MARGÜN ENERJİ ÜRETİM SAN. VE TİC. A.Ş.

MANAGEMENT DISCUSSION OF ANALYSIS AND RESULTS

01.01.2023 - 31.12.2023

STRATEGIC REPORT

Fair Review of the Business

Founded in 2014, in Kahramanmaraş, Margün Enerji Üretim San. Ve Tic A.Ş. (The “Company” or “Margün Enerji”) is a solar energy company engaged in generation of renewable energy and provision of project development and turnkey EPC services for land-type renewable energy power plants in international markets.

The Company has invested in a total renewable energy generation capacity of 308 MWp including solar, wind, geothermal, hydro power plants via its affiliation Enda Enerji.

Margün Enerji owns and operates 88 solar power plants under the Unlicensed Electricity Generation legislation and 1 solar power plant under the Licensed Electricity Generation legislation with a total capacity of 118 MWp.

Angora Elektrik A.Ş., a wholly owned subsidiary of Margun Enerji, provides operation and maintenance services for all SPPs within the Group, as well as customers and investors outside the Group.

Margun Enerji is publicly listed in the BIST and trading in the BIST Sustainability Index.

The Company is a leading company, providing full range of services in renewable energy sector, predominantly in solar energy market. The Company is a preferred solution partner for reputable customers with its strong sustainability vision and ESG reporting. The Company also has a strong asset position and a cash position which makes it a strong candidate for new project development and investments.

Description of Principle Risks and Uncertainties

Cash and cash equivalents

Cash and cash equivalents are carried in the statement of financial position at cost. Cash and cash equivalents include cash on hand, deposits at banks and highly liquid short-term investments, with maturity periods of less than three months, which has insignificant risk of change in fair value. Revenue comprises the invoiced value for the sale of goods and services. Revenues are recognized on an accrual basis at the fair values incurred or to be incurred when the goods are delivered, the risks and rewards of ownership of the goods are transferred, when the amount of revenue can be reliably measured, and it is probable that the future economic benefits associated with the transaction will flow to the entity.

Group- As Lessor

If the Company transfers substantially all the risks and rewards of ownership of an underlying asset, it is classified as a finance lease. Whether a lease is a finance lease depends on the substance of the transaction rather than the form of the contract. At the commencement date of the lease, the Company recognizes a receivable equal to the net lease investment in the statement of financial position instead of the assets granted as finance leases. The implicit interest rate on the lease is used to measure the net lease investment. The Company recognizes financing income over the lease term on a basis that reflects a constant periodic rate of return on the net lease investment.

The Company provides foreign exchange risk protection on the balance sheet by borrowing in the same currency against foreign exchange risks arising from foreign currency sales amounts that are highly likely to be realized at future dates within the scope of the agreements it has concluded and the corporate budget, In this context, repayments of foreign currency borrowings that are subject to hedging accounting and are determined as hedging instruments are made with foreign currency sales cash flows that will be realized at close dates and determined as hedging items within the scope of hedging accounting, The Company determined exchange rate risk management strategy as part of a high probability of risk realization estimated transaction hedging exchange rate risk cash flow hedge accounting hedging instrument for the purpose of being applied and formed on components, effectiveness has been proven mathematically and in accordance TFRS 9, which isn't yet realized exchange rate fluctuations in the income statement the income statement Comprehensive Income Statement of pulling from the park aims at the presentation and healthier, As of 31 December 2023 the hedging ratio has been calculated as 93%, and the hedging efficiency as 96%.

Capital Risk Management

The Company manages its capital to ensure that the Company will be able to continue as a going concern while maximizing flow of resources through the optimization of the debt and equity balance, The capital structure of the Company consists of debt, which includes the borrowings disclosed in Note 18 of the Company's IFRS report, cash and cash equivalents and equity attributable to equity holders of the parent, comprising issued capital, reserves and retained earnings, The board of directors considers the cost of capital and the risks associated with each class of capital, Based on recommendations of the board, the Company targets to balance its overall capital structure through new debt or the redemption of existing debt, The Company's overall strategy remains unchanged from 2021.

Financial Risk Factors

The Company's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk, The Company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Company's financial performance. Risk management is carried out by a central finance department under policies approved by the board of directors, Company's finance department identifies, evaluates and hedges financial risks in close cooperation with the Company's operating units. Credit risk management Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Company. Financial instruments of the Company that will result in concentration of credit risk mainly include cash and cash equivalents and trade receivables. The Company's maximum exposure to credit risk is the same as the amounts recognized in the consolidated financial statements

Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the board of directors, which has built an appropriate liquidity risk management framework for the management of the Company's short, medium and long-term funding and liquidity management requirements. The Company manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities by closely monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

Analysis of Development and Performance

The Company's electricity generation revenues showed a strong growth performance. In 2023, the amount of electricity generation represented 97% of its total revenue.

The main reason for the decrease in the EPC service amounts in 2023 is that a significant portion of the completion rates for the projects signed in 2023 will occur in 2024.

Post reporting period, the Company's international EPC services operations is expected to increase with new contracts from reputable institutional domestic customers who chose the Company as a high quality, trustable, transparent service provider with strong sustainability practices.

	Income Distribution by Energy Produced in SPPs and Company Activities								
Net Sales TRY	**31.12.2023**	**%**	**31.12.2022**	**%**	**31.12.2021**	**%**	**31.12.2020**	**%**	**31.12.2019**
Electricity Generation	739.089.028	73%	427.547.110	89%	225.644.272	237%	66.880.481	181%	23.761.946
EPC Services	19.463.961	-91%	226.669.068	-20%	283.182.141	1170%	22.297.979		
TOTAL	758.552.989		654.216.178		508.826.413		89.178.460		23.761.746

EVENTS AFTER REPORTING PERIOD

None.

Analysis of Key Performance Indicators

Margün Enerji is currently developing SPP projects with a total contract value of EUR 55.5 Mn and an installed power of 64 MWp in Italy on behalf of its customers, and after the permits are completed, EPC service will be provided and the sites will be installed.

In accordance with the 11 MWp GES Project Development and Turnkey EPC contract signed with Berkteks Tekstil, one of the mentioned projects, the land development, technical inspection and project studies of the 11 MWp San Guiseppe Jato SPP Project in Palermo, Italy, Sicily Region, have been completed. On 06.08.2021, the official application for licensing to Italian Network Operator Enel was made on behalf of Margün Enerji's Italy Branch.

In accordance with the 53 MWp SPP Project Development and Turnkey EPC contract signed with Hacı İsmail KURTUL and Kurteks Tekstil, the land development, technical inspection and project studies of the 53.1 MWp Castello SPP Project located in Agrigento, Sicily, Italy have been completed. On 07.07.2021, the official application for licensing to the Italian Network Operator Terna was made on behalf of the Italian branch of Margün Enerji. Our application has been approved by Terna, Italian High Voltage Network Operator. As per the applicable regulation, 30% of the connection fee has been paid to Terna and our Solar Power Plant with an installed power of 53.1 MWp has obtained

STMG approval (the network connection right). The project prelicense has been obtained. Thus, our project has reached to 30% completion level and moved to the next stages including EIA (Environmental Impact Assessment), zoning and construction permits. After the completion of these processes, the installation of the power plant will begin. The Project is expected to generate EUR 8 million of EBITDA, annually.

Margün Enerji has signed a project development and turnkey EPC contract with MTG Enerji İnşaat Sanayi ve Ticaret A.Ş., a company headquartered in Ankara, for an 11 MWp Solar Power Plant project to be built in Italy. The total value of the contract is EUR 11,000,000, excluding 18% VAT (TRY 165.953.700) and as of today, Eur 1,000.000 advance was received.

Our company will carry out the project development, EPC, PPA and project finance facilities of the power plant on turnkey basis. Within the scope of the Project, it is expected to generate EUR 1.600.000 (TRY 24.138.720) EBITDA per year.

Margün Enerji develops projects from beginning and turns-key solar power plants in the USA, Canada and Australia, especially in Western European countries such as Italy, Spain, Germany, England, Netherlands and France, on its own behalf in the country and on behalf of its customers abroad.

Earnings per share

Earnings per share disclosed in the statement of profit or loss are determined by dividing net earnings by the weighted average number of shares that have been outstanding during the related year concerned. In Turkey, companies can increase their share capital by making a pro-rata distribution of shares ("bonus shares") to existing shareholders from retained earnings and the revaluation surplus. For the purpose of earnings per share computations, the weighted average number of shares outstanding during the year has been adjusted in respect of bonus shares issues without a corresponding change in resources, by giving them retroactive effect for the year in which they were issued and for each earlier year.

This section describes how the Directors has had regard to the matters set out in Section 172

Having regard to the likely consequences of any decisions in the long term

We regard the long-term consequences of our decisions to ensure the sustainability of our operations for the benefit of our investors, employees, suppliers, customers and other stakeholders. The sustainability policy ensures that the Company integrates sustainability in all decision-making levels and operations. The Company reports on its sustainability efforts with annual sustainability reports as well as LSEG ESG reporting to measure our progress.

Having regard to interests of employees

The Company works in line with a Human Resource Policy following global developments in human resources management, treating its employees respectfully and fairly and helping them with their career development as well as sustaining work life balance. To help with sustaining the work-life balance of its employees, the Company provides them with the option to work from home once in two weeks. The Company also supports its employees personal career development with in-house and 3rd party education and training programmes. The Company has a breakfast policy where employees are provided breakfast by the Company. The Company also has policies to provide its employees with financial support for day-care, elderly care, commute, and energy bills during winter months.

Having regard to the need to foster the Company's and its subsidiary Companies business relationship with suppliers, customers and others

The Company and its subsidiaries ethics policy, sustainability policy determine their strategies and decisions to foster their relations with suppliers and customers. In 2023, the Company and its subsidiaries became UNGC and UN WEPs signatories to ensure that they integrate these principles in their business and decision making. The after sales, operation and maintenance service of Naturel Enerji Group also helps them foster their relations with customers enabling them to retain these services from the same group.

Having regard to the need the impact of the Company's and its subsidiary operations on the community and the environment

As a renewable energy company, the Company and its subsidiaries regard their impact on environment and community highly. The Company and its subsidiaries have a net-zero emission policy to achieve a net-zero target by 2050. They ensure to recycle all office and SPP site related waste and, also raise awareness with suppliers and customers to employ the same principles. The Company and its subsidiaries value biodiversity and plan SPP installations so that they do not harm biodiversity. The Company and its subsidiaries are developing social responsibility projects to add value to the local communities by raising awareness on sustainability as described in our 2023 sustainability report.

Having regard to the desirability of the Company and its subsidiary maintaining a reputation for high standards of business conduct

Maintaining high standard business conduct is very important for Margun Enerji. The Company and its subsidiaries have strong sustainability and ESG policies and report on its ESG practices via LSEG platform.

Having regard to the need to act fairly between members of the Company

The Company has written and published policies to ensure the members have clear guidelines in terms of code of conduct. The human resource policy ensures equal opportunities for employees and ensures individual professional development potential while regarding work life balance. The ethics policy and UNGC principles are practiced to ensure that the Company does not tolerate any unethical behaviour. The Company has an ethics telephone line encouraging open communication and reporting of material issues. The Company reports on ESG practices ensuring equality, diversity and transparency in all decision making. Eg. the Company ensures to take decisions to sustain the gender equality and monitor salary gap at all management levels. These actions are reported in the Company 2023 Sustainability reports.