,174,013,779
Trade payables to related parties	415,620,253	415,620,253	415,620,253	-	-	-
Trade payables to third parties	4,802,321,040	4,874,884,105	4,874,884,105	-	-	-
Other payables to related parties	108,804,738	108,804,738	-	108,804,738	-	-
Other payables to third parties	130,181,021	130,181,021	74,514,482	-	55,666,539	-
Total liabilities	16,269,955,879	19,619,426,438	5,844,034,213	2,191,041,460	7,410,336,986	4,174,013,779
31 December 2023	Book value	Estimated / Contractual cash flow	0-3 months	3-12 months	1-5 years	more than 5 years
Non-derivative financial liabilities						
Financial liabilities	11,968,594,936	16,112,469,659	21,609,505	2,475,274,590	8,315,624,601	5,299,960,963
Trade payables to related parties	629,291,113	629,291,113	629,291,113	-	-	-
Trade payables to third parties	6,000,831,607	6,068,278,133	6,068,278,133	-	-	-
Other payables to related parties	67,918	67,918	-	67,918	-	-
Other payables to third parties	276,526,965	276,526,965	178,014,133	-	98,512,832	-
Total liabilities	18,875,312,539	23,086,633,788	6,897,192,884	2,475,342,508	8,414,137,433	5,299,960,963

23.2.3 Market risk management

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

23.2.3.1 Foreign currency risk management

The Company undertakes certain transactions denominated in foreign currencies. The Company is exposed to currency risk mainly in USD and EUR. CBT exchange rates are given below:

	30 June 2024	30 June 2023
Assets (USD) - buying	32.8262	25.8231
Liabilities (USD) - selling	32.8853	25.8696
Assets (EUR) - buying	35.1284	28.1540
Liabilities (EUR) - selling	35.1917	28.2048

GDZ ELEKTRİK DAĞITIM A.Ş.

Notes to the Financial Statements for the Periods Ended 30 June 2024

(Amounts expressed in Turkish Lira ("TL") in terms of purchasing power of the TL at 30 June 2024 unless otherwise indicated.)

23 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

23.2 Financial risk factors (continued)

23.2.3.1 Foreign currency risk management (continued)

The Company's foreign currency assets and liabilities are as follows:

	30 June 2024			31 December 2023			
	Total TL Equivalent (non indexed)	US Dollars	EUR	Total TL Equivalent (indexed)	Total TL Equivalent (non indexed)	US Dollars	EUR
Cash and cash equivalents	2,540,916	65,044	11,551	2,914,718	2,336,744	61,885	15,809
Trade payables	(262,702,675)	(7,932,714)	(52,086)	(1,600,289,433)	(1,114,996,735)	(30,152,441)	(6,918,298)
Other payables	(6,666,023)	(193,409)	(8,687)	(169,771,275)	(118,287,604)	(3,838,392)	(155,931)
Financial liabilities	(10,645,628,123)	(314,215,016)	(8,882,011)	(10,817,128,427)	(8,687,158,124)	(283,546,430)	(9,959,528)
Net foreign currency position	<u>(10,912,455,905)</u>	<u>(322,276,095)</u>	<u>(8,931,233)</u>	<u>(12,584,274,417)</u>	<u>(9,918,105,719)</u>	<u>(317,475,378)</u>	<u>(17,017,948)</u>

Sensitivity to currency risk

The Company is mainly exposed to foreign currency risk in USD Dollars. The following table details the Company's sensitivity to a 10% increase and decrease in US Dollars and Euro. 10% is the rate used to report the exchange rate risk within the Company to the executives and this rate indicates the possible change in the exchange rates expected by the management. The sensitivity analysis covers only foreign currency denominated monetary items at the end of the year and shows the effects of the 10% increase in foreign exchange rates of these items at the end of the year excluding tax effects. A positive value indicates an increase in profit or loss and other equity items.

	Change in USD against TL		Change in EUR against TL	
	30 June 2024	30 June 2023	30 June 2024	30 June 2023
Assets - Profit or (loss)	213,515	192,630	40,577	20,046
Liabilities - Profit or (loss)	(1,060,028,506)	(908,617,609)	(31,471,177)	(31,806,344)
Total	<u>(1,059,814,991)</u>	<u>(908,424,979)</u>	<u>(31,430,600)</u>	<u>(31,786,298)</u>

23.2.3.2 Interest rate risk management

Borrowing of the Company at fixed and variable interest rates exposes the Company to interest rate risk. These risks are managed using natural methods that arise as a result of offsetting interest rate related assets and liabilities. Interest rates of financial assets and liabilities are stated in the related notes.

23 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

23.2 Financial risk factors (continued)

Financial instruments (fair value disclosures)

The fair value of financial assets and liabilities is determined within the framework of generally accepted pricing models. These models are based on the prices resulting from observable market transactions and discounted cash flows based on the tariff structure determined by EMRA.

The Company uses observable information in the market when measuring the fair value of an asset or liability. Fair valuation is categorized into different levels in the fair valuation hierarchy determined based on the information used in the valuation techniques stated below.

GDZ ELEKTRİK DAĞITIM A.Ş.

Notes to the Financial Statements for the Periods Ended 30 June 2024

(Amounts expressed in Turkish Lira ("TL") in terms of purchasing power of the TL at 30 June 2024 unless otherwise indicated.)

23 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

23.2 Financial risk factors (continued)

Financial instruments (fair value disclosures) (continued)

Level 1: At identical (unadjusted) prices in active markets for identical assets or liabilities;

Level 2: Data observable for assets or liabilities, other than quoted prices included within Level 1, that are observable, directly (through prices), or indirectly (derived from prices); and

Level 3: Fair value measurements using inputs for the asset or liability that are not based on observable market data (unobservable inputs).

If the information used to measure the fair value of an asset or liability can be classified into a different level of the fair valuation hierarchy, this fair valuation is classified to the same level of the fair valuation hierarchy, which includes the smallest information important for the whole measurement.

The Company recognizes the transfers between the levels in the fair valuation hierarchy at the end of the reporting period when the change occurred.

Fair value is the amount that is the closest to the fair value of a financial asset in a sales transaction between two parties willing to buy or sell, except for a mandatory sale or liquidation.

In general, the Company assumes that the carrying amount of the financial instruments whose cash and cash equivalents, short term trade receivables, short term other receivables are short or whose initial recognition is close to the reporting date will be close to the fair values of the related assets. At the same time, it is accepted that the fair value of foreign currency assets and liabilities, which are translated into Turkish Lira at the year-end exchange rate, converge to their book value.

As of 30 June 2024, the fair values of long-term financial liabilities, including short-term portions, are estimated to approximate their carrying values due to loan restructurings in the current and prior periods.

24 FEES FOR SERVICES RECEIVED FROM INDEPENDENT AUDIT COMPANY

The Company's explanation regarding the fees for the services rendered by the independent audit firm, which is prepared based on the Public Oversight Accounting and Auditing Standards Authority of Türkiye (POA)'s Board Decision published in the Official Gazette on 30 March 2021, and the preparation principles of which are based on the letter of POA dated 19 August 2021 are as follows:

	<u>30 June 2024</u>	<u>31 December 2023</u>
Independent audit fee for the reporting period	11,046,255	12,506,184
Fee for other assurance services	-	52,034
	<u>11,046,255</u>	<u>12,558,218</u>

GDZ ELEKTRİK DAĞITIM A.Ş.

Notes to the Financial Statements for the Periods Ended 30 June 2024

(Amounts expressed in Turkish Lira ("TL") in terms of purchasing power of the TL at 30 June 2024 unless otherwise indicated.)

25 EXPLANATORY NOTES TO THE STATEMENT OF CASH FLOW

	30 June 2024	31 December 2023
Cash at banks	13,761,014	39,321,203
Other cash and cash equivalents	636,672	711,790
	<u>14,397,686</u>	<u>40,032,993</u>

As of balance sheet dates, the original terms of time deposits consist of short-term TL balances of 1-3 days.

Details of "Other adjustments to reconcile profit/ (loss)" that presented on cash flow statement as follows:

	1 January- 30 June 2024	1 January- 30 June 2023
Adjustments related to rediscount interest income and expenses,net	(18,491,034)	118,237,955
Adjustments related to finance (income) / cost based on revenue cap regulation	(1,164,723,345)	221,197,916
Adjustments related to financial income recognised related to service concession arrangements	(6,636,149,165)	(8,122,298,402)
	<u>(7,819,363,544)</u>	<u>(7,782,862,531)</u>

Details of "Other cash in-flows generated from operating activities" that presented on cash flow statement as follows:

	1 January- 30 June 2024	1 January- 30 June 2023
Collections from capital expenditures related to service concession arrangements	1,740,798,376	1,539,055,797
Collections from return on securities related to service concession arrangements	1,133,185,449	1,013,799,416
	<u>2,873,983,825</u>	<u>2,552,855,213</u>

Details of "cash-out flows from investing activities" that presented on cash flow statement as follows:

	1 January- 30 June 2024	1 January- 30 June 2023
Capital expenditures related to service concession arrangements	(618,997,333)	(905,382,924)
	<u>(618,997,333)</u>	<u>(905,382,924)</u>

Financial risk and exchange rate explanations related to cash and cash equivalents are explained in Note 23.

GDZ ELEKTRİK DAĞITIM A.Ş.

Notes to the Financial Statements for the Periods Ended 30 June 2024

(Amounts expressed in Turkish Lira ("TL") in terms of purchasing power of the TL at 30 June 2024 unless otherwise indicated.)

26 SEGMENT REPORTING

Operating segment is reported in a manner consistent with the reporting provided to the board of directors. Board of directors are responsible for the decisions related to the allocation of resources to the segments and assessment of performance of segments.

The Company has electricity distribution operating segment, which includes the information used from management to evaluate performance and taking decision for resource allocation. The Company is managed as a single reporting unit covering ancillary services related to electricity distribution.

27 SUBSEQUENT EVENTS AFTER THE REPORTING DATE

Applicable from 1 June 2024, EMRA has announced that, distribution tariff to be applied to all customer groups has been increased by 59%.

In the investigation file numbered 2024/103785 of the Republic Prosecutor's Office regarding the electrical leakage incident that occurred in Izmir on 12 July 2024, criminal charges have been filed against Company employees, contractor company employees, and İZSU General Directorate employees. In the ongoing trial against our employees, it is strongly considered that the main cause of the electrical leakage is not directly related to the Company's operations and activities. The criminal case is filed against the employees individually, and even if a Company employee is sentenced, it is not expected to have negative effects on the Company's activities and financial situation.

On 2 August 2024, "Law No. 7524 on Amendments to Tax Laws, Certain Laws and Decree Law No. 375" was published in the Official Gazette dated 2 August 2024 and numbered 32620. With this Law, regulations and amendments have been made on domestic minimum corporate tax application, global minimum tax application and many other tax-related issues. The Company is in the process of assessing the impact of the amendments on the financial statements.

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

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of GDZ Elektrik Dağıtım Anonim Şirketi:

A) Report on the Audit of the Financial Statements

1) Opinion

We have audited the financial statements of GDZ Elektrik Dağıtım Anonim Şirketi ("the Company") which comprise the statements of financial positions as at December 31, 2023, December 31, 2022 and December 31, 2021 and the statements of profit or loss and other comprehensive income, statement of changes in equity and statements of cash flows for the years then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial positions of the Company as at December 31, 2023, December 31, 2022 and December 31, 2021 and its financial performance and its cash flows for the years then ended in accordance with the Turkish Financial Reporting Standards ("TFRS").

2) Basis for Opinion

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

3) Key Audit Matters

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



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Regarding the financial statements for the years ending on December 31, 2023, December 31, 2022 and December 31, 2021	
Key Audit Matter	How key audit matter addressed in the audit
<p>TFRS Interpretation 12- Service Concession Arrangements</p> <p>In accordance with the terms of the service concession agreement with the government, the Company has applied the TFRIC Interpretation 12 financial asset model and identified it in a financial asset in the financial statements.</p> <p>Revenue calculated over the financial assets according to the effective interest method is accounted as "financial income from service concession agreement" by the Company.</p> <p>As of December 31, 2023, December 31, 2022 and December 31, 2021 the Company has financial assets respectively amounting to TL 21,573,891,563 TL 20,337,502,444 and TL 13,174,102,644 and accounted interest income amounting to TL 14,141,765,943, TL 14,254,889,828 and TL 6,855,625,739 in the statement of profit or loss and other comprehensive income between 1 January and December 31, 2023, December 31, 2022, December 31, 2021 respectively.</p> <p>Given the complexity of the accounting of the elements within the scope of TFRS Interpretation 12 and the legislation and application of the assumptions, we determined this significant to our audit and therefore considered as key audit matter.</p> <p>The details of financial assets within the scope of TFRS Interpretation 12 are disclosed in footnote 8 to the financial statements.</p>	<p>Our audit procedures included the following;</p> <ul style="list-style-type: none">- The Service Concession Agreement was obtained and the contract conditions have been read.- Compliance of the related calculation model in terms of legislation has been evaluated.- Since the interest income is calculated based on the internal rate of return, calculation of internal rate of return has been checked.- The payments which were committed by the Republic of Türkiye Energy Market Regulatory Authority ("EMRA") as a consequence of the investments made were checked by the communiques of income requirements.- The rate of return has been checked from the communiques published in the Official Gazette.- The year-end financial asset related to concession agreements amount in the financial statements was reconciled with the economic model of service concession contracts.- The investments made by the company in the current period were tested through sampling.- The fairness and the appropriateness of the key assessments and estimations used by the management together with the methods and data sources used in the calculation of impairment within the scope of "TFRS 9 Financial Instruments" were assessed.- The compliance of the applied accounting policies with TFRS 9, past performance of the Company and local and global practices were assessed.- The adequacy and sufficiency of the information included in the financial statements and explanatory notes for the users of the financial statements were evaluated.



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Regarding the financial statements for the years ending on December 31, 2023, December 31, 2022 and December 31, 2021	
Key Audit Matter	How our audit addressed the key audit matter
<p>Application of the hyperinflationary accounting</p> <p>As stated in Note 2.1 to the financial statements, the Company has started to apply "TAS 29 Financial Reporting in Hyperinflation Economies" since the functional currency of the Company ("Turkish Lira") is the currency of a hyperinflationary economy as per TAS 29 as of December 31, 2023.</p> <p>In accordance with TAS 29, financial statements and corresponding figures for previous periods have been restated for the changes in the general purchasing power of Turkish Lira and, as a result, are expressed in terms of purchasing power of Turkish Lira as of the reporting date.</p> <p>In accordance with the guidance in TAS 29, the Company utilised the Türkiye consumer price indices to prepare inflation adjusted financial statements. The principles applied for inflation adjustment is explained in Note 2.1.</p> <p>Given the significance of the impact of TAS 29 on the reported result and financial position of the Company, we have assessed the hyperinflation accounting as a key audit matter.</p>	<p>Our audit procedures included the following;</p> <ul style="list-style-type: none">- We inquired management responsible for financial reporting on the principles, which they have considered during the application of TAS 29, identification of non-monetary accounts and tested IAS 29 models designed.- We have tested the inputs and indices used, to ensure completeness and accuracy of the calculations.- We have audited the restatements of corresponding figures as required by TAS 29.- We assessed the adequacy of the disclosures in inflation adjusted financial statements for compliance with TAS 29.



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Regarding the financial statement for the year ending on December 31, 2023,	
Key Audit Matter	How our audit addressed the key audit matter
<p>Recoverability of deferred tax assets</p> <p>As disclosed in Note 21, the Company recognized deferred tax assets amounting to 834,372,026 TL. Recoverable amount of recognized deferred tax asset was estimated based on the Company management's current assumptions and future business plans.</p> <p>As also disclosed in Note 2.11, the amount to be recognised depends on the estimates in the prospective income projections of the Company management and the deferred tax assets, which are recognized in the financial statements as of 31 December 2023, are significant. Accordingly, this matter has been considered as a key audit matter.</p>	<p>Our audit procedures included the following;</p> <ul style="list-style-type: none">- Prospective income projections have been obtained from the Company management and the significant estimates used in the prospective income projections were evaluated in meetings with senior management.- Revenue projections included in the prospective income projections prepared by the Company for the 2023-2025 period have been compared with the income requirement table announced by Energy Market Regulatory Authority ("EMRA") for the fourth (2021-2025) tariff period.- The deductible tax losses and the years in which the deduction from taxable income can be made are compared with the previous corporate tax returns and current year corporate tax calculations have been examined.- The compliance of related disclosures on the "recoverability of deferred tax assets" with the TFRS were tested.

4) Other Matter

The financial statements for the periods ending on 31 December 2023, 31 December 2022 and 31 December 2021, on which we expressed our auditor's opinion dated as 25 March 2024, have been restated as a result of the reclassifications explained in Note 2.4.

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

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

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

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

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

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

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

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

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

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

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

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

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



Seckin Özdemir, SMMM
Partner

25 September, 2024
İstanbul, Türkiye

GDZ ELEKTRİK DAĞITIM A.Ş.

Convenience Translation of Financial Statements for the Periods Ended 31 December 2023, 2022 and 2021 and Independent Auditor's Report

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

(Convenience translation of financial statements originally issued in Turkish)
GDZ ELEKTRİK DAĞITIM A.Ş.

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GDZ ELEKTRİK DAĞITIM A.Ş.

Statement of Financial Position as at 31 December 2023, 2022 and 2021

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

		Audited/ current period	Audited/ restated (Note:2.4) / prior period	Audited/ restated (Note:2.4) / prior period
	Notes	31 December 2023	31 December 2022	31 December 2021
ASSETS				
Current Assets				
Cash and cash equivalents	25	13,525,884,900	12,343,912,644	9,521,221,210
Trade receivables				
- Due from related parties	3	32,094,541	138,775,469	22,738,950
- Due from third parties	4	4,910,578,260	2,309,216,937	2,924,284,722
Other receivables				
- Due from related parties	3	3,177,898,742	794,761,609	2,026,174,396
- Due from third parties	4	1,732,679,518	1,514,455,328	898,110,326
Financial assets related to concession arrangements	8	17,234,283	284,512,979	300,056,567
Inventories	6	-	266,537,814	275,049,339
Prepaid expenses	7	17,234,283	17,975,165	25,007,228
Current income tax asset	21	7,546,054,752	8,384,273,041	5,002,125,186
Other current assets	14	890,026,686	665,576,252	826,714,324
Non-Current Assets		15,348,537,710	13,546,702,226	11,316,229,017
Other receivables				
- Due from related parties	3	87,303,315	1,406,310,604	2,380,251,710
- Due from third parties	5	-	1,333,623,107	2,311,502,770
Financial assets related to concession arrangements	8	87,303,315	72,687,497	68,748,940
Property, plant and equipment	9	14,027,836,811	11,953,229,403	8,171,977,458
Right of use assets	9	9,371,733	14,645,792	19,866,354
Intangible assets	10	90,430,303	151,919,344	174,222,908
Prepaid expenses	7	290,335	309,002	522,392
Deferred tax assets	21	4,467,079	8,356,905	3,390,083
Other non-current assets	14	834,372,026	-	-
TOTAL ASSETS		28,874,422,610	25,890,614,870	20,837,450,226

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

GDZ ELEKTRİK DAĞITIM A.Ş.

Statement of Financial Position as at 31 December 2023, 2022 and 2021

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

		Audited/ current period	Audited/ restated (Note:2.4) / prior period	Audited/ restated (Note:2.4) / prior period
	Notes	31 December 2023	31 December 2022	31 December 2021
LIABILITIES				
Short-term liabilities				
9,096,219,444				
Short term portion of long-term borrowings	22	1,830,038,264	1,408,706,045	2,210,818,731
Other financial liabilities	22	85,747,006	85,790,702	153,314,742
Trade payables		5,315,384,271	5,666,483,823	3,247,835,707
- Due to related parties	3	504,504,099	993,577,237	160,450,586
- Due to third parties	4	4,810,880,172	4,672,906,586	3,087,385,121
Payables for employee benefits	13	21,833,122	17,416,478	7,749,231
Other payables		142,768,780	256,093,334	405,755,173
- Due to related parties	3	54,450	23,635,590	258,879,766
- Due to third parties	5	142,714,330	232,457,744	146,875,407
Deferred income	7	1,287,009,876	128,803,362	989,050,867
Short-term provisions		194,475,592	201,031,137	197,575,605
- Short term provisions related to employee benefits	13	57,367,400	46,362,321	35,650,473
- Other short term provisions	11	137,108,192	154,668,816	161,925,132
Other short-term liabilities	14	218,962,533	241,300,355	139,408,455
Long-term liabilities				
8,961,066,838				
Long term-borrowings	22	7,440,205,871	8,572,101,926	10,736,957,111
Other financial liabilities	22	239,258,292	315,409,713	480,220,521
Other payables		78,977,959	46,832,678	59,937,879
- Due to third parties	5	78,977,959	46,832,678	59,937,879
Deferred income	7	1,092,062,139	1,997,378,565	909,796,103
Long-term provisions		110,562,577	94,403,934	87,404,000
- Unused vacation		31,925,551	23,286,763	18,786,870
- Long term provisions related to employee benefits	13	78,637,026	71,117,171	68,617,130
Deferred tax liabilities	21	-	1,587,140,036	561,458,614
TOTAL LIABILITIES		18,057,286,282	20,618,892,088	20,187,282,739
EQUITY				
Paid-in capital	15	509,716,000	509,716,000	509,716,000
Adjustment to share capital	15	4,379,066,106	4,379,066,106	4,379,066,106
Capital advance		142,468,232	-	-
Accumulated other comprehensive income/ (expense) that will not be reclassified to profit or loss	15	798,119	(3,774,862)	32,519
- Remeasurement gains of defined benefit plans		798,119	(3,774,862)	32,519
Restricted profit reserves	15	640,340,927	640,340,927	640,340,927
Accumulated profits / (losses)		(1,333,215,668)	(4,878,988,065)	(4,063,891,056)
Net profit / (loss) for the period		6,477,962,612	4,625,362,676	(815,097,009)
Total equity		10,817,136,328	5,271,722,782	650,167,487
TOTAL EQUITY AND LIABILITIES		28,874,422,610	25,890,614,870	20,837,450,226

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

(Convenience translation of financial statements originally issued in Turkish)

GDZ ELEKTRİK DAĞITIM A.Ş.

Statement of Profit or Loss and Other Comprehensive Income for the Periods Ended 31 December 2023, 2022 and 2021

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

		Audited/ current period	Audited/ restated (Note:2.4) / prior period	Audited/ restated (Note:2.4) / prior period
	Notes	1 January - 31 December 2023	1 January - 31 December 2022	1 January - 31 December 2021
Revenue	16	26,527,344,117	24,114,321,546	15,616,106,705
Cost of sales (-)	17	(7,204,334,563)	(8,000,836,456)	(5,897,427,851)
Gross profit		19,323,009,554	16,113,485,090	9,718,678,854
General administrative expenses (-)	18	(3,216,267,342)	(2,654,700,542)	(1,675,465,767)
Other income from operating activities	19	102,083,635	145,318,626	100,747,746
Other expenses from operating activities (-)	19	(2,243,345,603)	(1,326,958,038)	(1,014,239,496)
Operating profit		13,965,480,244	12,277,145,136	7,129,721,337
Finance income	20	435,119,212	1,002,066,846	1,708,419,104
Finance expense (-)	20	(6,510,119,646)	(6,064,801,695)	(8,527,600,562)
Net monetary gains/ (losses)		(3,812,424,090)	(1,614,434,176)	(785,216,297)
Income before tax		4,078,055,720	5,599,976,111	(474,676,418)
Tax expense		2,399,906,892	(974,613,435)	(340,420,591)
Current tax income / (expense)	21	(22,748,415)	52,019,832	(121,356,324)
Deferred tax income / (expense)	21	2,422,655,307	(1,026,633,267)	(219,064,267)
Net profit (loss) for the period		6,477,962,612	4,625,362,676	(815,097,009)
Other comprehensive income or expenses				
Items that will not be reclassified to profit or loss		4,572,981	(3,807,381)	32,519
Remeasurement gain/ (losses) of defined benefit plans	13	5,716,226	(4,759,226)	40,649
Taxes related to other comprehensive income / (expense)	21	(1,143,245)	951,845	(8,130)
Total comprehensive income/ (expenses)		6,482,535,593	4,621,555,295	(815,064,490)
Distribution of net income				
Earnings per share (TL)	15	12.71	9.07	(1.60)
Distribution of total comprehensive income				
Earnings per share (TL)	15	12.72	9.07	(1.60)

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

(Convenience translation of financial statements originally issued in Turkish)

GDZ ELEKTRİK DAĞITIM A.Ş.

Statement of Changes in Equity for the Periods Ended 31 December 2023, 2022 and 2021

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

	Paid-in Capital	Adjustment to share capital	Capital advance	Other comprehensive income/ (expense) items that will not be reclassified to profit or (loss)		Accumulated profits/ (losses)		Total equity
				Defined benefit plans	Legal reserves	Accumulated (losses)/profits	Net profit for the period	
Balance as at 1 January 2021	509,716,000	4,379,066,106	-	-	640,340,927	(1,424,600,782)	-	4,104,522,251
Net profit/ (loss) for the period	-	-	-	-	-	-	(815,097,009)	(815,097,009)
Other payments to shareholders except dividends (Note 2.4)	-	-	-	-	-	(2,639,290,274)	-	(2,639,290,274)
Remeasurement gains of defined benefit plans	-	-	-	32,519	-	-	-	32,519
Total comprehensive income	-	-	-	32,519	-	-	(815,097,009)	(815,064,490)
Transfers	-	-	-	-	-	-	-	-
Balance as at 31 December 2021	509,716,000	4,379,066,106	-	32,519	640,340,927	(4,063,891,056)	(815,097,009)	650,167,487
Balance as at 1 January 2022	509,716,000	4,379,066,106	-	32,519	640,340,927	(4,063,891,056)	(815,097,009)	650,167,487
Net profit/ (loss) for the period	-	-	-	-	-	-	4,625,362,676	4,625,362,676
Remeasurement losses of defined benefit plans	-	-	-	(3,807,381)	-	-	-	(3,807,381)
Total comprehensive income	-	-	-	(3,807,381)	-	-	4,625,362,676	4,621,555,295
Transfers	-	-	-	-	-	(815,097,009)	815,097,009	-
Balance as at 31 December 2022	509,716,000	4,379,066,106	-	(3,774,862)	640,340,927	(4,878,988,065)	4,625,362,676	5,271,722,782
Balance as at 1 January 2023	509,716,000	4,379,066,106	-	(3,774,862)	640,340,927	(4,878,988,065)	4,625,362,676	5,271,722,782
Net profit/ (loss) for the period	-	-	-	-	-	-	6,477,962,612	6,477,962,612
Capital advance (*)	-	-	142,468,232	-	-	-	-	142,468,232
Other payments to shareholders except dividends (Note 2.4)	-	-	-	-	-	(1,079,590,279)	-	(1,079,590,279)
Remeasurement gains of defined benefit plans	-	-	-	4,572,981	-	-	-	4,572,981
Total comprehensive income	-	-	-	4,572,981	-	-	6,477,962,612	6,482,535,593
Transfers	-	-	-	-	-	4,625,362,676	(4,625,362,676)	-
Balance as at 31 December 2023	509,716,000	4,379,066,106	142,468,232	798,119	640,340,927	(1,333,215,668)	6,477,962,612	10,817,136,328

(*) The Company's capital, which was TL 509,716,000, was increased by TL 142,468,232, and the increased capital was presented in capital advances due to not being registered as of the reporting date.

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

(Convenience translation of financial statements originally issued in Turkish)

GDZ ELEKTRİK DAĞITIM A.Ş.

Statement of Cash Flows for the Periods Ended 31 December 2023, 2022 and 2021

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

		Audited/ current period	Audited/ restated (Note:2.4) / prior period	Audited/ restated (Note:2.4) / prior period
	Notes	1 January - 31 December 2023	1 January - 31 December 2022	1 January - 31 December 2021
A. CASH FLOWS FROM OPERATING ACTIVITIES		2,459,651,345	6,165,977,313	1,931,035,977
Profit / (loss) for the period		6,477,962,612	4,625,362,676	(815,097,009)
Adjustment to reconcile net income for the period		(3,927,485,978)	(5,127,653,283)	1,109,080,866
Adjustment related to depreciation and amortization		102,209,098	87,723,111	73,085,523
Adjustment related to depreciation of right of use assets	9	92,644,567	81,915,655	69,416,472
Adjustment related to depreciation of property, plant and equipment	9	9,403,859	5,281,248	3,626,248
Adjustment related to amortization of intangible assets	10	160,672	526,208	42,803
Adjustment related to impairment loss		1,075,128,039	876,362,409	441,074,576
Adjustment related to doubtful provision expense	4-5	1,075,128,039	876,362,409	441,074,576
Adjustment related to provisions		178,535,530	150,719,310	80,835,584
Adjustment for provisions related with employee benefit		135,295,200	94,623,287	77,980,277
Adjustment related to employee termination benefits provision	13	57,304,352	33,469,620	35,794,277
Adjustment related to unused vacation provision	13	20,623,448	14,791,346	6,535,527
Adjustment related to provision for bonus	13	57,367,400	46,362,321	35,650,473
Adjustment related to legal case provision	11	43,240,330	56,096,023	2,855,307
Adjustment related to tax expense		(2,399,906,892)	974,613,435	340,420,591
Adjustment related to current tax (income) / expense	21	22,748,415	(52,019,832)	121,356,324
Adjustment related to deferred tax expense	21	(2,422,655,307)	1,026,633,267	219,064,267
Adjustment related to interest (income) / expense, net		272,768,273	(163,882,231)	(730,304,560)
Adjustments related to interest income	20	(435,119,212)	(1,002,066,846)	(1,708,419,104)
Adjustments related to interest expense	20	707,887,485	838,184,615	978,114,544
Adjustments related to unrealized foreign exchange loss	20	5,038,576,292	4,680,941,814	7,251,923,219
Adjustments related to reconcile profit / (loss)		(13,368,713,357)	(14,154,942,923)	(6,625,600,165)
Adjustments related to rediscount (income) / expense, net	19	28,702,981	(101,331,839)	(36,189,054)
Adjustments related to interest (income) / expense from tariff receivables and payables	19	744,349,605	201,278,744	266,214,628
Adjustments related to financial income from service concession arrangements	16	(14,141,765,943)	(14,254,889,828)	(6,855,625,739)
Net monetary (gains) / losses		5,173,917,039	2,420,811,792	277,646,098
Changes in working capital		(4,252,889,426)	2,912,038,259	(1,082,877,228)
Adjustments related to (increase) / decrease in trade receivables		(3,561,696,453)	2,480,817,695	1,039,285,070
Adjustments for (increase) / decrease in trade receivables/ payables due from related parties	3	(2,872,210,271)	2,064,539,438	(551,645,332)
Adjustments for (increase) / decrease in trade receivables/ payables due from third parties		(689,486,182)	416,278,257	1,590,930,402
Adjustments related to (increase) / decrease in other receivables		4,109,389	(175,356,967)	12,395,857
Adjustments related to (increase) / decrease in other receivables/payables due from related parties		123,724,549	219,717,700	(14,789,793)
Adjustments related to (increase) / decrease in other receivables and payables from third parties		(119,615,160)	(395,074,667)	27,185,650
Adjustments related to (increase) / decrease in inventories	6	(224,450,433)	161,138,072	(765,741,289)
Adjustments related to (increase) / decrease in prepaid expenses and deferred income		(466,957,624)	1,329,800	65,826,441
Adjustments related to (increase) / decrease in payables for employee benefits	13	4,416,644	9,667,247	(307,441)
Adjustments related to (increase) / decrease in other assets and liabilities		(8,310,949)	434,442,413	(1,434,335,866)
Cash generated from operating activities		(1,702,412,792)	2,409,747,652	(788,893,371)
Payments related with provisions for employee benefits		(46,602,742)	(45,599,161)	(45,891,997)
Severance payments	13	(16,111,815)	(8,882,724)	(6,614,628)
Unused vacation payments	13	(2,830,537)	(2,941,191)	(1,909,816)
Bonus payment	13	(27,660,390)	(33,775,246)	(37,367,553)
Tax payments	21	(31,010,242)	123,896,441	(187,528,618)
Collections from doubtful receivable	4-5	146,417,610	127,615,611	64,271,431
Other cash in-flows		4,093,259,511	3,550,316,769	2,889,078,533
Capital expenditures reimbursements related to service concession arrangements	8	2,467,728,976	2,155,317,829	1,767,663,989
WACC reimbursements related to service concession arrangements	8	1,625,530,535	1,394,998,940	1,121,414,544

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

(Convenience translation of financial statements originally issued in Turkish)

GDZ ELEKTRİK DAĞITIM A.Ş.

Statement of Cash Flows for the Periods Ended 31 December 2023, 2022 and 2021

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

		Audited/ current period	Audited/ restated (Note:2.4) / prior period	Audited/ restated (Note:2.4) / prior period
	Notes	1 January - 31 December 2023	1 January - 31 December 2022	1 January - 31 December 2021
B. CASH FLOWS FROM INVESTING ACTIVITIES		(1,864,809,491)	(4,487,599,602)	(2,106,650,525)
Cash used for purchase of tangible and intangible assets		(142,005)	(373,500)	(11,391,181)
Other cash out-flows		(1,864,667,486)	(4,487,226,102)	(2,095,259,344)
<i>Capital expenditures related to service concession arrangements</i>		<i>(1,864,667,486)</i>	<i>(4,487,226,102)</i>	<i>(2,095,259,344)</i>
C. CASH FLOWS FROM FINANCING ACTIVITIES		(660,001,496)	(1,478,247,551)	(449,129,387)
Cash in-flows from borrowings	22	-	64,542,760	-
Capital increase		142,468,232	-	-
Cash out-flows for borrowings		(377,716,293)	(1,300,209,975)	(341,270,682)
<i>Repayment of borrowings</i>	22	<i>(322,766,364)</i>	<i>(1,208,995,215)</i>	<i>(256,247,770)</i>
<i>Cash out-flows from other financial liabilities</i>	22	<i>(54,949,929)</i>	<i>(91,214,760)</i>	<i>(85,022,912)</i>
Repayment of of lease liabilities	22	(37,489,539)	(54,158,436)	(69,093,051)
Interest received		244,458,078	626,552,989	876,243,338
<i>Interest income from related parties</i>	20	<i>220,668,284</i>	<i>603,261,939</i>	<i>827,095,020</i>
<i>Interest income from third parties</i>	20	<i>23,789,794</i>	<i>23,291,050</i>	<i>49,148,318</i>
Interest paid		(646,510,193)	(816,087,765)	(960,665,717)
<i>Payments to related parties</i>	20	<i>(28,174,711)</i>	<i>(17,091,008)</i>	<i>(11,296,335)</i>
<i>Payments to third parties</i>	22	<i>(618,335,482)</i>	<i>(798,996,757)</i>	<i>(949,369,382)</i>
Other cash in-flows / (out-flows)		14,788,219	1,112,876	45,656,725
D. INFLATION EFFECT ON CASH AND CASH EQUIVALENTS		(41,521,286)	(84,093,641)	(90,328,778)
INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS (A+B+C+D)		(106,680,928)	116,036,519	(715,072,713)
E. CASH AND CASH EQUIVALENTS AT THE BEGINING OF THE PERIOD	25	138,775,469	22,738,950	737,811,663
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD (A+B+C+D+E)	25	32,094,541	138,775,469	22,738,950

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

GDZ ELEKTRİK DAĞITIM A.Ş.

Notes to the Financial Statements for the Periods Ended 31 December 2023, 2022 and 2021

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

1 ORGANIZATION AND NATURE OF OPERATIONS OF THE COMPANY

GDZ Elektrik Dağıtım A.Ş. ("The Company or GDZ EDAŞ"), in which Türkiye Elektrik Dağıtım A.Ş. ("TEDAŞ"), covered in scope and program of privatization through the decision, dated 2 April 2004 and numbered 2004/2, of High Council of Privatization, has been established on 25 January 2005 in accordance with provisions of Article 20/A of the Law numbered 4046 and taken over the rights regarding transferring of operating rights of current electricity distribution facilities in İzmir and Manisa regions for 30 years, improvement of aforementioned facilities, construction of new distribution lines and facilities and conducting energy trade as of 1 September 2006 in accordance with related provision of the Law numbered 3096.

As of 1 September 2006, for a period of 30 years, the Company obtained a "Distribution License" with the decision numbered 874-33 dated 24 August 2006, and a "Retail Sales License" with the decision numbered 874-34, issued by the Energy Market Regulatory Authority ("EMRA"), to operate in distribution and retail sales activities in accordance with the repealed Electricity Market Law No. 4628 and related legislation.

As of 31 December 2012, the Company, which was conducting distribution and retail sales activities together, transferred its assets, liabilities, and relevant portion of equity to the newly established Gediz Elektrik Satış A.Ş. ("Gediz EPSAŞ") by separating its distribution and retail sales activities through a partial demerger method, due to the obligation brought by the changing legislation, starting from 1 January 2013.

The address of the registered office of the Company is Üniversite Caddesi No:57 35042 Bornova, İzmir.

The Company has 992 employees as of 31 December 2023 (31 December 2022: 960, 31 December 2021: 875) As of 31 December 2023 the main shareholder of the Company is GDZ Enerji Yatırımları A.Ş. (as of 31 December 2022, 2021 GDZ Enerji Yatırımları A.Ş.) and its ultimate parent company is Aydem Holding A.Ş. ("Aydem Holding").

Laws/ Regulations affecting business activities

The company is subject to the Electricity Market Law No. 6446 dated 14 March 2013, which entered into force on 30 March 2013, as well as the regulations and communiqués published by the Energy Market Regulatory Authority ("EMRA") related to its electricity generation and sales activities.

Approval of financial statements:

The financial statements were authorized for issue by the Board of Directors of the Company on 25 September 2024. The General Assembly have the power to change the financial statements.

2 BASIS OF PRESENTATION OF FINANCIAL STATEMENTS

2.1 Basis of Presentation

The accompanying financial statements have been prepared on the historical cost basis except for the presentation of certain assets and liabilities being carried by their fair values.

Adjustment of Financial Statements for Hyperinflation Adjustments

Entities applying Turkish Financial Reporting Standards ("TFRS")'s have started to apply inflation accounting in accordance with TAS 29 Financial Reporting in Hyperinflation Economies as of financial statements for the annual reporting period ending on or after 31 December 2023 with the announcements made by the Public Oversight Accounting and Auditing Standards Authority of Türkiye ("POA") on 23 November 2023. TAS 29 is applied to the financial statements, including the consolidated financial statements, of any entity whose functional currency is the currency of a hyperinflationary economy.

GDZ ELEKTRİK DAĞITIM A.Ş.

Notes to the Financial Statements for the Periods Ended 31 December 2023, 2022 and 2021

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

2 BASIS OF PRESENTATION OF FINANCIAL STATEMENTS *(continued)*

2.1 Basis of Presentation *(continued)*

Adjustment of Financial Statements for Hyperinflation Adjustments *(continued)*

Financial statements and corresponding figures for previous periods have been restated for the changes in the general purchasing power of Turkish Lira ("TL") and, as a result, are expressed in terms of purchasing power of TL as of 31 December 2023 as per TAS 29.

On the application of TAS 29, the entity used the conversion coefficient derived from the Customer Price Indexes ("CPI") published by Turkish Statistical Institute ("TSI") according to directions given by POA. The CPI for current and previous year periods and corresponding conversion factors since the time when the TL previously ceased to be considered currency of hyperinflationary economy, i.e., since 1 January 2005, were as follow:

Year end	Index	Index %	Consersion factor
2004	113.86	9.35	16.33041
2005	122.65	7.72	15.16005
2006	134.49	9.65	13.82541
2007	145.77	8.39	12.75557
2008	160.44	10.06	11.58925
2009	170.91	6.53	10.87929
2010	181.85	6.40	10.22480
2011	200.85	10.45	9.25756
2012	213.23	6.16	8.72007
2013	229.01	7.40	8.11921
2014	247.72	8.17	7.50597
2015	269.54	8.81	6.89835
2016	292.54	8.53	6.35599
2017	327.41	11.92	5.67906
2018	393.88	20.30	4.72068
2019	440.50	11.84	4.22107
2020	504.81	14.60	3.68333
2021	686.95	36.08	2.70672
2022	1,128.45	64.27	1.64773
2023	1,859.38	64.77	1.00000

GDZ ELEKTRİK DAĞITIM A.Ş.

Notes to the Financial Statements for the Periods Ended 31 December 2023, 2022 and 2021

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

2 BASIS OF PRESENTATION OF FINANCIAL STATEMENTS *(continued)*

2.1 Basis of Presentation *(continued)*

Adjustment of Financial Statements for Hyperinflation Adjustments *(continued)*

Assets and liabilities were separated into those that were monetary and non-monetary, with non-monetary items were further divided into those measured on either a current or historical basis to perform the required restatement of financial statements under TAS 29. Monetary items and non-monetary items carried at amounts current at the end of the reporting period were not restated because they are already expressed in terms of measuring unit as of 31 December 2023. Non-monetary items which are not expressed in terms of measuring unit as of 31 December 2023 were restated by applying the conversion factors. The restated amount of a non-monetary item was reduced, in accordance with appropriate TFRSs, in cases where it exceeds its recoverable amount or net realizable value. Components of shareholders' equity in the statement of financial position and all items in the statement of profit or loss and other comprehensive income have also been restated by applying the conversion factors.

Non-monetary items measured at historical cost that were acquired or assumed and components of shareholders' equity that were contributed or arose before the time when the TL previously ceased to be considered currency of hyperinflationary economy, i.e. before 1 January 2005, were restated by applying the change in the CPI from 1 January 2005 to 31 December 2023.

The application of TAS 29 results in an adjustment for the loss of purchasing power of the TL presented in Net Monetary Position Gains/ (Losses) item in the profit or loss section of the statement of profit or loss and comprehensive income. In a period of inflation, an entity holding an excess of monetary assets over monetary liabilities loses purchasing power and an entity with an excess of monetary liabilities over monetary assets gains purchasing power to the extent the assets and liabilities are not linked to a price level. This gain or loss on the net monetary position is derived as the difference resulting from the restatement of non-monetary items, owners' equity and items in the statement of profit or loss and other comprehensive income and the adjustment of index linked assets and liabilities.

In addition, in the first reporting period in which TAS 29 is applied, the requirements of the Standard are applied as if the economy had always been hyperinflationary. Therefore, the statement of financial position at the beginning of the earliest comparative period, i.e., as of 1 January 2021, was restated as the base of all subsequent reporting. Restated retained earnings/losses in the statement of financial position as of 1 January 2021 was derived as balancing figure in the restated statement of financial position.

GDZ ELEKTRİK DAĞITIM A.Ş.

Notes to the Financial Statements for the Periods Ended 31 December 2023, 2022 and 2021

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

2 BASIS OF PRESENTATION OF FINANCIAL STATEMENTS *(continued)*

2.1 Basis of Presentation *(continued)*

2.2 Statement of Compliance

The financial statements attached have been prepared in accordance with the provisions of the Capital Markets Board's ("CMB") Communiqué on the Principles of Financial Reporting in the Capital Markets, No. II, 14.1 ("Communiqué"), published in the Official Gazette dated 13 June 2013 and numbered 28676. The financial statements are prepared based on the Turkish Accounting Standards / Turkish Financial Reporting Standards ("TAS/TFRS") and their related amendments and interpretations, which have been put into effect by the Public Oversight, Accounting and Auditing Standards Authority ("POA") in accordance with Article 5 of the Communiqué. TAS/TFRS are updated through communiqués to ensure alignment with the International Financial Reporting Standards ("IFRS").

The Company base its accounting records and preparation of statutory financial statements on the Turkish Commercial Code ("TCC"), tax legislation, and the Uniform Chart of Accounts issued by the Ministry of Treasury and Finance of the Republic of Türkiye. The financial statements are prepared in TL on a historical cost basis, reflecting necessary adjustments and classifications required by TAS/TFRS for accurate presentation in accordance with legal records, in addition to financial assets and liabilities presented at fair values.

In addition, the Company has prepared its financial statements in accordance with the accounting policies stated in Note 2 for accurate presentation in accordance with TAS/TFRS. The financial statements are presented in accordance with the formats determined in the "Announcement on TAS/TFRS Taxonomy" published by the POA on 4 October 2022, which includes Financial Statement Examples and Usage Guide.

2.3 Functional and Presentation of Currency

The Company has presented its consolidated financial statements in TL, which is the functional currency of the Company.

During the preparation of the Company's financial statements, transactions in foreign currencies (other than TL) are recorded based on the exchange rates at the transaction date. Foreign currency-denominated monetary assets and liabilities in the balance sheet are translated into TL using the exchange rates valid on the balance sheet date. Non-monetary items recorded in foreign currencies, which are measured at fair value, are translated into TL using the exchange rates at the date when the fair value was determined. Non-monetary items denominated in foreign currencies measured at historical cost are not subject to revaluation in foreign currency. Any income or expense resulting from adjustments or translations of foreign currency-denominated items has been included in the statement of profit or loss and other comprehensive income.

GDZ ELEKTRİK DAĞITIM A.Ş.

Notes to the Financial Statements for the Periods Ended 31 December 2023, 2022 and 2021

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

2 BASIS OF PRESENTATION OF FINANCIAL STATEMENTS *(continued)*

2.4 Comparative Information and Restatement of Prior Period Financial Statements

In order to allow for the determination of the financial situation and performance trends, the Company's financial statements have been presented comparatively with the prior period. If the presentation or classification of the current period financial statements is changed, in order to maintain consistency, comparative information is also adjusted or reclassified in line with the related changes.

The reclassifications and adjustments of the Company's financial statements as of 31 December 2023, 31 December 2022 and 31 December 2021 are as follows:

	Previously reported 1 January- 31 December 2023	Effect of reclassifications	Restated (*) 1 January- 31 December 2023
Revenue	24.539.927.089	1.987.417.028	26.527.344.117
Cost of sales (-)	(5.216.917.535)	(1.987.417.028)	(7.204.334.563)
Gross profit	19.323.009.554	-	19.323.009.554

	Previously reported 1 January- 31 December 2022	Effect of reclassifications	Restated (*) 1 January- 31 December 2022
Revenue	19.696.625.654	4.417.695.892	24.114.321.546
Cost of sales (-)	(3.583.140.564)	(4.417.695.892)	(8.000.836.456)
Gross profit	16.113.485.090	-	16.113.485.090

	Previously reported 1 January- 31 December 2021	Effect of reclassifications	Restated (*) 1 January- 31 December 2021
Revenue	12.780.175.027	2.835.931.678	15.616.106.705
Cost of sales (-)	(3.061.496.173)	(2.835.931.678)	(5.897.427.851)
Gross profit	9.718.678.854	-	9.718.678.854

(*) Amounts expressed in terms of purchasing power of the TL at 31 December 2023.

The Company has reviewed the revenue and cost of sales accounts and presented the capital expenditures and investment cost items, which were presented net in the statement of profit or loss and other comprehensive income for the period ended 31 December 2022, 31 December 2021, as gross. There has been no change in the level of gross profit.

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Notes to the Financial Statements for the Periods Ended 31 December 2023, 2022 and 2021

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2 BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (continued)

2.4 Comparative Information and Restatement of Prior Period Financial Statements (continued)

	Previously reported 31 December 2023	Effect of reclassifications	Restated (*) 31 December 2023
Inventories	111.116.123	778.910.563	890.026.686
Other non-current assets	1.073.376.671	(778.910.563)	294.466.108
	Previously reported 31 December 2022	Effect of reclassifications	Restated (*) 31 December 2022
Inventories	105.239.406	560.336.846	665.576.252
Other non-current assets	572.268.022	(560.336.846)	11.931.176
	Previously reported 31 December 2021	Effect of reclassifications	Restated (*) 31 December 2021
Inventories	97.496.652	729.217.672	826.714.324
Other non-current assets	1.295.215.783	(729.217.672)	565.998.111

(*) Amounts expressed in terms of purchasing power of the TL at 31 December 2023.

The Company has reclassified investment inventories amounting to TL 779,910,563, amounting to TL 560,336,846 and TL 792,217,672 respectively which were presented under other non-current assets in the financial statements as of 31 December 2023, 31 December 2022 and 31 December 2021 to inventories.

	Previously reported 31 December 2023	Effect of reclassifications	Restated (*) 31 December 2023
Adjustment to share capital	4.961.882.363	(582.816.257)	4.379.066.106
Restricted profit reserves	57.524.670	582.816.257	640.340.927
	Previously reported 31 December 2022	Effect of reclassifications	Restated (*) 31 December 2022
Adjustment to share capital	4.961.882.363	(582.816.257)	4.379.066.106
Restricted profit reserves	57.524.670	582.816.257	640.340.927
	Previously reported 31 December 2021	Effect of reclassifications	Restated (*) 31 December 2021
Adjustment to share capital	4.961.882.363	(582.816.257)	4.379.066.106
Restricted profit reserves	57.524.670	582.816.257	640.340.927

The Company has reclassified inflation effect related to reserves, which were presented under adjustment to share capital in the financial statements as of 31 December 2023, 31 December 2022 and 31 December 2021 to restricted profit reserves.

The company has classified its receivables from shareholders which waived TL 2,639,290,274 under other payments to shareholders excluding dividends in its financial statements as of 31 December 2022 and 31 December 2021 as part accumulated profit. Regarding classification includes TL 1,839,290,274 inflation effects. There has been no change in total equity and net income levels.

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2 BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (continued)

2.5 Changes in accounting policies

Significant changes in accounting policies are applied retrospectively and prior period financial statements are restated.

The company has consistently applied its accounting policies throughout all periods covered in this report.

2.6 Changes and Misstatements in Accounting Estimates

If changes in accounting estimates are related to only one period, the changes are applied prospectively in the current period in which changes are made. If changes in accounting estimates are related to future periods, the changes are applied prospectively both in the current period in which changes are made and also in future periods.

Significant accounting errors are applied retrospectively and prior period financial statements are restated. There have been no significant changes in the Company's accounting estimates in the current year and the Company has applied its accounting estimates consistently for all financial periods presented in this report.

2.7 Going Concern

The Company has prepared its financial statements in accordance with the going concern principle.

2.8 Seasonal Change in Operations

The Company's activities are not impacted from seasonal fluctuations.

2.9 New and Revised Turkish Financial Reporting Standards

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

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

Amendments to TAS 8- Definition of Accounting Estimates

In August 2021, POA issued amendments to TAS 8, in which it introduces a new definition of "accounting estimates". The amendments clarify the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors. Also, the amended standard clarifies that the effects on an accounting estimate of a change in an input or a change in a measurement technique are changes in accounting estimates if they do not result from the correction of prior period errors. The previous definition of a change in accounting estimate specified that changes in accounting estimates may result from new information or new developments. Therefore, such changes are not corrections of errors. This aspect of the definition was retained by the POA. The amendments apply to changes in accounting policies and changes in accounting estimates that occur on or after the start of the effective date.

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

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Notes to the Financial Statements for the Periods Ended 31 December 2023, 2022 and 2021

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

2 BASIS OF PRESENTATION OF FINANCIAL STATEMENTS *(continued)*

2.9 New and Revised Turkish Financial Reporting Standards *(continued)*

- i) **The new standards, amendments and interpretations applicable as at 1 January 2023 are as follows:** *(continued)*

Amendments to TAS 1- Disclosure of Accounting Policies

In August 2021, POA issued amendments to TAS 1, in which it provides guidance and examples to help entities apply materiality judgements to accounting policy disclosures. In the absence of a definition of the term 'significant' in TFRS, the POA decided to replace it with 'material' in the context of disclosing accounting policy information. 'Material' is a defined term in TFRS and is widely understood by the users of financial statements, according to the POA. In assessing the materiality of accounting policy information, entities need to consider both the size of the transactions, other events or conditions and the nature of them. Examples of circumstances in which an entity is likely to consider accounting policy information to be material have been added.

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

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Notes to the Financial Statements for the Periods Ended 31 December 2023, 2022 and 2021

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

2 BASIS OF PRESENTATION OF FINANCIAL STATEMENTS *(continued)*

2.9 New and Revised Turkish Financial Reporting Standards *(continued)*

- i) **The new standards, amendments and interpretations applicable as at 1 January 2023 are as follows:** *(continued)*

Amendments to TAS 12 – Deferred Tax related to Assets and Liabilities arising from a Single Transaction

In August 2021, POA issued amendments to TAS 12, which narrow the scope of the initial recognition exception under TAS 12, so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences. The amendments clarify that where payments that settle a liability are deductible for tax purposes, it is a matter of judgement (having considered the applicable tax law) whether such deductions are attributable for tax purposes to the liability recognised in the financial statements (and interest expense) or to the related asset component (and interest expense). This judgement is important in determining whether any temporary differences exist on initial recognition of the asset and liability. The amendments apply to transactions that occur on or after the beginning of the earliest comparative period presented. In addition, at the beginning of the earliest comparative period presented, a deferred tax asset (provided that sufficient taxable profit is available) and a deferred tax liability for all deductible and taxable temporary differences associated with leases and decommissioning obligations should be recognized.

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

Amendments to TAS 12- International Tax Reform – Pillar Two Model Rules

In September 2023, POA issued amendments to TAS 12, which introduce a mandatory exception in TAS 12 from recognizing and disclosing deferred tax assets and liabilities related to Pillar Two income taxes. The amendments clarify that TAS 12 applies to income taxes arising from tax laws enacted or substantively enacted to implement the Pillar Two Model Rules published by the Organization for Economic Cooperation and Development (OECD). The amendments also introduced targeted disclosure requirements for entities affected by the tax laws. The temporary exception from recognition and disclosure of information about deferred taxes and the requirement to disclose the application of the exception apply immediately and retrospectively upon issue of the amendments. However, certain disclosure requirements are not required to be applied for any interim period ending on or before 31 December 2023.

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

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

2 BASIS OF PRESENTATION OF FINANCIAL STATEMENTS *(continued)*

2.9 New and Revised Turkish Financial Reporting Standards *(continued)*

ii) Standards, amendments and interpretations that are issued but not effective as at 31 December 2023

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

Amendments to TFRS 10 and TAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

In December 2017, POA postponed the effective date of amendment in TFRS 10 and TAS 28 indefinitely pending the outcome of its research project on the equity method of accounting. Early application of the amendments is still permitted.

The Company will wait until the final amendment to assess the impacts of the changes.

TFRS 17- The new Standard for insurance contracts

POA issued TFRS 17 in February 2019, a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. TFRS 17 model combines a current balance sheet measurement of insurance contract liabilities with the recognition of profit over the period that services are provided. The mandatory effective date of the Standard postponed to accounting periods beginning on or after January 1, 2024, with the announcement made by the POA.

The standard is not applicable for the Company and will not have an impact on the financial position or performance of the Company.

Amendments to TAS 1- Classification of liabilities as current and non-current liabilities

In January 2021 and January 2023, POA issued amendments to TAS 1 to specify the requirements for classifying liabilities as current or non-current. According to the amendments made in January 2023 if an entity's right to defer settlement of a liability is subject to the entity complying with the required covenants at a date subsequent to the reporting period ("future covenants"), the entity has a right to defer settlement of the liability even if it does not comply with those covenants at the end of the reporting period.

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2 BASIS OF PRESENTATION OF FINANCIAL STATEMENTS *(continued)*

2.9 New and Revised Turkish Financial Reporting Standards *(continued)*

ii) Standards, amendments and interpretations that are issued but not effective as at 31 December 2023 *(continued)*

Amendments to TAS 1- Classification of liabilities as current and non-current liabilities *(continued)*

In addition, January 2023 amendments require an entity to provide disclosure when a liability arising from a loan agreement is classified as non-current and the entity's right to defer settlement is contingent on compliance with future covenants within twelve months. This disclosure must include information about the covenants and the related liabilities. The amendments clarified that the classification of a liability is unaffected by the likelihood that the entity will exercise its right to defer settlement of the liability for at least twelve months after the reporting period. The amendments are effective for periods beginning on or after 1 January 2024. The amendments must be applied retrospectively in accordance with TAS 8. Early application is permitted. However, an entity that applies the 2020 amendments early is also required to apply the 2023 amendments, and vice versa.

The amendments are not applicable for the Company and will not have an impact on the financial position or performance of the Company.

Amendments to TFRS 16- Lease Liability in a Sale and Leaseback

In January 2023, POA issued amendments to TFRS 16. The amendments specify the requirements that a seller-lessee uses in measuring the lease liability arising in a sale and leaseback transaction, to ensure the seller-lessee does not recognise any amount of the gain or loss that relates to the right of use it retains. In applying requirements of TFRS 16 under "Subsequent measurement of the lease liability" heading after the commencement date in a sale and leaseback transaction, the seller lessee determines 'lease payments' or 'revised lease payments' in such a way that the seller-lessee would not recognise any amount of the gain or loss that relates to the right of use retained by the seller-lessee. The amendments do not prescribe specific measurement requirements for lease liabilities arising from a leaseback. The initial measurement of the lease liability arising from a leaseback may result in a seller-lessee determining 'lease payments' that are different from the general definition of lease payments in TFRS 16. The seller-lessee will need to develop and apply an accounting policy that results in information that is relevant and reliable in accordance with TAS 8. A seller-lessee applies the amendments to annual reporting periods beginning on or after 1 January 2024. Earlier application is permitted. A seller-lessee applies the amendments retrospectively in accordance with TAS 8 to sale and leaseback transactions entered into after the date of initial application of TFRS 16.

The amendments are not applicable for the Company and will not have an impact on the financial position or performance of the Company.

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2 BASIS OF PRESENTATION OF FINANCIAL STATEMENTS *(continued)*

2.9 New and Revised Turkish Financial Reporting Standards *(continued)*

ii) Standards, amendments and interpretations that are issued but not effective as at 31 December 2023 *(continued)*

Amendments to TAS 7 and TFRS 7- Disclosures: Supplier Finance Arrangements

The amendments issued by POA in September 2023 specify disclosure requirements to enhance the current requirements, which are intended to assist users of financial statements in understanding the effects of supplier finance arrangements on an entity's liabilities, cash flows and exposure to liquidity risk. Supplier finance arrangements are characterized by one or more finance providers offering to pay amounts an entity owes its suppliers and the entity agreeing to pay according to the terms and conditions of the arrangements at the same date as, or a date later than, suppliers are paid. The amendments require an entity to provide information about terms and conditions of those arrangements, quantitative information on liabilities related to those arrangements as at the beginning and end of the reporting period and the type and effect of non-cash changes in the carrying amounts of those liabilities. In the context of quantitative liquidity risk disclosures required by TFRS 7, supplier finance arrangements are also included as an example of other factors that might be relevant to disclose. The amendments will be effective for annual reporting periods beginning on or after 1 January 2024. Early adoption is permitted but will need to be disclosed.

The amendments are not applicable for the Company and will not have an impact on the financial position or performance of the Company.

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

The following amendments to IAS 21 are issued by IASB but not yet adapted/issued by POA. Therefore, they do not constitute part of TFRS. The Company will make the necessary changes to its financial statements after the amendments are issued and become effective under TFRS.

Amendments to IAS 21- Lack of exchangeability

In August 2023, IASB issued amendments to IAS 21. The amendments specify how an entity should assess whether a currency is exchangeable and how it should determine a spot exchange rate when exchangeability is lacking. When an entity estimates a spot exchange rate because a currency is not exchangeable into another currency, it discloses information that enables users of its financial statements to understand how the currency not being exchangeable into the other currency affects, or is expected to affect, the entity's financial performance, financial position and cash flows.

The amendments are not applicable for the Company and will not have an impact on the financial position or performance of the Company.

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2 BASIS OF PRESENTATION OF FINANCIAL STATEMENTS *(continued)*

2.10 Summary of Material Accounting Policies

Related Parties

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

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

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

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

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

A related party transaction is a transfer of resources, services or obligations between a reporting entity and a related party, regardless of whether a price is charged. Transactions with related parties are accounted for at transaction prices, unless the asset or liability subject to the transaction has to be valued at market value. For the purpose of the financial statements, shareholders, important management personnel and members of the Board of Directors, their families and companies controlled by or affiliated with them, affiliates and partnerships, Aydem Holding Group companies and key management personnel of the enterprise or its parent are considered and expressed as related parties.

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2 BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (continued)

2.10 Summary of Material Accounting Policies (continued)

Revenue

The company recognizes revenue in the financial statements based on the following five fundamental principles:

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

The Company assesses the goods or services promised in each contract with customers and determines each commitment to transfer such goods or services as a separate performance obligation. For each performance obligation, it is determined at the beginning of the contract whether the performance obligation will be fulfilled over time or at a certain time. If the Company transfers control of a good or service over time, and therefore fulfils the performance obligations related to the related sales over time, the Company recognises revenue over time by measuring the progress towards the full satisfaction of the performance obligations in question. The Company uses a method that reliably measures the work performed. The Company uses costs incurred to measure progress towards completion of the project using the input method and uses units transferred to measure progress towards completion of the project using the output method.

Distribution part of the revenue is composed of distribution, meter reading services, transmission and theft and loss components. Distribution and meter reading service components are considered within the content of service concession arrangements due to the regulations of EMRA. Additionally, according to the Electricity Market Law, the Electricity Market Tariffs Communiqué and other related regulations, the Company's distribution, transmission and meter reading services are subject to revenue caps which cover operating expenses and investment requirements related to distribution and meter reading services. Moreover, transmission revenue is a complete pass-through of transmission costs as charged by Türkiye Elektrik İletim A.Ş. ("TEİAŞ"). These regulations guarantee revenue to the Company during the transition period regardless of the consumption level. The under billings or overbillings made by the Company are adjusted by EMRA in the tariffs to be effective in two years.

Fees for the use of the distribution system are calculated by considering the distribution revenue cap and demand forecasts. Distribution revenue cap consists of system operation revenue cap and lost energy revenue cap.

Revenue related to the utilisation of the distribution system are determined based on the costs required for distribution companies to carry out distribution activities. In this context, in determining the revenues related to the utilisation of the distribution system, all costs and services within the scope of the execution of distribution activities such as investment expenditures required for the execution of distribution activities and a reasonable return on investment expenditures, system operation cost, technical and non-technical loss cost, cutting-binding service cost, meter reading cost, reactive energy cost and amounts paid within the scope of transmission tariff are taken into consideration.

The costs related to technical and non-technical losses are included in the distribution tariffs and reflected to consumers, provided that they do not exceed the target loss rates determined by EMRA for technical and non-technical losses to be taken as basis for the tariffs of distribution companies.

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2 BASIS OF PRESENTATION OF FINANCIAL STATEMENTS *(continued)*

2.10 Summary of Material Accounting Policies *(continued)*

Revenue *(continued)*

The provisions of EMRA's Communiqué on the Regulation of Distribution Tariff and the procedures and principles issued by EMRA for the determination of the target loss rates of electricity distribution companies shall be taken into consideration in determining the fees for the use of the distribution system, determining and changing the target rates for technical and non-technical losses, including the cost to be incurred in the tariffs and reflecting them to consumers.

The revenues to be collected by electricity distribution companies for system operation activities in a tariff year are limited by the system operation revenue caps approved by EMRA for each electricity distribution company. For each tariff year, the difference between the year-end adjusted system operation revenue cap calculated by EMRA based on the realised system operation revenues of each electricity distribution company and the year-end realised system operation revenues is adjusted by EMRA through tariffs after two years.

Following the final determination of the amount by EMRA, the difference between the year-end adjusted system operating revenue cap calculated by EMRA and the year-end realised system operating revenue is recognised as trade receivable or deferred income on an accrual basis in the financial statements.

The revenue difference based on the lost energy correction component is calculated by subtracting the portion of the price equalisation amount related to the lost energy and the portion of the revenue accrued to the users for the use of the distribution system related to the lost energy from the total lost energy cost realised in line with the target loss rate. As in the case of the revenue difference adjustment component, the lost energy adjustment component is adjusted by EMRA after two years for each tariff year through tariffs. The revenue difference based on the lost energy adjustment component is recognised as trade receivables or deferred income on an accrual basis in the financial statements.

Price Equalisation

The price equalization mechanism is implemented by Energy Market Regulatory Authority ("EMRA") in order to eliminate the imbalance between the costs incurred for sales in different regions and thus to partially or completely protect consumers from cost differences between distribution regions. As a result of the implementation of the price equalization mechanism, the amount to be supported or to be supported by companies for each distribution region is calculated according to the formula determined by EMRA and notified to the parties before the price equalization period. These amounts are recognized by the Company in the statement of profit or loss in revenue.

General Lighting Receivables

Under the Electricity Market Law No. 6446 and other secondary legislation, electricity distribution companies are obliged to supply energy to the general lighting consumer group. Electricity sales to the general lighting consumer group are made at the same time as the purchase and sale of electricity due to the fact that electricity is currently low cost and there is no stock that can be stored in high quantities, and accordingly, sales and costs are realised at the time of use.

GDZ ELEKTRİK DAĞITIM A.Ş.

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2 BASIS OF PRESENTATION OF FINANCIAL STATEMENTS *(continued)*

2.10 Summary of Material Accounting Policies *(continued)*

Revenue *(continued)*

Service Concession Arrangements

Service concession arrangements are defined within scope of TFRIC 12 as those whereby a government or other body grants contracts for the supply of public services – operations such as roads, energy distribution, prisons or hospitals – to private operators. The Company's electricity distribution and meter reading service businesses are in the scope of service concession agreements.

Under the terms of a contractual arrangement within the scope of TFRS Interpretation 12, the Company acts as a service provider and builds or renovates infrastructure used to provide a public service (construction or renovation services) and operates and maintains that infrastructure for a specified period (operating services). The Company recognises revenue and costs incurred as a result of capital expenditure in accordance with TFRS 15 "Revenue from Contracts with Customers".

Income from capital expenditures is recognised as a single performance obligation when the related investments are fulfilled.

Considering the Company's terms in the service concession arrangements, a financial asset model where the Company recognizes TFRIC 12 as a financial asset to the extent that it has an unconditional contractual right to receive cash or another financial asset from or at the direction of the grantor has been applied, since the right to receive cash for the distribution and meter reading services are constituted through actual billing to subscribers where the distribution and meter reading service components of the billing are already specified or determinable through the regulated by EMRA.

The Company recognizes the revenue on an effective interest method as "Financial Income from Service Concession Arrangements" in profit or loss and other comprehensive income and "Financial Assets from Service Concession Arrangements" on the statement of financial position.

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

2 BASIS OF PRESENTATION OF FINANCIAL STATEMENTS *(continued)*

2.10 Summary of Material Accounting Policies

Revenue *(continued)*

Financial income from service concession arrangements

Financial income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

Financial income related to service concession arrangements is recognized in accordance with Service Concession Arrangements ("TFRIC 12"). Financial income from service concession arrangement is recognized on a time-proportion basis using the effective interest method.

The Company recognizes the revenue calculated by the internal rate of return as "Financial Income from Service Concession Arrangements" in profit or loss and other comprehensive income statement. Main revenue source of distribution companies are financial income from the investments for improvement and maintenance of network. Therefore, Company evaluates that the financial income from service concession arrangements drives from the main business activity of the distribution companies and accordingly it is recognized as a part of revenue.

Other Income

The scope of other revenues consists of the revenues collected by the Company within the scope of the fees accrued to the users other than the fees related to the use of the distribution system mentioned above and the revenues obtained from the services provided to third parties. These revenues consist of other items specified in Article 25 of the Communiqué on Regulation of Distribution System Revenues and not explained above.

Principal and agent assessment

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

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2 BASIS OF PRESENTATION OF FINANCIAL STATEMENTS *(continued)*

2.10 Summary of Material Accounting Policies *(continued)*

Right of use assets

The Company has chosen the simplified retrospective approach from the transition provisions of TFRS 16, the right-of-use assets have been transferred from 1 January 2019, with reference to financial leasing agreements signed before 1 January 2019, the first application date of TFRS 16, and in progress as of 1 January 2019. It recognizes the date as the contract start date. The Company accounts for the right-to-use assets on the date of commencement of the leasing agreement (for example, as of the date on which the relevant asset is eligible for use). The right of use assets is calculated by deducting the accumulated depreciation and impairment losses from the cost value. In case the financial leasing debts are revalued, this figure is corrected.

Cost of right-of-use assets; the amount of the lease obligation, the direct costs include lease payments made on or before the start date.

The cost of the right of use asset includes:

- a) the first measurement of the lease obligation,
- b) the amount obtained from all lease payments made before or before the lease actually started, by deducting all lease incentives received, and
- c) All initial costs incurred by the company.

Unless the transfer of the ownership of the underlying asset to the Company at the end of the lease is reasonably finalized, the Company depreciates its asset right to use until the end of the useful life of the underlying asset. The useful life of right-of-use assets range from 1 year to 10 years.

Right-of-use assets consist of buildings and vehicles and are subject to impairment assessment.

Lease liabilities

The Company measures the lease obligation at the present value of the lease payments, which were not paid on the date the lease actually began.

The lease payments included in the measurement of the lease obligation at the date of the lease actually consist of the following payments to be made for the right of use of the underlying asset during the lease period and not paid at the date when the lease actually started:

- a) Fixed payments,
- b) Variable rental payments based on an index or rate, made using an index or rate at the date when the first measurement was actually started,
- c) amounts expected to be paid by the Company within the scope of residual value commitments
- d) the price of use of this option if the Company is reasonably sure that it will use the purchase option and,
- e) If the rental period shows that the Company will use an option to terminate the lease, penalties for termination of the lease.

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2 BASIS OF PRESENTATION OF FINANCIAL STATEMENTS *(continued)*

2.10 Summary of Material Accounting Policies *(continued)*

Lease liabilities *(continued)*

Variable lease payments that do not depend on an index or rate are recorded as expenses in the period when the event or condition that triggered the payment occurred.

In case the revised discount rate and the implicit interest rate in the lease can be determined easily for the remainder of the Company lease period, this rate is; In case it cannot be determined easily, the Company determines the alternative borrowing interest rate on the date of re-evaluation. The Company used a 30% interest rate for lease contracts in Turkish liras. The Company measures the lease obligation after the lease actually starts as follows:

- (a) Increases the carrying amount to reflect the interest on the lease obligation, and
- (b) Reduces the carrying value to reflect the rent payments made.

In addition, in the event that there is a change in lease duration, a change in substance of fixed lease payments or a change in the assessment of the option to purchase an underlying asset, the value of financial lease liabilities is re-measured.

Forest land use included in the Company's leases of less than one year are accounted as general administrative expenses in the statement of profit or loss.

Inventories

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

Inventory costs are determined using the moving weighted average cost method and are calculated as the purchase cost of the inventories and other costs incurred to bring inventories to their current state and location.

Net realizable value is the estimated selling price in the ordinary course of business, less estimated completion the total of the estimated costs necessary to make the sale and the total of the estimated costs required to make the sale represents the amount. Inventories are mainly for electrical equipment and supplies related to the Company's electricity distribution business consists of materials.

Property, plant and equipment

Property, plant and equipment are measured by deducting accumulated depreciation and impairment, if any, from acquisition cost refers to expenditures directly related to the purchase of the related asset.

If the items that make up the tangible assets have different useful lives, they are recognized as separate items (basic components) of the tangible assets. Gains or losses related to the disposal of tangible assets are determined by comparing the amount of disposal with the registered value of the asset and included in the statement of profit or loss.

Costs arising from replacing any part of the tangible fixed assets are capitalized if it is likely to increase the future economic benefit of that tangible fixed asset and its cost can be measured reliably. The recorded values of the changed parts are excluded from the statement of financial position. Daily maintenance costs of tangible assets are recorded to profit or loss on the date they occur.

Tangible assets are depreciated over their useful lives by linear method and are accounted for in profit or loss.

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2 BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (continued)

2.10 Summary of Material Accounting Policies (continued)

Property, plant and equipment

The estimated useful lives of important tangible assets in the current and comparative periods are as follows:

Years

Fixture 3-15

Depreciation methods, useful lives and residual values are reviewed for each reporting period and are determined again when necessary.

Intangible assets

Other intangible assets that are purchased by the Company and have a certain useful life are measured by deducting the accumulated amortization and permanent impairments from the purchase cost values.

Subsequent costs are capitalized only if they have an impact that increases the future economic benefits of the intangible assets to which they relate. All other expenditures are recognized in profit or loss when incurred.

Intangible assets are recognized in profit or loss on a straight-line basis over their estimated useful lives starting from the date they are ready for use

Amortization methods, useful lives and residual values are reviewed at each reporting date and, where appropriate, adjusted.

The estimated useful lives of the important intangible assets in the current and comparative periods are as follows:

Years

Rights 3

Impairment of assets

Financial assets accounted for at amortized cost

Non-derivative financial assets

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

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2 BASIS OF PRESENTATION OF FINANCIAL STATEMENTS *(continued)*

2.10 Summary of Material Accounting Policies *(continued)*

Impairment of assets *(continued)*

Financial assets accounted for at amortized cost *(continued)*

Non-derivative financial assets *(continued)*

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

Impairment refers to the difference between the carrying value of the asset and the reduction of the expected future cash flows to the present value and the original effective interest rate. Losses are recorded in profit or loss and shown using the provision account. The relevant amounts are deducted when the Company has no realistic expectations of asset recovery. If an event that occurs after the impairment has been recognized causes a decrease in impairment, this decrease is recognized in profit or loss and is canceled from the impairment loss previously recognized. Financial assets that are not recognized in profit or loss, an assessment is made in each reporting period to determine whether there is objective evidence of impairment.

Non-financial assets

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

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

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

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

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

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

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2 BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (continued)

2.10 Summary of Material Accounting Policies (continued)

Financial Instruments

Non-derivative financial assets and financial liabilities

The Company classifies non-derivative financial assets into the following categories: Financial assets at amortized cost and whose fair value is reflected in profit or loss, Company's non-derivative financial assets, cash and cash equivalents, trade and other receivables, financial assets and receivables from service concession arrangements.

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

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

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

The Company removes the financial asset from its records when the rights related to the cash flows that occur in accordance with the contract related to the financial assets expire or when the Company transfer their rights to the ownership of all risks and returns related to this financial asset through a transaction. Any rights created or held from financial assets transferred by the Company are accounted for as a separate asset or liability. In cases where contractual obligations are fulfilled, canceled or terminated; The Company removes the financial liability in question from its records.

The Company clarifies its financial assets and liabilities only when the Company has a legal right to netting and if the intention is to perform the transaction on a net basis or to realize the fulfillment of the obligation and realization of the asset and present the net amount in its financial statements.

Non-derivative financial assets and financial liabilities – measurement

Non-derivative financial assets

Loans and receivables

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

Cash and cash equivalents

In the statement of cash flow, cash and cash equivalents include current accounts at the bank, which are repayable upon request and which are part of the Company's cash management.

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2 BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (continued)

2.10 Summary of Material Accounting Policies (continued)

Financial Instruments (continued)

Non-derivative financial assets and financial liabilities – measurement (continued)

Non-derivative financial assets (continued)

Financial Assets Related to Concession Arrangements

Operating right on additional components required to be used for the operation off distribution facilities and distribution facilities which are within the body of TEDAŞ in the framework of Transfer of Operating Rights Agreement ("TOR"), concluded between TEDAŞ and the Company on 24 July 2006, has been transferred to the Company for 30 years provided to be applicable as of 1 September 2006 in return for a consideration amounting to TL 158,786,428 which is unindexed. The consideration for aforementioned TOR was subject to amortization through being added to revenue cap with respect to first tariff period (2006-2010). The TOR consideration in question was totally amortized as of 31 December 2015.

Term of the TOR is 30 years as of 1 September 2006. Operation term can be extended by TEDAŞ at the end of such term in line with the applicable laws in related period.

The Company acts as the electricity distributor and constructs the facility used for performance of such distribution and run and maintain the facility during the specified period in accordance with this agreement which is in scope of TFRS Interpretation 12 "Service Concession Arrangements". No change has been made in the nature of the agreement during the current period.

In accordance with TOR, ownership of the facilities belongs to the public and receivables, entitled in terms of undertaken investment activities and renovation services, are recognized as financial assets under the guidance of guarantor (EMRA) as long as the acquisition of other cash or other financial assets are unconditional and contractual rights.

The Company has initially recognized the investments, guaranteed to be paid back through tariffs, within "Financial Assets Related to Concession Arrangements" under trade receivables from unrelated parties over fair value in accordance with TFRS 9 "Financial Instruments: Accounting and Measurement" standard. Financial assets are measured based on their amortized costs upon their initial recognition.

Company recognizes the revenue calculated by the internal rate of return as "Financial Income from Service Concession Arrangements" in profit or loss and other comprehensive income statement. Main revenue source of distribution companies are financial income from the investments for improvement and maintenance of network. Therefore, the Company evaluates that the financial income from service concession arrangements drives from the main business activity of the distribution companies and accordingly it is recognized as a part of revenue.

Parameters regarding right of use brought by the "Distribution License", owned by the Company according to the Agreement, are updated through council decision by EMRA in five years' implementation periods. The Company owns the license right related to services privatized services on 1 September 2006 and has completed first implementation period covering between 2006 and 2010, second implementation period covering between 2011 and 2015 and third implementation period covering between 2016 and 2020. The distribution system operating income requirement for the fourth implementation period, which will be valid for the Company between 2021 and 2025, has been approved by EMRA with the Board Decision dated 24 December 2020 and numbered 9907-1.

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2 BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (continued)

2.10 Summary of Material Accounting Policies (continued)

Financial Instruments (continued)

Non-derivative financial assets and financial liabilities – measurement (continued)

Non-derivative financial assets (continued)

Financial Assets Related to Concession Arrangements (continued)

Revenues and expenditures of the Company are subject to EMRA regulations. The amount of the revenue requirement of the Company is determined by EMRA. If income items are below or above the income requirement determine by EMRA, such differences may or may not be adjusted depending on the nature of the income. Income requirement currently regulated for 5-year periods; It includes the operating expenses required by the Company, the amortization of investment expenditures, the alternative investment costs of the non-amortized investment amounts, and the tax differences added to the income in order to compensate the periodic deviations arising from tax applications. Adjustments regarding the income requirement are calculated by updating with the Base CPI accepted by EMRA over the years.

Non-derivative financial liabilities

Borrowings

Loans are initially recorded at fair value after deducting transaction costs incurred. Borrowings are measured at amortized cost. The difference between revenues (less transaction costs) and amortization is recognized in profit or loss over the borrowing period using the effective interest method. Fees paid for the establishment of the loan facility are recognized as the transaction cost of the loan if it is probable that some or all of the loan will be retired. In this case, the fee will be delayed until the draw takes place. If there is no evidence that some or all of the loan will be retired, the fee is capitalized as a prepayment for liquidity services and amortized over the term of the relevant loan.

Liabilities are derecognised on the balance sheet when the contractual obligation is fulfilled, canceled or terminated.

Restructuring of debt instruments

Exchange of debt instruments with “significantly” different terms between an existing debtor and creditor indicates that the old financial liability has disappeared and a new financial liability should be recognized. In addition, a material change, in whole or in part, in the terms of an existing financial liability indicates that the old liability has ceased to exist and a new financial liability must be recognized.

Financial liabilities are derecognised when the debts arising from these liabilities are eliminated, canceled or expired. An exchange of debt instruments with significantly different terms between an existing debtor and a creditor, or a material change in the terms of an existing financial liability, indicates that the old financial liability has ceased to exist and a new financial liability should be recognized.

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2 BASIS OF PRESENTATION OF FINANCIAL STATEMENTS *(continued)*

2.10 Summary of Material Accounting Policies *(continued)*

Financial Instruments *(continued)*

Non-derivative financial assets and financial liabilities – measurement *(continued)*

Non-derivative financial liabilities *(continued)*

Restructuring of debt instruments *(continued)*

As a result of the Company's negotiations with banks, the interest rates of USD currency loans were revised again in 2021. Since the effect of these changes on the net present value of the loans is less than 10%, the related loans are not considered as the extinguishment of the old financial liability and are considered as restructured financial liabilities. In this case, the amortized cost of the relevant loans has been recalculated by calculating the present value of the future flows of the financial instrument discounted at the original effective interest rate. The resulting adjustment was accounted for in financing income as "loan restructuring income".

Trade and other payables

Trade and other liabilities are recorded at their fair values and the effective interest rate in subsequent periods it is accounted for with the discounted values used.

Income taxes

Income tax comprises current and deferred tax. Current tax and deferred tax is recognized in profit or loss except to the extent that it relates to a business combination, or items recognized directly in equity or in other comprehensive income.

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

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

- Temporary differences arising in the initial registration of assets or liabilities resulting from a business combination that does not affect neither accounting profit nor taxable profit or loss;
- Temporary differences related to investments in subsidiaries and jointly controlled entities that are unlikely to reverse within a foreseeable future;
- At the time of the transaction, does not give rise to equal taxable and deductible temporary differences.

Deferred tax is measured by the tax rate effective at the time when the temporary differences are rejected at the end of the reporting period, or close to enforcement.

Deferred tax assets and deferred tax liabilities can be deducted in the event that they have the legal right to offset current period tax assets to deferred tax liabilities and deferred tax assets and deferred tax liabilities are the same taxpayer imposed by the same tax administration.

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2 BASIS OF PRESENTATION OF FINANCIAL STATEMENTS *(continued)*

2.10 Summary of Material Accounting Policies *(continued)*

Income taxes *(continued)*

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

Transfer pricing regulations

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

Tax risk

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

Thin Capitalization

The provisions concerning to the "thin capitalization" are stated in the Article 12 of new Corporation Tax Code. According to the Article 12, if the borrowings obtained directly or indirectly from the shareholders of the companies or persons related to shareholders exceeds three times of the shareholders' equity of the Company at any time during the related year, the exceeding portion of the borrowing will be treated as thin capital.

The financial borrowings were regarded as thin capitalization provided with;

- The borrowings obtained directly or indirectly from the shareholders of the companies or persons related to shareholders,
- Used for/in the entity,
- Borrowings exceeds three times of the shareholders' equity of the Company at any time during the related year.

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2 BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (continued)

2.10 Summary of Material Accounting Policies (continued)

Payables for employee benefits

Termination and retirement benefit

Pursuant to the provisions of the Labor Law in force, employees are obliged to pay their legal severance pay to those whose employment contract expires in a way to qualify for severance pay. In addition, the Social Insurance Law No. 506, which is still in force, has an obligation to pay the severance pay to those who have been given the right to leave the job by getting severance pay in accordance with the provisions of the article 60 of 6 March 1981, number 2422 and 25 August 1999 and number 4447. Some transitional provisions related to pre-retirement terms of service were excluded from the Law by amending the relevant law on 23 May 2002. As of 31 December 2023, severance payment to be paid is subject to the monthly ceiling of amounting to TL 23,489.58 (31 December 2022: TL 15,371.40, 31 December 2021: TL 8,284.51).

Severance pay liability is not subject to any funding legally. Provision for severance pay is calculated by estimating the present value of the future probable obligation of the Company arising from the retirement of the employees. The Company foresees the development of its liabilities by using actuarial valuation methods within defined benefit plans. Accordingly, actuarial assumptions used in the calculation of total liabilities are as follows:

	31 December 2023	31 December 2022	31 December 2021
Expected interest in the coming years %	25.05	21.44	21.40
Expected inflation in the coming years %	20.75	17.78	17.00
Expected probability of leaving without compensation in the coming years %	8.63	2.57	1.90

While calculating the provision for severance pay of the Company, the ceiling amount of TL 35,058.58, valid from 1 January 2024, has been taken into consideration.

All actuarial losses or gains are recognized in other comprehensive income and expense.

Vacation liability

The Company is required to pay to the employee, whose employment is terminated due to any reasons, or to its inheritors, the wage of the deserved and unused vacation rights over the prevailing wage at the date the contract is terminated. Accordingly, the Company recognizes a provision for unused vacation days as a short term employee benefits.

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

Share capital and dividends

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

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2 BASIS OF PRESENTATION OF FINANCIAL STATEMENTS *(continued)*

2.10 Summary of Material Accounting Policies *(continued)*

Earnings per share

Earnings per share disclosed in the statement of profit or loss and other comprehensive income are determined by dividing net earnings by the weighted average number of shares that have been outstanding during the related period. In Türkiye, companies can increase their share capital by making a pro-rata distribution of shares ("bonus shares") to existing shareholders from retained earnings on equity items. Such kind of bonus shares are taken into consideration in the computation of earnings per share as issued share certificates. For the purpose of earnings per share computations, the weighted average number of shares outstanding during the period has been adjusted in respect of bonus shares issues without a corresponding change in resources, by giving them retroactive effect for the year in which they were issued and each earlier year.

Netting/offsetting

Financial assets and liabilities are shown net in cases where there is a required legal right, there is an intention to evaluate the assets and liabilities on a net basis, or when the acquisition of assets and the fulfillment of liabilities are simultaneous.

Statement of cash flow

In statement of cash flows, cash flows are classified according to operating, investing and financing activities.

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

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

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

Cash flows related to financial assets accounted within the scope of TFRIC 12 are presented within the cash flows arising from operating activities since they represent the cash flow generated within the scope of the Company's core business.

Provisions, contingent liabilities and contingent assets

Provisions are determined by reducing the estimated future cash flows to the present value by using the pre-tax discount rate reflecting the time value of money and the risks specific to the liability. Discount amount is accounted as other expense from the main activities.

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2 BASIS OF PRESENTATION OF FINANCIAL STATEMENTS *(continued)*

2.10 Summary of Material Accounting Policies *(continued)*

Provisions, contingent liabilities and contingent assets *(continued)*

Provision for EMRA

In case of non-compliance with the principles, rules, and practices related to the regulations and notifications published by the EMRA alongside the Electricity Market Law No. 6446, which entered into force with the Official Gazette dated 30 March 2013 and numbered 28603, the EMRA Inspection Department notifies the Company, stating the reasons, to make the payment of the penalty amount within a certain period of time. In addition to the penalties usually paid in advance, there may also be cases where payment is not made until the reconciliation process, especially in retrospective penalties.

Contingent liabilities

Contingent liabilities are continuously reviewed to determine whether it is possibility of outflow of economic benefits will occur from any source. Unless the outflow of economic benefits is remote, situations where the probability of outflow is low are disclosed in the notes to the financial statements.

A contingent liability is disclosed unless the probability of an outflow of economic benefits is remote. If the transfer of assets is certain, a contingent liability is recognized in the financial statements.

Transactions in foreign currency

Transactions in foreign currencies are reported by converting foreign currency-denominated monetary assets at the Turkish Republic Central Bank buying rate valid on the reporting date, and foreign currency-denominated monetary liabilities at the Turkish Republic Central Bank selling rate valid on the reporting date, based on the announcement of the POA dated 16 March 2021 regarding the subsequent measurement of foreign currency-denominated monetary items according to Turkish Accounting Standards.

The income and expenses resulting from the translation of items in foreign currency have been included in the financial income and financial expenses accounts in the income statement of the relevant period.

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2 BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (continued)

2.10 Summary of Material Accounting Policies (continued)

Subsequent events after the reporting date

Refers to events occurring in favor of or against the entity between the reporting date and the authorization date for the publication of the financial statements. Events after the reporting date are divided into two:

- new evidence of the existence of relevant events as of the reporting date; and
- there is evidence that relevant events occurred after the reporting date (events that do not require correction after the reporting date).

In the event that there is new evidence for the existence of such events as of the reporting date or if the related events arise after the reporting date and these events require the correction of the financial statements, the Company adjusts its carve-out financial statements in accordance with the new situation. If these events do not require the restatement of the carve-out financial statements, the Company discloses the related events in its notes.

2.11 Critical Accounting Judgements and Key Sources of Estimation Uncertainty

Critical judgments in applying the Company's accounting policies

While preparing the financial statements, management should apply the Company's accounting policies and make judgments, estimates and assumptions that affect the amount of reported assets, liabilities, income and expenses. Actual results may differ from these estimates.

The important estimates and assumptions used by the Company in preparing its financial statements are given in the footnotes below:

Note 4 – Trade receivables and impairment

Note 7 – Deferred income

Note 8 – Financial assets and revenue recognition and related to concession arrangements

Note 11 – Provisions

Note 13 – Employment benefits

Note 21 – Taxation on income

Key sources of estimation uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, is discussed below:

The assumptions and the assumptions that form the basis of the estimates are constantly reviewed. Updates in the accounting estimates are recorded in the period when the estimates are updated and in the subsequent periods affected by these updates.

GDZ ELEKTRİK DAĞITIM A.Ş.

Notes to the Financial Statements for the Periods Ended 31 December 2023, 2022 and 2021

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

2 BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (continued)

2.11 Critical Accounting Judgements and Key Sources of Estimation Uncertainty (continued)

Key sources of estimation uncertainty (continued)

Financial assets concession arrangements

The Company determines the financial assets and financial income balances recognized under service concession arrangements based on the cash flows derived from the tariffs announced by EMRA. The distribution revenue requirement of the Company during the second (2011 - 2015) and third tariff periods (2016 - 2020) and fourth tariff periods (2021-2025) was determined by EMRA considering the projected expenses and related tariffs. These tariffs are revised yearly due to inflation, based on the changes in the Electricity Market Index ("EMI") (Since the "EMI" is not announced, CPI ("Consumer Price Index") is considered as based). The Company management uses the assumption that the weighted average cost of capital ratio will remain constant until the end of the model (2032) in determining the estimated cash inflows for future periods. Changes in CPI have been determined separately for each year between 2024 and 2032, in line with the calculations made by the Company management based on the long-term forecasts of international financial institutions. Changes in estimates regarding the CPI and the weighted average cost of capital rate affect the Company's financial asset amount in accordance with the financial asset model.

Revenue

Invoices of the subscribers other than residential and commercial groups are issued monthly at the end of each month by the Company whereas the invoices of the residential subscribers are issued continuously during each month due to the high number of subscribers in this group. Commercial group subscribers are also issued continuously during the month due to the high number of customers in this group although the subscribers with high consumption level are billed at the end of the month. Therefore, all electricity provided to residential and commercial group subscribers every month cannot be invoiced at the end of the period. Unbilled consumption for this group is estimated, and the consumption is recognized as revenue in the form of accrued revenue.

Deferred Tax

The Company recognizes deferred tax assets and liabilities on the temporary timing differences between the legal books and the financial statements prepared in accordance with TFRS. Such differences generally arise from timing differences of some revenue and expense balances in legal books and financial statements prepared in accordance with TFRS and are explained below. The Company has deferred tax assets that can be deducted from future profits. The partially or fully recoverable amount of deferred tax assets has been estimated under current conditions.

Deferred tax assets can only be recognized in accounting if it is probable that there will be sufficient taxable income in future periods for the realization of the tax benefits. In cases where the tax advantage is probable, deferred tax assets are calculated based on past year losses. The Company recognized the deferred tax asset as of 31 December 2023, based on the strong likelihood of sufficient income being generated in future periods that can offset tax liabilities. (Note 21).

Doubtful trade and other receivables provision

Impairment loss in trade receivables and other receivables is based on the Company management's assessment of the volume of trade receivables, past experiences and general economic conditions. The Company management has set aside provisions for all commercial and other receivables except for municipal and provincial private administration receivables and receivables from related parties whose invoice accrual date has exceeded 3 months.

Legal case provision

The Company management has made a provision in accordance with TAS 37 Provisions Standard for employee lawsuits, claims lawsuits, forest fires lawsuits, lawsuits and restitution lawsuits filed against the Company, which are expected to be cash out by the legal advisors of the Company.

GDZ ELEKTRİK DAĞITIM A.Ş.

Notes to the Financial Statements for the Periods Ended 31 December 2023, 2022 and 2021

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

3 RELATED PARTY DISCLOSURES

Aydem Holding A.Ş. is the Parent Company and the controlling party of the Company. GDZ Enerji Yatırımları A.Ş. ("GDZ EYAŞ"), which is a 100% subsidiary of Aydem Holding, is wholly owned by the Company.

The shareholders, key management personnel and members of the Board of Directors, their families and partners and entities controlled by the ultimate shareholders are considered and referred to as related parties in the financial statements. The Group companies have carried out various transactions with related parties during their operations.

Trade receivables from related parties generally arise from distribution system usage transactions. Accounts receivable are not typically collateralized; however, interest is charged. Trade payables to related parties usually arise from energy and various service purchases transactions, and no interest is charged on trade payables.

At the end of each month, other receivables and payables are calculated using current interest rates determined according to market conditions. Other receivables from related parties arise from the financing transactions of group companies and interest is charged on these receivables at market rates. Other payables to related parties arise from the financing transactions of group companies and interest is charged on these receivables at market rates.

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

- (1) Aydem Holding Group Companies
- (2) Main shareholder
- (3) Companies and other individuals owned by the parent or ultimate Parent Company.

3.1 Related party balances

As of 31 December 2023, 31 December 2022 and 31 December 2021 short-term trade receivables due from related parties are as follows:

<u>Short-term trade receivables from related parties</u>	<u>31 December 2023</u>	<u>31 December 2022</u>	<u>31 December 2021</u>
Gediz Elektrik Perakende A.Ş. ("Gediz EPSAŞ") (1) (*)	3,103,623,347	670,752,853	1,752,931,995
Aydem Elektrik Perakende Satış A.Ş. ("Aydem EPSAŞ") (1)	74,269,486	124,006,171	269,287,172
Other	5,909	2,585	3,955,229
	<u>3,177,898,742</u>	<u>794,761,609</u>	<u>2,026,174,396</u>

(*) Distribution income of the Company arising from the electricity that Gediz EPSAŞ distributes to its subscribers.

GDZ ELEKTRİK DAĞITIM A.Ş.

Notes to the Financial Statements for the Periods Ended 31 December 2023, 2022 and 2021

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

3 RELATED PARTY DISCLOSURES (continued)

3.1 Related party balances (continued)

As of 31 December 2023, 31 December 2022 and 31 December 2021 short-term other receivables due from related parties are as follows:

Short-term other receivables from related parties	31 December 2023	31 December 2022	31 December 2021
Gediz EPSAŞ (1)	-	165,009,218	108,268,724
GDZ Enerji Yatırım A.Ş. ("GDZ Enerji") (2)	-	101,528,596	166,780,615
	-	266,537,814	275,049,339

As of 31 December 2023, 31 December 2022 and 31 December 2021 long-term other receivables due from related parties are as follows:

Long-term other receivables from related parties	31 December 2023	31 December 2022	31 December 2021
GDZ Enerji (2) (*)	-	1,333,623,107	2,086,705,298
Gediz EPSAŞ (1)	-	-	224,797,472
	-	1,333,623,107	2,311,502,770

(*) The Company has applied to the relevant tax office for the receivables from shareholders that are recorded in the records as stated in the 3rd paragraph of Article 6 of Law No. 7440, "Law Amending Some Laws and Decree-Laws and Reorganizing Some Debts". On the same date, the Company waived its receivables from the partners as per the declaration made and removed them from the records as of 21 December 2023, and paid the withholding tax at a rate of 3% through this declaration in accordance with the relevant law. The Company management has evaluated that similar transactions with shareholders under TFRS should be accounted for in accumulated losses instead of the income statement, and has presented them as accumulated losses in the financial statements for the year ending 31 December 2023.

As of 31 December 2023, 31 December 2022 and 31 December 2021 short-term trade payables to related parties are as follows:

Short-term trade payables to related parties	31 December 2023	31 December 2022	31 December 2021
Panobel Elektrik Gereçleri A.Ş. ("Panobel") (1)	274,421,522	708,269,488	89,975,920
Aydem Holding A.Ş. ("Aydem Holding") (1)	113,511,716	237,745,137	53,095,597
GDZ Enerji (2)	82,161,514	47,318,943	17,355,136
BND Group Teknoloji A.Ş. ("BND") (1)	34,372,123	87,824	-
Other	37,224	155,845	23,933
	504,504,099	993,577,237	160,450,586

As of 31 December 2023, 31 December 2022 and 31 December 2021 short-term other payables to related parties are as follows:

Other short-term payables to related parties	31 December 2023	31 December 2022	31 December 2021
Aydem Holding (1)	-	12,966,395	33,886,646
Yatağan Termik Enerji Üretim A.Ş. ("Yatağan") (1) (*)	-	3,244,471	220,352,722
Çates Elektrik Üretim A.Ş. (1) (*)	-	7,230,901	174,172
Other	54,450	193,823	4,466,226
	54,450	23,635,590	258,879,766

(*) The offsetting of receivables from Elektrik Üretim Anonim Şirket ("EÜAŞ") against the Company's payables to related parties arises from the settlement process.

GDZ ELEKTRİK DAĞITIM A.Ş.

Notes to the Financial Statements for the Periods Ended 31 December 2023, 2022 and 2021

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

3 RELATED PARTY DISCLOSURES (continued)**Key management compensation**

Key management includes Chairman and members of the Board of Directors, General Manager and Directors. As of 31 December 2023 and 31 December 2022, the compensation paid or payable to key management for employee services is shown below:

	1 January - 31 December 2023	1 January - 31 December 2022	1 January - 31 December 2021
Benefits to key management personnel	17,213,950	18,731,013	15,964,989
	<u>17,213,950</u>	<u>18,731,013</u>	<u>15,964,989</u>
Sales of goods and services	1 January - 31 December 2023	1 January - 31 December 2022	1 January - 31 December 2021
Gediz EPSAŞ (1)	42,026,279	37,485,405	59,855,930
Other	-	-	5,569,267
	<u>42,026,279</u>	<u>37,485,405</u>	<u>65,425,197</u>
Electricity distribution service revenue	1 January - 31 December 2023	1 January - 31 December 2022	1 January - 31 December 2021
Gediz EPSAŞ (1)	13,097,193,124	8,328,571,790	9,233,996,256
Aydem EPSAŞ (1)	1,907,519	28,812,734	565,201,765
Other	45,432	31,450	35,612
	<u>13,099,146,075</u>	<u>8,357,415,974</u>	<u>9,799,233,633</u>
Purchase of goods and services	1 January - 31 December 2023	1 January - 31 December 2022	1 January - 31 December 2021
GDZ Enerji (2)	2,017,212,614	619,439,775	146,840,136
Panobel (1)	332,007,658	196,693,793	126,531,536
Aydem Holding (1)	96,861,936	108,100,635	39,198,009
BND (1)	50,949,885	1,190,186	-
Other	17,955,007	30,110,146	8,741,581
	<u>2,514,987,100</u>	<u>955,534,535</u>	<u>321,311,262</u>
Electricity purchases	1 January - 31 December 2023	1 January - 31 December 2022	1 January - 31 December 2021
Gediz EPSAŞ (1)	1,155,647,283	1,460,266,659	764,207,117
	<u>1,155,647,283</u>	<u>1,460,266,659</u>	<u>764,207,117</u>
Finance expenses	1 January - 31 December 2023	1 January - 31 December 2022	1 January - 31 December 2021
Aydem Holding (1)	92,342,172	194,315,042	202,509,308
Gediz EPSAŞ (1)	27,354,327	-	1,243,308
Çates (1)	-	673,273	171,269
Yatağan (1)	400,759	16,417,735	9,881,758
Other	419,625	-	-
	<u>120,516,883</u>	<u>211,406,050</u>	<u>213,805,643</u>
Finance income	1 January - 31 December 2023	1 January - 31 December 2022	1 January - 31 December 2021
Gediz EPSAŞ (1)	210,023,106	368,467,199	142,809,601
GDZ Enerji (2)	-	204,764,492	678,813,677
Other	10,758	6,722,875	4,117,850
	<u>210,033,864</u>	<u>579,954,566</u>	<u>825,741,128</u>

GDZ ELEKTRİK DAĞITIM A.Ş.

Notes to the Financial Statements for the Periods Ended 31 December 2023, 2022 and 2021

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

4 TRADE RECEIVABLES AND PAYABLES

4.1 Trade Receivables

<u>Short-term trade receivables</u>	<u>31 December 2023</u>	<u>31 December 2022</u>	<u>31 December 2021</u>
Trade receivables due from related parties (Note 3)	3,177,898,742	794,761,609	2,026,174,396
Trade receivables due from third parties	3,041,706,381	2,588,982,093	1,596,013,650
	<u>6,219,605,123</u>	<u>3,383,743,702</u>	<u>3,622,188,046</u>
Less: Allowances for expected credit loss	(1,309,026,863)	(1,074,526,765)	(697,903,324)
	<u>4,910,578,260</u>	<u>2,309,216,937</u>	<u>2,924,284,722</u>
<u>Short-term trade receivables</u>	<u>31 December 2023</u>	<u>31 December 2022</u>	<u>31 December 2021</u>
Receivables from subscribers	2,020,713,351	1,969,495,303	1,216,734,380
Contract assets (*)	658,154,524	619,486,790	379,279,270
Income accruals related to EMRA revenue cap (**)	362,838,506	-	-
Allowances for expected credit losses (-) (***)	(1,309,026,863)	(1,074,526,765)	(697,903,324)
	<u>1,732,679,518</u>	<u>1,514,455,328</u>	<u>898,110,326</u>

(*) As of the balance sheet date, electricity sales were completed, but it consists of balances related to subscriber receivables originating from customers whose meter reading transactions occurred after the balance sheet date.

(**) According to the Electricity Market Law, the Electricity Market Tariffs Communique and other related regulations the Company's distribution is subject to revenue caps. Realized revenue is determined in a way to cover operating expenses and investment requirements. These regulations guarantee revenue to the Company regardless of the consumption level. The under billings or overbillings made by the Company are calculated at every year end and are adjusted through the tariffs to be effective in two years by EMRA. The effects of the under billings, which means the actual revenue is below the revenue cap set by EMRA, are accounted as short term trade payable at the Company's accompanying financial statements.

(***) The Company recognizes the impairment of trade receivables, weighting the lifetime expected credit losses by default for all trade receivables excluding distribution segment on each customer basis and including non-overdue receivables.

As of 31 December 2023 trade receivables amounting TL 1,445,031,674 (31 December 2022: TL 1,130,311,230, 31 December 2021: TL 672,939,072) were neither past due nor impaired.

As of 31 December 2023, trade receivables from other parties amounting TL 287,647,844 (31 December 2022: TL 384,144,098, 31 December 2021: TL 225,171,254) were past due but not impaired. All of these receivables consist of public receivables. The aging analysis of trade receivables from other parties past due but not impaired as of 31 December 2023, 31 December 2022 and 31 December 2021 is as follows:

	<u>31 December 2023</u>	<u>31 December 2022</u>	<u>31 December 2021</u>
Overdue up to 3 months	249,782,569	359,053,879	180,765,332
Overdue 3 to 6 months	12,388,027	6,094,238	14,250,947
Overdue over 6 months	25,477,248	18,995,981	30,154,975
	<u>287,647,844</u>	<u>384,144,098</u>	<u>225,171,254</u>

As of 31 December 2023, it has been determined that the trade receivable from other parties amounting to TL 1,309,026,863 has been impaired and a provision has been set aside for these receivables. (31 December 2022: TL 1,074,526,765, 31 December 2021: TL 697,903,324) The aging table taken from the invoicing and collection system of the Company was used in determining the amount of provision that should be reserved for impaired trade receivables. Considering its past experience, the management of the Company evaluates over 90 days of overdue trade receivables (excluding Special Provincial Administration and street lighting receivables) as trade receivables.

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4 TRADE RECEIVABLES AND PAYABLES (continued)

4.1 Trade Receivables (continued)

Movement of allowance for the doubtful trade receivables are as follows:

	1 January - 31 December 2023	1 January - 31 December 2022	1 January - 31 December 2021
Opening balance	1,074,526,765	697,903,324	514,917,980
Charge for period	1,074,357,487	876,283,889	440,752,108
Amounts collected during period	(146,208,354)	(127,537,174)	(63,991,463)
Monetary gains/ (losses)	(693,649,035)	(372,123,274)	(193,775,301)
Closing balance	<u>1,309,026,863</u>	<u>1,074,526,765</u>	<u>697,903,324</u>

4.2 Trade Payables

Short-term trade payables	31 December 2023	31 December 2022	31 December 2021
Trade payables due to related parties (Note 3)	504,504,099	993,577,237	160,450,586
Trade payables due to third parties	4,810,880,172	4,672,906,586	3,087,385,121
	<u>5,315,384,271</u>	<u>5,666,483,823</u>	<u>3,247,835,707</u>

Short-term trade payables	31 December 2023	31 December 2022	31 December 2021
Energy purchases and system usage payables (*)	3,392,956,460	1,841,513,841	763,934,449
Trade payables	1,470,017,573	2,964,809,044	2,371,555,599
Expense accruals	1,978,170.00	2,974,504	9,486,293
Rediscount for trade payables (-)	(54,072,031)	(136,390,803)	(57,591,220)
	<u>4,810,880,172</u>	<u>4,672,906,586</u>	<u>3,087,385,121</u>

(*) Trade payables mainly arise from the Company's electricity purchases from Elektrik Üretim A.Ş. ("EÜAŞ") and Türkiye Elektrik İletim A.Ş. ("TEİAŞ"). The average maturity of the payables related to electricity purchases is between 15 - 20 days.

Liquidity and exchange rate risk that the Company is exposed to regarding trade payables are explained in Note 23.

5 OTHER RECEIVABLES AND PAYABLES

5.1 Other Receivables

Short-term other receivables	31 December 2023	31 December 2022	31 December 2021
Other receivables due from related parties (Note 3)	-	266,537,814	275,049,339
Other receivables due from third parties	17,234,283	17,975,165	25,007,228
	<u>17,234,283</u>	<u>284,512,979</u>	<u>300,056,567</u>

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5 OTHER RECEIVABLES AND PAYABLES (continued)**5.1 Other Receivables (continued)**

<u>Short-term other receivables</u>	<u>31 December 2023</u>	<u>31 December 2022</u>	<u>31 December 2021</u>
Deposits and guarantees given	12,954,847	14,537,058	21,616,503
Receivables from tax administration	650,778	1,072,306	-
Receivables from personnel	245,612	164,850	207,646
Doubtful other receivables	11,667,332	18,688,511	30,699,543
Allowances for expected credit losses (-)	(11,667,332)	(18,688,511)	(30,699,543)
Other sundry receivables (*)	3,383,046	2,200,951	3,183,079
	<u>17,234,283</u>	<u>17,975,165</u>	<u>25,007,228</u>

(*) Other receivables consist of the Company's base station rental income receivables.

Movement of allowance for other doubtful receivables is as follows:

<u>Movement of allowances for doubtful other receivables</u>	<u>1 January - 31 December 2023</u>	<u>1 January - 31 December 2022</u>	<u>1 January - 31 December 2021</u>
Opening balance	18,688,511	30,699,543	41,721,837
Charge for period	770,552	78,520	322,468
Amounts collected during period	(209,256)	(78,437)	(279,968)
Monetary gains/ (losses)	(7,582,475)	(12,011,115)	(11,064,794)
Closing balance	<u>11,667,332</u>	<u>18,688,511</u>	<u>30,699,543</u>

<u>Long-term other receivables</u>	<u>31 December 2023</u>	<u>31 December 2022</u>	<u>31 December 2021</u>
Income accruals (**)	87,303,315	72,687,497	68,748,940
	<u>87,303,315</u>	<u>72,687,497</u>	<u>68,748,940</u>

(**) The Company would receive reimbursement for severance pay with in the income requirement. Therefore, it has accrued a receivable equal to the provision for severance pay calculated by the Company. In addition, the Company has made provision for its receivables that are 90 days or less overdue in accordance with the TFRS 9 standard, and has accrued receivables equal to the provision made due to the guarantee of receivables by EMRA.

5.2 Other Payables

<u>Short-term other payables</u>	<u>31 December 2023</u>	<u>31 December 2022</u>	<u>31 December 2021</u>
Other payables due to related parties (Note 3)	54,450	23,635,590	258,879,766
Other payables due to third parties	142,714,330	232,457,744	146,875,407
	<u>142,768,780</u>	<u>256,093,334</u>	<u>405,755,173</u>

<u>Short-term other payables</u>	<u>31 December 2023</u>	<u>31 December 2022</u>	<u>31 December 2021</u>
Deposits and guarantees received (*)	132,877,205	219,958,195	133,432,291
Payables within Energy Market License Regulation	62,696	320,566	369,294
Other sundry payables	9,774,429	12,178,983	13,073,822
	<u>142,714,330</u>	<u>232,457,744</u>	<u>146,875,407</u>

<u>Long-term other payables</u>	<u>31 December 2023</u>	<u>31 December 2022</u>	<u>31 December 2021</u>
Deposits and guarantees received (*)	52,888,878	44,079,616	32,924,828
Payables within Energy Market License Regulation	26,089,081	2,753,062	27,013,051
	<u>78,977,959</u>	<u>46,832,678</u>	<u>59,937,879</u>

Liquidity and exchange rate risk that the Company is exposed to regarding other receivables and payables are explained in Note 23.

(*) Related amount mostly consists of guarantees received from energy and contractor companies.

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Notes to the Financial Statements for the Periods Ended 31 December 2023, 2022 and 2021

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

6 INVENTORIES

	31 December 2023	31 December 2022	31 December 2021
Investment materials (*)	778,910,563	560,336,846	729,217,672
Electricity materials and supplies (**)	111,106,148	105,225,761	97,468,949
Other inventories (***)	9,975	13,645	27,703
	<u>890,026,686</u>	<u>665,576,252</u>	<u>826,714,324</u>

The turnover rate of the Company's inventories consisting of investment materials, electrical materials and equipment is 5.39 and 67 days as of 31 December 2023: 9.26 and 39 days.(31 December 2022: 10.72 and 34 days, 31 December 2021: 7.24 and 50 days). As of 31 December 2023, there is no inventory impairment (31 December 2022: None, 31 December 2021: None).

(*) The amounts consist of transformers, cables, investment materials and equipment to be used in investments as of 31 December 2023, 31 December 2022 and 31 December 2021.

(**) The amounts consist of meters, transformers, cables, electrical materials and equipment to be used in maintenance and repair works of the Company as of 31 December 2023, 31 December 2022 and 31 December 2021.

(***) The amounts in question consist of scrap materials.

7 PREPAID EXPENSES AND DEFERRED INCOME

7.1 Prepaid Expenses

	31 December 2023	31 December 2022	31 December 2021
<u>Short-term prepaid expenses</u>			
Prepaid expenses for the following months	24,109,018	35,743,073	19,240,964
Advances given to suppliers	6,012,585	14,990,597	11,733,115
	<u>30,121,603</u>	<u>50,733,670</u>	<u>30,974,079</u>
<u>Long-term prepaid expenses</u>			
Prepaid expenses for the following years	4,467,079	8,356,905	3,390,083
	<u>4,467,079</u>	<u>8,356,905</u>	<u>3,390,083</u>

7.2 Deferred Income

	31 December 2023	31 December 2022	31 December 2021
<u>Short-term deferred income</u>			
Expense accruals related to EMRA revenue cap (*)	1,287,009,876	127,513,058	834,262,771
Advances received	-	1,290,304	13,205,852
Tax difference adjustment (**)	-	-	141,582,244
	<u>1,287,009,876</u>	<u>128,803,362</u>	<u>989,050,867</u>
<u>Long-term deferred income</u>			
Expense accruals related to EMRA revenue cap (*)	453,779,130	1,355,566,535	504,546,554
Tax difference adjustment (**)	638,283,009	641,812,030	405,249,549
	<u>1,092,062,139</u>	<u>1,997,378,565</u>	<u>909,796,103</u>

(*) According to the Electricity Market Law, the Electricity Market Tariffs Communiqué and other related regulations the Company's distribution service have revenue caps which cover operating expenses and investment requirements related to distribution. These regulations guarantee a revenue to the Company regardless of the consumption level of subscribers. The underbillings or overbillings made by the Company are adjusted by EMRA in the tariffs to be effective in two years. The effects of the underbillings, which means the actual revenue is below the revenue cap set by EMRA, are accounted as income accruals in the Company's financial statements.

(**) Amount expected to be paid as a result of the correction of tax differences adjustment for the periods 2021-2023 has been accrued.

(Convenience translation of financial statements originally issued in Turkish)

GDZ ELEKTRİK DAĞITIM A.Ş.

Notes to the Financial Statements for the Periods Ended 31 December 2023, 2022 and 2021

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

8 FINANCIAL ASSETS

	31 December 2023	31 December 2022	31 December 2021
Within one year	7,546,054,752	8,384,273,041	5,002,125,186
1-3 years	9,327,918,031	8,922,257,328	5,705,582,902
3-5 years	3,560,084,785	2,511,680,214	1,866,005,710
More than 5 years	1,139,833,995	519,291,861	600,388,846
	<u>21,573,891,563</u>	<u>20,337,502,444</u>	<u>13,174,102,644</u>
Current financial assets related to service concession arrangements	7,546,054,752	8,384,273,041	5,002,125,186
Non-current financial assets related to service concession arrangements	14,027,836,811	11,953,229,403	8,171,977,458
	<u>21,573,891,563</u>	<u>20,337,502,444</u>	<u>13,174,102,644</u>
	31 December 2023	31 December 2022	31 December 2021
Opening balance	20,337,502,444	13,174,102,644	10,501,797,958
Investments	1,987,417,028	4,417,695,892	2,835,931,678
Collections	(4,093,259,511)	(3,550,316,769)	(2,889,078,533)
CAPEX reimbursements	(2,467,728,976)	(2,155,317,829)	(1,767,663,989)
WACC reimbursements	(1,625,530,535)	(1,394,998,940)	(1,121,414,544)
Financial income from financial assets related to concession contracts	14,141,765,943	14,254,889,828	6,855,625,739
Monetary gains/ (losses)	(10,799,534,341)	(7,958,869,151)	(4,130,174,198)
Closing balance	<u>21,573,891,563</u>	<u>20,337,502,444</u>	<u>13,174,102,644</u>

9 PROPERTY, PLANT AND EQUIPMENTS AND RIGHT OF USE ASSETS

9.1 Property, Plant and Equipments

As of 31 December 2023, the net book value of the Company's tangible assets is TL 9,371,733 (31 December 2022: TL 14,645,792, 31 December 2021: TL 19,866,354). In 2023, there is no purchase tangible assets (31 December 2022: TL 60,685, 31 December 2021: TL 11,391,181).

Property, plant and equipment depreciation expenses amounting to TL 9,403,859 have been recognized under general administrative expenses (31 December 2022: TL 5,281,248, 31 December 2021: TL 3,626,248).

There is no guarantee, pledge or mortgage on the tangible assets.

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9 PROPERTY, PLANT AND EQUIPMENTS AND RIGHT OF USE ASSETS (continued)**9.2 Right of Use Assets**

There are lease agreements for various buildings and vehicles used in the Company's operations. As of 31 December 2023, 31 December 2022 and 31 December 2021 the movements of assets for use during the period are as follows:

	<u>Building</u>	<u>Vehicles</u>	<u>Total</u>
<u>Cost</u>			
Opening balance as of 1 January 2021	34,119,103	125,058,091	159,177,194
Additions	7,520,590	192,544,365	200,064,955
Disposal	<u>(16,377,556)</u>	<u>(117,186,432)</u>	<u>(133,563,988)</u>
Closing balance as of 31 December 2021	<u>25,262,137</u>	<u>200,416,024</u>	<u>225,678,161</u>
Opening balance as of 1 January 2022	25,262,137	200,416,024	225,678,161
Additions	43,450,518	21,399,387	64,849,905
Disposal	<u>(1,807,872)</u>	<u>(14,008,776)</u>	<u>(15,816,648)</u>
Closing balance as of 31 December 2022	<u>66,904,783</u>	<u>207,806,635</u>	<u>274,711,418</u>
Opening balance as of 1 January 2023	66,904,783	207,806,635	274,711,418
Additions	31,020,762	1,985,016	33,005,778
Disposal	<u>(436,970)</u>	<u>(4,259,093)</u>	<u>(4,696,063)</u>
Closing balance as of 31 December 2023	<u>97,488,575</u>	<u>205,532,558</u>	<u>303,021,133</u>
<u>Accumulated depreciation</u>			
Opening balance as of 1 January 2021	(15,486,771)	(96,059,849)	(111,546,620)
Current expense	(7,100,491)	(62,315,981)	(69,416,472)
Variable lease payment adjustments	(11,441,625)	7,385,476	(4,056,149)
Disposal	<u>16,377,556</u>	<u>117,186,432</u>	<u>133,563,988</u>
Closing balance as of 31 December 2021	<u>(17,651,331)</u>	<u>(33,803,922)</u>	<u>(51,455,253)</u>
Opening balance as of 1 January 2022	(17,651,331)	(33,803,922)	(51,455,253)
Current expense	(11,515,263)	(70,400,392)	(81,915,655)
Variable lease payment adjustments	(320,908)	(4,916,906)	(5,237,814)
Disposal	<u>1,807,872</u>	<u>14,008,776</u>	<u>15,816,648</u>
Closing balance as of 31 December 2022	<u>(27,679,630)</u>	<u>(95,112,444)</u>	<u>(122,792,074)</u>
Opening balance as of 1 January 2023	(27,679,630)	(95,112,444)	(122,792,074)
Current expense	(21,801,817)	(70,842,750)	(92,644,567)
Variable lease payment adjustments	(449,415)	(1,400,837)	(1,850,252)
Disposal	<u>436,970</u>	<u>4,259,093</u>	<u>4,696,063</u>
Closing balance as of 31 December 2023	<u>(49,493,892)</u>	<u>(163,096,938)</u>	<u>(212,590,830)</u>
Net book value of 31 December 2021	<u>7,610,806</u>	<u>166,612,102</u>	<u>174,222,908</u>
Net book value of 31 December 2022	<u>39,225,153</u>	<u>112,694,191</u>	<u>151,919,344</u>
Net book value of 31 December 2023	<u>47,994,683</u>	<u>42,435,620</u>	<u>90,430,303</u>

Right of use asset depreciation expenses amounting to TL 92,644,567 have been recognized under general administrative expenses (31 December 2022: TL 81,915,615, 31 December 2021: TL 69,416,472).

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10 INTANGIBLE ASSETS

As of 31 December 2023, the net book value of the Company's intangible assets is TL 290,335 (31 December 2022: TL 309,002, 31 December 2021: TL 522,392). As of 31 December 2023, in the amount of TL 142,005 intangible asset purchase has been realized (31 December 2022: TL 312,815, 31 December 2021: none.).

Amortization expense amounting to TL 160,672 (31 December 2022: TL 526,208, 31 December 2021: TL 42,803) is accounted under general administrative expenses.

11 CURRENT PROVISIONS

Other short-term provisions	31 December 2023	31 December 2022	31 December 2021
Provision for litigation (*)	137,108,192	154,668,816	161,925,132
	<u>137,108,192</u>	<u>154,668,816</u>	<u>161,925,132</u>

(*) Legal claims are set for the probable cash outflows related to the legal disputes. As of 31 December 2023, the provision amount for the legal claims are determined according to the assessment made by the Company management, considering the probability of legal cases that will be finalized against the Company. The Company's provisioned provisions consist of claims receivables, cases related to forest fires, lawsuits that will receive compensation and restitution cases.

The Company is charging the theft and loss costs to the subscribers in accordance with the tariff determined by EMRA. There are legal cases filed by the subscribers to claim back the theft and loss amounts from the Group claiming that they are unfair. Some cases are finalized against the Company while some others in favor of the Company at local courts and consumer arbitration committees. In June of 2016, statement of "In applications filed in respect of the amounts determined by EMRA within the scope of income and tariff regulations, the authority of the consumer arbitration committees and the courts is limited to the control of compliance with the regulatory procedures of EMRA." has been added to article 17 of Law No. 6446. By this article, it has been determined that in the cases for the theft and loss amounts, the courts can only examine if the theft and loss amounts incurred in accordance with the regulations of the EMRA and it has been ruled that no judgement can be made whether the theft and loss amounts will be collected or not. As of reporting date, the total amount of ongoing cases against the Company is TL 549,207.

Movement table of provisions is as follows:

	1 January - 31 December 2023	1 January - 31 December 2022	1 January - 31 December 2021
Opening balance	154,668,816	161,925,132	216,463,653
Additional provision (canceled provision)	43,240,330	56,096,023	2,855,307
Monetary gains/ (losses)	(60,800,954)	(63,352,339)	(57,393,828)
Closing balance	<u>137,108,192</u>	<u>154,668,816</u>	<u>161,925,132</u>

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

12 COMMITMENT AND CONTINGENCIES

12.1 Guarantees given, pledges and mortgages

As of 31 December 2023, 31 December 2022 and 31 December 2021, the Company's collateral/pledge/mortgage/bail ("CPMB") position is as follows:

	31 December 2023			31 December 2022			31 December 2021		
	Original currency			Original currency			Original currency		
	TL equivalent	TL	USD	TL equivalent	TL	USD	TL equivalent	TL	USD
A. Total amount of guarantees provided by the Company on behalf of itself (*)	1,061,339,783	1,061,339,783	-	931,868,479	931,868,479	-	923,453,188	923,453,188	-
B. Total amount of guarantees provided on behalf of the associates accounted under full consolidation method	-	-	-	-	-	-	-	-	-
C. Provided on behalf of third parties in order to maintain operating activities (to secure third party payables)	-	-	-	-	-	-	-	-	-
D. Other guarantees given	-	-	-	-	-	-	-	-	-
i. Total amount of guarantees given on behalf of the parent Company	-	-	-	-	-	-	-	-	-
ii. Total amount of guarantees provided on behalf of the associates which are not in the scope of B and C	-	-	-	-	-	-	-	-	-
iii. Total amount of guarantees provided on behalf of third parties which are not in the scope of C	-	-	-	-	-	-	-	-	-
Total	1,314,860,798	1,314,860,798	-	1,323,857,815	1,323,857,815	-	1,314,860,798	1,314,860,798	-

(*) Guarantees given by the Company on behalf of its own legal personality consist of letters of guarantee received from banks and given to EÜAŞ, TEİAŞ, EPIAŞ, to the Ministry of Energy, tax offices and enforcement directorates.

	31 December 2023			31 December 2022			31 December 2021		
	TL equivalent	TL	USD	TL equivalent	TL	USD	TL equivalent	TL	USD
Guarantee	1,061,339,783	1,061,339,783	-	931,868,479	931,868,479	-	923,453,188	923,453,188	-
Pledge	-	-	-	-	-	-	-	-	-
Mortgage	-	-	-	-	-	-	-	-	-
Bail	-	-	-	-	-	-	-	-	-
Total	1,314,860,798	1,314,860,798	-	1,323,857,815	1,323,857,815	-	1,323,857,815	1,323,857,815	-

The ratio of other CPMBs given by the Company to the Company's equity is 0% as of 31 December 2023 (31 December 2022: 0%, 31 December 2021: 0%).

12.2 Investment obligations

As a regulated electricity distribution operator, distribution companies are obliged to make the necessary expansion investments in the distribution network infrastructure to ensure the security of supply of all customers of their respective regions. Such expansion investments are mostly the result of new customer connection or transmission connection requests, as well as new street lighting projects opened by municipalities, which are still within the scope of regulated activities of distribution companies.

Annual expansion, replacement, and improvement investments that are stated in TOR and required to be completed by the Company has been determined during the preparation of the tariffs. These investments have been included in the 4. Implementation period tariffs approved by EMRA and as a result the Company is obliged to make these determined investments. Implementation of these investments is monitored by EMRA by the reports received from the Company at the end of each year. Some of these investments are subject to unit prices per announced by EMRA. According to the regulations, the Company is allowed to make transfers between the years after taking approval of EMRA.

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12 COMMITMENT AND CONTINGENCIES *(continued)*

12.3 Energy sales agreements

Distribution and retail companies signed Energy Sales Agreements ("ESA") with EÜAŞ in order to obtain their energy needs during the year. These energy sales agreements have been established based on regulated prices. During the year, the Company is obliged to purchase the energy quantity stated in these agreements. At the current operating conditions and market structure, the Company's energy needs are higher than the contracted quantities and the Company makes purchases regularly from EPIAŞ. As a result, the Company management does not expect any liability related to the Energy Sales Agreements arising from not fulfilling the requirements of Energy Sales Agreements.

12.4 Guarantee letters and bails received

As of 31 December 2023, the Company has a letter of guarantee amounting to TL 322,697,609 from the contractor companies. (31 December 2022: TL 498,191,404, 31 December 2021: TL 650,735,949).

As of 31 December 2023, the Company has received letters of energy guarantee amounting to TL 760,731,510 (31 December 2022: TL 511,257,979, 31 December 2021: TL 570,950,691).

13 EMPLOYMENT BENEFITS

As of 31 December 2023, 31 December 2022 and 31 December 2021 short-term payables related to employee benefits are as follows:

<u>Payables for employee benefits</u>	<u>31 December 2023</u>	<u>31 December 2022</u>	<u>31 December 2021</u>
Social security withholdings payable	21,629,992	17,325,902	7,491,170
Payable to personnel	203,130	90,576	258,061
	<u>21,833,122</u>	<u>17,416,478</u>	<u>7,749,231</u>

As of 31 December 2023, 31 December 2022 and 31 December 2021 short-term provisions related to employee benefits are as follows:

<u>Short-term provisions related to employee benefits</u>	<u>31 December 2023</u>	<u>31 December 2022</u>	<u>31 December 2021</u>
Bonus provisions	57,367,400	46,362,321	35,650,473
	<u>57,367,400</u>	<u>46,362,321</u>	<u>35,650,473</u>

GDZ ELEKTRİK DAĞITIM A.Ş.

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13 EMPLOYMENT BENEFITS (continued)

As of 31 December 2023, 31 December 2022 and 31 December 2021 long-term provisions related to employee benefits are as follows:

<u>Long-term provisions related to employee benefits</u>	<u>31 December 2023</u>	<u>31 December 2022</u>	<u>31 December 2021</u>
Provisions for employment termination benefits	78,637,026	71,117,171	68,617,130
Provisions for unused vacation	31,925,551	23,286,763	18,786,870
	<u>110,562,577</u>	<u>94,403,934</u>	<u>87,404,000</u>

The movement for bonus provisions is as follows:

	<u>1 January - 31 December 2023</u>	<u>1 January - 31 December 2022</u>	<u>1 January - 31 December 2021</u>
Opening balance	46,362,321	35,650,473	37,681,782
Payments	(27,660,390)	(33,775,246)	(37,367,553)
Additional provision recognized	57,367,400	46,362,321	35,650,473
Monetary gains/ (losses)	(18,701,931)	(1,875,227)	(314,229)
Closing balance	<u>57,367,400</u>	<u>46,362,321</u>	<u>35,650,473</u>

The movement of unused vacation provisions are as follows:

	<u>1 January - 31 December 2023</u>	<u>1 January - 31 December 2022</u>	<u>1 January - 31 December 2021</u>
Opening balance	23,286,763	18,786,870	19,270,633
Payments	(2,830,537)	(2,941,191)	(1,909,816)
Additional provision recognized	20,623,448	14,791,346	6,535,527
Monetary gains/ (losses)	(9,154,123)	(7,350,262)	(5,109,474)
Closing balance	<u>31,925,551</u>	<u>23,286,763</u>	<u>18,786,870</u>

The movement for termination and retirement benefit provisions is as follows:

	<u>1 January - 31 December 2023</u>	<u>1 January - 31 December 2022</u>	<u>1 January - 31 December 2021</u>
Opening balance	71,117,171	68,617,130	53,722,195
Service cost	46,492,593	24,513,907	27,345,957
Interest cost	10,811,759	8,955,713	8,448,320
Retirement payments	(16,111,815)	(8,882,724)	(6,614,628)
Actuarial (gain)/loss	(5,716,226)	4,759,226	(40,649)
Monetary gains/ (losses)	(27,956,456)	(26,846,081)	(14,244,065)
Closing balance	<u>78,637,026</u>	<u>71,117,171</u>	<u>68,617,130</u>

GDZ ELEKTRİK DAĞITIM A.Ş.**Notes to the Financial Statements for the Periods Ended 31 December 2023, 2022 and 2021**

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14 OTHER ASSETS AND LIABILITIES

Current assets	31 December 2023	31 December 2022	31 December 2021
Deferred VAT	91,212,278	510,824,296	219,777,663
Other current assets	300,670	-	-
	<u>91,512,948</u>	<u>510,824,296</u>	<u>219,777,663</u>
Non-current assets	31 December 2023	31 December 2022	31 December 2021
Construction in progress within TFRS 12 (*)	294,466,108	11,931,176	565,998,111
	<u>294,466,108</u>	<u>11,931,176</u>	<u>565,998,111</u>

(*) It consists of investments which are construction in progress.

Short-term liabilities	31 December 2023	31 December 2022	31 December 2021
Taxes and funds payables	169,431,812	149,062,562	105,711,915
VAT payable	49,057,951	91,821,086	33,412,289
Other	472,770	416,707	284,251
	<u>218,962,533</u>	<u>241,300,355</u>	<u>139,408,455</u>

15 SHARE CAPITAL, RESERVES AND OTHER EQUITY ITEMS**15.1 Share Capital**

As of 31 December 2023, the Company's paid-in capital is divided into 509,716,000 shares, each with a nominal value of TL 1. (31 December 2022: 509,716,000, 31 December 2021: 509,716,000).

Shareholders	31 December 2023		31 December 2022		31 December 2021	
	Share %	TL	Share %	TL	Share %	TL
GDZ Enerji Yatırımları A.Ş.	100%	509,716,000	100%	509,716,000	100%	509,716,000
	100%	509,716,000	100%	509,716,000	100%	509,716,000
Adjustments to Share Capital		4,379,066,106		4,379,066,106		4,379,066,106
Total Share Capital		<u>4,888,782,106</u>		<u>4,888,782,106</u>		<u>4,888,782,106</u>

In accordance with the Tax Procedure Law and the relevant Communiqué published in the Official Gazette dated 30 December 2023, and numbered 32415 (2nd Duplicate), the balance sheet prepared in accordance with the Tax Procedure Law as of 31 December 2023, has been adjusted through inflation accounting using the Producer Price Index (PPI) published by the Turkish Statistical Institute. The financial statements attached have been adjusted for inflation using the Consumer Price Index (CPI) published by the Turkish Statistical Institute in accordance with IAS 29, and ultimately, the amounts for the current and previous reporting periods have been expressed in purchasing power as of 31 December 2023. Due to the use of different indices in the Tax Procedure Law and IAS 29 inflation accounting applications, and the adjustment of amounts for previous reporting periods to the purchasing power as of 31 December 2023 in the IAS 29 application, differences have arisen between the amounts in the balance sheet prepared in accordance with the Tax Procedure Law and the amounts in the financial statements prepared in accordance with IAS/IFRS for the items "Capital Adjustment Differences", "Capital Advances", and "Restricted Reserves from Profits". These differences have been reflected in the "Retained Earnings or Losses from Previous Years" item in the TAS/TFRS financial statements, and the details of these differences are provided below.

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15 SHARE CAPITAL, RESERVES AND OTHER EQUITY ITEMS *(continued)*

15.1 Share Capital *(continued)*

	31 December 2023		
	Adjustment to share capital	Capital advance	Restricted profit reserves
According to TAS/IFRS Financial Statements	4,379,066,106	142,468,232	640,340,927
According to Tax Procedure Law	8,395,926,641	142,468,232	1,018,802,999
Difference (*)	4,016,860,535	-	378,462,072

	31 December 2022		
	Adjustment to share capital	Capital advance	Restricted profit reserves
According to TAS/IFRS Financial Statements	4,379,066,106	-	640,340,927
According to Tax Procedure Law	-	-	57,524,670
Difference (*)	(4,379,066,106)	-	(582,816,257)

	31 December 2021		
	Adjustment to share capital	Capital advance	Restricted profit reserves
According to TAS/IFRS Financial Statements	4,379,066,106	-	640,340,927
According to Tax Procedure Law	-	-	57,524,670
Difference (*)	(4,379,066,106)	-	(582,816,257)

(*) Regarding differences reflected Company's accumulated profit and loss.

As of 1 January 2021, the amount of "Accumulated Losses" without inflation adjustment is TL 472,025,207 within a scope of TAS 29 the amount of "Accumulated Losses" as of 1 January 2021 TL 1,738,622,906 after inflation adjustment according to 31 December 2023 prices.

15.2 Earnings per share

Earnings per share as stated in the income statement is calculated by dividing the portion of net income attributable to common shareholders by the weighted average number of common shares outstanding during the period.

	1 January - 31 December 2023	1 January - 31 December 2022	1 January - 31 December 2021
Net profit (loss) for the period	6,477,962,612	4,625,362,676	(815,097,009)
Shares	509,716,000	509,716,000	509,716,000
Earnings (loss) / per share (TL)	12.71	9.07	(1.60)

Earnings per share as stated in the income statement is calculated by dividing the portion of total comprehensive income attributable to common shareholders by the weighted average number of common shares outstanding during the period.

	1 January - 31 December 2023	1 January - 31 December 2022	1 January - 31 December 2021
Total comprehensive income/ (expenses)	6,482,535,593	4,621,555,295	(815,064,490)
Shares	509,716,000	509,716,000	509,716,000
Earnings (loss) / per share (TL)	12.72	9.07	(1.60)

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15 SHARE CAPITAL, RESERVES AND OTHER EQUITY ITEMS (continued)

15.3 Restricted profit reserves

	31 December 2023	31 December 2022	31 December 2021
Restricted profit reserves	640,340,927	640,340,927	640,340,927

According to the Turkish Commercial Code, legal reserves are divided into two as primary and secondary legal reserves. Primary legal reserves are reserved at the rate of 5 percent of the legal period profit until it reaches 20 percent of the Company's capital. Secondary legal reserves are separated by 1/11 of all cash dividend distributions exceeding 5 percent of the Company's capital. Mentioned amounts should be classified in "restricted reserves allocated from profit" in accordance with the "Financial Statement Examples and Usage Guide" published by POA. As of 31 December 2023, the Company's legal reserves totaled TL 640,340,927 (31 December 2022: TL 640,340,927, 31 December 2021: TL 640,340,927).

15.4 Accumulated other comprehensive income items that will not be reclassified to profit or loss

With the change in the TAS 19 "Employee Benefits" standard, actuarial gains and losses considered in the calculation of severance pay are not allowed to be recognized in the income statement. Actuarial gains and losses resulting from changes in actuarial assumptions are recognized in the equity section under the "Remeasurement Gains/(Losses)" account. The defined benefit plans related to the Parent Company have experienced a decrease in revaluation as follows:

	31 Aralık 2023	31 Aralık 2022	31 Aralık 2021
Remeasurement gains of defined benefit plans	798,119	(3,774,862)	32,519

16 REVENUE

	1 January - 31 December 2023	1 January - 31 December 2022	1 January - 31 December 2021
Financial income from service concession arrangements (Note 8)	14,141,765,943	14,254,889,828	6,855,625,739
Distribution service revenue	5,811,777,188	2,606,235,716	3,629,818,054
Transmission revenue	3,133,673,702	1,476,701,926	1,940,453,296
Lighting sales revenue	1,452,710,256	1,358,798,184	354,277,938
Revenue from capital expenditures	1,987,417,028	4,417,695,892	2,835,931,678
	<u>26,527,344,117</u>	<u>24,114,321,546</u>	<u>15,616,106,705</u>

17 COST OF SALES

	1 January - 31 December 2023	1 January - 31 December 2022	1 January - 31 December 2021
System usage fee (**)	(3,133,673,702)	(1,476,701,926)	(1,940,453,296)
Electricity purchases (*)	(2,083,243,833)	(2,106,438,638)	(1,121,042,877)
Investment cost	(1,987,417,028)	(4,417,695,892)	(2,835,931,678)
	<u>(7,204,334,563)</u>	<u>(8,000,836,456)</u>	<u>(5,897,427,851)</u>

(*) Includes theft/loss and lighting related electricity purchases.

(**) Includes system usage costs reflected as transmission revenue.

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18 GENERAL ADMINISTRATIVE EXPENSES

	1 January - 31 December 2023	1 January - 31 December 2022	1 January - 31 December 2021
Network repair and maintenance expenses	(1,132,897,422)	(1,091,668,089)	(480,453,160)
Personnel expenses	(742,212,602)	(509,979,439)	(435,558,568)
Meter reading, disconnect, reconnect expenses	(220,179,509)	(171,243,037)	(171,185,918)
Outsourcing expenses	(175,296,610)	(140,188,819)	(87,045,914)
Maintenance cost	(137,502,663)	(120,093,351)	(71,726,205)
Litigation expenses	(128,632,941)	(118,903,605)	(37,934,086)
Duties, taxes and levies	(123,595,437)	(95,711,245)	(77,091,353)
Depreciation and amortization expenses (Note 9, 10)	(102,209,098)	(87,723,111)	(73,085,523)
Call center expenses	(87,373,595)	(51,146,893)	(57,162,007)
Administrative expenses	(78,998,430)	(53,909,041)	(51,439,799)
Rent expenses	(56,748,008)	(24,737,857)	(52,568,124)
Consulting expenses	(55,943,631)	(66,123,483)	(11,762,424)
Repair and maintenance expenses	(53,603,658)	(30,132,817)	(14,591,443)
Licence and due expenses	(51,455,494)	(32,859,205)	(18,043,767)
Insurance expenses	(32,995,320)	(17,762,567)	(14,762,880)
Fuel expenses	(24,652,578)	(27,159,143)	(14,171,113)
Other expenses	(11,970,346)	(15,358,840)	(6,883,483)
	<u>(3,216,267,342)</u>	<u>(2,654,700,542)</u>	<u>(1,675,465,767)</u>

19 OTHER INCOME AND EXPENSES FROM OPERATING ACTIVITIES

19.1 Other Income from Operating Activities

	1 January - 31 December 2023	1 January - 31 December 2022	1 January - 31 December 2021
Tax offset revenues	37,337,199	-	-
Late payment caharges on commercial transaction	23,386,897	20,253,292	19,350,748
Lawsuit, execution, compensation and penalty income	15,119,360	16,660,948	34,528,927
Rediscount interest income, net	-	101,331,839	36,189,054
Other income (*)	26,240,179	7,072,547	10,679,017
	<u>102,083,635</u>	<u>145,318,626</u>	<u>100,747,746</u>

(*) Other income consist of income from stock sales.

19.2 Other Expenses from Operating Activities

	1 January - 31 December 2023	1 January - 31 December 2022	1 January - 31 December 2021
Provision for doubtful trade receivables and other receivables expenses (Note 4,5), net	(928,710,429)	(748,746,798)	(376,803,145)
Late charge expense related to EMRA revenue cap regulations	(744,349,605)	(201,278,744)	(266,214,628)
Foreign exchange loss from operating activities, net	(457,170,377)	(313,839,296)	(305,580,775)
Rediscount interest expense, net	(28,702,981)	-	-
Lawsuit, execution, compensation and penalty expense	(28,739,544)	(13,233,072)	(21,378,150)
Payments made within the scope of service quality	(28,343,529)	(28,568,968)	(29,962,757)
Other expenses (*)	(27,329,138)	(21,291,160)	(14,300,041)
	<u>(2,243,345,603)</u>	<u>(1,326,958,038)</u>	<u>(1,014,239,496)</u>

(*) Consists of the Company's payments related to claim expenses.

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20 FINANCE INCOME AND EXPENSES

20.1 Finance Income

	1 January - 31 December 2023	1 January - 31 December 2022	1 January - 31 December 2021
Late fee income (*)	207,754,411	344,481,145	107,172,300
Loan restructuring income	190,661,134	375,513,857	832,175,766
Interest income on time deposits	23,789,794	23,291,050	49,148,318
Interest income from related and other parties	12,913,873	258,780,794	719,922,720
	<u>435,119,212</u>	<u>1,002,066,846</u>	<u>1,708,419,104</u>

(*) Consists of overdue interest income on system usage receivables from Gediz Epsaş.

20.2 Finance Expenses

	1 January - 31 December 2023	1 January - 31 December 2022	1 January - 31 December 2021
Foreign exchange loss, net	(5,038,576,292)	(4,680,941,814)	(7,251,923,219)
Interest expense related to financial liabilities	(679,712,774)	(821,093,607)	(966,818,209)
Late fee expense (*)	(618,765,914)	(308,693,207)	(16,946,835)
Letters of guarantees and comission expenses	(144,889,955)	(236,982,059)	(280,615,964)
Interest expense from related parties	(28,174,711)	(17,091,008)	(11,296,335)
	<u>(6,510,119,646)</u>	<u>(6,064,801,695)</u>	<u>(8,527,600,562)</u>

(*) Consist of interest expenses incurred in relation to the Company's energy payables.

21 TAXATION ON INCOME

21.1 Corporate tax

The Company is subject to Turkish corporate taxes.

Corporate tax is applied on taxable corporate income, which is calculated from the statutory accounting profit by adding back non-deductible expenses, and by deducting the tax-exempt earnings, other exempt income and other deductions (losses of previous periods, investment incentives utilized).

With the Law No. 7456 published in the Official Gazette dated 15 July 2023, the first paragraph of Article 32 of the Corporate Tax Law was amended and the corporate tax rate was increased to 25% for corporate earnings for the year 2023 and the following taxation periods.

Valid rate of corporate tax as of 31 December 2023 is 25% (31 December 2022: 23%, 31 December 2021: 23%).

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21 TAXATION ON INCOME *(continued)*

21.1 Corporate tax *(continued)*

In Türkiye, temporary tax is calculated and accrued on a quarterly basis. The companies apply 25% tax rate over their quarterly profits (23% for the year 2022) when calculating their temporary tax payables; which they are obliged to declare via Advance Corporate Tax Declaration by the end of the 14th and pay by the end of the 17th of the 2 months following the related period. Quarterly Advance Corporate Tax payments made within a year are deducted from the Corporate Income Tax calculated for the same fiscal year. Following the netting-off, if there is still remaining Advance Corporate Tax balance, it can be deducted from any other financial debt owed to the State or can be received in the form of a cash refund.

Losses are allowed to be carried 5 years' maximum to be deducted from the taxable profit of the following years. Tax carry back is not allowed.

In Türkiye, there is no procedure for a final and definitive agreement on tax assessments. Companies file their tax returns between 1-25 April following the close of the accounting year to which they relate. Tax authorities may examine such returns and the underlying accounting records and may revise assessments within five years.

21.2 Deferred tax

The Company recognizes deferred tax assets and liabilities on the temporary timing differences between the legal books and the financial statements prepared in accordance with TFRS. Such differences generally arise from timing differences of some revenue and expense balances in legal books and financial statements prepared in accordance with TFRS and are explained Note 21.5.

In accordance with Provisional Article 13 added to the Corporate Tax Law No.5520, 25% corporate tax rate is determined for the profits related to their 2021 tax periods, 23% corporate tax rate is determined for the profits related to their 2022 tax periods and as 25% corporate tax rate is determined for the profits related to their 2023 tax periods. Therefore, as of 31 December 2023, a 25% tax rate was used in the deferred tax calculation.

In the deferred tax calculation as of 31 December 2023, 25% tax rate is used for temporary differences that are expected to be realized/closed in and after 2023. (31 December 2022: 20%, 31 December 2021:23%)

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21 TAXATION ON INCOME *(continued)*

21.3 Income withholding tax

There is withholding tax on dividend distributions and this withholding tax is accrued in the period in which the dividend payment is made. Türkiye, with a permanent establishment or permanent representative obtain income through dividend payments and the resident institutions other than those made to companies' resident in Türkiye are subject to 15% withholding tax. Withholding tax rates on profit distribution to non-resident corporations and natural persons are subject to withholding tax included in the relevant Double Taxation Avoidance Agreements. The allocation of retained earnings to capital is not considered as profit distribution, therefore it is not subject to withholding tax.

21.4 Transfer pricing arrangements

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

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

21.5 Tax expense

	31 December 2023	31 December 2022	31 December 2021
<u>Current tax (asset) / liability</u>			
Current corporate tax provision	-	-	-
Less: Prepaid taxes and funds	(8,261,827)	-	(194,549,719)
Current tax assets	(8,261,827)	-	(194,549,719)

Tax expenses are as follows:

	1 January - 31 December 2023	1 January - 31 December 2022	1 January - 31 December 2021
Current tax expense	-	52,019,832	-
Tax expense incurred within the scope of Law No. 7440 and tax base increase	(22,748,415)	-	(121,356,324)
Deferred tax expense / (income) relating to the origination and reversal of temporary differences, net	2,422,655,307	(1,026,633,267)	(219,064,267)
	<u>2,399,906,892</u>	<u>(974,613,435)</u>	<u>(340,420,591)</u>

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21 TAXATION ON INCOME (continued)**21.5 Tax expense (continued)***Reconciliation of the effective tax rate*

<u>Tax reconciliation</u>	<u>1 January - 31 December 2023</u>	<u>1 January - 31 December 2022</u>	<u>1 January - 31 December 2021</u>
Current profit	6,477,962,612	4,625,362,676	(815,097,011)
Tax expense	(2,399,906,892)	974,613,435	340,420,591
Profit from operations	4,078,055,720	5,599,976,111	(474,676,420)
Tax at the domestic income tax rate (2023: 25% , 2022:23% , 2023:25%)	(1,019,513,930)	(1,287,994,506)	118,669,105
Tax effects of:	-	-	-
- <i>deductions</i>	-	21,525,420	6,652,144
- <i>non deductible expenses in determining taxable profit</i>	(148,774,351)	(127,909,921)	(222,952,635)
- <i>deferred tax effect of temporary differences arising from inflation accounting in accordance with tax procedure law (*)</i>	4,145,740,785	-	-
- <i>tax base increase expenses</i>	(22,748,415)	-	(121,466,438)
- <i>changes in income tax rate</i>	(222,427,362)	274,039,596	22,410,945
- <i>non-taxable inflation adjustments</i>	(248,349,734)	(127,266,829)	(837,749,218)
- <i>the financial loss impact that does not create a tax effect</i>	276,264,461	263,473,178	694,689,333
- <i>The effect of financial losses on which deferred tax assets were created in previous years but waived in the current period</i>	(360,284,562)	-	-
- <i>other</i>	-	9,519,626	(673,827)
Current tax expense	<u>2,399,906,892</u>	<u>(974,613,435)</u>	<u>(340,420,591)</u>

(*) In accordance with the Tax Procedure Law dated 30 December 2023 and numbered 32415 (2nd Repeated), it consists of the deferred tax effect of temporary differences arising from the adjustments made in relation to inflation accounting.

Deferred tax asset and liability

	<u>31 December 2023</u>	<u>31 December 2022</u>	<u>31 December 2021</u>
Deferred tax (assets)/liabilities			
Deferred tax assets on financial losses (*)	436,673,050	686,369,042	694,689,333
Carrying amount differences of property, plant and equipment intangible assets and concession arrangement difference	348,725,047	(2,396,275,201)	(1,404,089,164)
Income and expense accruals	340,594,655	295,947,553	292,171,345
Other payables	159,570,782	128,362,447	113,613,891
Provision for litigation	34,277,048	30,933,763	37,242,779
Provisions for employment termination benefits	19,659,256	14,223,434	13,723,426
Bonus provisions	10,039,295	9,272,464	8,199,602
Provisions for unused vacation	7,981,388	4,657,353	3,757,374
Cash and cash equivalents	(239,664)	(315,922)	(596,804)
Trade payables	(9,192,677)	(21,576,582)	(2,485,392)
Right of use assets	(14,099,807)	(12,900,185)	(3,833,958)
Other receivables	(21,442,252)	207,963	395,951
Inventories	(75,063,805)	(18,053,986)	(12,633,033)
Interest accruals	(177,804,642)	(177,220,572)	(143,660,701)
Trade receivables	(225,305,648)	(130,771,607)	(157,953,263)
	<u>834,372,026</u>	<u>(1,587,140,036)</u>	<u>(561,458,614)</u>

(*) As of 31 December 2023, the details of carried forward losses that are subject to recognition of deferred tax assets and their respective expiration dates are summarized in the table below.:

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21 TAXATION ON INCOME (continued)

21.5 Tax expense (continued)

	31 December 2023	31 December 2022	31 December 2021
Expiring in 2028	(1,105,057,843)	-	-
Expiring in 2027 (*)	-	(1,317,365,892)	-
Expiring in 2026 (*)	(641,634,358)	(2,114,479,318)	(3,473,446,665)
Total carried forward losses	(1,746,692,201)	(3,431,845,210)	(3,473,446,665)
Deferred tax assets on financial losses	436,673,050	686,369,042	694,689,333

(*) The Company increased the tax base in its 2021 and 2022. As a result of tax base increase, the Company waived half of loss for 2021 and all of loss for 2022.

The movement of deferred tax asset / (liability) is as follows:

	1 January - 31 December 2023	1 January - 31 December 2022	1 January - 31 December 2021
Movement of deferred tax (assets)/liabilities			
Opening balance	(1,587,140,036)	(561,458,614)	(342,386,217)
Recognized in profit or loss	2,422,655,307	(1,026,633,267)	(219,064,267)
Recognized in other comprehensive income	(1,143,245)	951,845	(8,130)
Closing balance	834,372,026	(1,587,140,036)	(561,458,614)

22 FINANCIAL INSTRUMENTS

22.1 Financial Liabilities

	31 December 2023	31 December 2022	31 December 2021
Short-term portion of long term lease liabilities	24,247,079	43,779,169	52,897,098
Short-term portion of long term borrowings	1,805,791,185	1,364,926,876	2,157,921,633
Total short-term borrowings	1,830,038,264	1,408,706,045	2,210,818,731
Long-term lease liabilities	9,783,996	43,639,246	94,221,456
Long-term bank loans	7,430,421,875	8,528,462,680	10,642,735,655
Total long-term borrowings	7,440,205,871	8,572,101,926	10,736,957,111
Total financial liabilities	9,270,244,135	9,980,807,971	12,947,775,842

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22 FINANCIAL INSTRUMENTS (continued)**22.1 Financial Liabilities (continued)**

The repayments of loan agreements according to their original maturities are as follows:

	31 December 2023	31 December 2022	31 December 2021
To be paid within 1 year or when requested	1,805,791,185	1,364,926,876	2,157,921,633
To be paid second year	1,383,776,902	1,384,389,083	1,468,309,303
To be paid third year	1,312,384,372	1,330,449,547	1,489,245,619
To be paid fourth year	1,214,875,835	1,261,807,382	1,431,220,590
To be paid fifth year	1,077,421,245	1,168,057,520	1,357,379,323
To be paid after five year	2,441,963,521	3,383,759,148	4,896,580,820
	<u>9,236,213,060</u>	<u>9,893,389,556</u>	<u>12,800,657,288</u>

The movement of loans as of 31 December 2023, 31 December 2022 and 31 December 2021 is as follows:

	1 January- 31 December 2023	1 January- 31 December 2022	1 January- 31 December 2021
Opening balance	9,893,389,556	12,800,657,288	10,929,322,573
Additions	-	64,542,760	-
Principal payments	(322,766,364)	(1,208,995,215)	(256,247,770)
Payment of interest	(601,579,817)	(777,686,671)	(925,192,806)
Changes in interest accruals	462,239,270	415,475,962	94,207,090
Foreign exchange movements	4,874,855,000	4,539,450,881	7,004,516,235
Monetary gains /(losses)	(5,069,924,585)	(5,940,055,449)	(4,045,948,034)
Closing balance	<u>9,236,213,060</u>	<u>9,893,389,556</u>	<u>12,800,657,288</u>

Interest and currency details are as follows:

Currency	Average effective annual interest rate range	31 December 2023	
		Short-term	Long-term
US Dollars	6%	1,805,791,185	7,430,421,875
		<u>1,805,791,185</u>	<u>7,430,421,875</u>
Currency	annual interest rate range	31 December 2022	
		Short-term	Long-term
US Dollars	6%	1,364,926,876	8,528,462,680
		<u>1,364,926,876</u>	<u>8,528,462,680</u>
Currency	annual interest rate range	31 December 2021	
		Short-term	Long-term
US Dollars	8%	2,157,921,633	10,642,735,655
		<u>2,157,921,633</u>	<u>10,642,735,655</u>

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22 FINANCIAL INSTRUMENTS *(continued)*

22.1 Financial Liabilities *(continued)*

Commitments for bank loan

The Company signed a loan structuring agreement with all lenders on 21 June 2019, and the refinancing process was completed with the prerequisites provided on 19 July 2019. The Company and lenders agreed on a new reimbursement plan, and the interest rate of loans, which used to be a floating interest rate, has changed steadily. As a result of the negotiations with the banks, the interest rates of the USD currency loans were revised again in 2022.

The following commitments will remain until the last repayment date, in accordance with the common terms agreement:

- Purchasing, Merger, Separation and Similar Transactions: The Company will not take over any Company, be merged with any other Company and will not enter into merger, acquisition or transfer transactions without the prior written approval of the loan representative.
- Dividend Distribution and Repayment of Receivables: The Company does not distribute any dividends or pay consecutive receivables without the permission of existing lenders under loan restructuring agreements.
- Shareholder Structure: The shareholder structure of the Company cannot be changed without the approval of the lenders.
- Transfer of Resources and Related Party Transactions: Except for the transfers permitted in accordance with the agreements, any funds will not be transferred between Aydem Group companies and shareholders.
- Treasury Transactions: The Company will not engage in derivative transactions including speculative hedging transactions until the repayment of all bank debts, except that they can be made in accordance with the Hedging Strategy Agreement.

Default conditions

- Violation of liability -Misrepresentation – Abuse of loans – Lawlessness
- Insolvency: If any of the borrower declare that they cannot pay their debts on due date because of the financial difficulties.
- Insolvency related transactions - Bankruptcy, administrator or appointment of manager - Being subject to enforcement proceedings
- Cancellation, Suspension, Suspension of Permits and Licenses
- Interruption of Activities: Completely or substantial part of the activities of any of the borrowers and guarantors (except Elsan and Tümaş) has stopped
- Seizure, Expropriation ve Public intervention – Litigation or administrative action facility
- Violation of electricity sales judgments specified in the commitment section
- Guarantee Letters: if becomes illegal or unenforceable
- If the guarantees are invalid, it becomes illegal or not applicable

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22 FINANCIAL INSTRUMENTS (continued)

22.1 Financial Liabilities (continued)

Default conditions (continued)

- Conflict between shareholders
- Subsequent conditions are not presented to the loan representative within specified periods.

The loans of the Company are under the guarantee of the Holding. Aydem Holding does not reflect a cost related to loans to the Company.

Liquidity and exchange rate risk that the Company is exposed to regarding financial liabilities are explained in Note 23.

22.2 Other Financial Liabilities

	31 December 2023	31 December 2022	31 December 2021
Short-term financial liabilities	85,747,006	85,790,702	153,314,742
Long-term financial liabilities	239,258,292	315,409,713	480,220,521
	<u>325,005,298</u>	<u>401,200,415</u>	<u>633,535,263</u>

The details of other financial liabilities are as follows:

	31 December 2023	31 December 2022	31 December 2021
European Investment Bank ("EIB") (*)	325,005,298	401,200,415	586,075,935
World Bank Group (**)	-	-	47,459,328
	<u>325,005,298</u>	<u>401,200,415</u>	<u>633,535,263</u>

(*) The Company has participated in the tender as part of the Electricity Distribution Network Improvement Project for the loan received from the EIB for investment, with an initial 5-year grace period and 20-year maturity by Tedaş in 2006. The project was realized within all of Türkiye, Izmir and Manisa investment expenditures made by the Company are provided through financing. Tedaş takes the loan on a Euro basis and reflects in Euro to the distribution companies.

(**) Company has participated in the tender as part of the Electricity Distribution Network Improvement Project for the loan received from the World Bank Group Bank (WB), with an initial 5-year grace period and 20-year maturity without interest by Tedaş in 2008. The project was realized within all of Türkiye, Izmir and Manisa investment expenditures made by the Company are provided through financing. Tedaş takes the loan on a Euro basis and reflects in Euro to the distribution companies. The loan was fully repaid in 2022.

The repayments of loan agreements according to their original maturities are as follows:

	31 December 2023	31 December 2022	31 December 2021
To be paid within 1 year or when requested	85,747,006	85,790,702	153,314,742
To be paid second year	83,318,080	83,354,355	102,804,499
To be paid third year	81,022,845	81,013,239	99,909,017
To be paid fourth year	43,011,759	78,801,073	97,127,006
To be paid fifth year	17,769,692	41,407,171	94,498,350
To be paid after five year	14,135,916	30,833,875	85,881,649
	<u>325,005,298</u>	<u>401,200,415</u>	<u>633,535,263</u>

As of 31 December 2023, the original currency of other financial liabilities is Euro, and the weighted average interest rates range between 3.99% and 4.90%. (As of 31 December 2022: 3.99% - 4.90%, 31 December 2021: 2.81% - 4.90%)

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22 FINANCIAL INSTRUMENTS (continued)

22.2 Other Financial Liabilities (continued)

As of 31 December 2023, 31 December 2022 and 31 December 2021 the other financial liabilities is as follows:

	1 January- 31 December 2023	1 January- 31 December 2022	1 January- 31 December 2022
Opening balance	401,200,415	633,535,263	628,604,295
Principal payments	(54,949,929)	(91,214,760)	(85,022,912)
Payment of interest	(16,755,665)	(21,310,086)	(24,176,576)
Changes in interest accruals	18,086,707	11,565,854	26,297,539
Foreign exchange movements	178,509,514	142,603,812	293,063,709
Monetary gains /(losses)	(201,085,744)	(273,979,668)	(205,230,792)
Closing balance	<u>325,005,298</u>	<u>401,200,415</u>	<u>633,535,263</u>

22.3 Lease Liabilities

The details of the lease liabilities are as follows:

	Buildings	Vehicles	Total
Opening balance as of 1 January 2021	9,300,963	33,244,581	42,545,544
Additions	7,520,590	192,544,365	200,064,955
Interest expense	2,146,155	11,991,657	14,137,812
Payments	(7,128,188)	(61,964,863)	(69,093,051)
Monetary gains /(losses)	(6,535,971)	(34,000,739)	(40,536,710)
Closing balance as of 31 December 2021	<u>5,303,549</u>	<u>141,815,001</u>	<u>147,118,550</u>
Opening balance as of 1 January 2022	5,303,549	141,815,001	147,118,550
Additions	43,450,518	21,399,387	64,849,905
Interest expense	2,862,374	15,675,565	18,537,939
Payments	(6,660,271)	(47,498,165)	(54,158,436)
Monetary gains /(losses)	(23,421,282)	(65,508,262)	(88,929,544)
Closing balance as of 31 December 2022	<u>21,534,888</u>	<u>65,883,526</u>	<u>87,418,414</u>
Opening balance as of 1 January 2023	21,534,888	65,883,526	87,418,414
Additions	30,571,347	584,179	31,155,526
Interest expense	3,158,062	5,567,598	8,725,660
Payments	(8,038,589)	(29,450,950)	(37,489,539)
Monetary gains /(losses)	(30,683,936)	(25,095,050)	(55,778,986)
Closing balance as of 31 December 2023	<u>16,541,772</u>	<u>17,489,303</u>	<u>34,031,075</u>

The Company used a 30% interest rate for lease contracts.(31 December 2022: %22, 31 December 2021: %22)

The maturity of the lease liabilities which are original currency TL, as follows:

	31 December 2023	31 December 2022	31 December 2021
To be paid within 1 year	24,247,079	43,779,169	52,897,098
To be paid after 1 year and over	9,783,996	43,639,245	94,221,452
	<u>34,031,075</u>	<u>87,418,414</u>	<u>147,118,550</u>

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23 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

23.1 Capital risk management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The capital structure of the Company consists of debt, cash and cash equivalents and equity attributable to equity holders of the parent, comprising issued capital and reserves.

The ratio of the net debt, calculated by deducting cash and cash equivalents from financial debts, by dividing it by the invested capital is as follows:

	31 December 2023	31 December 2022	31 December 2021
Financial liabilities (Note 22)	9,595,249,433	10,382,008,386	13,581,311,105
Less: Cash and cash equivalents (Note 25)	(32,094,541)	(138,775,469)	(22,738,950)
Net financial liabilities	9,563,154,892	10,243,232,917	13,558,572,155
Total equities	10,817,136,328	5,271,722,782	650,167,487
Invested capital	20,380,291,220	15,514,955,699	14,208,739,642
Net financial liabilities / invested capital (%)	47%	66%	95%

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23 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

23.2 Financial risk factors

The Company's activities expose it to a variety of financial risks: market risk, credit risk and liquidity risk. Company management and board of directors review and accept the policies regarding the management of the risks mentioned below.

23.2.1 Credit risk management

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in a financial loss to the Company. Book values of financial assets show the maximum credit risk exposed.

	Receivables				Cash in banks	Financial assets related concession arrangements
	Trade Receivables		Other Receivables			
31 December 2023	Related parties	Other parties	Related parties	Other parties		
Maximum exposure to credit risk as of reporting date (A+B+C)	3,177,898,742	1,732,679,518	-	104,537,598	31,523,897	21,573,891,563
- Secured part of the maximum credit risk exposures via collateral etc.	-	1,083,459,119	-	-	-	-
A. Net book value of financial assets those are neither overdue nor impaired	3,177,898,742	1,445,031,674	-	104,537,598	31,523,897	21,573,891,563
B. Net book value of financial assets that are overdue but not impaired	-	287,647,844	-	-	-	-
C. Net book value of impaired financial assets	-	-	-	-	-	-
- Overdue (gross book value)	-	1,309,026,863	-	11,667,332	-	-
- Impairment amount (-)	-	(1,309,026,863)	-	(11,667,332)	-	-

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23 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(continued)*

23.2 Financial risk factors *(continued)*

23.2.1 Credit risk management *(continued)*

	Receivables				Cash in banks	Financial assets related concession arrangements
	Trade Receivables		Other Receivables			
31 December 2022	Related parties	Other parties	Related parties	Other parties		
Maximum exposure to credit risk as of reporting date (A+B+C)	794,761,609	1,514,455,328	1,600,160,921	90,662,662	138,553,235	20,337,502,444
- Secured part of the maximum credit risk exposures via collateral etc.	-	1,009,449,083	-	-	-	-
A. Net book value of financial assets those are neither overdue nor impaired	794,761,609	1,130,311,230	1,600,160,921	90,662,662	138,553,235	20,337,502,444
B. Net book value of financial assets that are overdue but not impaired	-	384,144,098	-	-	-	-
C. Net book value of impaired financial assets	-	-	-	-	-	-
- Overdue (gross book value)	-	1,074,526,765	-	18,688,511	-	-
- Impairment amount (-)	-	(1,074,526,765)	-	(18,688,511)	-	-

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23 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

23.2 Financial risk factors (continued)

23.2.1 Credit risk management (continued)

	Receivables				Cash in banks	Financial assets related concession arrangements
	Trade Receivables		Other Receivables			
31 December 2021	Related parties	Other parties	Related parties	Other parties		
Maximum exposure to credit risk as of reporting date (A+B+C)	2,026,174,396	898,110,326	2,655,301,049	93,756,168	22,705,632	13,174,102,644
- Secured part of the maximum credit risk exposures via collateral etc.	-	898,110,326	-	-	-	-
A. Net book value of financial assets those are neither overdue nor impaired	2,026,174,396	672,939,072	2,655,301,049	93,756,168	22,705,632	13,174,102,644
B. Net book value of financial assets that are overdue but not impaired	-	225,171,254	-	-	-	-
C. Net book value of impaired financial assets	-	-	-	-	-	-
- Overdue (gross book value)	-	697,903,324	-	30,699,543	-	-
- Impairment amount (-)	-	(697,903,324)	-	(30,699,543)	-	-

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23 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)**23.2 Financial risk factors (continued)****23.2.2 Liquidity risk management**

Liquidity risk is the risk that the Company will not be able to meet its future financial liabilities. The liquidity risk of the Company is managed by providing sufficient financing opportunities from various financial institutions in order not to damage the Company or damage its reputation in order to fund the current and future possible debt requirements under normal conditions or crisis situations.

31 December 2023	Book value	Estimated / Contractual cash flow	0-3 months	3-12 months	1-5 years	more than 5 years
Non-derivative financial liabilities						
Financial liabilities	9,595,249,433	12,917,403,101	17,324,389	1,984,433,196	6,666,654,912	4,248,990,603
Trade payables to related parties	504,504,099	504,504,099	504,504,099	-	-	-
Trade payables to third parties	4,810,880,172	4,864,952,203	4,864,952,203	-	-	-
Other payables to related parties	54,450	54,450	-	54,450	-	-
Other payables to third parties	221,692,289	221,692,289	142,714,330	-	78,977,959	-
Total liabilities	<u>15,132,380,443</u>	<u>18,508,606,142</u>	<u>5,529,495,021</u>	<u>1,984,487,646</u>	<u>6,745,632,871</u>	<u>4,248,990,603</u>
31 December 2022						
	Book value	Estimated / Contractual cash flow	0-3 months	3-12 months	1-5 years	more than 5 years
Non-derivative financial liabilities						
Financial liabilities	10,382,008,386	14,656,393,848	295,481,244	1,243,113,794	6,979,097,439	6,138,701,371
Trade payables to related parties	993,577,237	993,577,237	993,577,237	-	-	-
Trade payables to third parties	4,672,906,586	4,809,297,389	4,809,297,389	-	-	-
Other payables to related parties	23,635,590	23,635,590	-	23,635,590	-	-
Other payables to third parties	279,290,422	279,290,422	232,457,744	-	46,832,678	-
Total liabilities	<u>16,351,418,221</u>	<u>20,762,194,486</u>	<u>6,330,813,614</u>	<u>1,266,749,384</u>	<u>7,025,930,117</u>	<u>6,138,701,371</u>
31 December 2021						
	Book value	Estimated / Contractual cash flow	0-3 months	3-12 months	1-5 years	more than 5 years
Non-derivative financial liabilities						
Financial liabilities	13,581,311,105	18,985,264,671	487,552,340	1,886,481,087	7,606,346,569	9,004,884,675
Trade payables to related parties	160,450,586	160,450,586	160,450,586	-	-	-
Trade payables to third parties	3,087,385,121	3,144,976,341	3,144,976,341	-	-	-
Other payables to related parties	258,879,766	258,879,766	-	258,879,766	-	-
Other payables to third parties	206,813,286	206,813,286	146,875,407	-	59,937,879	-
Total liabilities	<u>17,294,839,864</u>	<u>22,756,384,650</u>	<u>3,939,854,674</u>	<u>2,145,360,853</u>	<u>7,666,284,448</u>	<u>9,004,884,675</u>

23.2.3 Market risk management

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

23.2.3.1 Foreign currency risk management

The Company undertakes certain transactions denominated in foreign currencies. The Company is exposed to currency risk mainly in USD and EUR. CBT exchange rates are given below:

	31 December 2023	31 December 2022	31 December 2021
Assets (USD) - buying	29.44	18.70	13.33
Liabilities (USD) - selling	29.49	18.73	13.35
Assets (EUR) - buying	32.57	19.93	15.09
Liabilities (EUR) - selling	32.63	19.97	15.11

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23 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

23.2 Financial risk factors (continued)

23.2.3 Market risk management (continued)

23.2.3.1 Foreign currency risk management (continued)

The Company's foreign currency assets and liabilities are as follows:

	31 December 2023			31 December 2022			31 December 2021		
	Total TL Equivalent	US Dollars	EUR	Total TL Equivalent	US Dollars	EUR	Total TL Equivalent	US Dollars	EUR
Cash and cash equivalents	1,472,295	61,885	15,809	3,244,211	156,077	16,345	3,331,073	224,860	22,133
Trade receivables	(1,207,944,650)	(30,152,441)	(6,918,298)	(3,299,432,716)	(166,666,947)	(8,884,345)	(2,131,571,561)	(157,845,885)	(1,578,379)
Other payables	(130,119,831)	(3,838,392)	(155,931)	(49,895,013)	(2,528,835)	(126,428)	(10,602,267)	(788,633)	(4,740)
Financial liabilities	(9,561,218,358)	(283,546,430)	(9,959,528)	(10,294,589,971)	(528,154,471)	(20,089,351)	(13,434,192,551)	(958,635,310)	(41,917,391)
Net foreign currency position	(10,897,810,544)	(317,475,378)	(17,017,948)	(13,640,673,489)	(697,194,176)	(29,083,779)	(15,573,035,306)	(1,117,044,968)	(43,478,377)

Sensitivity to currency risk

The Company is mainly exposed to foreign currency risk in USD Dollars. The following table details the Company's sensitivity to a 10% increase and decrease in US Dollars and Euro. 10% is the rate used to report the exchange rate risk within the Company to the executives and this rate indicates the possible change in the exchange rates expected by the management. The sensitivity analysis covers only foreign currency denominated monetary items at the end of the year and shows the effects of the 10% increase in foreign exchange rates of these items at the end of the year excluding tax effects. A positive value indicates an increase in profit or loss and other equity items.

	Change in USD against TL			Change in EUR against TL		
	31 December 2023	31 December 2022	31 December 2021	31 December 2023	31 December 2022	31 December 2021
Assets - Profit or (loss)	182,178	291,837	21,786	51,496	32,584	33,391
Liabilities - Profit or (loss)	(936,458,669)	(1,306,276,494)	(1,491,890,401)	(55,585,578)	(58,115,275)	(65,746,237)
Total	(936,276,491)	(1,305,984,657)	(1,491,868,615)	(55,534,082)	(58,082,691)	(65,712,846)

23.2.3.2 Interest rate risk management

Borrowing of the Company at fixed and variable interest rates exposes the Company to interest rate risk. These risks are managed using natural methods that arise as a result of offsetting interest rate related assets and liabilities. Interest rates of financial assets and liabilities are stated in the related notes.

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23 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(continued)*

23.2 Financial risk factors *(continued)*

Financial instruments (fair value disclosures)

The fair value of financial assets and liabilities is determined within the framework of generally accepted pricing models. These models are based on the prices resulting from observable market transactions and discounted cash flows based on the tariff structure determined by EMRA.

The Company uses observable information in the market when measuring the fair value of an asset or liability. Fair valuation is categorized into different levels in the fair valuation hierarchy determined based on the information used in the valuation techniques stated below.

Level 1: At identical (unadjusted) prices in active markets for identical assets or liabilities;

Level 2: Data observable for assets or liabilities, other than quoted prices included within Level 1, that are observable, directly (through prices), or indirectly (derived from prices); and

Level 3: Fair value measurements using inputs for the asset or liability that are not based on observable market data (unobservable inputs).

If the information used to measure the fair value of an asset or liability can be classified into a different level of the fair valuation hierarchy, this fair valuation is classified to the same level of the fair valuation hierarchy, which includes the smallest information important for the whole measurement.

The Company recognizes the transfers between the levels in the fair valuation hierarchy at the end of the reporting period when the change occurred.

Fair value is the amount that is the closest to the fair value of a financial asset in a sales transaction between two parties willing to buy or sell, except for a mandatory sale or liquidation.

In general, the Company assumes that the carrying amount of the financial instruments whose cash and cash equivalents, short term trade receivables, short term other receivables are short or whose initial recognition is close to the reporting date will be close to the fair values of the related assets. At the same time, it is accepted that the fair value of foreign currency assets and liabilities, which are translated into Turkish Lira at the year-end exchange rate, converge to their book value.

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24 FEES FOR SERVICES RECEIVED FROM INDEPENDENT AUDIT COMPANY

The Company's explanation regarding the fees for the services rendered by the independent audit firm, which is prepared based on the Public Oversight Accounting and Auditing Standards Authority of Türkiye (POA)'s Board Decision published in the Official Gazette on 30 March 2021, and the preparation principles of which are based on the letter of POA dated 19 August 2021 are as follows:

	31 December 2023	31 December 2022	31 December 2021
Independent audit fee for the reporting period	11,268,662	803,362	659,275
Fee for other assurance services	48,000	42,841	40,750
	<u>11,316,662</u>	<u>846,203</u>	<u>700,025</u>

25 EXPLANATORY NOTES TO THE STATEMENT OF CASH FLOW

	31 December 2023	31 December 2022	31 December 2021
Cash at banks	31,523,897	138,553,235	22,705,632
Other cash and cash equivalents	570,644	222,234	33,318
	<u>32,094,541</u>	<u>138,775,469</u>	<u>22,738,950</u>

As of balance sheet dates, the original terms of time deposits consist of short-term TL balances of 1-3 days.

Details of "Other adjustments to reconcile profit/ (loss)" that presented on cash flow statement as follows:

	1 January- 31 December 2023	1 January- 31 December 2022	1 January- 31 December 2021
Adjustments related to rediscount interest income and expenses,net	28,702,981	(101,331,839)	(36,189,054)
Adjustments related to finance (income) / cost based on revenue cap regulation	744,349,605	201,278,744	266,214,628
Adjustments related to financial income recognised related to service concession arrangements	(14,141,765,943)	(14,254,889,828)	(6,855,625,739)
	<u>(13,368,713,357)</u>	<u>(14,154,942,923)</u>	<u>(6,625,600,165)</u>

Details of "Other cash in-flows generated from operating activities" that presented on cash flow statement as follows:

	1 January- 31 December 2023	1 January- 31 December 2022	1 January- 31 December 2021
Collections from capital expenditures related to service concession arrangements	2,467,728,976	2,155,317,829	1,767,663,989
Collections from return on securities related to service concession arrangements	1,625,530,535	1,394,998,940	1,121,414,544
	<u>4,093,259,511</u>	<u>3,550,316,769</u>	<u>2,889,078,533</u>

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25 EXPLANATORY NOTES TO THE STATEMENT OF CASH FLOW (continued)

Details of “cash-out flows from investing activities” that presented on cash flow statement as follows:

	1 January- 31 December 2023	1 January- 31 December 2022	1 January- 31 December 2021
Capital expenditures related to service concession arrangements	(1,864,667,486)	(4,487,226,102)	(2,095,259,344)
	<u>(1,864,667,486)</u>	<u>(4,487,226,102)</u>	<u>(2,095,259,344)</u>

Financial risk and exchange rate explanations related to cash and cash equivalents are explained in Note 23.

26 SEGMENT REPORTING

Operating segment is reported in a manner consistent with the reporting provided to the board of directors. Board of directors are responsible for the decisions related to the allocation of resources to the segments and assessment of performance of segments.

The Company has electricity distribution operating segment, which includes the information used from management to evaluate performance and taking decision for resource allocation. The Company is managed as a single reporting unit covering ancillary services related to electricity distribution.

27 SUBSEQUENT EVENTS AFTER THE REPORTING DATE

As of the reporting date, the capital increase of TL 142,468,232 presented under capital advances in the financial statements was registered in the Turkish Trade Registry Gazette with number 11015 dated 5 February 2024. It was decided to offset the mentioned increase against accumulated losses and to determine the Company's capital as TL 509,716,000.

The Company's paid-in capital will be increased by 50,971,600 TL to 560,687,600 TL within the registered capital ceiling of 2,000,000,000 TL, and 50,971,600 number of shares of group B with a nominal value of 1 TL will be issued within the scope of the capital increase, with a nominal value of 50,971,600 TL. The registered shares are going to be offered to the public offering by completely restricting the pre-emptive rights of the existing shareholders.

Applicable from 1 June 2024, EMRA has announced that, distribution tariff to be applied to all customer groups has been increased by 59%.

In the investigation file numbered 2024/103785 of the Republic Prosecutor's Office regarding the electrical leakage incident that occurred in Izmir on 12 July 2024, criminal charges have been filed against Company employees, contractor company employees, and İZSU General Directorate employees. In the ongoing trial against our employees, it is strongly considered that the main cause of the electrical leakage is not directly related to the Company's operations and activities. The criminal case is filed against the employees individually, and even if a Company employee is sentenced, it is not expected to have negative effects on the Company's activities and financial situation.

On 2 August 2024, “Law No. 7524 on Amendments to Tax Laws, Certain Laws and Decree Law No. 375” was published in the Official Gazette dated 2 August 2024 and numbered 32620. With this Law, regulations and amendments have been made on domestic minimum corporate tax application, global minimum tax application and many other tax-related issues. The Company is in the process of assessing the impact of the amendments on the financial statements.

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