

Annual Report 2021

A Sustainable Future Empowered by 40 Years of Success



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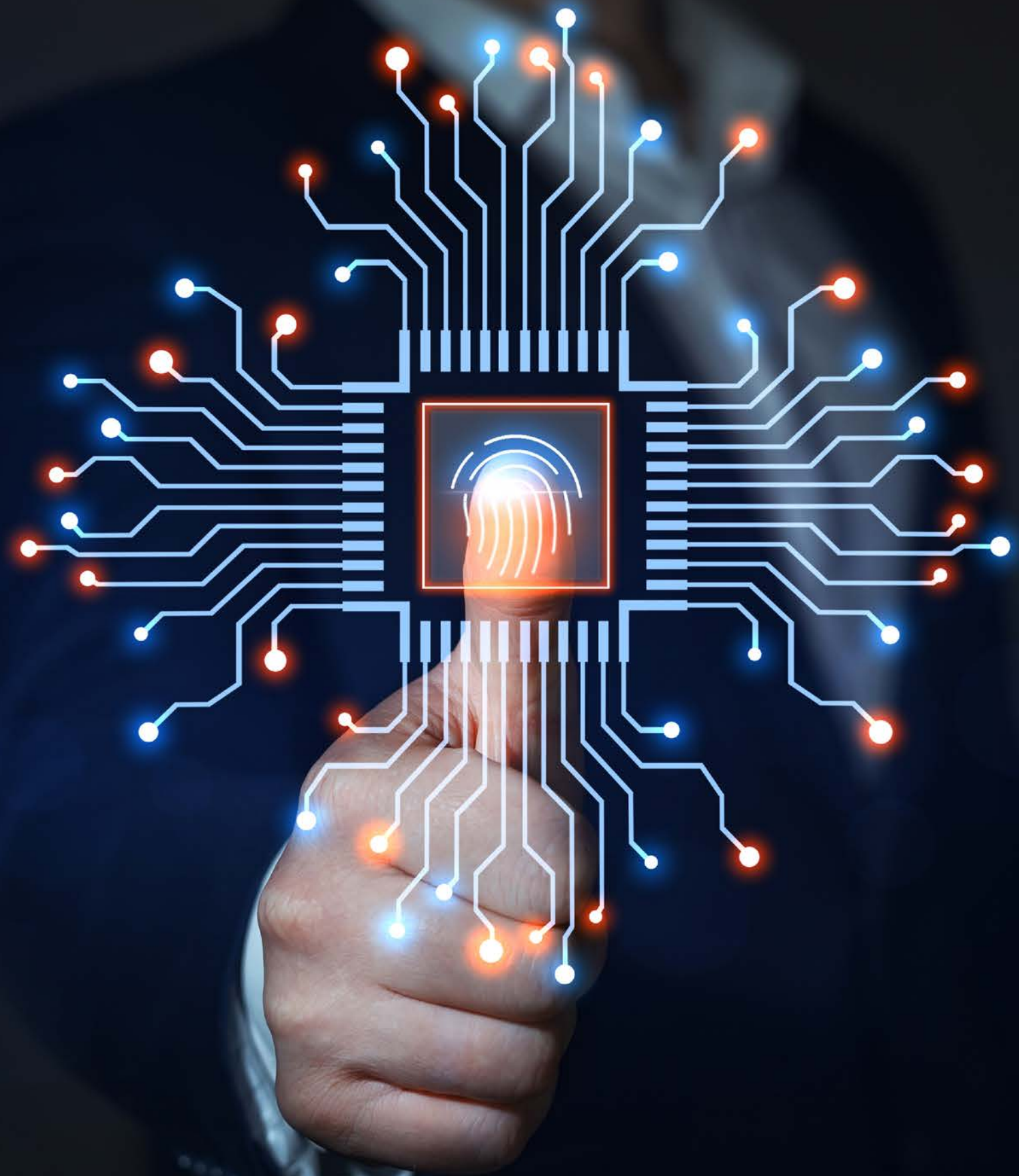
Our story that began in these lands 40 years ago continues to unfold with our expanding operations in different geographies around the world.

We continue to make difference in a diversified range of sectors, including energy, construction, finance, textile, mining, telecommunication, and digital. We undertake leading roles in these various industries.

We foster the trust placed in us with our expert staff and innovative business approach by making steady progress on the path to the future driven by our successful 40-year legacy.

Always innovative, always dynamic

We have reached our current vaunted position by constantly adapting to our fast-changing world. One thing has not changed: our commitment to corporate values. Our steps forward are powered by our values. We continuously renew our organization and capitalize on opportunities with our dynamic and agile structure. By deftly interpreting the spirit of the times and prioritizing innovation in all our fields of activity, we generate significant added value for our home country while adhering to our core principles of environmental sensitivity and sustainability.





Strong and productive global collaborations

We develop innovative business models to take our business forward into the future. We aim to advance further by pursuing sustainable growth in the sectors we operate. We are widely known for our successful long-term collaborations with leading international companies around the world. With this collaborative approach, we maximize our impact and boost our competitiveness.

Sustainable initiatives adding value to life

The world is being reshaped after the highly challenging circumstances of the pandemic. In response to this change, we execute a strategy focused on sustainable investments that will take our performance to the next level. We constantly strive to add value to people's lives, society and the world. We deliver our projects and initiatives in full and on time, as always, and maintain our benefit-oriented development.



A man in a dark suit and blue shirt is shown from the chest up, slightly out of focus. He is pointing his right index finger towards a glowing, digital globe. The globe is composed of orange and yellow particles and lines, with the continent of Africa highlighted in a brighter, more detailed orange. The background is dark and moody.

Impact extending from Turkey to Africa

Since our founding, we have entered into a diversified range of sectors and gained the ability to do business in different cultures through our operations across a wide geography. We are developing solutions in Africa, especially in the fields of energy, infrastructure and superstructure construction, and finance. We aim to further expand our global footprint.

A QUICK GLANCE AT ÇALIK GROUP

One of the world's best in every sector it operates

Adding value to people's lives and the world with its sustainable investment strategy, Çalık Holding operates across a wide geography covering 31 countries in Central Asia, the Middle East, Africa, the Balkans, and Eastern Europe.

Carrying out activities in 31 countries including Central Asia, the Balkans and the MENA region, Çalık Holding creates employment for more than 14 thousand people.

Energy



Çalık Group leads the way to numerous firsts in the sector with its subsidiaries in the field of energy through investments in national and international markets. The Group provides services with its subsidiaries in the fields of EPC Power Systems, Electricity Generation, Electricity and Natural Gas Distribution, Electricity Retail Sales, Oil and Gas.

9.6

TL Billion
Net Sales

8.5

TL Billion
Shareholders' Equity

Construction



Gap İnşaat, Çalık Group's company operating in the construction sector, focuses on contracting and real estate in Turkey and abroad. The Company has achieved a reliable and solid position in the sector with its deep-rooted experience and numerous giant projects implemented. To date, the company has completed 136 projects with a total contract value of USD 6.36 billion on an international scale.

2.2

TL Billion
Net Sales

3.4

TL Billion
Shareholders' Equity

Mining



Çalık Group continues its presence in the industry with its competitive and high-standard activities in the mining field. Lidya Madencilik successfully continues its operations for more than 10 years with the deep-rooted experience of the Çalık brand and the synergy created by the Group companies.

4.2

TL Billion
Total Assets

3.3

TL Billion
Shareholders' Equity

Textile



Gap Pazarlama, which has a wide range of production with the strong supply network established by Çalık Holding in Central Asia and North Africa, and Çalık Denim, which produces fabrics that bring vision to the Turkish and world textile industry, continue to consolidate their sustainable activities that lead the sector by blending them with R&D studies and new technologies.

2.1

TL Billion
Net Sales

604

TL Million
Shareholders' Equity

Telecommunications



The company keeps maintaining its pioneering role in the Albanian industry by skillfully incorporating global changes.

593

TL Million
Net Sales

470

TL Million
Shareholders' Equity

Finance



Çalık Holding has achieved significant success in Turkey, Albania, and Kosovo with its deep-rooted experience in the finance sector, innovative vision, strong collaborations, and high-quality service approach.

105.1

TL Billion
Total Assets

11.1

TL Billion
Shareholders' Equity

Digital



Çalık Digital builds digital transformation in all its operations including production, realizes new business models and ways of working with its infrastructure that offers services beyond the era.



OUR VISION, MISSION, VALUES

Our Vision

To grow four-fold on four continents by our 44th anniversary (2025) by adding value to every life we touch in all areas that we operate in, with reliable teams enlivened by our innovation-oriented, entrepreneurial spirit alongside our sustainable environment-friendly policies.

Our Mission

To contribute to increasing prosperity through the generation of solutions that provide value to human life in all the geographies we operate with our skills and drive.

Our Values

Fairness: We are a family acting with a sense of right and justice both at work and in our principles.

People-Oriented: We devote all our energy to improving people's lives. Our priority is always the development and happiness not only of our employees and customers but of all the people touched by the value we generate.

Reputation: Our good reputation comes before everything else.

Work from the Heart: No matter what, we work wholeheartedly for our Group, our goals and the projects that we believe will add value to people's lives.

Innovation: We continuously develop and improve our solutions and business models, and identify what will differentiate us.

Agility: We have the flexibility and speed to meet every challenge.

Sustainability: We value long-term, continuous success and respect the environment.



DEVELOPMENTS IN 2021

A pioneering corporate enterprise in every sector it operates

Çalık Holding realizes pioneering projects and initiatives to add value to society and the world with the business processes, products and services developed under its sustainable approach, and moves forward by maintaining sustainable growth in all its business areas.



Çalık Holding publishes its first Sustainability Report

Conducting efforts to add value to both people's lives and the world with its strategy of sustainable investment across an extensive geographic area that includes 31 countries in Central Asia, the Middle East, Africa, the Balkans, and Eastern Europe, Çalık Holding published its first Sustainability Report with the title of "Pioneering Ideas, Sustainable Investments."

The report presents Çalık Holding's value dimensions in line with integrated thinking and reporting principles and was prepared based on GRI core standards.

Within the frame of sustainability, Çalık Holding integrates its corporate values and main sustainability principles into every aspect of its business operations. Çalık Holding realizes pioneering projects and initiatives to add value to society and the world with the business processes, products and services developed under its sustainability approach.



International success from Çalık Group companies

ENR Magazine ranked Çalık Group companies Çalık Enerji and Gap İnşaat 157th and 162nd, respectively, on the list of the 2021 Top 250 International Contractors.

Çalık Enerji, founded in 1998 and today one of the world's pioneering energy companies with its turnkey contracting operations projects around the globe, climbed 14 places to 157th in the Top 250 International Contractors list in 2021.

Gap İnşaat, a solution partner in contracting services in energy, petroleum, and natural gas, along with infrastructure, superstructure, housing, and industrial facility projects, jumped 54 places to rank 162nd.



International award to YEDAŞ

YEDAŞ recorded a major success by receiving a Gold Stevie® in the category of "Distribution Industry - Company of the Year" at the Stevie® Award International Business competition, which was organized for the 18th time in 2021 as one of the most prestigious awards of the business world.

In a program where 3,700 candidates from 63 countries were evaluated, it was a source of pride for our company that our regional conscious, sustainable and agile digital transformation approach was rewarded in a global competitive environment.



Two awards to Aktif Bank

Aktif Bank, Turkey's biggest privately owned investment bank, was presented with two awards at the Corporate and Investment Banking Awards held by Asian Banking and Finance (ABF), which recognizes excellence in the banking and finance industry.

In 2020, Aktif Bank performed the first lease certificate export transaction that supports sustainability in Turkey under a financing deal for YEDAŞ, which brings the "Innovation Deal of Turkey" and the "Project Infrastructure Finance Deal of the Year" awards to Aktif Bank.

The Asian Banking and Finance Awards recognizes exceptional banks and financial institutions in the Asia Pacific area based on various awards criteria, including project productivity, innovative solutions, and customer impact.



Çalık Holding joins the World Business Council for Sustainable Development

Çalık Holding became a member of the Business Council for Sustainable Development (BCSD Turkey), an organization engaged in efforts in five focus areas under the UN Sustainable Development Goals, and aiming to increase the awareness and impact of the business world on sustainable development in Turkey.

With its innovative business processes, products and services developed with a sustainability approach, Çalık Holding aims to contribute to the sustainability of world resources with the projects conducted with the cooperation of SKD Turkey that carries out pioneering projects and initiatives for the business world and society.

Contributing to the sustainability of the world's resources

Çalık Holding aims to contribute to the sustainability of the world's resources through its business processes, products and services developed with a sustainability approach.

Çalık Denim aims to expand its product portfolio in line with the 2025 goals of the "Passion for Life, Passion for Denim" Sustainability Strategy.



Çalık Denim and Good American collaboration

Çalık Denim, a leading global premium denim producer, entered into a collaboration with Good American, a forward-looking women's apparel brand, for its new sustainable collection: "Always Fits." The collection promises "The Perfect Fit" featuring Çalık Denim's innovative and sustainable fabrics.

Good American aims to source 90% of its denim fabrics from sustainable materials. Similarly, Çalık Denim plans to expand its sustainable product portfolio in line with the 2025 goals of the "Passion for Life, Passion for Denim" Sustainability Strategy. This collaboration between two major global brands to produce sustainable and perfect-fit jeans is a unique example for the denim industry.



Energetic Schools Project by Çalık Enerji

Çalık Enerji, committed to a cleaner future with its environmentally friendly initiatives, carries out the Energetic Schools Social Responsibility Project in cooperation with the Ministry of National Education. Thanks to the solar panels installed under this effort, the participating schools will generate the energy they need while students are introduced to the concept of renewable energy.

The project, which supports schools to produce their own energy and aims to increase students' awareness of renewable energy sources and sustainability issues, is implemented with the approach of "Value to People, Investment in the Future." The first phase of the Energetic Schools Social Responsibility Project, which is planned to continue as a long term program, was started under the coordination of the Amasya Provincial Directorate of National Education.



'Breathe for the Future' Project by YEDAŞ

YEDAŞ employees planted 10 thousand saplings in the memorial forest they created in Çorum.

YEDAŞ, fulfilling its social responsibilities while providing qualified and sustainable energy supply in the provinces of Samsun, Ordu, Çorum, Amasya, and Sinop, created a memorial forest in Deniz village, Çorum with the slogan "Zero Carbon."

Attaching great importance to natural life and the environment, YEDAŞ moved toward its Zero Carbon target by planting 10 thousand saplings in the memorial forest.



40 thousand saplings donated by Çalık Holding in its 40th year

Çalık Holding joined the mobilization campaign initiated by TEMA Foundation to regreen Turkey and heal the wounds after forested areas were damaged by fires that broke out simultaneously in many regions of the country.

To help repair some of the damage caused by forest fires and to reforest the damaged areas, Çalık Holding donated 40 thousand saplings to TEMA Foundation in its 40th anniversary year.



Aktif Bank's 'Passo' and İKSV collaboration

Passo mobile application enables users to instantly find tickets for many events, such as sports matches, concerts, theaters, and festivals. The Passo mobile application also features Easy Cash, which provides 24/7 money transfer, single click credit applications, and interest-free opportunities for 30 days free of charge.

Turkey-Africa Business World Award to Çalık Holding

Driven by the core principle of creating sustainable value in every region it operates, Çalık Holding participated in the Third Turkey-Africa Economy and Business Forum with its companies Çalık Enerji, Gap İnşaat, Lidya Madencilik, and Aktif Bank.



Support to Turkey-Africa relations by Çalık Holding

The Third Turkey-Africa Economic and Business Forum, organized by DEİK to improve economic and business relations between Turkey and Africa, was held in Istanbul on October 21-22 and sponsored by Çalık Holding.

Embracing the principle of creating sustainable value in every region it operates, Çalık Holding actively participated in the forum with its companies Çalık Enerji, Gap İnşaat, Lidya Madencilik, and Aktif Bank.

More than 3 thousand businesspersons from 45 countries attended the Third Turkey-Africa Economic and Business Forum. In the well-attended event covering a wide range of topics from energy to agriculture, health to banking, panel discussions on cooperation and investment opportunities between Turkey and Africa were held with the participation of state administrators and private sector representatives from each side. Çalık Holding was presented with the Turkey-Africa Business World Award in recognition of its efforts in: "Paving the way for banking relations in Africa for the Turkish business world and contributing to the improvement of infrastructure by realizing energy projects on the African continent."



Individual Banking by Aktif Bank

Extending its product portfolio in Private Banking with the motto "Individual Banking," Aktif Bank expanded into new business areas in 2021. Apart from traditional and well-known treasury products such as bonds and repos, Aktif Bank leads the industry in offering new debt instruments to customers in Turkish capital markets such as Asset-Backed Securities (ABSs) and Structured Borrowing Instruments.



N Kolay for transportation in Istanbul

N Kolay, the digital bank of Aktif Bank, Turkey's largest private investment bank, introduced yet another innovative solution: indiBindi mobile application. With this app, Istanbul residents can now use contactless payment with QR codes on minibuses. Users can also make minibus reservations on the app to avoid long waits at bus stops.

Developed in collaboration with Istanbul Taxi Minibus Services Association, indiBindi enables zero contact on minibuses and payments via QR codes. In addition, Istanbul residents can now make reservations for yellow minibus vehicles, and avoid the need to go to the first stop of the minibus route to ensure having a seat.

Minibus drivers can also track payments instantly via the app and will no longer spend valuable time waiting for passengers at the first stop thanks to the reservation feature.



MESSAGE FROM THE CHAIRMAN

40 years of adding value to human life

In addition to our current geographies that include Turkey, Central Asia, the Middle East and the Balkans, we have significantly expanded our operations in Africa in mining, contracting, finance and energy in particular.

Dear Stakeholders,

Without a doubt, the most striking headline over the past two years across the globe is the Covid-19 pandemic. Prompting countries to take extraordinary actions and resulting in fast-changing market conditions, the pandemic continued to demonstrate its impact in 2021 with sharp price increases in commodities and logistics due to supply shortages. Although Turkey has navigated the pandemic in an effective way, the impact of these global price rises has started to be reflected in leading economic indicators as of the second half of 2021.

At Çalık Group, we effectively navigated the turbulence of 2021 in terms of our financial and operational performance. With our deep-rooted corporate business approach and organizational agility, we closely monitored the impacts of global circumstances in all regions and sectors we operate. Grounded by our strong financial structure, we identified and implemented any necessary actions in a timely manner. In addition to our current geographies that include Turkey, Central Asia, the Middle East and the Balkans, we have significantly expanded our operations in Africa in mining, contracting, finance and energy in particular. We plan to continue focusing on the African market in the coming year.

Çalık Group maintained its growth momentum while successfully conducting its existing business operations. In 2021, we boosted our consolidated revenues in dollar terms by 23% compared to the previous year. Meanwhile, our profitability figures also trended in a positive direction. We are entering 2022 well-prepared for the global economic volatility that lies ahead. While creating value in every aspect of our extensive operations, we further strengthen our financial structure with effective balance sheet management.

In 2021, we left our 40th year behind. While steadily boosting the productivity and profitability of our companies over the past four decades, we have also effectively managed our risks by diversifying our portfolio. During this time, we have been driven by our vision to become a successful global business group. Today, Çalık Group has operations in more than 30 countries with over 14 thousand employees worldwide. All the while, we continued to add significant value to our home country with our foreign currency earning operations and investments. We have recorded remarkable achievements in collaboration with global brands and highly reputable international companies. We have developed innovative and eco-friendly business models. At Çalık Group, we have moved forward by achieving sustainable growth in all the business areas we operate.

Since the day we were founded, we operate in awareness of the responsibility granted to us and adhere to our principle of producing solutions that will add value to human life. We have always positioned sustainability as one of our most important values. While providing economic contribution to our geography with our projects, our social responsibility projects are intended to increase the value we create for our stakeholders.

In all our operations, we strive to contribute to the reputation of our country and demonstrate the utmost respect for the culture and values of every country we work with.

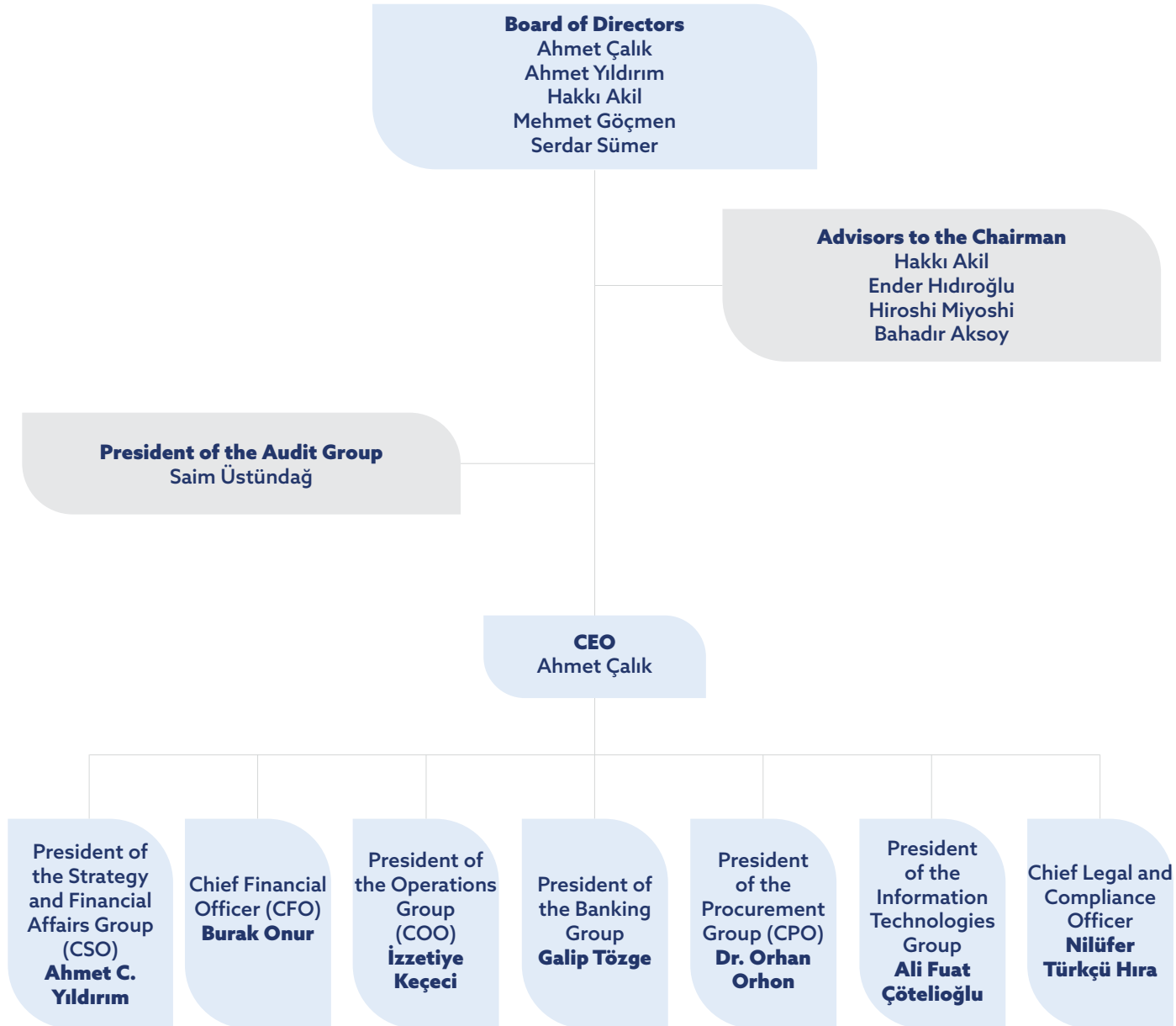
We thank our stakeholders, and especially our employees, for their contributions over the past 40 years, and continue to work together with the aim of adding value to the future.

Best regards,

Ahmet Çalık
Chairman



ORGANIZATION STRUCTURE



BOARD OF DIRECTORS



Ahmet Çalık Chairman

Ahmet Çalık, one of the most important business leaders of Turkey and the neighboring region, is the Chairman of the Board of Directors of Çalık Holding, which is currently operating in the energy, construction, mining, textile, finance, telecommunication, and digital industries.

Ahmet Çalık, a member of a family that has been active in textiles since 1930, started his first personal endeavors in textiles in 1981 and founded Çalık Denim, one of the largest industrial investments in Eastern Anatolia, in 1987. Çalık started his commercial ventures abroad in Central Asia after the Turkic Republics gained independence in the 1990s, and has made investments in construction, energy and finance with the goal of sustainable growth.

Çalık, acting with the goal of creating added value in the countries he operates, established Çalık Holding in 1997 by uniting all Group companies under a single roof. The Holding operates in 31 different countries with 14 thousand employees in 7 industries. Çalık Holding is the first Turkish company to become a member of the Japanese Business Federation Keidanren.

Focusing on projects that benefit people and society with visionary investments, Ahmet Çalık prioritizes diversity, sustainability, and durability in all sectors and geographies in which he is active while continuing his investments and acts with the principle of treating all cultures, beliefs, ethnicities, and genders equally, and adopts a business approach that respects the environment and supports social responsibility projects.

Fields of Activity

- Energy
- Construction
- Mining
- Finance
- Telecommunications
- Textile
- Digital

Significant Investments

- Ortadoğu Tekstil, 1981
- Çalık Denim, 1987
- Gap Pazarlama, 1994
- Gap İnşaat, 1996
- Çalık Holding, 1997
- Çalık Enerji, 1998
- Aktif Bank, 1999
- BKT, 2006
- ALBtelecom, 2007-2022
- Lidya Madencilik, 2010
- Yeşilirmak Elektrik Dağıtım A.Ş. (YEDAŞ), 2010
- Yeşilirmak Elektrik Perakende Satış A.Ş. (YEPAŞ), 2012
- Kosovo Electricity Distribution Company (KEDS), 2013
- Aras Elektrik Dağıtım A.Ş. (ARAS EDAŞ), 2013
- Aras Elektrik Perakende Satış A.Ş. (ARAS EPSAŞ), 2013
- Çalık Petrol, 2017
- BKT Kosovo, 2017
- Çalık Digital, 2017

Awards and Honors

- Order of State of Turkmenistan – 1997
- Mahdumkulu Award of Turkmenistan – 1997
- Order of Merit of the Turkish Republic – 1999
- Order of Merit of the Republic of Turkey Ministry of Foreign Affairs– 1999
- Order of Merit of Turkish Grand National Assembly – 2006
- Bursa Honorary Consul of the Republic of Kazakhstan, 2012
- USA Ellis Island Medal of Honor – 2014
- Albania Tirana University, Honorary Ph.D. – 2014
- Matsumoto Dental University, Japan, Honorary Ph.D. – 2014
- Turkmenistan “Garaşsyz, Baky, Bitarap Turkmenistan” Medal Certificate – 2015
- Japan Kindai University, Honorary Ph.D. – 2016
- Order of State of Japan (Order of the Rising Sun, Gold Rays with Neck Ribbon) – 2019
- Malatya Turgut Özal University, Honorary Ph.D. – 2020

Social Responsibility Projects

- Malatya Education Foundation
- Mahmut Çalık Education Complex
- Malatya Hasan Çalık Hospital
- Ankara Oncology Hospital
- Yalova Atatürk Mansion (Walking Mansion) Restoration
- Renovations at the Geomatics Department, Faculty of Civil Engineering at Istanbul Technical University
- Renovation of the Precious Metals Laboratory at ITU Mining Faculty
- Boğaziçi University Faculty of Engineering - Hydraulic Laboratory Renovation
- Malatya Textiles Museum

Missions at the State Level

- Bursa Honorary Consulate of Republic of Kazakhstan, 2012

Personal

- 1958, Malatya
- Married with four children

BOARD OF DIRECTORS



Ahmet Yıldırım
Board Member, President of the Strategy and Financial Affairs Planning Group (CSO)

Graduated from Istanbul University, Department of Economics in 1991 and completed the Harvard Business School General Management Program in 2012, Ahmet Yıldırım joined Çalık Holding in 2014. Mr. Yıldırım has 24 years of experience in corporate banking, investment, and treasury banking. He has also served as CEO and Board Member at Yapı Kredi Bank Germany for five years. As of September 2014, he has been working as Çalık Holding Strategy and Financial Affairs Planning Group President and has been a Member of the Holding's Board of Directors in charge of finance, strategic planning, mergers and acquisitions, tax planning, and investor relations.



Hakkı Akil
Board Member and Chief Advisor to the Chairman

Born in 1953 in Kargı, Hakkı Akil graduated from Galatasaray High School in 1972 and from the Department of Development Economics at the University of Bordeaux in 1977. He studied at Ecole Nationale d'Administration in Paris between 1987 and 1989, and wrote his thesis on "Iran-Iraq War and World Oil Supply." He served as a diplomat in the Ministry of Foreign Affairs of the Republic of Turkey between 1979 and 2016, as Deputy Undersecretary between 2009 and 2011 and as the Prime Minister's G-20 Sherpa. As ambassador, he had been in Ashgabat, Abu Dhabi, Rome and Paris, respectively. Akil, who has been serving as the Chief Advisor to the Chairman at Çalık Holding since 2016, was appointed as a Member of the Board of Directors in 2019. Hakkı Akil is married with one daughter.



Mehmet Göçmen
Board Member

After graduating from Galatasaray High School and the Department of Industrial Engineering at the Middle East Technical University, Mehmet Göçmen received his master's degree from the Department of Industrial Engineering at Syracuse University in 1983, and he took on several duties at Çelik Halat ve Tel Sanayi A.Ş. between 1983 and 1995 and at Lafarge Turkey between 1996 and 2003. Working as the General Manager at Akçansa Çimento Sanayi ve Ticaret A.Ş. between 2003 and 2008, Göçmen was assigned to the Human Resources Group Presidency at Sabancı Holding in 2008 and worked as Cement Group President at Sabancı Holding between 2009-2014. Göçmen took office as the Energy Group President in 2014 and served as the CEO of and Board Member at Sabancı Holding between 2017 and 2019. Mehmet Göçmen has been serving as a Board Member at Çalık Holding as of 2020.



Dr. Serdar Sümer
Board Member

After graduating from Ankara University, Department of Business Administration, Serdar Sümer completed his MBA program at The College of William and Mary in Virginia, the USA, and his Ph.D. in banking at Marmara University, Institute of Banking and Insurance in 2011. Sümer, who holds Financial Risk Manager (FRM) and Certified Public Accountant certificates, began his career as Bank Examiner in 1996. He assumed the position of Subsidiaries Management and Capital Markets Deputy General Manager at Aktif Bank between 2008 and 2014. After serving as a managing partner in one of the leading investment institutions for some time, Sümer rejoined Aktif Bank as the General Manager in 2015 and continued to serve as the General Manager and Board Member of the Bank until the end of 2020. Serdar Sümer has been working as a Member of the Board of Directors at Çalık Holding, Aktif Bank, and its Subsidiaries, BKT and YEPAŞ as of 2021.

EXECUTIVE MANAGEMENT



Ender Hıdıroğlu
Advisor to the Chairman

Ender Hıdıroğlu graduated from Middle East Technical University's Department of Mechanical Engineering and held various positions in a number of companies including GATEKS, UPISAS, SANKO, SASA, YURTAS, Paktaş, and ISKO. After joining Çalık Holding in 1993, Mr. Hıdıroğlu worked as General Manager at Gap Pazarlama for three years and continued his career as General Manager, Project Manager and Board Member at Gap İnşaat for 10 years. Having served as a senior executive and Member of the Board of Directors at Group companies of Çalık Holding, Hıdıroğlu is currently the Advisor to the Chairman of Çalık Holding.



Hiroshi Miyoshi
Advisor to the Chairman

Hiroshi Miyoshi, born in Japan in 1956, started his professional career at Mitsubishi Corporation in 1980 after graduating from Waseda University, Department of Politics and Economics. He served for 37 years at Mitsubishi Corporation, holding various project development positions at Mitsubishi Corporation as well as Board Memberships at its subsidiaries. In the 1990s, he created a new business model for the development of cooperation between Turkish and Japanese companies in Central Asia and realized some important infrastructure projects in the region. While serving as SVP of Mitsubishi Corporation as the Chief Executive responsible for Turkey, Central Asia, and Caucasus, he was appointed as the Chairman of the Japanese Society in Istanbul in 2013. Since 2017, Hiroshi Miyoshi has been serving as a Senior Advisor to the Chairman of Çalık Holding.



Bahadır Aksoy
Advisor to the Chairman

Bahadır Aksoy graduated from Istanbul University, Department of Mining Engineering in 2000. He earned his master's degree in Economics from the International University of Struga in the Republic of North Macedonia in 2010 and completed his PhD at the same university in 2014. As of 2000, he held various positions in family companies abroad and served as Vice President. He served as a Board Member at ALBtelecom and Eagle Mobile, the Albania-based subsidiary of Çalık Holding operating in the telecommunications sector, between 2007 and 2014. He was the Honorary Consul General of the Republic of Turkey in Durres between 2004 and 2020, President of the Turkish Chamber of Commerce in Kosovo between 2015 and 2016, and Vice President of the Turkish Chamber of Commerce in Albania between 2016 and 2019. In 2021, Bahadır Aksoy returned to Turkey and is currently serving as Advisor to the Chairman of the Board of Directors at Çalık Holding.



Saim Üstündağ
President of the Audit Group

Saim Üstündağ graduated from Middle East Technical University, Department of Economics in 1994 and started his professional career at Arthur Andersen Turkey before joining the CMB in 1995, where he served in various positions. Mr. Üstündağ completed his master's degree in Accounting at the University of Illinois, the United States of America in 2005 and was awarded the Certified Public Accountant (CPA) certificate in the USA. Between 2005 and 2007, Mr. Üstündağ served as the Secretary General of the Turkish Accounting Standards Board (TASB) (Ministry of Finance), and then as a Partner in the Audit Department at Deloitte Turkey between 2007 and 2014. Üstündağ holds various capital markets licenses including the CPA Certificate, Independent Audit License, Corporate Governance Rating Specialist License, and the Advanced Level License from the Capital Markets Board of Turkey. Since 2015, Saim Üstündağ has served as President of the Audit Group at Çalık Holding.

EXECUTIVE MANAGEMENT

**Burak Onur****Chief Financial Officer (CFO)**

Having completed his undergraduate education at Istanbul University, Department of Economics, Burak Onur holds an MBA degree from Yeditepe University. He began his career at BDO Independent Auditing Firm in 1996. He transferred to Digitürk in 1999 and gained experience at various levels, and then served as the CFO of Digitürk between 2013 and 2018. He was appointed as the Group CFO of Sur Yapı company between 2018 and 2019. Burak Onur joined Çalık Holding as the Financial Affairs Director in 2019, and currently, he has been serving as the Chief Financial Officer in Çalık Holding as of February 2021.

**İzzetiye Keçeci****President of the Operations Group (COO)**

İzzetiye Keçeci was born in 1975 and graduated from Istanbul University, Faculty of Economics, Department of International Relations in 1997. In the same year, she began her professional career at Gap Tekstil, a subsidiary of Çalık Holding, and later worked in different functions of Human Resources units in Group companies. Between 2009 and 2016, Keçeci was the Human Resources Director at Çalık Holding and as of 2017, she has been serving as Chief of Operations Group (COO) in charge of Human Resources, Organization, Process Development and Project Management Departments. Having completed the Harvard Business School Executive Education Program and Boğaziçi University Human Resources Programs, İzzetiye Keçeci also serves as the Board Member at the Group company Gap İnşaat.

**Galip Tözge****President of the Banking Group**

Born in 1967, Galip Tözge graduated from Marmara University's Department of Economics (English) and received an MBA from the University of Missouri (USA). He obtained his Master's Degree in Law from Bilgi University at the beginning of 2018 and commenced his banking career in 1993 at Citibank, and joined Akbank T.A.Ş. in 2002. He worked at Akbank and associated companies for 12 years serving in various senior management positions. Tözge served as the Assistant General Manager of Akbank and also Board Member of Ak Portföy Yönetimi A.Ş. and Ak Yatırım Menkul Değerler A.Ş. In 2015, he was appointed General Manager at Aktif Bank and currently serves as Çalık Holding President of the Banking Group, BKT Board Member, ALBtelecom Board Member, and Çalık Digital Chairman of the Board.

**Dr. Orhan Orhon****President of the Procurement Group (CPO)**

Having graduated from the Department of Control and Computer Engineering in Istanbul Technical University (ITU) in 2000, Dr. Orhan Orhon completed his Master's degree on Engineering Management and received his PhD in Industrial Engineering at the same university. Starting his career in 1999 as an SAP Specialist at YKM Retailing Inc. Dr. Orhon worked in numerous positions in Information Systems, Financial Affairs, and Supply Chain Departments until 2010. Between 2011 and 2014, he worked as Supply Chain Director and Board Member in the Medical Park Hospitals Group and served as a senior executive in various fields. Orhon joined Çalık Enerji as the Procurement and Logistics Director in 2014, and has been working as President of the Procurement Group at Çalık Holding as of 2020.

EXECUTIVE MANAGEMENT

**Ali Fuat Çötelioglu****President of the Information Technologies Group**

Following Kadıköy Anatolian High School, Ali Fuat Çötelioglu graduated from Boğaziçi University's Computer Engineering Department in 1994 and began his professional career as a Software Engineer at Koç Sistem A.Ş. Having completed his master's degree at Yıldız Technical University, Department of Business Administration (MBA) in 1996, he founded Admin Danışmanlık Yazılım LTD Company in 1997 and carried out various projects. After working as the Department Head in ING Bank A.Ş. Software-Private Banking Department, where he started in 2001, he served as Oyak Teknoloji Bilişim ve Kart Hizmetleri A.Ş. Software & Corporate Solutions Department Director between 2003-2007. Between 2008 and 2017, he served as Borusan Otomotiv Group CIO and Borusan Holding Group CIO, and finally as CTO at Boyner Group. As of 2020, he has been serving as the President of Çalık Holding Information Technologies Group.

**Nilüfer Türkçü Hıra****Chief Legal and Compliance Officer**

Nilüfer Türkçü Hıra graduated from İzmir Bornova Anadolu High School and West Point High School in the State of Virginia in the US and entered Law School at Istanbul University and graduated from the same university first with a Bachelor's and then with a Master's degree. She started her career in 2002 at Birsell Law Firm and worked at Paksoy Ortak Law Firm between 2014 and 2016. Hıra provided consultancy services to various local and foreign banks, financial institutions, and export loan institutions in their financing works. She joined Çalık Holding as a legal advisor at Lidya Madencilik in 2016 and has extensive experience in mergers and transfers, foreign investments, corporate and commercial transactions, and agreements in various sectors including banking, insurance, energy, mining, and media. She has been serving as the Chief Legal and Compliance Officer in Çalık Holding since 2017.



14 thousand workforce in 7 sectors

ENERGY



Çalık Enerji



YEDAŞ



YEPAS



KEDS*



Aras EDAŞ



Aras EPSAŞ**

CONSTRUCTION



Gap İnşaat



Çalık Denim



Gap Pazarlama

*Partnership with Limak Holding A.Ş.
**Partnership with Kiler Holding A.Ş.

FINANCE



Aktif Bank



BKT Albania



BKT Kosovo

MINING



Lidya Madencilik

TELECOMMUNICATIONS



ALBtelecom

DIGITAL



Çalık Digital

ABOUT ÇALIK HOLDING

Reputable and reliable

Operating in seven industries including energy, construction, finance and banking, textile, mining, telecommunications, and digital, Çalık Holding is known for its reputation, reliability, and long-term collaborations with international companies.

Çalık Holding is the first Turkish company to be invited to become a member of the Japanese Business Federation Keidanren.

Maintaining its consistent growth performance since its establishment in 1981, Çalık Holding operates in 31 countries with more than 14,000 employees in seven different industries, including energy, construction, finance and banking, textile, mining, telecommunications, and digital.

Deriving most of its income from international projects and investments, Çalık Holding has equity partnerships with major and well-known public companies, including Mitsubishi Corporation, SECOM, SSR Mining, and Sand Storm. It also has long-term business and solution partnerships with General Electric, Honeywell, and Siemens. Closely cooperating with international financial institutions and export lending agencies such as JBIC, JICA, HERMES and UKEF, Çalık Holding is the first Turkish company to be invited to become a member by Keidanren, the Japanese Business Federation.

Çalık Holding's primary goal is to treat all cultures, beliefs, ethnicities, and genders equally while prioritizing diversity, sustainability, and resilience in all sectors and geographies it operates.

Known for its integrity, reliability, robust financial structure and long-term collaborations with international companies within the framework of operations across the world, Çalık Holding develops innovative business models and moves forward in its lines of business with sustainable growth. Driven by the principle of creating lasting values that respect

the environment in every geography it operates, Çalık Holding realizes pioneering projects for society and the business world with its environmentally friendly business processes, services and products developed with sustainability approaches.

Business Areas

Operations in seven sectors in total including energy, construction, finance and banking, textile, mining, telecommunication and digital

Goals

- To be among the leading players in the world with its strong and reliable brand value in all sectors it operates
- Sustainable growth through innovative investments

Competitive Advantages

- Deep expertise and know-how
- Reliability associated with the "Çalık" brand in all its businesses
- Dynamic and innovative management
- Top priority and importance placed on employee satisfaction
- Consistent growth with prudent investment decisions
- Strong, long-lasting partnerships in international markets
- Strategies aimed at delivering customer satisfaction beyond expectations
- Renewing while achieving new breakthroughs
- Ongoing investments for digital transformation

14
Thousand+
Number of Employees

19.9
TL Billion
Net Sales



MILESTONES

Adding value to the world for 40 years

Çalık Holding, which carries out works adding value to people and the world with its sustainable investment strategy, published its first Sustainability Report with the title of "Pioneering Ideas, Sustainable Investments" including the works of 2020 and before.



1930

- As a member of the Çalık Family, which pursues activities in the textile sector since 1930s, Ahmet Çalık carried out his first business initiatives in the textile industry in the 1980s.

1981

- Having realized his first personal venture in 1981, Ahmet Çalık continued his breakthroughs in the textile sector throughout the 1980s.

1987

- In 1987, Ahmet Çalık founded Çalık Denim, one of the world's largest denim fabric manufacturers.



1994

- Gap Pazarlama was founded to expand the Group's market share in the international textile trade.

1995

- The Group started its operations in Ashgabat, Turkmenistan to establish its first denim factory in Central Asia and became one of the first foreign companies to invest in Turkmenistan.

1996

- Initially set up to construct the Group's textile factories, Gap İnşaat was restructured and started its business development activities.



1997

- Çalık Holding was established and all Group subsidiaries were reorganized under one roof.

1998

- Çalık Enerji was established.

1999

- The Holding entered the financial services industry.
- Çalık Bank was established.

2004

- Bursagaz, the natural gas distribution company of the city of Bursa, was acquired by Çalık Enerji through a privatization tender.

2006

- Çalık Holding acquired a 60% stake in Banka Kombetare Tregtare (BKT), one of Albania's two biggest banks.



2007

- Çalık Holding issued five-year Eurobond worth USD 200 million.
- Çalık Holding acquired ALBtelecom, Albania's largest fixed-line operator and internet service provider, by winning the privatization tender.
- Çalık Enerji acquired Kayserigaz, a natural gas distribution company operating in Kayseri province.

2008

- In line with its growth strategy and restructuring initiative, Çalık Enerji sold off majority shares in Bursagaz and Kayserigaz to the Germany-based international energy company EWE.
- Çalık Holding completed the legal processes for the takeover of the media group ATV-Sabah Commercial and Economic Entity with a bid of USD 1.1 billion at the tender held by the Turkish Savings Deposit Insurance Fund. Çalık Holding sold a 25% stake in the ATV-Sabah Media Group to the Qatar Investment Authority (QIA).
- The Group's financial services subsidiary was restructured and renamed Aktif Bank.



2009

- Çalık Holding entered the mining sector via a joint venture with the Canada-based Anatolia Minerals, a Toronto Stock Exchange-listed concern.
- Çalık Holding became the sole owner of Banka Kombetare Tregtare (BKT) by purchasing the remaining 40% stake from the EBRD and IFC.
- Çalık Enerji won the privatization tender for Yeşilırmak Electricity Distribution, which undertakes the distribution of electricity to the Turkish provinces of Samsun, Amasya, Çorum, Ordu, and Sinop.

2010

- The Holding's mining sector subsidiary was restructured under the name Lidya Madencilik.
- The handover procedure of Yeşilırmak Electric Distribution Company (YEDAŞ) was completed and the company was incorporated into Çalık Enerji.

2011

- Çalık Cotton was established.

2012

- Lidya Madencilik increased its stake in Anagold from 5% to 20%.
- A geological survey commenced in June in the Polimetel Madencilik's sites.



2013

- Çalık Holding, in partnership with Kiler Holding, acquired Aras Electricity Distribution, which distributes electricity to seven provinces in Eastern Anatolia.
- E-Kent became the Central System Integrator by winning the e-ticket tender of the Turkish Football Federation (TFF).
- Çalık Holding exited from ATV-Sabah Commercial and Economic Entity (Turkuvaz Medya).
- Lidya Madencilik raised its stake in Polimetel Madencilik, a joint venture with Alacer Gold, from 50% to 80%.

2014

- Çalık Enerji's 1,250 MW Al Khairat Power Plant project was awarded the "World's Best Project" in the industry category by "Engineering News Record."
- Çalık Enerji entered the African market with the 550 MW Al Khoums Power Plant project in Libya.
- Gap İnşaat held the groundbreaking ceremony for the Turkmenbashi International Seaport turnkey project, which will become a key logistics hub in the Caspian region, widely considered the new "Silk Road."
- Foundations were laid for the Garaboğaz Fertilizer Factory, to be built by a consortium between Gap İnşaat and Japanese Mitsubishi Corporation for USD 1.3 billion.

MILESTONES

Growth in 4 sectors in Africa

In 2021, Çalık Holding started to realize projects in energy, mining, contracting, and finance sectors in countries such as Senegal, Congo, Angola, Guinea, Malawi, Sudan, and Mauritania, in addition to the current geographies in which it operates.



2015

- Çalık Enerji completed and delivered the Gardabani Natural Gas Combined Cycle Power Plant. The company also carried out the operation of the facility, thereby venturing into the area of power plant operation.
- After more than 20 years of close collaboration in constructing industrial facilities dating back to the early 1990s, Mitsubishi Corporation and Çalık Holding entered into a full partnership agreement. Mitsubishi Corporation acquired a 4.48% stake in Çalık Enerji.

2016

- Çalık Enerji began production at the South Çalıktepe-1 oil field located in the Southeastern Anatolia region.
- The 40 MW Demircili and 32 MW Sarpıncık Wind Power Plants in Izmir started their operations.
- The construction of the Morphology, Neurology, Dangerous Infections Center and the Public Health Center were completed and opened in Turkmenistan.
- The physical separation of YEDAŞ and YEPAŞ, both of which have been engaging in electricity distribution and retail sales in the same service areas, was completed in 2016.
- In addition to its current activities, Gap Pazarlama ventured into the petrochemical industry and began its operations in 2016.

2017

- In cooperation with Çalık Enerji and Mitsubishi Corporation, the construction agreement for the 18 MW Tedzani-4 Hydroelectric Power Plant, which will be the first HEPP in Sub-Saharan Africa, was signed.
- Aden Fast-Track Mobile Power Plant, the first mobile power plant contract in the Middle East and the first project in Yemen, commenced operations.
- Gap İnşaat opened the Endocrinology Hospital, which serves as an Endocrinology and Surgery Center housed in two buildings in Ashgabat, Turkmenistan.
- BKT Kosovo was established.



2018

- Completed in 2018, Mary-3 Combined Cycle Power Plant, the largest combined cycle power plant in the world, was launched in Turkmenistan in the same year.
- The most important energy project in Asia, the TAP 500 Project was carried out and the funding, engineering, construction, and maintenance-repair of the project were undertaken.
- In 2018, the opening ceremony was held for the Turkmenbashi International Seaport Project, which is the largest port of the Caspian Sea and the most important logistics center on the historical Silk Road. Turkmenbashi Seaport Project was recognized as the "Best Global Airport/Seaport Project" by ENR.
- Çalık Alexandria plant in Egypt was re-commissioned in 2018 and started production.

2019

- Çalık Enerji started Tedzani Hydroelectric Power Plant Capacity Increase Project (Tedzani-4) in Malawi.
- Gap İnşaat initiated activities in the Gulf Region with Qatar following its operations in Central Asia.
- In order to create a common development culture in the business world, Çalık Energy and Çalık Denim became signatories of the Global Compact, which recommends universal principles.
- Secom Aktif Güvenlik Çözümleri company was established in partnership with Secom, the electronic security industry market leader in Japan.

2020

- The Romanian Power Plant Project, the first EPC construction work undertaken by Çalık Enerji in Europe, started together with Senegal's largest and first combined cycle power plant project.
- Gap İnşaat opened and delivered the Burn Treatment Center and Cosmetology Center built in Ashgabat, the capital of Turkmenistan.
- Çalık Denim implemented the Dyepro technology, which enables dyeing without using water.
- Lidya Madencilik completed all permits for the Polimetall Balıkesir Gold Mine Project and started construction works.

2021

- In addition to the geographies in which it currently operates, Çalık Holding has started to exhibit a significant presence in Africa in the energy, mining, contracting, and finance industries, and to successfully realize projects in countries such as Senegal, Congo, Angola, Guinea, Malawi, Sudan, and Mauritania.
- Çalık Holding became a member of the "Business Council for Sustainable Development" (BCSD Turkey), which carries out works in 5 focus areas within the framework of the UN Sustainable Development Goals to increase the awareness and impact of the business world on sustainable development in Turkey.
- An infrastructure for money transfers between Azerbaijan and Turkey has started to be provided under the agreement signed between the first local, global money transfer and payment platform UPT, PTT, Azerpost (Azerbaijan Post Office), and Aktif Bank.
- Çalık Holding, which carries out works adding value to people and the world with its sustainable investment strategy, published its first Sustainability Report with the title of "Pioneering Ideas, Sustainable Investments" including the works of 2020 and before.

KEY FINANCIAL INDICATORS

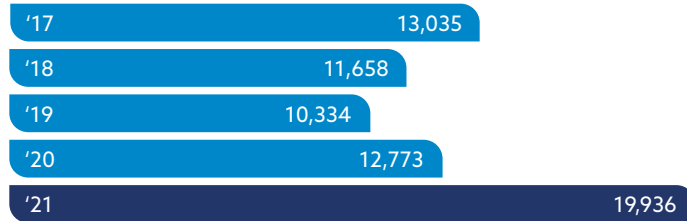
Sustainable growth performance

Çalık Holding is known for its reputation, reliability, sound financial structure, and long-standing partnerships with international companies. The Holding develops innovative business models and achieves sustainable growth in its core business areas.

19.9

TL Billion
Net Sales

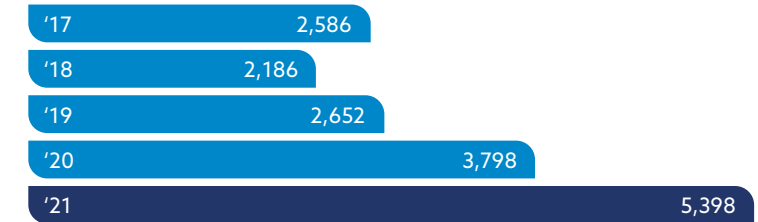
(TL Million)



5.4

TL Billion
EBITDA

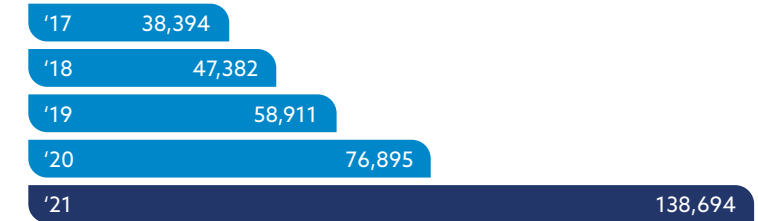
(TL Million)



138.6

TL Billion
Asset Size

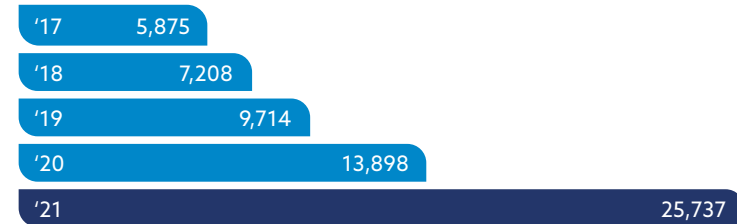
(TL Million)



25.7

TL Billion
Total Shareholders' Equity

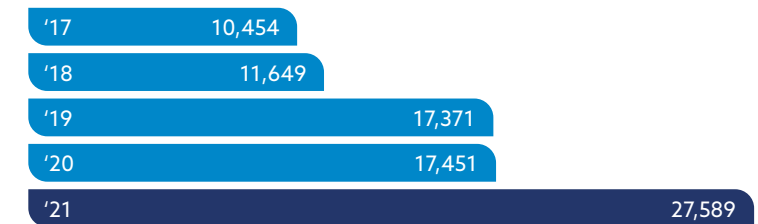
(TL Million)



27.6

TL Billion
Financial Debts

(TL Million)



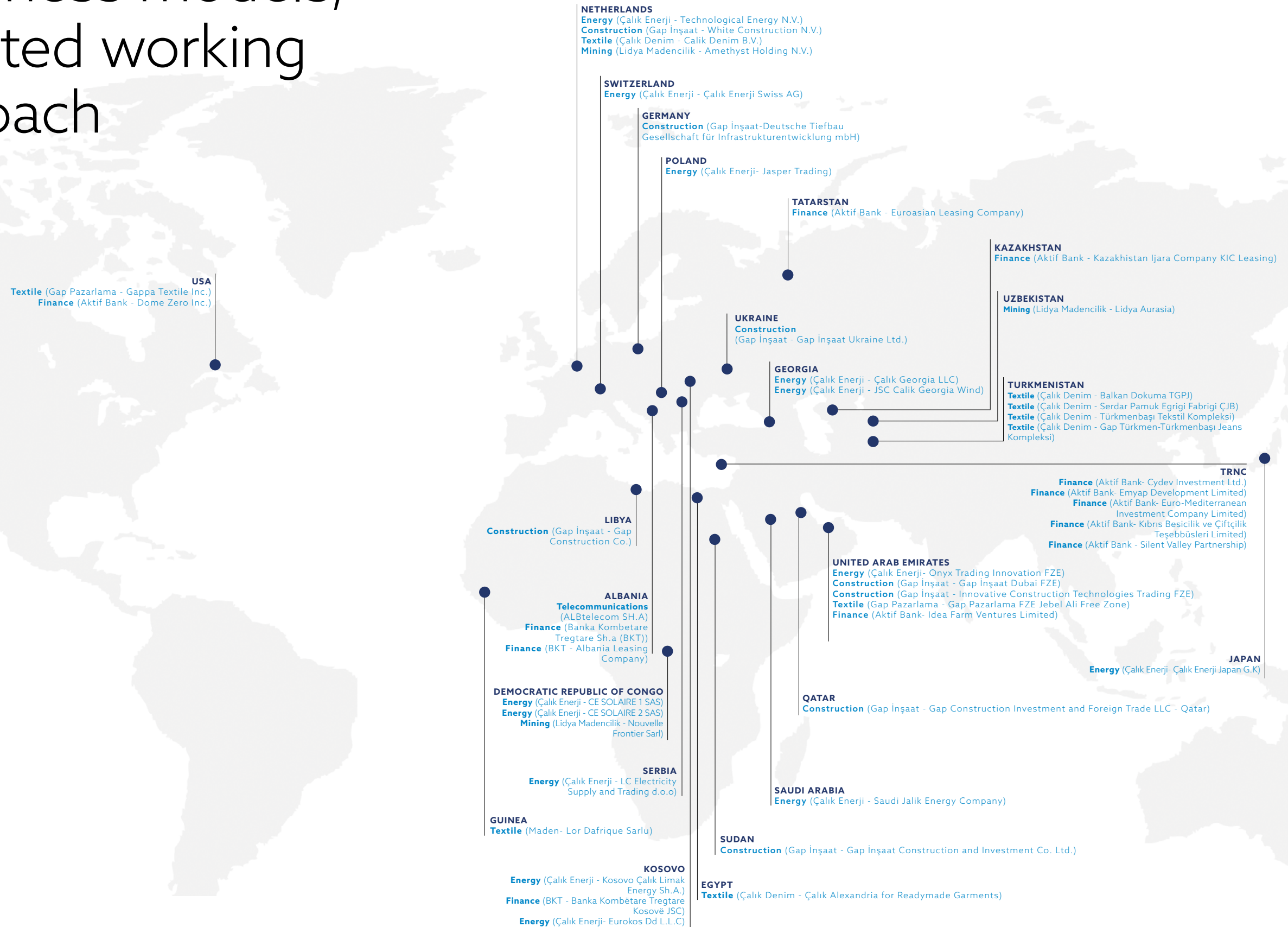
OPERATION MAP

Innovative business models, Human-oriented working approach

With a vision to create significant added value and enrich countries in which the Group companies operate, Çalık Holding was established in 1997 to bring all companies together under one roof. Today, Çalık Holding conducts business operations with more than 14 thousand employees across 31 countries in seven main sectors.

Çalık Holding operates in the energy, construction, finance and banking, textile, mining, telecommunications, and digital sectors.

Known for its integrity, reliability, robust financial structure and long-term collaborations with international companies within the framework of operations across the world, Çalık Holding develops innovative business models and moves forward in its lines of business with sustainable growth.



ENERGY SECTOR

ENERGY SECTOR GROWTH DRIVEN BY TECHNOLOGICAL DEVELOPMENTS

The energy sector shapes the future of the world with its pioneering innovations, customized solutions, and emerging technologies.



AN OVERVIEW OF THE ENERGY SECTOR IN 2021

Rising prices caused by the growing demand

During the 12-month period from November 2020 to October 2021, European coal prices skyrocketed by 305% while the price of Brent crude oil and Henry Hub natural gas jumped by 89% and 91%, respectively.

The onset of the Covid-19 pandemic in early 2020 deeply affected the entire world, rapidly rendering economies fragile and causing ruptures in supply chains worldwide, resulting in waves of negative impacts for the majority of the year. 2021 was generally characterized by efforts to overcome the extreme difficulties of the previous year, to repair the damage and to restore conditions to pre-pandemic levels. As a result, a strong growth trend emerged in both primary energy and electricity demand worldwide in manufacturing as well as the service sector.

The most significant development in the Turkish energy market during the year is the sharp rise in costs of oil, natural gas, and coal. While energy demand in Turkey has been growing significantly, the country has not been able to meet this demand inexpensively.

2021 also stands out as a year in which concrete reflections of the climate crisis can be observed more starkly and more violently across many parts of the world. Calls to overcome the crisis has grown louder during the year. In response, collective actions and cooperation efforts have expanded and intensified globally.

The rebound of economic activities in the world during the year naturally has resulted in higher demand for energy and a revival of energy markets. Although there are differences arising due to the geographies, a strong growth trend has emerged in both primary energy and electricity demand of industrial manufacturing sectors, and electricity demand of residential households and the service sector. Severe drought in certain parts of the world due to climate change resulted in significantly lower hydraulic production in some locations. Meanwhile, energy demand jumped as a result of extreme weather conditions from both heat and cold waves. These developments also boosted demand for fossil fuels.

Major factors affecting the energy market during the year include widespread natural disasters, the impacts of post-pandemic conditions, constraints in the supply of some fossil fuels due to technical reasons (e.g. hurricanes in the USA, lack of new drilling investment) and political dynamics (e.g. Russia's export preferences).

The primary driver of record price increases is the sudden jump in demand, deferred until after the pandemic. However, the constraints and unexpected declines on the supply side further boosted these price

1,200
kWh
2021 Eligible
Consumer Limit

In parallel with the easing of Covid-19 restrictions, total domestic sales volumes of petroleum products for the January-July 2021 period increased by 7.1% compared to the same period of the previous year to 16.7 million tons.

rises. During the 12-month period from November 2020 to October 2021, European coal prices skyrocketed by 305% while the price of Brent crude oil – a global indicator – and Henry Hub natural gas jumped by 89% and 91%, respectively.

As a result of these developments, 2021 has become a year in which energy supply security, expansion of renewable energy production, fossil fuel use, and strategic planning emerge as critical issues on its global agenda.

Turkey's Energy Sector

Extreme volatility in global commodity and energy markets, still reeling from the impact of the pandemic and searching for a new equilibrium, also deeply affected Turkey. As delayed economic activity picked up pace with the pandemic receding, Turkey's energy demand recovered from the stagnation of 2020 and gained forward momentum. Natural gas demand growth in the first three quarters of the year was about one-third year-on-year. Demand for oil products followed a similar pattern. In parallel with the easing of Covid-19 restrictions, total domestic sales volumes of petroleum products for the January-July 2021 period increased by 7.1% compared to the same period of the previous year to 16.7 million tons. This level is above the 16.3 million tons of sales in the same period of 2019, which can be used as a pre-pandemic baseline.

The most significant development in the Turkish energy market during the year was the sharp rise in costs of oil, natural gas, and coal. Today, Turkey's very low production levels of both oil and natural gas, and its lack of a large-scale buyer position (i.e. high share in global consumption) to steer global developments, leave the country largely vulnerable and fragile to energy price shocks.

While energy demand in Turkey has been growing significantly, the country has not been able to meet this demand inexpensively. The price of pipeline gas imported by BOTAŞ between December 2020 and November 2021 increased by nearly 60% in USD terms year-on-year. Along with the jump in foreign exchange rates, with the USD exchange rate climbing nearly 25% in the same period, the cost of imported gas rose significantly. This cumulative cost was passed along

to consumers in 2021. In the January-November 2021 period, natural gas prices increased 17.7% in TL terms for the residential household group. Meanwhile, the price of natural gas jumped 147.5% for the industry group and a whopping 182.9% for power plants.

Turkey's electrical consumption amounted to 219.9 TWh in the first nine months of 2021. This consumption level is 10.1% above the 199.8 TWh recorded in the same period of 2020. When compared with the 2017-2019 period instead of 2020, the first nine months of 2021 registered average annual growth of 8.9%. Higher costs of primary energy resources resulted in higher electricity prices across Turkey, even if the increase was gradual and deferred. As electricity demand skyrocketed in the summer months, more expensive power plants in the system came into operation. This dynamic resulted in greater stabilization of electricity prices in the free market.

Meanwhile, the start of production in natural gas fields discovered in the Black Sea and the expansion of domestic supply capacity are major steps forward in terms of Turkey's supply security. The acceleration of efforts to expand storage capacity was one of the positive developments in 2021.

Various factors affect the energy industry, including foreign exchange rates, rising/falling energy demand which cannot be accurately or fully predicted, weather conditions, and drought. Furthermore, the energy industry is structured in a multi-layered and multi-dimensional way, relating to almost all business lines and industries. As a result, Turkey and other countries attempt to ensure the supply security for their energy.

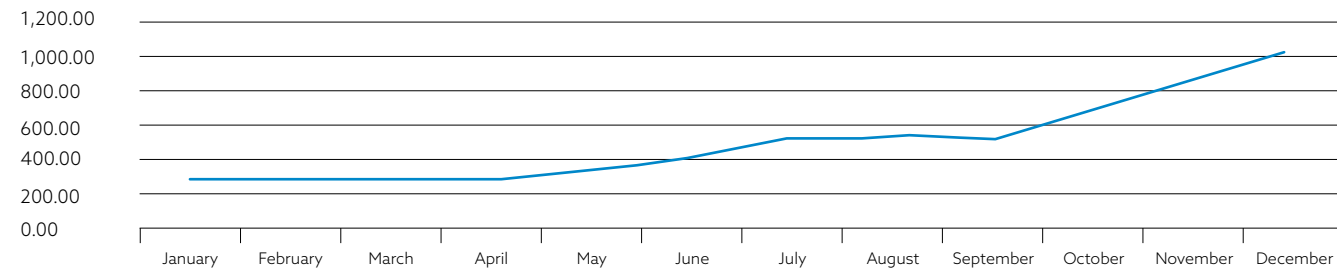
As with most energy firms, Çalık Group companies in the energy sector were also exposed to pandemic outbreak-related risks in 2020. However, Çalık Group energy firms managed to record a profit thanks to their responsive measures to effectively manage these risks. In 2021, Çalık Group's energy companies exited a profitable year due to the increase in eligible consumer activities and the fact that market conditions have become efficient for the energy trade. Çalık Holding diversifies the energy trade through eligible consumer activities as well as financial contracts.



AN OVERVIEW OF THE ENERGY SECTOR IN 2021



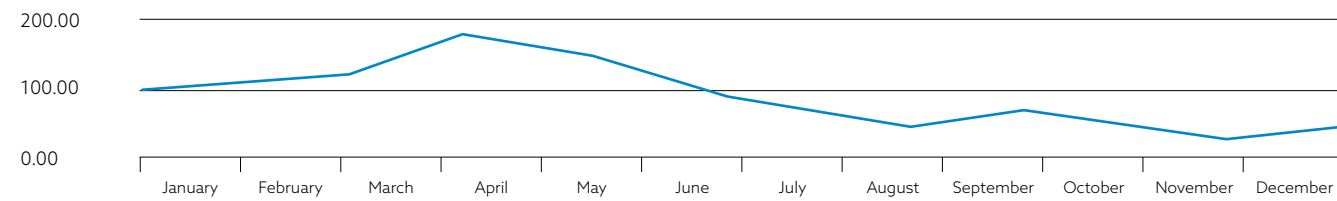
PTF



(TL/MWh)

2016	24.37
2017	34.41
2018	55.41
2019	83.51
2020	120.6

YEKDEM



(TL/MWh)

2016	24.37
2017	34.41
2018	55.41
2019	83.51
2020	120.6
2021	103.01



Building a sustainable future

Çalık Enerji carried out numerous projects in 2021. West Qurna-2 Gas Turbine Project, Bazian Simple Cycle and Combined Cycle Electricity Power Plant in Iraq, and Turkmenbashi Oil Refinery Project in Turkmenistan are among these projects.



As one of the world's prominent energy companies, Çalık Enerji operates across a wide geographic region including the Middle East, Central Asia, Africa, Europe, and the Balkans. The Company is committed to creating a better and sustainable future since 1998, the year it was founded, and providing people with energy originating from nature. Continuing its activities in every area of the international energy sector both with its expert and experienced staff and its creative and innovative solutions produced by using emerging new technologies, Çalık Enerji is currently present in Turkey, Turkmenistan, Iraq, Georgia, Libya, Yemen, Malawi, Kosovo, Senegal and Romania markets.

Having a strong presence in the energy and energy-related infrastructure sectors in fast-growing markets such as Africa and the Middle East, Çalık Enerji has broadened its scope to include oil and gas, water treatment systems and hybrid energy sectors.

9.6
TL Billion
Net Sales

Tedzani-4 Hydroelectric Power Plant in Malawi, which is the first renewable EPC project of Çalık Enerji in Africa, was completed in 2021. The project is the first power plant of Çalık Enerji - Mitsubishi Corporation cooperation in Sub-Saharan Africa.

Prioritizing to seize energy production and distribution opportunities established in the Sub-Saharan region, Çalık Enerji simultaneously conducts tender and bidding processes in countries such as Senegal, Mozambique, Nigeria, Tanzania, Angola, and Tunisia, which play key roles in the geography.

Continuing its progress in line with its objectives, Çalık Enerji has carried out numerous projects in 2021 as well. West Qurna-2 Gas Turbine Project, Bazian Simple Cycle and Combined Cycle Electricity Power Plant in Iraq, and Turkmenbashi Oil Refinery Project in Turkmenistan are among these projects.

Having initiated its activities for hybrid distributed energy, one of the rising trends in the energy sector, Çalık Enerji is undertaking real projects in this field.



15.1
TL Billion
Total Assets

8.5
TL Billion
Total Shareholders' Equity

Aiming to implement its sustainability approach to its practices in all project regions and fields of activity, Çalık Enerji published the second sustainability report in 2021.

Deriving power from the achievements and experiences earned up to date, Çalık Enerji diligently continues to carry out renewable energy activities in Turkey. The Company completed the following projects: Adacami Hydroelectric Power Plant (30 MWm) commissioned in Güneysu, Rize in 2013; Demircili Wind Power Plant (40 MWm) and Sarpıncık Wind Power Plant (32.5 MWm) commissioned in İzmir in 2016; and Solar Power Plants in Çorum (10.32 MWp), Amasya (5.19 MWp), Erzincan (5.1 MWp), Erzurum (5.94 MWp), Polatlı (1.05 MWp) commissioned in 2016 and 2018 and Amasya Çaydibi and Doğu (5.94 MWp) commissioned in 2019; and the Solar Power Plant installed on Çalık Denim roof (0.957 MWp) commissioned in 2020; and Çalık Denim Hibrit Project consisting of 120kW GES+167kWh ESS+80kVA Diesel Generator+300kW Test load commissioned in 2021.

As a result of its effective human resources management policy, Çalık Enerji has a strong executive team and highly competent employees, who enable the company to successfully achieve all of its goals.

Çalık Holding attaches importance and priority to managing its supplier processes in a fast, reliable, traceable, and measurable manner. In this regard, the Supplier Life Cycle (SLC) module and the Supplier Relationship Management (SRM), which enable the purchasing and supply chain to be managed more effectively, were made available over the Çalık Supplier Portal.

Amidst the pandemic in 2021, Çalık Enerji increased the measures taken, continued its current projects without compromising on Occupational Health & Safety and Quality, and continued to take part in new projects in new geographies. A COVID-19 Program including emergency action and evacuation plans for COVID-19 incidents at head office and all project sites has been published and implemented.

Çalık Enerji, which combines the measures taken by Çalık Holding with its documentation efforts (Pandemic Disease Risk Assessment, Infection Prevention, and Control Plans, Pandemic Disease Disinfection and Hygiene Control Plan), underwent the "TSE COVID-19 Safe Service Certificate" inspection again in August and ensured that the certificate was kept up-to-date.

On the other hand, Çalık Enerji proved that there were no shortcomings in its measures by realizing the webinar on "Human Rights Due Diligence and Covid-19: Introduction of the Rapid Self-Assessment for Businesses" prepared by the Business for Goals together with the ILO, Global Compact and UNDP.

Aiming to implement its sustainability approach to its practices in all project regions and fields of activity, Çalık Enerji signed the United Nations Global Compact in 2019.

ÇALIK ENERJİ



2.7

TL Billion
EBITDA

Çalık Enerji ranked 81st in the ranking of "Turkey's Top Companies" of Capital 500, and ranked 22nd in the ranking of "Companies with the Greatest Turnover Increase."

Çalık Enerji, which operates for a cleaner future with its environmentally friendly projects, published the second sustainability report in 2021.

Aiming to contribute to every region where it makes investments by adopting a win-win approach to investments and services, Çalık Enerji also donated respirators to various countries where it operates during the pandemic period.

The pilot implementation of Energetic Schools, which is the largest and most comprehensive social responsibility project ever undertaken by Çalık Enerji, was realized in cooperation with Amasya Provincial Directorate of National Education and our shareholder Mitsubishi Corporation.

Within the scope of the project, the feasibility studies of which took about 1 year, the school will now produce the majority of its own energy thanks to the 12 KWp capacity solar energy panels installed in the garden of Şehit Gültekin Tırpan Vocational and Technical Anatolian High School, whose technical and physical conditions were found suitable by the Amasya Provincial Directorate of National Education. One of the goals of the project is to raise awareness of the students about sustainable and renewable energy resources.

Çalık Enerji cooperated with non-governmental organizations such as TEMA, Food Rescue Association, and Purple Roof Women's Shelter Foundation on special days and weeks such as new year's day.

PROJECTS COMPLETED IN 2021

Malawi Tedzani-4 Hydroelectric Power Plant Project

The Tedzani-4 Hydroelectric Power Plant located in Malawi has an installed capacity of 19.5 MW and is the first renewable EPC project of Çalık Enerji in Africa. The project is also the first power plant of Çalık Enerji - Mitsubishi Corporation cooperation in Sub-Saharan Africa. Construction of the project started on June 11, 2018 and was completed before the contract end date of September 2021. Çalık Enerji undertook the turnkey construction of the project, including construction works, design, procurement, transportation, production, and assembly works, testing and commissioning of the turbine-generator and auxiliary systems, 66Kv switchyard and power transmission line and hydromechanical equipment, and completed the project six months before the delivery date in May 2021.

Located in Amasya, Doğu and Çaydibi Solar Power Plant (SPP) Projects with a total capacity of 5.94 MWp/5Mwe, have initiated commercial power production as of December 11, 2019.

28%

EBITDA Margin

Amasya Çaydibi and Doğu Solar Power Plant Projects

Located in Amasya, Doğu and Çaydibi Solar Power Plant (SPP) Projects of Çalık Enerji with a total capacity of 5.94 MWp/5Mwe, have initiated commercial power production as of December 11, 2019.

Within the scope of the projects undertaken by Çalık Enerji, as both investor and EPC, installations were made on an area of 100 thousand square meters. In these projects, 15,840 pieces of PV modules, 353 tons of steel, and 106 km cable were used. Doğu and Çaydibi SPP Projects are expected to generate a total of 8,222 MWh of energy annually and prevent 4,087 tons of CO₂ emission.

PROJECTS ACQUIRED/STARTED AND ONGOING IN 2021

West Qurna-2 Gas Turbine Project

It is located in Iraq. Upon the completion, it will have the electricity production capacity of 126 MW. Within the scope of the project, there are 3x GE MS60001B Heavy Duty Dual Fuel Gas Turbine Generators of 42 MW each.

As part of Lump Sum Turn Key EPC, one fuel compression and filtering system, 132kV and 33kV GIS switch expansion, power management system, fire protection and firefighting systems, facility and inter-facility balance, buildings and substructure will be used. It is planned to be completed in 34 months.

Bazian Project Combined Cycle Power Plant

Çalık Enerji is the main turnkey EPC contractor for the project in Iraq. The project commenced in September, 2021. Its capacity is 257 MW and the voltage level is 132 KW. It is planned to be delivered in 2023. The content of the equipment is combined cycle, 4 x GE HRSG & 1 x GE STF-D200 STG set. The employer is Taurus Power Generation.

Bazian Simple Cycle Power Plant

Çalık Enerji is the main turnkey EPC contractor for the project in Iraq. The commence of the project is September 2021. It will have a capacity of 505 MW installed power.

It is planned to be delivered in 2022. The content of the equipment is simple cycle, 2 x GE 9F.04 frame GTG sets. The employer is Taurus Power Generation.

Turkmenbashi Oil Refinery Complex

Within the scope of the Socio-Economic Development Program, Turkmenistan's President Gurbanguli Berdimuhamedov signed a resolution for the successful realization of the goals set for the Oil Refinery Complex in Turkmenbashi, and to keep technological facilities in operation and run them smoothly. Within the framework of the mentioned resolution, an Agreement was signed for the construction of 2 new gas turbines and the reconstruction of an energy power plant in the Oil Refinery Complex in Turkmenbashi. According to the Agreement, the Project will be ready to be operated and delivered in 18 months.

Turnkey Combined Cycle Power Plant in Senegal

Winning the turnkey tender for the 300 MW "Cap des Biches Combined Cycle Power Plant" in Senegal, Çalık Enerji added another project to its portfolio in Sub-Saharan Africa. The Signing Ceremony for the first combined cycle power plant in Senegal between Çalık Enerji, GE (General Electric), and West African Energy was held on October 3, 2020, in Dakar, the capital of Senegal, with the participation of Amadou Hott, Minister of Economic Planning and Cooperation of Senegal.

Turnkey Cogeneration Power Plant in Romania

On 24 July 2020, Çalık Enerji won the EPC construction works tender for "Rompetrol CoGen Power Plant" held by Rompetrol Energy S.A., which is the Romanian subsidiary of KazMunay Gas International, the state oil and gas company of the Republic of Kazakhstan. The agreement for the project was signed on Wednesday, August 19 with a signing ceremony held via videoconference. Planned to be completed within 26 months, the project is the first EPC construction project assumed by Çalık Enerji, and therefore is an important milestone for the Company.

ÇALIK ENERJİ



In order to ensure stable and reliable production of the gas turbine fleet under the Turkmenistan Ministry of Energy, the Turbine Fleet Maintenance Project, which includes many firsts, was planned in cooperation with Çalık Enerji and Turkmenenergo.

240
GWh
Planned Production
Capacity of Nigoza WPP

Turkmenistan-Afghanistan-Pakistan Transmission Line Project (TAPP500)

Considered the most important high voltage transmission line project in Asia, the TAP500 Project will proceed in parallel with the Turkmenistan-Afghanistan-Pakistan-India (TAPI) Natural Gas Pipeline Project. The initial agreement for TAP500 was signed in Kabul, Afghanistan, with the participation of representatives from relevant countries. The project, which will be managed by Çalık Holding, is one of the most important investment projects undertaken by a Turkish company in Asia. Turkmenistan, currently exporting electricity to Afghanistan and Iran, will be able to sell electricity to countries in Southeast Asia once the TAP500 Project is finalized. TAP500 Project is expected to be finalized in three years following the start of construction.

Çalık Enerji signed an agreement for Basra Seaport Renewal and Rehabilitation Project in Basra, Iraq's most important sea gateway. The project will be implemented in partnership with Mitsubishi Corporation.

Basra Seaport Project

Çalık Enerji signed an agreement for Basra Seaport Renewal and Rehabilitation Project in Basra, Iraq's most important sea gateway. The project will be implemented in partnership with Mitsubishi Corporation. The Basra Seaport Project will expand the oil products dock at Khor Al-Zubair Port, where the existing industrial port facilities surrounding Basra will be located. The project plans to build a new seaport for the vessels and service boats operating at Umm Qasr Port.

Georgia 50 MW Nigoza Wind Power Plant

Planned to be built near Nigoza Village in Kartli Region of Georgia, the Nigoza Wind Power Plant project is Çalık Enerji's first renewable energy investment project in the country and the first private investment project approved by the Georgian Parliament. Following the approval of the project in November 2019 by the

Georgian Parliament, project development, engineering and the Environmental Impact Assessment studies have commenced for the Wind Power Plant. It is planned to obtain the construction permit for the project by the end of 2021, start construction works and start commercial operation in 2022. The facility is planned to be generating 240 GWh of electricity annually once it becomes fully operational; thus, a significant contribution will be made to both Georgia's renewable energy capacity and the electricity needs of 30 thousand households covered by renewable energy sources.

Gardabani Combined Cycle Power Plant

Construction of the 230 MW Combined Cycle Power Plant was completed in Gardabani, Georgia. Operating activities for the project are still ongoing.

Çalık Denim Roof Type Solar Power Plant Project

Installation of a Roof Type Solar Power Plant with a capacity of 957kWp/820We on the roofs of Çalık Denim's production facilities in Malatya was completed by Çalık Enerji in 2020. The engineering and procurement stages of the Hybrid Power Plant Project started in 2020 as the second phase of the project. The facility is planned to be commissioned in the first half of 2021. The Hybrid Power Plant Project is a test project that consists of solar energy, an energy storage system, and diesel generators, and allows energy resource management and advanced monitoring features through the energy management system (EMS). This type of power plant, which can be used both with the grid and in the regions where there is no grid, is a solution developed especially for regions such as Africa where electrical energy quality is low.

Turkmenistan Fleet Maintenance Project (TFM Project) – Service Center Project

In order to ensure stable and reliable production of the gas turbine fleet under the Turkmenistan Ministry of Energy, the Turbine Fleet Maintenance Project, which includes many firsts, was planned in cooperation with Çalık Enerji and Turkmenenergo. The contract stage of the project and its financial processes were finalized in 2019 and 2020, respectively, and the project commenced.

The extensive maintenance project executed by Çalık Enerji is the first project funded by the Company in Turkmenistan by obtaining Exim-supported international funding. The funding of the project was provided with the export loans utilized from Exim-supported (Swiss "SERV") European Banks (Credit Suisse and Commerzbank). Within the scope of the project, maintenance works on the Turkmenenergo Turbine fleet and the construction of a "Service Center" in Ashgabat have been started.

Mary-1 Power Plant Rehabilitation Project

1,685 MW Mary-1 Power Plant is one of the first thermal power plants in Turkmenistan. Its main production is provided by Russian LMZ branded steam turbines and expansion works for the plant commenced in 1973 and continued until 1987. The project includes the rehabilitation and heavy maintenance works of the plant, and it was started in June 2019. The project is planned to be completed at the end of 2022. Within the scope of the project, turbines, generators, boilers, and all other residual system equipment of seven units will be renewed or maintained.



ÇALIK ENERJİ



12

km

HEPP with the Longest Tunnel in Turkey

With a tunnel length of 12 km, the Adacami HEPP investment is one of the longest tunnels among HEPPs with regulators in Turkey.

"Firsts" and "Major Achievements" in the Sector

- The "230 MW Gardabani Combined Cycle Power Plant," which is the first combined cycle power plant and the largest investment project to date in Georgia and is also Çalık Enerji's first turnkey natural gas combined cycle power plant project
- The "Adacami HEPP investment," which features the longest tunnel (12 km) among hydroelectric power plants with regulators
- Construction of the "1,250 MW Al-Khairat Simple Cycle Power Plant" and "750 MW Nainawa Simple Cycle Power Plant" in Iraq in 2013 - the biggest power plants in the country
- Construction of the 450 MW LM6000 gas turbines in Turkmenistan's Ahal-Mary-Lebap provinces, advanced technology used for the first time in the country

- Completed by Çalık Enerji, the "AST Project (Provision of Continuous Electricity to the City of Ashgabat)" is the first-of-its-kind project in the world with the largest budget; the entire electrical energy infrastructure of a city was replaced and revamped under a single contract
- The "1,574 MW Mary-3 Combined Cycle Power Plant," the largest power plant constructed after Turkmenistan's independence; the facility was commissioned in 2018
- Construction of the "550 MW Al-Khums Fast Track Simple Cycle Power Plant," the first project that Çalık Enerji completed in Libya
- The "60 MW Aden Fast-Track Mobile Power Plant Project" is Çalık Enerji's third project in the Middle East, the first mobile power plant contract, and the Company's first project in Yemen
- "Demircili and Sarpıncık Wind Power Plants," which consist of 29 turbines with an aggregate installed capacity of 72 MW, are the first WPPs built by Çalık Enerji
- Çalık Enerji ranking among the world's top 10 companies in constructing fossil fuel power plants
- The "Turkmenistan-Afghanistan-Pakistan (TAP 500) Transmission Line Project," one of the most important investment projects ever undertaken by a Turkish company in Asia
- "Basra Seaport Project," Çalık Enerji's first project in the transport sector in the Middle East and North Africa (MENA) region
- Çalık Enerji's first renewable EPC project, the Tedzani-4 Hydroelectric Power Plant Project with an installed capacity of 19.5 MW, the first power plant to be commissioned in partnership with Çalık Enerji and Mitsubishi Corporation in Sub-Saharan Africa
- "Turkmenistan Fleet Maintenance and Service Center Projects," as well as being the largest maintenance project to be executed by Çalık Enerji, the first project to be funded and executed by the Company in Turkmenistan
- The Romanian Power Plant Project, the first EPC construction work undertaken by Çalık Enerji in Europe
- The first combined cycle power plant project of Senegal

Çalık Enerji ranked 81st in the ranking of "Turkey's Top Companies" of Capital 500, and ranked 22nd in the ranking of "Companies with the Greatest Turnover Increase."

22

Position of Çalık Enerji in the Ranking of Companies with the Greatest Turnover Increase



Awards in 2021

- The "Sustainability Ambassadors Program" that supports all of the sustainability efforts of Çalık Enerji since January 2020, and consists of volunteer employees, was deemed worthy of the "Our Energy is Our Future Sustainability Award" by the Turkish Ministry of Energy and Natural Resources at the Forth Turkey Energy and Natural Resources Summit.
- Çalık Enerji ranked 81st in the ranking of "Turkey's Top Companies" of Capital 500, and ranked 22nd in the ranking of "Companies with the Greatest Turnover Increase."

- Çalık Enerji climbed 14 places compared to the previous year and ranked 157th in the ENR Top 250 International Contractor List, according to 2020 year-end figures.
- Çalık Enerji climbed 18 places compared to the previous year and ranked 59th in the Fortune 500 list, announced according to 2020 year-end data.

Quality Standards and Certifications

- ISO 9001:2015 Quality Management System Certificate
- ISO 14001:2015 Environmental Management System Certificate
- ISO 45001:2018 Occupational Health and Safety Systems Certificate
- COVID-19 Safe Service Certificate

Financial Summary (TL Million)	2019	2020	2021
Total Assets	7,037	8,173	15,101
Net Sales	4,381	5,573	9,649
Total Shareholders' Equity	3,605	4,751	8,471
EBITDA	1,374	2,070	2,738
EBITDA Margin (%)	31	37	28

On its way to become the best in its sector

Aiming to pioneer the industry by providing reliable, consistent service, delivering a high level of customer satisfaction, and creating social value via its corporate responsibility efforts, YEDAŞ prioritizes occupational health and safety, using advanced technology, and developing innovative solutions.



As a Çalık Holding subsidiary, powerful electricity distribution company YEDAŞ operates in the provinces and districts of Samsun, Ordu, Çorum, Amasya, and Sinop, where it distributes approximately 4.9 billion kWh of electricity to 2.2 million subscribers.

Except for the subcontractors, in 2021, the Company provides employment opportunities for 444 White-Collar, 1,066 Blue-Collar, and 1,510 people in total in Central Black Sea Region, where it offers service.

Having established a strong family structure with its customers, top management, employees, and all stakeholders, YEDAŞ follows technology closely with its innovative approach and applies it in all business processes. Using all its facilities, effort, and energy with the excitement of having the goal to become the best in its sector, the Company is taking firm steps towards its goal of becoming the leading brand in the electricity distribution industry in Europe.

2.1

TL Billion
Net Sales

YEDAŞ raised the number of SCADA stations to 1,361, by 153%, with adaptation and deployment works in 823 stations it established in 2021 within the scope of the SCADA expansion project.

Aiming to pioneer the industry by providing reliable, consistent service, delivering a high level of customer satisfaction, and creating social value via its corporate responsibility efforts, YEDAŞ prioritizes occupational health and safety, using advanced technology, and developing innovative solutions.

The first distribution grid scaled Energy Storage System in Turkey was commissioned by YEDAŞ in Alaca in the second half of 2020. The system, providing solutions in many areas from increasing flexibility for grid operators to improving supply continuity and technical quality, was put into practice for the first time by YEDAŞ, which was an important step for the Turkish Electricity Distribution Sector.



3.3

TL Billion
Total Assets

1.9

TL Billion
Total Shareholders' Equity

Under the technical quality liabilities of the year 2021, YEDAŞ assembled 124 technical quality measuring devices. In this context, achievements regarding technical quality monitoring parameters as of the end of 2021 are shown in the table below:

Technical Quality Parameters	Success Rate (%)
Measurement reporting	99.71
Effective voltage value change	98.25
Voltage unbalance	98.82
Total harmonic distortion	99.87
Harmonic voltages	89.63

Projects Realized in 2021

In order to increase operational productivity, Phase 2 of the Lean 6 Sigma Project was initiated. The 9 projects established within the scope of the project are planned to be completed in 2022.

Voice Radio and Communication Infrastructure works launched in 2020 were completed in the first quarter of 2021. The field teams providing around-the-clock services in five provinces within the YEDAŞ distribution area have an uninterrupted communication infrastructure with 97.5% coverage at every point they are located.

Performing the field installations and system integrations of domestic SCADA equipment procured within the scope of the SCADA expansion project, YEDAŞ increased its number of stations by 153% to 1,361 with the addition of 823 SCADA stations installed in 2021.

Thanks to the "Next Generation Fleet System" launched in 2021, managing field operations quickly and easily in the digital environment has been started. With the can bus system on the vehicle, instant location tracking is monitored and systems in parallel with malfunction repair and maintenance notifications are used.

Forming the R&D Office under the Distribution Technologies and R&D Directorate in 2020, YEDAŞ aims to focus more on R&D activities and to provide new employment in this field. Focusing on R&D and innovation projects that will add value to the distribution industry, YEDAŞ received EMRA approval for a total of 14 R&D projects in January and July 2021. The company carries out R&D projects approved in the previous terms, in accordance with the business plan.

YEŞİLIRMAK ELEKTRİK DAĞITIM A.Ş. (YEDAŞ)



1.1

TL Billion
EBITDA

In order to increase operational productivity, Phase 2 of the Lean 6 Sigma Project was initiated. The 9 projects established within the scope of the project are planned to be completed in 2022.

YEDAŞ also initiated the project having the title of "Production of Knife-Type Fuse with New Generation Polymer Thermoset," which will be non-corrosive, and resistant to atmospheric conditions such as humidity, fog, salt, and resistant to UV lighting. Efforts are underway for a Patent/Utility Model application to the Turkish Patent and Trademark Office for this innovative product within the scope of the project.

Within the scope of the "National Smart Meter Systems (MASS)" R&D project participated by 21 EDCs, domestic and national smart meter systems will be developed. YEDAŞ will make efforts to expand the use of the relevant system in the operating area.

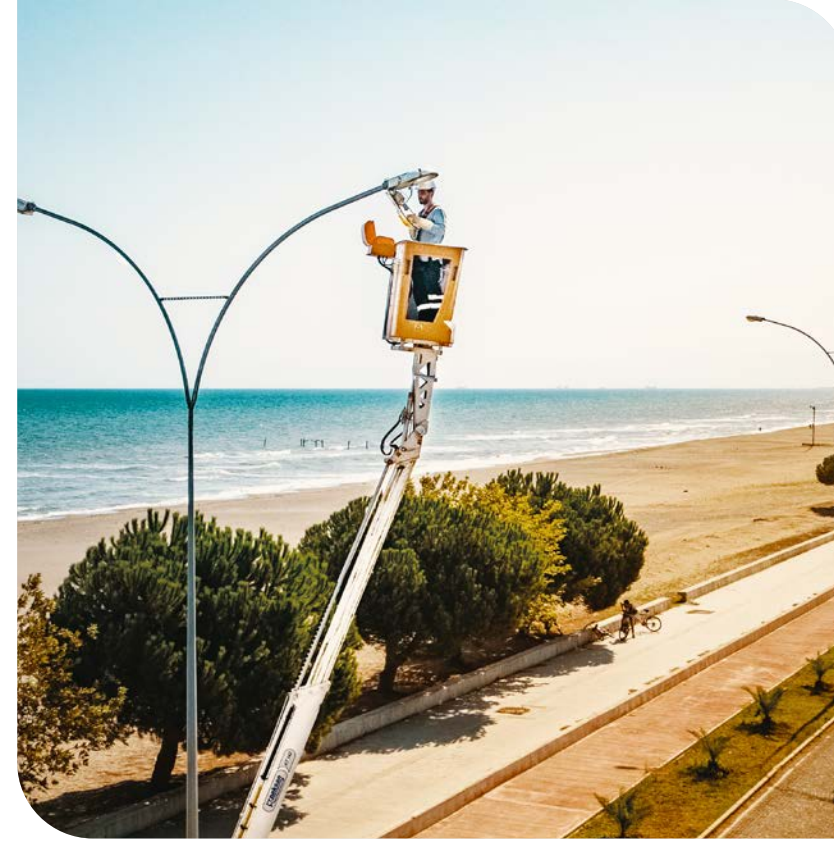
One of the OHS projects that continues in 2021 is designing traverses that are insulating, non-corrosive, durable, and easily assembled, using "glass fiber reinforced, recyclable plastic composite material." Similarly, for reasons both related to OHS and energy continuity, in the name of "Protecting Wooden Poles With Boron," the aim is to develop a product using boron in the form of a paste and to use it to prevent the wooden poles from decaying from the roots.

With the Project of "Examination of Turkish Electricity Distribution Grid for Earthquake and Other Natural Disasters, Performance Analysis after Possible Earthquakes, and the Development of Emergency Action Plans," which determines the needs in terms of the earthquake preparedness of the electricity distribution grid, it is aimed to create an information flow that will contribute to the regulation of operational activities to be carried out during and after the earthquake.

With the "Cable Joint Process Automation Project," it is aimed to develop a robotic automation-focused system eliminating the labor-related problems in underground cable joints, produce this system as a prototype, and test it in the field.

With the project "Failure Detection and Repair with Robotic Arm for Electric Poles (Iron, Concrete, Wood) and Electric Grids - ELEBOT," maintenance, repair, or fault detection works carried out by the field personnel on power poles will be done by robotic arms without human touch.

Due to extreme climatic conditions, physical components of distribution lines such as conductors, insulators, poles, and foundations are damaged from time to time. These damages may cause long-term disruption of energy distribution. With the "Development of Portable Poles for Emergencies (LeGoPoLe)" project, it is aimed to enable the energy distribution line to be commissioned in a short time thanks to its practical structure, minimize occupational health and safety risks, reduce carbon emissions from transportation, and minimize environmental effects.



YEDAŞ achieved an average result of 67% in the "Great Place to Work" survey and was awarded the "Great Workplace" certificate.

With the "Feasibility Study for the Domestic Production of Transformer Core Steel (Crgo)" project, it is aimed to produce CRGO (Cold Rolled Grain Oriented Steel) in Turkey, which is produced only in certain countries in the world and has strategic importance. At the end of the project, it is aimed to provide Turkey with an added value of more than TL 2 billion on an annual basis through state-supported domestic production.

Within the scope of the "Detection of High-Frequency Emissions and Impact Analysis" Project, High-Frequency Emissions, which is a relatively new issue in the Electricity Distribution Industry, will be able to be detected and analyzed through genuine algorithms.

With the project "Investigation of Different Measurement Methods for Failure Prediction in HV Systems," the inventory lifetime will be estimated, possible failures will be detected in advance and intervention will be provided within the scope of maintenance via a vibration analyzer to be installed on devices such as transformer-breaker-reactor.

153%

Ratio of Increased Number of Stations within the Scope of SCADA

With the "Next Generation Grid Design Project," it is planned to design lines suitable for the next generation grid design to resolve the issues caused by distribution elements, and to provide recommendations regarding relevant legislation changes.

With the project "Increasing Efficiency with Next Generation Double Active Core Transformer Design and Pilot Application," the production of two separate core transformers in a single transformer tank will be realized, unlike a regular transformer.

YEDAŞ aims to award authentic, innovative, and technology-based R&D ideas of students, academicians, and start-ups for their activities in the distribution area of YEDAŞ through the "R&D Marathon Acceleration Program" for the electricity distribution sector in which students, academicians, and start-ups in the YEDAŞ service region will participate.

In the year 2022, YEDAŞ plans to achieve the following:

- Improving Technical Quality parameters,
- Improving protection and grounding with a new product design,
- Developing methods that will improve the operating efficiency of transformers and make them traceable with a Fiberoptic Sensor,
- Commissioning of advanced polymer technology in our field, which is able to instantly track the temperature values of grid inventories,
- Reducing ice load-related issues in electricity transmission lines,
- Developing technologies related to the instant measurement of current-voltage values in overhead lines,
- Detecting errors without damaging the cables with low-frequency methods in underground facility works.

YEDAŞ continues investing in its employees without slowing down. The Company obtained a result of 67% on average in the survey of "Great Place to Work," which is regarded as the most prestigious Employee Experience survey in the world and is applied by over 10 thousand companies in 97 countries, and it is awarded the "Great Place to Work" certificate.

YEŞİLIRMAK ELEKTRİK DAĞITIM A.Ş. (YEDAŞ)

Focusing on R&D and innovation projects, YEDAŞ received EMRA approval for a total of 14 R&D projects in January and July 2021.

The R&D project competitions held by YEDAŞ on an annual basis for 2 terms have contributed to the creation of an R&D culture within the company. Employees made project proposals to achieve higher quality energy and energy efficiency. Rewards were given to the idea owners of winning projects.

For the purposes of meeting customer satisfaction, profitability, zero occupational accidents, and realizing operational activities of field employees error-free and as planned, the "Workforce Management and Operational Development Project" has been initiated.

For maintaining operational perfection of field operations with engineer rotation, creating a qualified workforce, and building the future of YEDAŞ, the "Engineer Development and Career Path Project" has been initiated.

For the purposes of forming individual career paths, maintaining a dynamic structure, increasing performance, backup, retaining talents, and ensuring commitment, the "Yeşilirmak Career Path Project" has been initiated.

In order to create a joint leadership culture and get outstanding results by means of effective leadership, strategic perspective, and direction consensus, the "Leaders of Energy Project" has been initiated.

"Firsts" and "Major Achievements" in the Sector

- The first electricity distribution company to obtain TSE COVID-19 Safe Service Certificate and ISO 31000 Corporate Risk Management certificate
- Turkey's first electricity distribution company to use SAP in the most effective and comprehensive manner
- The first Turkish electricity distribution company to implement the Digital Grid Model-Sustainable Investment Period project
- A company that is managed with GIS-Based SAP (ERP) - IS-U
- The distribution company establishing Low Voltage Grid Monitoring System and is able to monitor and manage the low voltage grid remotely
- The first company in Turkey to commission a battery energy storage facility
- The company that shortens the failure repair times by instantly monitoring phase interruptions at the low voltage outputs via the AGIS system
- The company that has implemented the EDAŞ online application which carries the new connection processes to the digital environment and ensures fast and easy tracking of transactions

Competitive Advantages

- Having a strong financial structure and high credibility
- Effective organizational structure which is open to new ideas and improvement
- With high potential and a strong sense of belonging, a dynamic human resource that has a good knowledge of legislation with its sector experience
- Being the distribution company with the highest advantage in the sector in terms of data pool (SAP, EDAŞ Online, AGIS, OSOS, SCADA, GIS) and having a technological infrastructure with advanced grid monitoring and control systems (AGIS-SCADA-OSOS)

YEDAŞ is the first electricity distribution company that obtained TSE COVID-19 Safe Service Certificate and ISO 31000 Corporate Risk Management certificate.

99.02%
OSOS Reading Success Ratio

- Digitalization in customer processes (Digital management of EDAŞ Online connection requests)
- Success in stakeholder relations
- Speed of intervention in natural disasters
- Fast adaptation to the legislative and regulative changes
- Placing great importance on technology investments
- Quick intervention in case of failures with the SCADA/DMS system
- Service quality at international standards
- High customer satisfaction with modern systems
- Development of R&D projects supported by EMRA

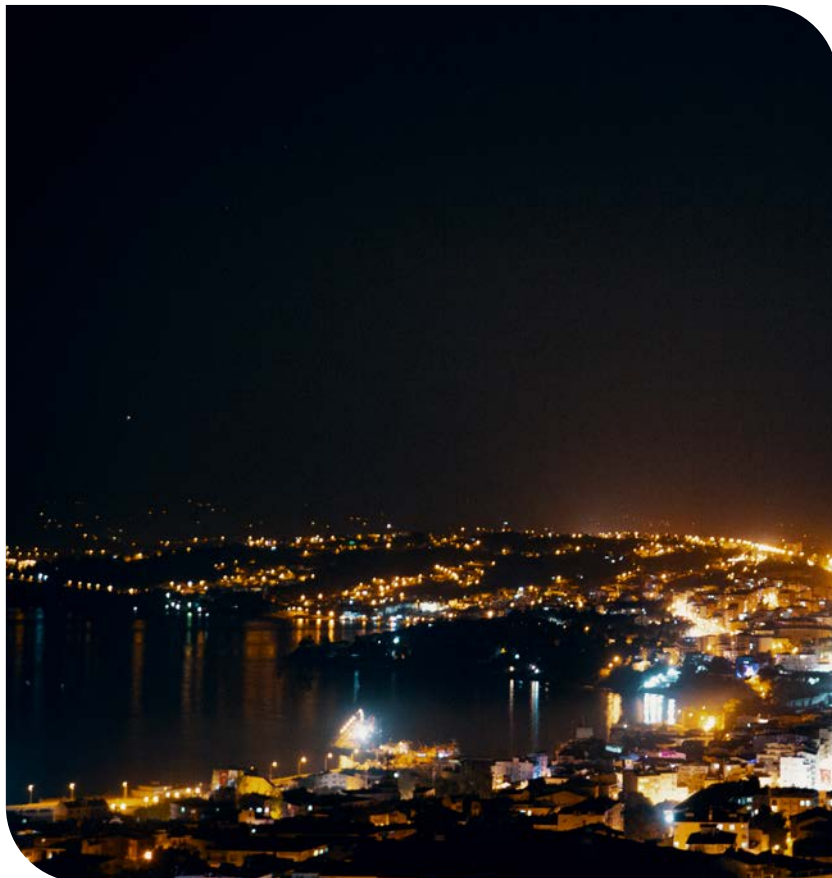
Quality Standards and Certifications

- ISO 9001:2015 Quality Management System
- ISO 10002:2006 Customer Satisfaction Management System
- ISO 14001:2015 Environmental Management System
- ISO 45001:2018 Occupational Health and Safety Management System
- ISO 18295-1:2017 Customer Contact Center Management System
- ISO 27001:2013 Information Security Management System
- ISO 31000:2018 Corporate Risk Management System
- TSE COVID-19 Safe Service Certificate
- Zero Waste Certificate

2021 OSOS Reading Rates

Months	Success Rate (%)
January	98.91%
February	99.01%
March	99.23%
April	99.25%
May	99.25%
June	99.14%
July	99.06%
August	98.54%
September	98.80%
October	99.02%
November	99.18%
December	98.90%
2021 Total Realization	99.02%

Financial Summary (TL Million)	2019	2020	2021
Total Assets	2,112	2,426	3,331
Net Sales	1,173	1,542	2,134
Total Shareholders' Equity	1,096	1,208	1,892
EBITDA	691	823	1,104



YEŞİLIRMAK ELEKTRİK PERAKENDE A.Ş. (YEPAŞ)

Innovative and customer-oriented service

YEPAŞ offers innovative and customer-oriented marketing and sales services to its customers and develops products, services, and solutions based on the needs of its customers with its high-tech infrastructure.



Yeşilirmak Elektrik Perakende Satış A.Ş. (YEPAŞ) became operational after being registered in Samsun Trade Registry Office on November 16, 2012. On 27 December 2012, YEDAŞ obtained a Retail Sales License (numbered EPS/4207-2/2498) as per EMRA (Energy Market Regulatory Authority) Resolution No: 4207-2. The partial separation of retail sales operations within the framework of the Procedures and Principles Regarding the Legal Separation of Distribution and Retail Sales Operations was registered on 31 December 2012. Subsequently, on 1 January 2013, YEDAŞ began its retail sales and service operations in Samsun, Ordu, Çorum, Amasya, and Sinop (Yeşilirmak Distribution Region).

YEPAŞ supplies electricity to a broad customer base including industrial facilities and individual households across Turkey. Yeşilirmak Elektrik Dağıtım A.Ş. (YEDAŞ) is authorized to sell electricity to consumers within its region using electricity at the regulated tariff, to consumers who are eligible as free consumers but do not use

3.3

TL Billion
Net Sales

When selling electric power to industrial facilities and businesses that have eligible consumer status, YEPAŞ develops effective solutions and services by taking market dynamics into account and closely monitoring customer needs.

this right, and to free consumers as the last source supplier at the regulated retail sales tariff determined by the Energy Market Regulatory Authority. In addition, eligible consumers in the region are supplied with electricity through bilateral contracts, with terms and conditions set entirely according to free market conditions. As a last-source electricity supplier, YEPAŞ also performs all kinds of marketing, sales, and customer services (subscription-billing-collection) activities within the scope of electricity supply to its customers.

Along with these services offered to eligible consumers in the liberating electricity market, the Company offers services within the assigned supply company mission imposed by the Electricity Market Code to its customers who are not eligible consumers or who do not make use of this right. The Company continuously improves its operations to ensure that customers' electricity bills are issued accurately and on time, delivered quickly, and collected quickly, free of charge, and through alternative channels.

Delivering a key service that has a critical impact on human life across a wide geographic area, YEPAŞ aims to make its operations error-free.

Offering qualified, reliable, continuous, and affordable electric energy, an indispensable element of life, to its customers, YEPAŞ continued its well-founded and successful efforts in 2021 to provide fast and respectful service to its customers by creating all business processes on the basis of sustainable customer satisfaction.

The Company offers innovative and customer-oriented marketing and sales services to its customers and develops products, services and solutions based on the needs of its customers with its high-tech infrastructure. As a result of its technology investments, YEPAŞ uses the most advanced IT systems, equipment, and infrastructure in the electricity retailing industry. Even though the price may seem the most important factor in electricity supply, the supplier's market experience, know-how, and service quality before and after sales are also very important. YEPAŞ recognizes the sectors in which its customers operate and offers products and services specific to their needs by making the right analyses.

When selling electric power to industrial facilities and businesses that have eligible consumer status, YEPAŞ develops

effective solutions and services by taking market dynamics into account and closely monitoring customers' needs. The company supports business activities of its customers with an approach based on not only prices but also customer satisfaction.

In the application of the last source supply tariff initiated on April 1, 2018, the annual electricity consumption limit was implemented as 50 million kWh for housing group consumers and 7 million kWh for other consumer groups in 2021, as in 2020.

In line with the liberalization process started in the electricity sector in 2001, the eligible consumer limit was decreased gradually in every year since 2002 to expand the scope of eligible consumer implementation. Thus, it was ensured that higher numbers of electricity subscriber including households were included in the eligible consumer scope.

In line with the goal of gradually increasing the market openness rate and all consumers being able to become eligible consumers and according to the EMRA decision no. 9814 dated 17 December 2020, the eligible consumer limit for 2021 was set at 1,200 kWh per year with a decrease of 14% compared to 2020. Thus, consumers with an average monthly electricity bill of TRY 82 or more were entitled to choose their electricity supplier. The theoretical market openness rate increased to 97% with the new limit.

This limit was detected as 1,100 kWh with a decrease of 8% in 2022 compared to 2021. Accordingly, every consumer paying an average monthly electricity bill of TL 125 or more was entitled to choose their supplier.

The eligible consumers are those who consume more than the annual minimum electricity consumption amount determined by EMRA annually (the eligible consumer limit) and are accordingly entitled to choose their supplier. Consumers under the title of the eligible consumer can procure their electricity need under more favorable terms from whichever supplier they want without limitation to province or region through bilateral agreement.



YEŞİLİRMAK ELEKTRİK PERAKENDE A.Ş. (YEPAŞ)



Aiming to maintain a high level of customer satisfaction within the scope of call center applications that YEPAŞ received service in 2021, YEPAŞ commissioned the 2nd phase of its voice response system: the 6 Sigma IVR Development Project.

142
TL Million
Total Shareholders' Equity

The Lean 6 Sigma Training among the projects organized at the center of operational excellence continued at full steam in 2021. The number of employees in the Lean 6 Sigma projects was increased and important improvements were made in the areas such as productivity and operational excellence thanks to the projects carried out on this subject.

In 2021, YEPAŞ prioritized digitalization in all its business processes due to COVID-19 pandemic. Both employee and customer-satisfaction-oriented business plans were designed with remote and rotational shift working models.

As part of the Çalık Family, which continuously expands both its local and global targets, YEPAŞ aims to continuously strengthen its competitive structure and efficiency.

Delivering a key service that has a critical impact on human life across a wide geographic area, YEPAŞ aims to make its operations error-free. YEPAŞ obtained a competitive edge in 2021 once again in order to achieve higher customer satisfaction and has been one step ahead of its competitors with its state-of-the-art information system infrastructure applications and hardware.

With its customer-oriented approach, innovative business model, and infrastructure based on advanced technology, YEPAŞ strives to meet customer needs at the highest level, create value in electricity supply and provide after-sales service support.

YEPAŞ developed digital channels that can reach the end users through prioritized strategic projects it initiated within the smart systems for digitalization. These innovative digital channels developed especially for mobile devices prioritize customer needs and are focused on providing customers with the services of the future.

In order to ensure its operational excellence, YEPAŞ broke new ground in the sector with Lean 6 Sigma, which is a management strategy in which simple and effective statistical tools are used for defining, measuring, analyzing, improving, and controlling processes within businesses.

In 2022, it is planned to repeat the Self-Evaluation studies carried out in 2021 with EFQM Project Team, to complete the stages of excellence —namely, determination, competency, and maturity— based on the score and maturity as a result of EFQM Self-Evaluation, and to work towards achieving the targets of Turkey Excellence Award and EFQM Corporate Excellence Award.

Also, during the year, a Customer Satisfaction Survey was conducted to increase customer satisfaction and measure satisfaction levels, and after the subscription performed, a satisfaction measurement study was made by SMS.



1.1
TL Billion
Total Assets

By becoming a member of KalDer (Turkish Quality Association), YEPAŞ has taken a major step toward becoming an industry pioneer by adopting the EFQM Excellence Model, embracing excellence in every aspect, and committing to continuously improving its quality processes and operations.

The consumption limit determined in 2021 for customers to be evaluated within the scope of the Last Source Supply Tariff was 7 million kWh while the limit was announced as 3 million kWh in 2022.

In 2021, the retail energy price was increased by 21.7% in the industry group, 21.4% in the business group, and 21% in the household group while the distribution price was also increased by 24.8%. In this way, the national electricity tariffs were increased by 22.2% including distribution price.

In 2021, the prices implemented in electricity sales to distribution companies for technical and non-technical lost energy and electricity sales to incumbent supply companies by EÜAŞ were increased by 53%, and the tariff applied to electricity sales made by EÜAŞ to distribution companies within the scope of general lighting was increased by 45%.

2021 Highlights

In 2020, YEPAŞ was the first electricity retail sales company successfully passing the audit and being awarded the TSE COVID-19 Safe Service Certificate by fulfilling the

requirements of the Hygiene, Infection Prevention, and Control Certification Program established by the Turkish Standards Institute due to the COVID-19 Pandemic. The company was able to maintain the continuity of the certificate by passing the TSE COVID-19 Safe Service Certificate renewal audit twice in 2021.

By becoming a member of KalDer (Turkish Quality Association) at the beginning of 2021, an important step was taken in being a leading company, adopting all the notions of excellence, and continuous improvement of quality processes and operations within the scope of EFQM Excellence Model. The Company signed the "National Quality Movement Declaration of Goodwill" in March 2021 and committed to pioneering efforts to increase competitiveness, achieve modernization targets and continuous improvement by transforming the culture of excellence into a way of life. During the first half of 2021, efforts for self-assessment were initiated under the guidance of KalDer EFQM Guide and EFQM Project Team, and EFQM Self-Assessment was carried out in July 2021.

YEŞİLIRMAK ELEKTRİK PERAKENDE A.Ş. (YEPAŞ)



In the research evaluating 21 authorized supplier firms operating in Turkey, YEPAŞ ranked as the electricity provider with the highest customer satisfaction in bill payment transactions.

In 2021, YEPAŞ will continue to put digital transformation and dynamics together with the customer experience and expectations at the center of its activities in order to increase customer satisfaction and loyalty. Within this scope, the company aims at;

- Carrying out customer experience processes in an open, transparent, and solution-oriented manner that is more human-oriented than ever,
- Implementing solutions that coincide with the changing needs and expectations of its customers at the points of contact and channels of the Company, by better understanding these needs and expectations,
- Incorporating the new values and behaviors acquired by customers during the outbreak into the customer experience in the normalization steps after the pandemic.

In the research conducted by the Ministry of Energy and Natural Resources where 21 authorized providers operating in Turkey were assessed, YEPAŞ is the electric company with the highest customer satisfaction in bill payment transactions.

In 2021, a survey on employee loyalty was conducted using Great Place to Work® Emprising (an authenticity-driven experiencing platform in 70 countries across the world) in order to ensure access to information and data necessary for quantifying the Company culture and employee loyalty; improving employee experience, and building a great workplace for everyone by analyzing the Company's results. As a result of the survey, the Company achieved 70% employee loyalty (satisfaction) and was awarded the "Great Workplace Certificate" valid for one year.

YEPAŞ carries out social responsibility projects in a business manner sensitive to the environment and humans, and a sense of responsibility against society. It puts effort to leave a sustainable future to the next generations.

105
TL Million
EBITDA

In the upcoming period, YEPAŞ aims to:

- Standardize business processes and keep a high ratio of improved processes,
- Develop the Corporate Risk Management System,
- Develop the Business Continuity Management System.

R&D

Aiming to maintain a high level of customer satisfaction within the scope of call center applications that YEPAŞ received service in 2021, YEPAŞ commissioned the 2nd phase of its voice response system: the 6 Sigma IVR Development Project. It is aimed to design a user friendly IVR, decrease the number of customers that connect customer representative, and increase customer satisfaction. Menus have been created for our customers to reach information about our service areas without the need of connecting to a customer representative directly when they call our call center. With this project, it is aimed to increase the number of calls answered via IVR and to create customer satisfaction by enabling customers to perform their transactions quickly with a smart IVR structure. With this application, the opportunity to perform transactions such as subscription, termination, debt query, bill payment/ viewing, application viewing, making an appointment, and information update, are provided in a fast and secure manner without the need to go to a Customer Service Center. In addition, the 6 Sigma Call Center Screen Enhancement Project was realized to quickly receive the requests and complaints of the customers that connect to the customer representative after the calls are received by them.

The Improving the Customer Satisfaction with Scoring Method Project (which is another 6 Sigma Project) was realized in the customer satisfaction area in 2021 where it has been aimed to improve satisfaction

levels through implementations such as increasing the loyalty of customers, determining the customer credibility, and updating the customer information.

A Tender Tracking Program is planned to be purchased to track tenders that the Company plans to participate in about electricity sales and to carry out preparation processes of bids on a technical system. Electric Energy Tenders are followed on various websites. However, not only electricity tenders are broadcast on these sites, but also tenders for other sectors are offered. When more than one tender is broadcasted on the same day, some tenders may go unnoticed from time to time. This program is designed to target the purchase of electricity through the filter method, to ensure high financing and to achieve transparent visibility. In incoming orders, the system prevents sending the wrong product and exceeding the tender quantity. Exclusive reports of all transactions will be included in the system.

Competitive Advantages

- Customer satisfaction oriented business approach
- Using smart technology investments and sustainable information systems hardware and application infrastructure
- Providing service quality at international standards
- Leading the service sector by providing effective solutions

Quality Standards and Certifications

- ISO 9001:2015 Quality Management System
- ISO 10002:2014 Customer Satisfaction Management System
- ISO/IEC 27001:2017 Information Security Management System
- COVID-19 Safe Service Certificate
- Zero Waste Certificate of the Ministry of Environment and Urbanization

Financial Summary (TL Million)	2018	2019	2020	2021
Total Assets	603	515	669	1,116
Net Sales	1,362	1,632	2,148	3,304
Total Shareholders' Equity	37	102	99	142
EBITDA	-6	96	125	105
EBITDA Margin (%)	-0.4	5.8	5.8	3.2

High quality service, fast growth performance

Aiming to provide high-quality electricity services to all its subscribers and eliminate infrastructure issues related to electric energy, Kosovo Çalik Limak Energy Sh.A. has expanded its subscriber base from 470 thousand in 2013 to 654,731 thousand as of year-end 2021.



Established to distribute electricity in Kosovo under a tender awarded to the Çalik Holding-Limak Holding partnership in 2012, Kosovo Çalik Limak Energy Sh.A. operates in electricity distribution and retail in Kosovo, Europe's youngest country. Operating as an electricity distributor in conjunction with Kosovo Electricity Distribution Company J.S.C. (KEDS) and an energy supplier with Kosovo Electricity Supply Company J.S.C. (KESCO), Kosovo Çalik Limak Energy conducts all electricity distribution activities in the country on its own.

Kosovo Çalik Limak Energy has recorded major progress toward achieving its goals by capitalizing on the experience of Çalik Group and Limak Group in the power industry. The company regularly introduces innovations under its Ten-Year Distribution System Operator Network Development Plan (2014-2023). The company formulated the plan to provide reliable electric service at low prices and has implemented it step-by-step while introducing efficient systems and coordinated customer tracking. These various advantages and distinctive features enable the company to steadily expand its subscriber base.

343.2

EUR Million
Net Sales

As of end-2021, Kosovo Çalik Limak Energy Sh.A., which attaches importance to digitalization, has included 13% of all customers in the smart grid system. Energy losses, which were 32% in 2013, were reduced to 18.48% by the end of 2021.

Actively operating in the sector since 2013, KEDS and KESCO have successfully reduced technical and commercial losses; improved their access to energy significantly by restructuring their energy transfer operations; boosted operational efficiency via advanced technologies and implementation of effective measures. Both companies have also focused on providing education and employment opportunities to young people in line with their commitment to social responsibility.

KEDS aims to provide high-quality electricity services to all its subscribers and eliminate infrastructure issues regarding electric energy.

Successfully completing the legally required separate pricing process at the end of 2014, KEDS transferred its electricity supply activities to KESCO, which was established under the Çalik Group-Limak Group partnership in 2015.

255.3

EUR Million
Total Assets

Developments in 2021

KEDS has expanded its subscriber base from 470 thousand in 2013 to 654,731 as of year-end 2021. This significant growth was thanks to Kosovo's young and growing population and the company's ambitious investment drive post-privatization.

All electricity consumers in Kosovo are customers of KESCO. Prioritizing digitalization since its establishment, KESCO has included 13% of its customers in its smart grid system by the end of 2021. Energy loss, a major problem in the region, declined from 32% in 2013 to 18.48% by year-end 2021 thanks to KESCO's targeted investments and efficient operations.

Throughout 2020, the COVID-19 pandemic adversely affected the Kosovo economy and business sector, including Kosovo Çalik Limak Energy. In 2021, the company engaged in intensive efforts across its operations, from billing to collection, to recoup the losses resulting from these negative impacts.

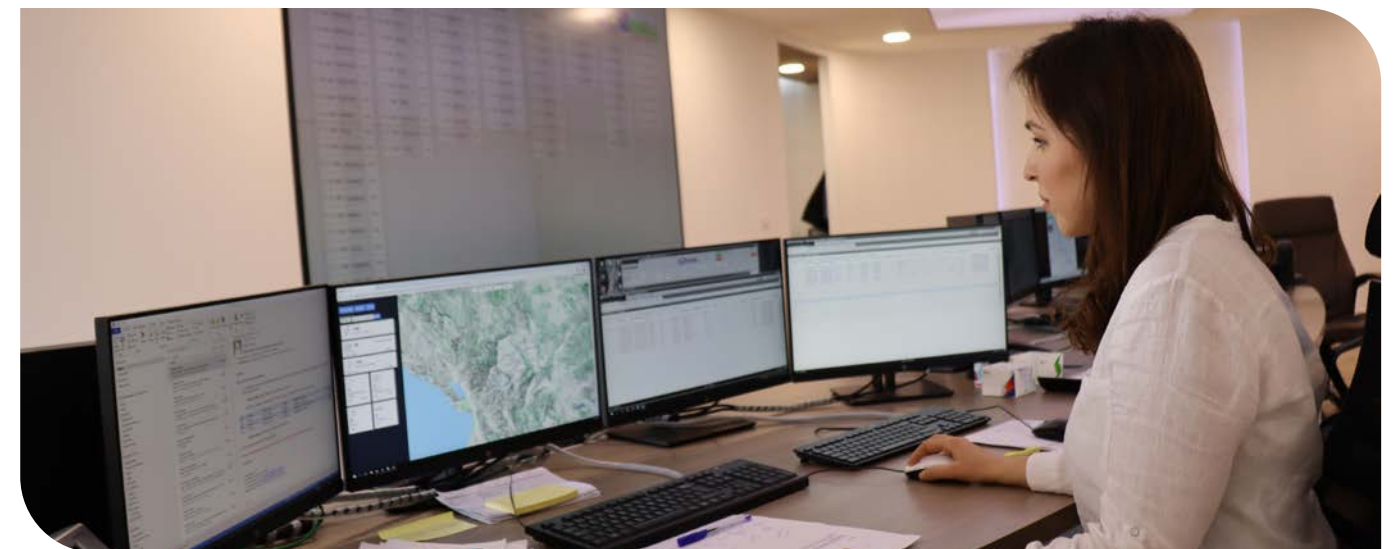
After the onset of the global pandemic in 2020 and its ongoing impacts in 2021, Kosovo entered an economic recovery. The effects of the economy's rebound were also seen in energy consumption which rose about 13% in 2021 compared to a year earlier. During the year, KEDS distributed 6,259 GWh of electricity in Kosovo and recorded total investment spending of EUR 22.8 million as part of its LV (low voltage) and MV (medium voltage) projects. KEDS invested a total of about EUR 190.2 million

from May 2013 to the end of 2021 to reduce technical and commercial losses.

Although pandemic related restrictions eased across the country during the year, Kosovo's Ministry of Health and the National Institute have strictly implemented their decisions. As part of COVID-19 measures, all employees received detailed information about the importance of vaccinations. As a result, the company registered clear success with its COVID-19 vaccination program: 98.5% of employees were vaccinated in 2021. In addition, PCR tests and documentation proving reasons for not being vaccinated were regularly requested from unvaccinated employees upon their arrival at work.

Masking and social distancing requirements in workplaces continued in 2021. All company units were provided with disinfectants, masks, and protective equipment. Employees over the age of 60 who were able to work from home were supported in doing so.

To better serve customers and provide an improved working environment for employees, Kosovo Çalik Limak Energy upgraded its facilities and vehicle fleet throughout 2021. During the year, the company's capital improvement investments amounted to about EUR 260 thousand for facilities and EUR 1.85 million for vehicles, including the procurement of 63 new passenger cars and three pieces of construction equipment.



113.6

EUR Million
Total Shareholders'
Equity

KOSOVO ÇALIK LIMAK ENERGY SH.A.

Kosovo Çalık Limak Energy Sh.A. considers reaching an effective Quality Management System as one of its most important goals for meeting the demands of customers and regulators in the fastest and most effective way, reducing costs, reducing work accidents, and preventing potential errors.

Kosovo Çalık Limak Energy sees implementation of an effective Quality Management System as a top priority. A Quality Management System would help the company meet the demands of customers and regulators in the fastest and most efficient way, lower costs, reduce occupational accidents and prevent potential errors. Efforts to fulfill the requirements of ISO 9001:2015 are currently underway.

KEDS' Electricity Distribution and Retail Strategy

KEDS aims to reach international benchmarks in its SAIDI (System Average Interruption Duration Index) and SAIFI (System Average Interruption Frequency Index) performance. Achieving these standards will ensure that KEDS provides sufficient and low-cost electricity services to its subscribers with business processes that prioritize high efficiency while improving its supply security. Toward this end, KEDS plans to continue its planned maintenance and network renewal investments.

New Practices and New Collaborations in 2021

In 2020, the Energy Regulatory Office (ERO) initiated a process to revise supplier (KESCO) parameters – most importantly, retail margin and bad debt ratio – for the first

time since privatization. KESCO prepared for the revision and submitted an application to the ERO. The decision related to the parameters was issued in January 2022.

The energy crisis of July 2021 also affected Kosovo. High export costs that occurred from local production not meeting energy needs, along with the jump in energy prices, caused the situation to be assessed on an urgent basis. The urgent assessment initiated by ERO in December 2021 at the request of KEDS was completed in February 2022. As a result, a block tariff system was adopted and tariff prices were regulated. During this process, ERO provided support amounting to EUR 20 million in December 2021 and EUR 10 million in January 2022. In addition, financial support totaling EUR 90 million will be extended in 2022 to reduce price pressure on end users in regulated tariffs.

Kosovo Çalık Limak Energy recorded the following information technology developments in 2021:

- **Cybersecurity**
 - A 100% security score was achieved on the Security Scorecard.
 - Mobile users and Handheld Terminals were secured with SOTI MDM.
 - The wireless infrastructure was both segmented and secured with Aruba Clearpass.

During 2021, the company's investments amounted to about EUR 260 thousand for facilities and EUR 1.85 million for vehicles, including the procurement of 63 new passenger cars and 3 construction equipments.

654 +
Thousand
Number of Subscribers

- After signing an Xsoar agreement with Turkcell, KEDS's security systems were monitored and reported 24/7. Under the agreement, the SIEM (Security Information and Event Management) solution was updated.
- The existing SIEM solution was configured to be transferred to SCADA.
- Compatibility work for ITIL and NIST checklists were initiated; a 3.5/5 compatibility level was achieved by year-end.
- **Infrastructure and Connection**
 - The primary data center was transferred to Turkcell.
 - A disaster center commenced services as DRC in Ankara.
 - Devices with existing Cisco EOL infrastructure were renewed with projects amounting to EUR 75 thousand.
 - The wireless infrastructure was expanded and renewed with Aruba.
- **Software Projects**
 - The KEDS Management Dashboard was enhanced for six different units.
 - A GIS-based open internet system was commissioned to enable customers to easily view and be informed about service malfunctions and planned interruptions.
 - Functionality enabling customers to report service malfunctions to the OMS system via the eKesco mobile app was deployed.

- The eKesco mobile application recorded 136,000 users in 2021.
- The first phase of the software project to manage handheld terminals reaching their EOL in the field with a single Android-based software solution was completed.

Kosovo Çalık Limak Energy recorded the following research and development related implementations in 2021:

- Compacting of SCADA Network – Creating a New VLAN for Cybersecurity Audit and SCADA Connections of Kiosks, SCADA installation to 10(20) [kV] stabilizers
- SCADA installation for 10(20) kV Kiosks
- Installation and deployment of 35/10(20) [kV] – 4/8 MVA Power Transformer
- Engineering and deployment of 35-20-10 [kV] All Middle Voltage Cells
- Integration of Distribution Management System and Malfunction Management Systems and updating network data
- Installation and deployment of 35 kV Aerial Line Malfunction Indicator Mechanism

Competitive Advantages

- Sole supplier in the market
- Positioned as a regional player
- Equipped with the human resources, technical knowledge, experience, and competency to determine and undertake projects to satisfy market needs
- Independent decision-making

Capital Investment Projects Realized in 2021

- Grid expansion, rehabilitation and distribution transformer projects respectively in LV (low voltage) projects (Approx. EUR 11.6 million)
- MV (medium voltage) projects (Approx. EUR 7.3 million)
- Meter investments
- Smart grid investments
- Vehicle supply and modernization investments
- Facility, storage, property renewal and renovation investments
- IT investments
- Special field operation equipment investment
- Regional investments



KOSOVO ÇALIK LİMAK ENERGY SH.A.



Among the investment projects in 2021 are meter, smart grid, vehicle procurement and modernization, renovation and renovation of buildings, warehouses, etc., IT, special field operation equipment, regional investments.

Goals

In accordance with Energy Regulatory Office (ERO) instructions and regulations, KESCO will become a supplier having unregulated tariffs for customers connected at 35 kV and 10 kV levels that meet the criteria set by the Electricity Law. KESCO aims to submit offers and continue working with these customers; and to implement this as of 2022.

In addition, KESCO aims to:

- Provide energy supply and ensure investment continuity to maintain energy supply and bolster the energy infrastructure;
- Achieve collection and loss-leakage targets determined by the ERO and ultimately to exceed these targets;

- Become protected against all MITRE attack scenarios;
- Provide ISO 27001, ISO 27701 certifications;
- Deploy the entire handheld terminal project and make it usable for all field operations;
- Achieve full compliance with the NIST Framework;
- Achieve full compliance with GDPR;
- Deploy the system by mid-2023, starting from Core ERP installations in 2022;
- Complete the Chat-bot project in 2022;
- Install SCADA to kiosks and power plants connected to the distribution network, and engage in ongoing efforts to deploy them;
- Complete integrations of and commission the Distribution Management System and Malfunction Management System;

Approximately EUR 11.6 million was invested in LV projects as grid expansion, rehabilitation, and distribution transformer projects, and EUR 7.3 million was invested in MV projects.

- Install the SCADA Emergency Control Center;
- Apply modifications in the distribution network to the SCADA/DMS/OMS system;
- Establish test laboratories for 10(20) kV distribution transformers and 24-35 kV cells;

- Install 35 kV - 4 MVar shunt reactor and SCADA connection;
- Install recloser for 10(20) kV aerial line and SCADA connection;
- Install and deploy 35 kV aerial line malfunction indicator mechanism;
- Launch pilot project for charging station of electric vehicles.

Financial Summary	2019 (TL Million)	2020 (TL Million)	2021 (EUR million)
Total Assets	1,364	2,072	255.3
Net Sales	1,603	1,945	343.2
Total Shareholders' Equity	1,023	1,438	113.6
EBITDA	172	268	-32.4
EBITDA Margin (%)	11	14	-9

11.6

EUR Million

LV Project Investments

ARAS ELEKTRİK DAĞITIM A.Ş. (ARAS EDAŞ)

Achieving firsts in the sector

Aras EDAŞ broke new ground among electricity distribution companies in Turkey and added Unmanned Aerial Vehicle (UAV) to its inventory. The UAV will provide more active and fast service, and serve actively in fighting illegal electricity use.



1.9

TL Billion
Total Assets

Aras EDAŞ aims to rapidly reduce and prevent illegal electricity usage in the region with the PLC project, which means communication infrastructure over electricity grids. With this system to be implemented in the Central, Diyadin, Eleşkirt, and Taşlıçay districts of Ağrı province and Karaçoban district of Erzurum province, remote reading and cut-off-opening operations of consumer meters, as well as consumer interventions to be made to the meters for illegal electricity usage, are aimed to be prevented. At the end of this project, customers will be provided qualified and uninterrupted energy, as a result of a decrease in the rate of illegal activities.

With the purpose of providing reachable, innovative, and constant communication, which is one of the most effective ways of strengthening communication with customers, CRS (Customer Relationship Management) and Mobil Application integration was completed and became widely used. Communication was strengthened by sending notifications, greetings, and congratulations to customers via the system.

In 2021, the service quality of Aras EDAŞ's customer services and call centers has been certified with ISO 18295-1 and ISO 18295-2 Standards. Successfully passing audits in which all processes related to customer contact centers were evaluated, the Company once again demonstrated its solution and customer-oriented working system by being awarded the ISO 18295-1 and ISO 18295-2 certificates.

Another step taken towards perfection in the service industry is the deployment of a Connection Monitoring System (CMS) in subscription processes. With the system, it was made available for customers to carry out their processes in a digital environment without coming to the establishments. In addition, a "Home Service" team was formed for customers that cannot get out of their homes due to the pandemic. With the Home Service team, customers are given the opportunity to sign their agreements and complete the subscription process.

The Company, which focuses on sustainability in its operations, continued to take steps to protect the environment. During the year, Aras EDAŞ coated some parts of the electricity poles with plastic insulators to prevent the electrocution of birdlife.

After forest fires that caused hundreds of thousands of hectares of land to burn to the ground in many provinces of Turkey, Aras Elektrik intensified its inspections in rural areas and conducted inspections of transformers and energy lines that are close to forestlands in its area of responsibility with thermal cameras.

In addition, Aras EDAŞ initiated landscaping projects in 7 provinces and 58 districts served with the slogan "Garden is on Us Gardening is on You." Teams created to provide the gardening and arrangement of enterprise gardens performed their duty elaborately and planted fruit and vegetable saplings in suitable places.

1.3

TL Billion
Net Sales

Providing electricity distribution services in seven provinces including Ağrı, Ardahan, Bayburt, Erzincan, Iğdır and Kars, with Erzurum as its headquarters, Aras EDAŞ provides services to 2.2 million citizens; as of the end of 2021, the Company has 1,095,416 subscribers.

The Aras Region covers seven provinces of the Eastern Anatolia Region, where a significant portion of Turkey's rural population is located and accounts for 3.1% of Turkey's population. While 70% of the region's residents live in cities, 30% of the company's customers live in rural areas.

Aras EDAŞ maintains its investments constantly in order to serve the people of the region with better quality and uninterrupted service. In 2021, the Company added an Unmanned Aerial Vehicle (UAV) to its inventory, a first among

Aras Elektrik, which invests millions of Turkish Liras every year by closely following the technology, has remotely monitored approximately 5 thousand MV feeders thanks to SCADA systems and ensured that customers are informed about interruptions without calling the Company.

electricity distribution companies in Turkey. The UAV, capable of flying over an area of 45 km by staying in the air for nearly 90 minutes, will provide more active and fast service, and serve actively, especially in fighting against illegal electricity.

Along with UAVs, Aras EDAŞ fleet is also reinforced with "Basket Crane Vehicles" that help people to work safely in risky regions, can reach high, and attracts attention with their technological equipment.

Aras Elektrik, which invests millions of Turkish Liras every year by closely following the technology, has remotely monitored approximately 5 thousand MV feeders thanks to SCADA systems and ensured that customers are informed about interruptions without calling the Company, and achieved significant improvements in the number and duration of breakdowns.

ARAS ELEKTRİK DAĞITIM A.Ş. (ARAS EDAŞ)



Another step that Aras EDAŞ took for protecting our friends in nature is plastic insulators. Some parts of electric poles are coated with these materials to reduce the risk of electrocution of birds.

Besides, the nests of storks on migration routes were checked and cleaned one by one, and feeding activities were carried out for wild and stray animals that had difficulty in finding food during the pandemic. An injured cow stuck in a valley after falling from a slope in the Diyadin district of Ağrı was taken from the place it fell in after hours of the rescue operation by District Governorship and Aras Elektrik teams, and it was returned to its owner.

Along with providing electricity distribution service in its area of responsibility, Aras Elektrik made a name for itself with the organizations it carries out and the support it gives to education. As part of its social responsibility projects, Aras Elektrik provided material aid to Ağrı Nurettin Dolgun Vocational and Technical Anatolian High School. In the project, some part of the schoolyard was determined as a hands-

on training area, and materials to be used were identified. Type A poles, cage poles, electric terminals, and cable materials were provided for the students' usage during their education.

Aras Elektrik performed an entertaining social responsibility project to enable the young to grow as individuals who question, research, think analytically, and produce information by gaining reading culture. Books were donated to the library of a determined school with the project initiated by the Iğdır Provincial Coordinator aiming to increase perception and awareness in children about the library.

Aras Elektrik met with students as part of "Career Days." Aras Elektrik field team came together with students, and they shared their experience in the sector by explaining the tasks of the field team in providing energy to customers.

Within the scope of education support works, the Chief Engineer and Training Engineer of Management Systems shared their sectoral experiences and exchanged ideas during an online technical tour organized by students of Uludağ University, Department of Industry Engineering.

Aras Elektrik Dağıtım A.Ş., which provides electricity distribution services in 7 provinces in Eastern Anatolia Region, received a certificate of appreciation from Social Security Institution for its contribution to employment with the number of staff it employs.

Aras EDAŞ attaches importance to the occupational and social development of employees. Within the scope of the "Training Program on Addiction Prevention of Turkey" in 2021, the staff was given training by expert trainers of The Green Crescent.

Aras EDAŞ Occupational Health and Safety Practices

Risk assessments have been performed regarding potential risks in the Company's workplaces, employees have been informed about these issues and necessary precautions have been taken.



Health examinations of employees are carried out by the workplace physician before they start working. Employees are subjected to health screening on a regular basis.

1
TL Billion
Total Shareholders' Equity

- All employees receive basic occupational health and safety training before starting to work. In the training sessions, employees are practically informed about the use of individual protective equipment.
- First aid training approved by the Ministry of Health is given to employees to ensure that the employees know more about first aid in case of emergencies.
- In order to spread a safety culture, employees were provided with occupational safety awareness training.
- In accordance with the hazard class of the company, an occupational safety specialist, a workplace doctor, and other health personnel were employed.
- By analyzing work accidents and near-miss statistics, improvement and development activities are carried out to achieve a zero-accident workplace.
- Health examinations of employees are carried out by the workplace physician before they start working. Employees are subjected to health screening on a regular basis.
- Contingency plans were made for all workplaces and the awareness of the employees was raised regarding emergencies.
- Field inspections were carried out.
- Annual checks of fire extinguishers were made and fire drills were carried out to increase the knowledge and skills of the employees in case of a potential fire incident.
- Occupational health and safety boards were formed in the Provincial Coordinating Offices and meetings with executives, employees and union representatives were held on a monthly basis.
- All machinery equipment in the working areas were checked regularly by an authorized mechanical engineer.
- Work processes of subcontractors and contractors were regulated within the scope of occupational health, safety, and environment agreements.
- In cases where collective protection would not be possible, personal protective equipment in compliance with the standards was delivered to the employees against potential risks.
- Occupational safety materials were distributed to all teams.
- AFAD Trainings and Working At Height Trainings were given.

ARAS ELEKTRİK DAĞITIM A.Ş. (ARAS EDAŞ)



1

Million +
Subscribers

Providing service to
2.2 million citizens,
Aras EDAŞ has
1,095,416 subscribers
as of 2021 year-end.

"Firsts" and "Major Achievements" in the Sector

- The only electricity distribution company in Turkey to conclude a "Training and Collaboration Protocol" with the provincial universities in its field of activity.
- It is the first distribution company to receive the ISO 50001 Energy Management System standard.
- The new communication platform ARIMER (Aras Communication Center), which is a first among the Electricity Distribution Companies, brings the managers and the customers together directly. With the "Manager Communication Line," any requests or complaints can directly be sent by the customer to the manager via ARIMER.

- Achieving the highest maintenance rate among all distribution companies, Aras EDAŞ maintained 50% of its entire grid despite the tough geographical and climatic conditions of the region.
- Thanks to the Geographic Information System (GIS), Aras EDAŞ collected its entire (LV+MV) grid/line of 58,342 km located in its service area, modeled it, and put it into service.

Competitive Advantages

- Geo-strategic significance of its operation region
- Largest company in the eastern Anatolia region
- Located in a region with incentive programs

Quality Standards and Certifications

- ISO 9001 Quality Management System
- ISO 14001 Environmental Management System
- ISO 45001 Occupational Health and Safety Management System
- ISO 50001 Energy Management System
- ISO 27001 Information Security Management System

Aras EDAŞ aims to ensure continuity in customer satisfaction by providing qualified and uninterrupted service and to continue to carry out renewal, improvement, voltage transformation, and additional grid works.

- ISO 10002 Customer Satisfaction and Complaints Handling
- ISO 18295-1 and ISO 18295-2 Customer Services and Call Centers Service Quality Standards
- World Energy Council Membership

Goals

- To ensure technical quality and continuous power with the LV & HV (MV) power distribution systems in its operating region-covering the provinces of Ağrı, Ardahan, Bayburt, Erzincan, Erzurum, Iğdır and Kars
- To maintain a high level of customer satisfaction by offering uninterrupted and high-quality service
- To undertake renewal, improvement, voltage conversion and expansion efforts to minimize the number of faults
- To increase R&D investments

Surface Area Ratio of ARAS' Operating Region to Turkey's Total Surface Area

The total area of the company's operating region corresponds to 11.1% of Turkey's total surface area. Agriculture and livestock breeding are the major sources of income in the region. Aras EDAŞ provides service to more than 2 million customers located on a land area of 70,554 km², in one of the country's harshest regions.

Aras EDAŞ in figures

- 7 provinces, 58 districts, 4,000 Villages/ Neighborhoods
- Surface Area: 70,554.00 km²
- Population: 2,200.00
- Number of Employees: 1,901
- Current Number of Luminaires: 335,578
- Current LV Line: 33,899.4 km
- Current HV Line: 24,442.8 km
- Current Number of Transformers: 14,511
- Current Loss and Illegal Use Rate: 20.56%
- Current Lighting Facilities: 9,537

ARAS ELEKTRİK PERAKENDE SATIŞ A.Ş. (ARAS EPSAŞ)

A forward-looking and innovative company

Carrying out electricity retail sales activities in Erzurum, Erzincan, Ağrı, Ardahan, Kars, Bayburt and Iğdır provinces under its license, Aras EPSAŞ is the main electric supplier of 2.2 million people.



Aras Elektrik Perakende Satış A.Ş. (Aras EPSAŞ) was established in Erzurum on December 13, 2012 and received the Retail Sales License numbered EPS 4207-16/2512 upon the decision of the Energy Market and Regulatory Board. The partial separation of retail sales operations within the framework of the Procedures and Principles Regarding the Legal Separation of Distribution and Retail Sales Operations was registered on 31 December 2012.

Carrying out electricity retail sales activities in Erzurum, Erzincan, Ağrı, Ardahan, Kars, Bayburt and Iğdır provinces under its license, Aras EPSAŞ is the main electric supplier of 2.2 million people.

4.8
TL Billion
Net Sales

Aras EPSAŞ obtained a wide reference customer network by adopting customer satisfaction as a principle together with its employees who are experts in their own fields. Aras EPSAŞ left all years behind and set a record in 2021 with a portfolio of over 40 thousand customers and energy consumption of 4.5 million MWh.

Aras EPSAŞ reached a wide reference customer network by adopting customer satisfaction as a principle together with its employees who are experts in their own fields, and by keeping communication with its customers at the highest level. Aras EPSAŞ left all years behind and set a record in 2021 with a portfolio of over 40 thousand customers and energy consumption of 4.5 million MWh.

Despite the adverse effects of pandemic and, particularly the global economic contraction which began in the last quarter, Aras EPSAŞ managed to raise the collection rate every passing day and keep it at high levels in 2021.

1.1
TL Billion
Total Assets



Sales Marketing Directorate

With the tariff unit prices announced in the last quarter of 2019, favorable conditions began to emerge in the energy market in terms of sales and marketing. Therefore, customers with "Eligible Consumer" capacity within and outside the Region can now be included in the portfolio.

Within this framework, more than 40 thousand subscribers in and out of the Region in total were added to our "Eligible Consumer" portfolio consistently in 2021 and broke a record by leaving all years behind with an energy consumption of 4.5 million MWh.

Customers Directorate

In 2021, customers are offered the chance of subscribing by calling the solution center. Controls are performed over the system to ensure that the information received from the subscribers is processed correctly and that no errors occur. The rate of e-mail addresses received as permanent data storage during subscription increased from 81% to 89% in the last year. Until the end of 2021, 4,086 Dask units of Aras EPSAŞ were realized.

Attaching importance to customer satisfaction, Aras EPSAŞ makes satisfaction measurements with the NPS (Net Promoter Score) measurement method which is used at global standards to perform better measurements. In order to provide faster solutions to customers' requests/ suggestions/complaints that are fulfilled by the solution center, mutually viewable screens were deployed at the beginning of 2022.

Solution Center employees are given trainings for faster and remote subscription processes, and it is ensured that the subscribers could perform their subscription processes by calling solution center.

Debt Collection Department

Despite the adverse effects of pandemic and, particularly the global economic contraction which began all across the world in the last quarter, Aras EPSAŞ managed to raise the collection rate every passing day and keep it at high levels in 2021. The reporting year resulted in success with the achievement of collection goals, and 99.44% of TL 3,560,851,735 accrual was collected. 99.70% collection was achieved in the accrual of approximately one thousand eligible customers out of the region that was added to the Company portfolio, and the collection rate of official institutions increased to 99.60% in 2021.

Energy Trade Directorate

2021 was a year in which economic activities revived, and the increase in demand for electricity in the industrial, residential and service sectors also stimulated the electricity energy market. Aras EPSAŞ has also expanded its activities in response to the increasing demand for electricity. Increasing electric energy demands also influenced commodity prices, and had an impact on Market Clearing Price (MCP) occurred. While MCP average was 278.72 (TL/MWh) in 2020, it raised to 508.10 (TL/MWh) in 2021 as a result of the increase in energy costs.

Aras EPSAŞ focused on expanding its eligible customer portfolio in 2021 and changed its goals in the last quarter of 2021 to minimize the eligible customer portfolio for the purpose of reducing the negative impacts of increasing energy costs.

ARAS ELEKTRİK PERAKENDE SATIŞ A.Ş. (ARAS EPSAŞ)



As Turkey's agile and innovative energy company, Aras EPSAŞ strives to produce solutions that touch people's lives, and in this regard, Aras EPSAŞ has simplified the requests and questions received by the Company in a way that consumers can understand, not leaving any obscure points regarding the problems they experience. Legal infrastructure will be developed in accordance with the alterations by following the current legislation.

Corporate Communication and Quality Department

In 2021, some of the training sessions planned were provided remote. Quality instructions were revised and updated in the same year.

Goals for 2022 and the Future

- To provide ideal service by enhancing customer satisfaction, and to work on rendering better service,
- To offer and maintain our service quality with the most accurate, different and innovative service policies for the intended profile and our target customers,
- To increase and maintain profitability by minimizing all foreseeable risks, especially the collection risk, by bringing the potential customer groups defined as "High consumption customer/Profitable customer/Stable paying customer" together accurately,
- To leave an accurate/secure and positive familiarity mark on the customers by increasing pre-sales and after-sales service quality every day,
- To enhance the quality of service day by day, making it sustainable and continuous,
- To boost our Company's profitability by managing budget satisfactorily,
- To go beyond the targets of the former years, doing better,
- To increase the efficiency by making sure that supportive programs such as personnel training etc. become continuous,
- To boost the current profitability in a consistent and smooth manner, considering the market conditions,
- To heighten the accrual/collection rate further, to accustom customers to on-time payment, and especially in this context, to raise the rate of automatic payment orders given to bank, and to sustain the customer satisfaction and the mentality of giving quality service as in the previous years,

Legal Department

While electricity retail sales companies sell electricity exclusively to their customers, which are subject to the regulation, in their own regions as the authorized supply company, they can also sell electricity to customers entitled to be eligible throughout Turkey without any regional restrictions. Within this context, as the leader Authorized Supply Company in the region, necessary works are carried out to fulfill all of the responsibilities of the company in accordance with the legislation by working in coordination with all relevant institutions and organizations.

Having carried out revision studies in many areas in order to improve the legal infrastructure of the Company in accordance with the innovations in the legal field, Aras EPSAŞ generally realized these revision studies within the scope of Law No. 6698 on Protection of Personal Data (LPPD).



Aras EPSAŞ operates with the aim of boosting the current profitability in a consistent and smooth manner, considering the market conditions.

- To perform revision activities in numerous fields to develop legal infrastructure of the Company in accordance with the innovations in legal field, and to upgrade these activities,
- To ensure that processes are tracked more smoothly by facilitating the monitoring of data with digital transformation,
- To render service by reaching a broader consumer portfolio,
- To stand behind the renewable energy-based production, which significantly contributes to our country from the aspect of environment and economy,
- To become a leading, universal brand in the electricity retail sector,
- To maintain steady growth in relation to retail companies in Europe and to achieve lasting success driven by a customer-focused strategy,
- To participate in projects to improve the life quality of the society we live in,
- To continue training programs to ensure that employees are improved continuously by supporting all employees with occupational training and personal development programs,
- Acting in a solution-oriented and anticipatory way to ensure and boost the continuity of customer satisfaction and service quality,
- To comply with the terms of the Quality Management System and to be an exemplary company by ensuring continuous improvement with the participation of employees.

Financial Summary (TL Million)	2019	2020	2021
Total Assets	453	582	1,082
Net Sales	1,451	2,198	4,086
Total Shareholders' Equity	43	62	2,814
EBITDA	33	66.5	-36.5
EBITDA Margin (%)	2.2	3	-0.8

2.8
TL Billion
Total Shareholders' Equity

Attaching importance to customer satisfaction, Aras EPSAŞ makes satisfaction measurements with the NPS (Net Promoter Score) measurement method which is used at global standards to perform better measurements.

ARAS ELEKTRİK PERAKENDE SATIŞ A.Ş. (ARAS EPSAŞ)



Aras EPSAŞ acts with the vision of creating added value in the Turkish economy and the society's quality of life with sustainable and renewable energy.

Vision

To create added value in the Turkish economy and the society's quality of life with sustainable and renewable energy.

Mission

To establish a rational and sustainable lifelong partnership with all Aras EPSAŞ customers by adopting an innovative service concept that generates effective customer satisfaction with its service quality, prioritizes the protection of the environment, supports the way of doing business with technological developments.

Values

- Value to Human
- High-quality Service
- Customer Focus
- Sensitivity
- Proactive Solution
- Transparency
- Reliability
- Innovation
- Accessibility
- Ethical Competition Approach
- Technological Innovation
- Respect for the Environment

Quality Policy

As the leading brand in the electricity retail sales sector with the motto "Our energy is yours" and within the framework of legal regulations and relevant legislation;

Major Electricity Supplier of

2.2
Million People

Providing the highest level of satisfaction by providing the best and highest quality service to the customer before and after-sales.

- New investments are being made and commissioned to provide customers with uninterrupted and high-quality electricity.
- It is ensured that retail sales services are provided to customers in a friendly, fair, flawless and timely manner in line with the modern management approach.
- The continuity of customer satisfaction and service quality are prioritized.
- Training is organized to ensure consistency between the individual goals of the employees and the goals of the Company, to develop and maintain a feeling of unity and solidarity at the highest level, and to consolidate the sense of belonging and motivation.
- All employees are supported with occupational training and personal development programs to ensure that they continuously improve themselves and increase their productivity.

"Firsts" and "Major Achievements" in the Sector

- ARIMER communication platform, which was first established in the energy sector in 2019 and enables customers to communicate directly with managers
- An ongoing software activity for sending invoices to customers via SMS digitally
- E-mails and phone numbers in the Customer Information System have been uploaded to the Message Management System (MMS). Thus, works for integration with MMS have been initiated for automatic data uploading in 2021.

Competitive Advantages

- Having experience, business knowledge and skill for eight years with employee stability
- Being well equipped with the "training, data support, tools/equipment and other materials" provided by the Company
- Target customer visits and target-oriented approaches
- Continuous market research and competitive analyses
- Continuous monitoring of developments in the sector (Regulations/Legislations, Economy, Tenders, etc.)
- Efforts for new customers and effective appointment method
- Continuously developed sales strategies and continuous reporting service
- Providing the highest level of satisfaction by providing the best and highest quality service to the customer before and after-sales

Quality Standards and Certifications

- ISO 27001 Information Security Management System
- ISO 10002 Customer Satisfaction and Complaints Handling
- ISO 9001 Quality Management System
- ISO 45001 Occupational Health and Safety Management System
- ISO 14001 Environmental Management System
- ISO 27019 Information Security Management Guidelines for Process Control Systems Specific to the Energy Utility Industry
- Requirements for the Customers Using ISO 18295-2 Customer Communication Centers



FINANCE SECTOR

STABILITY AND CONFIDENCE IN THE FINANCE SECTOR

The economic activity, which recovered with credit growth, was confirmed by a year of continuity of the post-pandemic recovery in industrial production.



AN OVERVIEW OF THE FINANCE SECTOR IN 2021

An ongoing positive outlook in economic activity

Both industrial production and household expenditures performed strongly as economic activity in Turkey remained buoyant throughout the year.

GENERAL EVALUATION AND EXPECTATIONS

Macroeconomic Evaluation and Expectations

In 2021, rising global inflation came to the fore while the pandemic's impact on market pricing subsided. Accelerating inflation in the second half of the year caused the likelihood of future interest rate hikes by central banks to be priced in the market. The amount of negative interest rate bills fell to USD 4 trillion from USD 18 trillion which was recorded during the pandemic. The price of stocks and commodities climbed alongside growing vaccination rates and high liquidity as the recovery in economic activity continued during the year. The S&P 500 index ended the year up 26.9% while the Brent crude oil price per barrel jumped by 51.1%. In parallel with these developments, long term inflation expectations in the United States increased as the year progressed. Emerging economies hiked interest rates as of the second half of the year. Among central banks of advanced economies, the Bank of England came forward with the first interest rate hike.

The price of stocks and commodities climbed alongside growing vaccination rates and high liquidity as the recovery in economic activity continued during the year.

11%

Turkey's Economic Growth Rate for 2021

Both industrial production and household expenditures performed strongly as economic activity in Turkey remained buoyant throughout the year. Turkey exited 2021 with GDP growth of 11%. A sharp escalation in foreign exchange rates and energy prices in the last quarter of the year led to upward pressure on inflation. As a result, Turkey's consumer price index closed the year with a 36.08% annual increase. Robust foreign demand and higher industrial production affected exports positively. However, elevated commodity prices restricted the favorable effect on the country's current account balance. Even though tourism revenues surged in 2021 compared to the previous year, they still fell short of pre-pandemic levels. Against this backdrop, Turkey recorded a current account deficit of USD 15 billion at end-2021.

In early 2022, the world's advanced economies are expected to further tighten their monetary policies. High commodity prices are also more of an issue for both Turkey's current account balance and inflation performance. The country's current account deficit is projected to grow to 3.7% of GDP by the end of 2022. Energy prices are expected to pose an upside risk for Turkey's current account balance and inflation rate. Further loosening of pandemic related restrictions is having a positive impact on domestic economic expectations. On the other hand, rapid tightening of the global central banks and ongoing geopolitical risks result in negative expectations for the Turkish economy.



59%

Annual Increase in Total Profit of the Banking Industry

Assessments on the Banking Industry

With the effect of the tight monetary policy implemented in the first half of the year, both headline and exchange rate-adjusted loan growth lost momentum. Mid-year, adjusted credit growth fell below 10% on an annual basis; however, upward momentum returned, especially in the fourth quarter. According to BRSA's weekly statistics, total TL credit growth amounted to 37% while total TL deposit growth came in at 53.5% in 2021. The balance of foreign exchange accounts held by domestic residents recorded an uptrend during the year. Nevertheless, measures taken at year-end and new products introduced reversed these dynamics. As a result, the total balance of foreign exchange accounts owned by real persons declined while those owned by enterprises increased year-on-year. In terms of credit growth, consumer lending expanded strongly on an annualized basis in 2021. However, housing and vehicle loan growth remained weak, compared to headline. Non-performing loans accounted for 3.26% of total loans at the end of 2021. By year's end, the effects of BRSA regulations imposed during the pandemic rippled through the market. According to BRSA monthly data, the banking industry's total assets expanded by 51% in 2021 while total profit jumped by 59%.

The higher margin between commercial lending and resource costs compared to the previous year is expected to have a positive impact on banking industry profitability at the start of 2022. The focus on long-term TL denominated commercial loans under the current monetary policy indicates ongoing investment appetite. Loan packages that support the industrial sector are expected to drive lending growth. In 2022, external financing conditions and inflation performance are the major factors that will affect the banking industry's balance sheet. In case inflation is not exposed to additional shocks, lending growth is expected to maintain its momentum while the downtrend in loan interest rates continues. As a result, the loan-deposit margin is projected to slightly decline further from current levels.

In 2021, total TL credit growth amounted to 37% while total TL deposit growth came in at 53.5%.



AKTİF BANK

Turkey's most comprehensive financial technologies ecosystem

Aktif Bank serves more than 10 million customers in over 10 business lines together with its fintech ventures and business partners.

aktif bank

Aktif Bank, Turkey's largest privately-owned investment bank, operates the country's most comprehensive financial technologies ecosystem with its innovative business models and advanced technology investments. With this approach, Aktif Bank aims to redefine investment banking.

In 2021, Aktif Bank delivered a seamless branch-free end-to-end experience to its individual users with N Kolay, its innovative digital bank. N Kolay is continually rolling out new products and services with the objective of becoming Turkey's pioneering digital bank.

The Bank developed the N Kolay mobile application with end-to-end digital processes by diversifying the investment options available. Offering its bond product to customers who want to invest their savings long-term with high interest rates, Aktif Bank has boosted N Kolay's total bond balance by 57% during the year. An FX platform featuring advantageous exchange rates for foreign currency and commodity transactions has been launched on the N Kolay mobile application, too.

35.5

TL Billion
Total Assets

Kolay Cash, a product designed for those who need low amounts of cash and featuring interest-free repayment within 30 days, was introduced to customers via web and mobile channels.

Focusing on the digital world, Aktif Bank has diversified its offerings and channels for its loan products. Kolay Cash, a product designed for those who need low amounts of cash and featuring interest-free repayment within 30 days, was introduced to customers via web and mobile channels. In the last year, N Kolay Loan, the Bank's digital loan brand, received 1 million loan applications totaling TL 16 billion. N Kolay Loan grew by 33% in 2021, compared to sector-wide loan growth of 16%.

Aktif Bank's Ankara Card mobile application, facilitating the capital city's transport for users for many years, has been downloaded over 1 million times. In addition, Kahraman Card, the transport application for Kahramanmaraş province, has been downloaded some 600,000 times to date. In early 2022, Aktif Bank plans to start serving a third city with the launch of the N Kolay Kayseri Transport application.



790

TL Million
Net Profit



Aktif Bank continued its title sponsorship support for the Istanbul Marathon under its digital bank N Kolay. As part of this sponsorship, the Bank held press meetings, organized events, and conducted many below- and above-the-line communication activities.

Combining shopping with transport functionality, N Kolay Ankara Card has 480,000 users. The card, designed for use in transportation and shopping, is the first and only card of its kind in the industry.

In fourth quarter 2021, Aktif Bank provided customers with a world of advantages where they can earn as they spend securely with N Kolay Virtual Card, a product featuring exceptional online shopping security. This new offering has already reached 150,000 cards issued with a transaction volume of TL 5 million.

Retail Banking

The backbone of retail banking, PTT is a channel where Aktif Bank records robust growth. A feature to obtain loans via SMS without leaving home was launched specifically for retired customers so that pensioners can meet their cash needs easily.

With a balance of TL 3 billion at end-2021, the PTT channel posted annual growth of 72%. The PTT SMS Loan, which also provides social benefits, became a major driver of growth in the PTT channel during the sharp downturn brought about by the pandemic.

Introducing the market's first vehicle loan with digital document flow, Aktif Bank expanded its dealer network using its innovative digital document structure within the year. The Bank also bolstered its competitiveness via process optimization without compromising profitability. The Bank reached a balance of TL 421 million by the end of December 2020, with a growth

of 103%. Offering more competitive interest rates, the Bank also expanded its customer portfolio by 146%. With this approach, Aktif Bank ended the year with a product balance of TL 123 million, an increase of 326%.

In 2021, the Contact Center, which operates and provides services 24/7, received 2.6 million incoming calls and contacted 1 million customers for marketing and sales activities. Ready to serve its customers whenever they are in need, the Contact Center enhances customer loyalty and offers the right products to the right customers. Furthermore, customer satisfaction rating of "very satisfied" with the Bank's services climbed further this year, to 4.7 out of 5.0.

Customer Experience and Communication

The Customer Experience and Communication Group engaged in numerous activities with its revamped structure in 2021. The Group's goals include establishing customer-focused relations and communications based on customer needs and convenience, and developing a customer-centered corporate culture. Aiming to offer exclusive, customized and smooth experiences to customers by knowing them more closely, the Group prioritized an approach where the Bank and its subsidiary brands engage in integrated communications whenever they contact their customers. This approach also includes adopting a mentality that listens closely to customers and offers effective solutions to meet their needs. Based on the communication strategies and objectives of the Bank and subsidiaries, the Group managed marketing communication, corporate communication, sponsorship and event management, digital marketing and all experience processes offered to customers.

In 2021, the Customer Experience and Communication Group effectively touched various aspects of consumers' lives with advertising campaigns and sponsorship activities. This year, Aktif Bank continued its title sponsorship support for the Istanbul Marathon under its digital bank N Kolay. As part of this sponsorship, the Bank held press meetings, organized events, and conducted many below- and above-the-line communication activities. Thanks to the commercial video shot for the 43rd Istanbul Marathon, N Kolay's sponsorship support was announced to a much broader audience while ensuring wider participation in the marathon.

BANKING FOR ONE CLOSENESS

What is a one-on-one bank?
It is close to you.
It cares about only one thing: You.
It is always there for you when you are
making a decision, to assist you,
provide guidance and offer support.



Aktif Bank enables its customers to trade foreign currencies and precious metals 24/7 with the N Kolay FX application. In 2022, the Bank plans to facilitate stock, futures and options transactions with the N Kolay Trader application.

To better communicate N Kolay's innovative features and excellent customer experience, Aktif Bank conducted the first image campaign for N Kolay in 2021. The commercial highlighted the slogan "Banking Is Now N Kolay" and reached a TV audience of more than 15 million people. As part of sponsorship activities during the year, N Kolay Digital Banking and Aktif Bank Private Banking supported the 40th Istanbul Film Festival and the 49th Istanbul Music Festival as "Contributor," respectively. N Kolay Digital Banking also provided support to the 25th Istanbul Theater Festival as the "Sponsor with the Highest Contribution."

In 2021, the Customer Experience and Communication Group successfully conducted the press communications for all relevant activities of the Bank and its subsidiaries. The Group also proactively managed digital marketing activities and social media channels of Aktif Bank and N Kolay brands.

Corporate Banking

In addition to offering exclusive products to its customers as part of Aktif Bank's focus on international trade, the Corporate Banking Group develops strategies that create competitive advantage by capitalizing on the synergy between the Bank and its subsidiaries.

In 2021, the Group delivered solutions to Turkish exporters by mediating foreign trade transactions in challenging geographies, especially in Sub-Saharan Africa, the Middle East and CIS countries.

This reporting year, the Corporate Banking Group expanded its customer base in the cereals, pulses and oil seeds industry and facilitated working capital loans, especially for foreign supply and stock financing needs. The Group also provided tailor-made working capital loans of approximately TL 567 million and USD 185 million to the agricultural industry via end-to-end funding methods and under favorable conditions.

Investments and financing in renewable energy sources continued in 2021. The Bank focused on refinancing activities and rooftop SPP projects, as well as financing for solar, wind and hydroelectric projects over 200 MW that were implemented between 2017 and 2020 and feature greenfield investment loans. Cash and non-cash loans amounting to USD 100 million were provided in these target areas.

Private Banking

After extending its Private Banking product range, Aktif Bank entered new areas and pioneered the industry in offering customers emerging new debt instruments of Turkish capital markets, such as asset-backed securities (ABS) and structured debt instruments (SDI). These new offerings are in addition to conventional treasury products such as bond and repo. In 2021, Aktif Bank started providing brokerage services for order submissions on organized markets such as stocks, warrants, futures and options. Aktif Bank enables its customers to trade foreign currencies and precious metals 24/7 with the N Kolay FX application. In 2022, the Bank plans to facilitate stock, futures and options transactions with the N Kolay Trader application.

In 2021, the Corporate Banking Group delivered solutions to Turkish exporters by mediating foreign trade transactions in challenging geographies, especially in Sub-Saharan Africa, the Middle East and CIS countries.

Treasury

In 2021, the Treasury Group boosted its transaction volume, profitability, and market integration resulting in a strong performance for the year. Thanks to its Islamic finance instruments, conventional treasury products and innovative securities offerings, the Treasury Group further broadened its market coverage.

During the year, the Group continued to issue ABSs, now an Aktif Bank brand in the industry. The Treasury Group also expanded its product range with its innovative lease certificate issuance for the construction and electricity distribution industries. This reporting year, the Group launched its foreign currency transaction platform which outperformed expectations in terms of customer satisfaction and transaction volume.

Finance, Loans and Capital Markets

The Finance Group ensures that accounting and reporting of all Bank transactions are carried out in accordance with relevant rules and regulations. The Group also manages activities related to fulfilling tax and similar obligations in a timely and complete manner. In addition, the Finance Group analyzes the Bank's financial standing and profitability, prepares medium and long-term projections and performs budget activities to ensure that Aktif Bank's commercial policies are aligned with budget targets.

During the year, Aktif Bank conducted activities to provide financing from capital markets by intermediating the bill issues of Çalık Denim Tekstil Sanayi ve Ticaret A.Ş. and Gap İnşaat Yatırım ve Dış Ticaret A.Ş.

Customized financing solutions of the Finance Group were recognized with two international awards. After the redemption of lease certificates that support sustainability criteria by financing electricity distribution investments, the Finance Group successfully issued the same type of lease certificates once again in 2021.

Public offerings of N Kolay Bond, one of Aktif Bank's digital products, grew further in popularity. Two Eurobond issues amounting to USD 148.5 million and EUR 65 million were executed abroad and the debt instruments issued started trading on the Irish Stock Exchange.

International Banking

In 2021, the Group focused on setting new cash and non-cash limits in order to mediate the international trade transactions of Bank customers and perform treasury transactions. Having 1,082 correspondent banks in 150 countries worldwide, Aktif Bank provided significant support to Turkey's export efforts in line with its strategic priority. The Bank became the market leader in facilitating trade in challenging regions with a transaction volume of about TL 15 billion in 2021. In parallel with Aktif Bank's strategies and requirements, the International Banking Group aims to diversify and expand its borrowing methods in foreign trade financing and capital markets.

Information Technologies

In August 2016, the Information Technologies Group received official "R&D Center" certification in recognition of its exceptional innovation and technology investments from the Ministry of Industry and Technology. The Group continued to carry out its R&D Center projects in 2021. At Europe's leading research and innovation program Horizon 2020, the Information Technologies Group conducted joint project activities with a major Turkish research university in 2021.

The Information Technologies Group places great importance on scientific and academic perspectives in its R&D projects. To this end, the Group received consultation from academics at Yıldız Technical University and Marmara University this year. Under the On-Site Master's Program launched in collaboration with Bahçeşehir University in 2018, some 20 researchers have received their master's degrees to date.

AKTİF BANK

Aktif Bank maintained a high level of employee satisfaction with its equitable talent and development policy in 2021.

The Group carried out various activities related to the new payment system technology developed and introduced in 2020 for foreign subsidiaries and potential customers. Efforts to further enhance the function set of the new payment system are ongoing.

As part of efforts to keep pace with technological advancements, the Information Technologies Group is engaging in ongoing investment and development activities to expand the use of cloud and microservices architecture. These platforms started to be used in line with the Bank's project requirements in 2021.

During the year, the Information Technologies Group conducted Contingency Center testing with broad participation in a real environment in a way that covers all banking services. An agile working approach was adopted by all project teams. Transfer of non-digital products and services to digital environments, mainly mobile technologies, was completed this year.

Talent and Development

Aktif Bank maintained a high level of employee satisfaction with its equitable talent and development policy in 2021. The flexible working model initiated during the pandemic was made permanent during the year. In addition to adoption of the hybrid work model for employees, the Bank introduced new practices such as My Flexible Month, My Flexible Desk and Career Break.

As part of recruitment efforts, Aktif Bank continued to conduct interviews via digital platforms. The Bank digitized the paperwork process for newly hired employees, minimizing physical contact under pandemic conditions and reducing paper consumption in general. The previously introduced My Companion application facilitates the adaptation of new employees to the company. During the year, the employee orientation process was moved to a digital environment.

Training activities proceeded as part of the "Have Fun, Learn, Share" concept. In 2021, Aktif Bank focused on Remote Team Management and Leadership training and agile methodology training. In addition, the



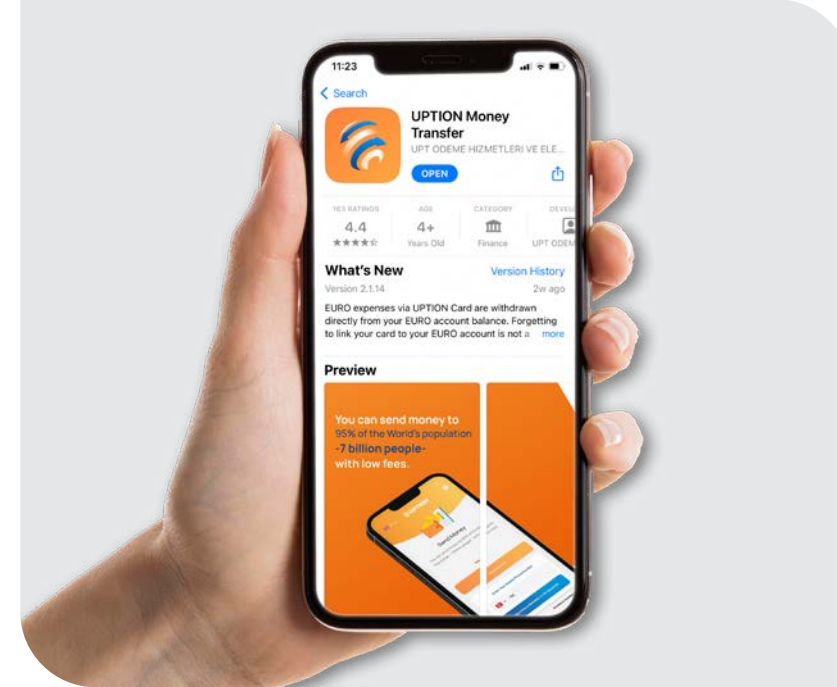
Bank supported employee training for various certifications and assigned compulsory training to employees from the digital platform.

Aktif Bank introduced instant reward and recognition practices such as "Applause" and "Online" in 2021. During the year, the fields in the "It's Your Turn" application where employees can evaluate each other and their superiors were included in the performance management system. Internal communication activities continued throughout the year. Collaborations with non-governmental organizations were supported as part of corporate social responsibility efforts. In addition to the existing leave program, the Bank developed a new 3-day leave system in which employees can benefit from special occasions with the "Your Family Is Our Family" leave program.

2021 HIGHLIGHTS

N Kolay World

In 2021, Aktif Bank conducted the N Kolay relaunch campaign and millions were reached with the slogan "Choose N Kolay for fast, reliable, high-yield banking!" N Kolay was the title sponsor of the Istanbul Marathon once again in 2021. In addition to numerous activities realized as part of the marathon during the year, the N Kolay Idea Marathon was held to receive young people's creative marathon specific ideas and suggestions.



With its experience in fintech, Aktif Bank launched Aktif Ventures, its "Founder of Fintech Startups."

Passo world

The Passo mobile application, a key player of the Bank's digital world with its 8 million users, offers access to a broad range of events such as concerts and theater plays as well as football matches. In early 2021, tickets for Istanbul Foundation for Culture and Arts (IKSV) events were introduced on the Passo platform.

Expertise in investment banking, corporate and international banking

Aktif Bank established reciprocal limits and account relationships with new banks in Europe, Asia and Africa, raising its trade volume from USD 570 million in 2020 to about USD 1 billion in 2021 and maintaining its successful track record.

Technology exports

As part of efforts to export its internally developed advanced technologies, Aktif Bank sold its "Atlas Card Package" service, which facilitates management of end-to-end card payment systems, to two banks in Albania and Kosovo. The Bank also sold its ticketing software to a corporate customer in Senegal.

New subsidiary in service banking and fintech: Aktif Ventures

In the last quarter of 2021, Aktif Bank launched Aktif Ventures, an enterprise positioned as the "Founder of Fintech Startups." With this new firm, the Bank aims to found new fintech ventures in Turkey and Europe, invest in promising entrepreneurs with venture capital funds, and create new cooperation opportunities in service banking.

UPTION: Facilitating money transfers

A subsidiary of Aktif Bank, UPT introduced the money transfer application UPTION in 2021 to grow further globally and expand its areas of activity.

The first step in SME banking: N Kolay Payment Institution

A subsidiary of Aktif Bank, N Kolay Payment Institution added business enterprises to its customer portfolio, and started delivering both physical and virtual POS service. Aiming to serve more SMEs by utilizing its strength at physical points, N Kolay Payment Institution took the necessary steps to introduce SME banking services by launching N Kolay Pay.

Aktif Asset Management's first mutual fund managed fully by AI

With its newly-established Robo Fund Basket Fund, Aktif Asset Management introduced the market's first mutual fund managed completed by artificial intelligence and containing Global Exchange Traded Funds (ETF). In addition, four Aktif Asset Management mutual funds outpaced competitor funds and closed 2021 as the top performers in their respective categories.

New features from PAVO

PAVO, a next-generation payment systems solution, introduced new features aligned with today's requirements, with its strong R&D team, extensive experience, and technological know-how.

Workindo: Four countries, 400 thousand members

In 2021, Aktif Bank subsidiary Workindo maintained its growth trend, operating in Turkey, Russia, Ukraine and Uzbekistan with its 400 thousand registered members.

8

Million People
Passo Members

AKTİF BANK



In 2021, digital bank N Kolay started its journey in creating “Neobank.”

Competitive Advantages

- Operating as the largest financial technologies ecosystem owning a banking license in Turkey with business models set up through technology investments and innovative channels since its foundation, and being able to yield fast, flexible and cost-favorable solutions with its ways of doing business
- Ending 2021 with the first steps that the digital bank N Kolay took in the path to creating “Neobank” and introducing N Kolay to consumers as a digital bank which provides end-to-end services
- Providing contactless payment and booking opportunities by making a breakthrough in inner-city transportation vehicles receiving payment with conventional ways via İndiBindi application
- Delivering customer experience designed with 100% digital processes in Consumer Loans and Bond products
- Providing tickets to sports events as well as entertainment and events with its unique Passo application while offering money transfer, payment and instant loan opportunities
- Breakthrough of its subsidiary, E-Kent that made agreements with the pioneering organizers of the industry and became the ticketing platform with the highest ticket revenue in Turkey in 2021
- Maintaining the title sponsorship of the İstanbul Marathon with its Digital Bank N Kolay; dynamism and egalitarian and lean service model of N Kolay brand; creating the harmonious collaboration through the fusion of the spirit of İstanbul Marathon, one of the world’s prominent sport organizations

- Extending credit to consumers at the moment of the purchase at Turkey’s leading retail stores, thereby creating added value for these brands
- Launching UPTION application in April 2021 at the helm of UPT, Bank’s global subsidiary; allowing for 24/7 domestic and international money transfer to name, account and card; reaching over 162 thousand downloads and a transaction volume of TL 383 million within eight months
- Providing customers with convenient and reliable service at the helm of the Bank’s subsidiary, N Kolay with more than 570 Transaction Centers and 3,500 Shop in Shop points
- Ongoing operations of the Bank’s subsidiary, Workindo in Turkey, Russia, Ukraine and Uzbekistan with 400 thousand registered members, 16 thousand registered companies, 25 thousand service demands and 15 thousand job advertisements
- Establishing business partnerships with the world’s largest companies to integrate the advanced technology in Japan’s security systems into its own security systems, at the helm of the Bank’s subsidiary, Secom

Awards in 2021

- The Innovative Deal of the Year in Turkey and Project/Infrastructure Finance Deal of the Year awards for issuance of the first lease certificate that supports Turkey’s sustainability criteria specific to the electricity distribution industry to YEDAŞ (Yeşilirmak Elektrik Dağıtım A.Ş.), at the Asian Banking & Finance Awards competition as part of the Corporate and Investment Banking Awards;
- The Gold Award in the “World” category to Aktif Bank, receiving 98 points out of 100 as a general score and ranking in the top 25 out of 80 reports in Europe, Middle East and African Region with its Annual Report 2020 at the League of American Communications Professionals Vision Awards (LACP) for Annual Reports;
- A total of three awards, First Place Award in the “Banks” category, First Place Award in “Interior Page Design,” and Second Place Award in “Cover Design” with its Annual Report 2020 at the ARC Awards competition, widely regarded as the “Oscars” of annual reports.

At the ARC Awards competition, Aktif Bank won the First Place Award in the “Banks” category, the First Place Award in “Interior Page Design” and the Second Place Award in “Cover Design” with its Annual Report 2020.

“Firsts” and “Major Achievements” in the Sector

- Consultancy and intermediary to the first asset-backed security issuance in Turkey
- First bank bond of Turkey
- First digital bank bond of Turkey
- First interest-free participation certificate in Turkey
- First issuance of lease certificates for project financing in Turkey
- First issuance of a credit-linked note in Turkey
- First gold-based sukuk issuance in Turkey
- UPT: First domestic money transfer service in Turkey
- Over 5.5 million cards for Passolig, which is the first and only valid card for stadium entry
- The first interest-free liquid fund establishment in Turkey
- Turkey’s first lease certificate based on electricity distribution revenues
- Contactless payment via QR code for the first time in minibuses in Turkey

Goals

- To improve business models to exceed the standards in Turkey and creating new lines of business in the sector while operating as a giant ecosystem in the field of “financial technologies” by following global technology and innovation trends

- To be one of the architects of “open banking” and “service banking” in Turkey by acting as both a competitor and a business partner with Fintechs and startups
- To pioneer the field of “payment systems,” which gained a new appearance with regulations and globalization, through the bank and its subsidiaries
- To become the “neobank” of Turkey by providing the most ambitious, most innovative, most favorite and most digital product line in the sector with its applications in the field of digital and mobile banking
- To be one of the most agile organizations of Turkey with an effective, efficient and agile work-oriented approach
- To have a voice in the field of “running,” which appeals to a wide audience as an egalitarian and democratic sport
- To make Passo mobile as the most comprehensive application of Turkey in the area of “lifestyle”, to turn it into a “superapp” used intensely
- To provide high-efficient investment alternatives with Aktif Asset Management, and to contribute to society and the environment with sustainable investment instruments
- To increase the wide-ranging export activities and export volume for Africa
- To continue activities in many fields such as cybersecurity, biometric verification technologies, security technologies, sector-specific digital platforms with different partnerships established with Japan’s technology giant Mitsubishi

Financial Summary (TL Million)	2015	2016	2017	2018	2019	2020	2021
Total Assets	7,557	9,483	11,071	13,883	18,409	21,898	35,485
Change %	20.9	25.5	16.7	25.4	32.6	19.0	62
Loans - Corporate Loans	3,377	3,847	4,507	5,001	5,021	5,706	7,611
Change %	23.9	13.9	17.2	11.0	0.4	13.6	33.4
Loans - Consumer Loans	1,261	1,673	2,032	1,902	2,547	4,470	6,559
Change %	0.2	32.7	21.5	-6.4	33.9	75.5	46.7
NPL Ratio	1.99	1.85	2.86	3.82	4.05	3.03	3.08
Change %	-33.9	-5.5	52.1	33.7	6.0	-25.2	1.7
Operating Income	783	932	1,270	1,509	1,993	2,188	3,403
Change %	26.5	19.0	36.3	18.8	32.1	9.8	55.5
Net Profit	26	98	234	382	411	560	790
Change %	-23.5	276.9	138.6	63.4	7.6	36.3	41.1

AKTİF BANK'S UNIQUE AND INNOVATIVE SUBSIDIARIES

Aktif Bank keeps growing with the synergy of its subsidiaries

Aktif Bank touches the lives of more than 10 million customers through its online and offline channels, diversified distribution networks and the synergy of its subsidiaries.



Beyond serving as an integrator of smart city technologies and systems, E-Kent provides transportation solutions and performs one billion smart transportation transactions annually. E-Kent enables technological transformation in the cities where it operates and develops value-added business models for local administrations. E-Kent offers smart public transportation solutions to approximately 8 million residents in Ankara and other cities where it operates and carries out fee collection operations. Since its establishment, E-Kent has performed the operations of 15.8 million smart transportation cards and 379 million transportation tickets.

The stadium infrastructure project that included the infrastructure systems transformation of 60 stadiums in 31 cities, passage control and visualization systems, integrated ticketing, and stadium ticket office services infrastructure was conducted by E-Kent as well. Carrying out the entrance operations of more than 20 million football fans to the stadiums as part of the e-ticket project since April 2014, E-Kent sold over 10 million match tickets for more than 4 thousand matches more than 1 million season tickets and transferred nearly TL 2.2 billion of revenue from these sales to the clubs. Within the strategy of

1

Billion

Annual Smart Transportation Processes

E-Kent made agreements with the pioneering organizers of the industry and became the ticketing platform with the highest ticket revenue in Turkey in 2021.

expanding to international markets, the Products and services of E-Kent which continues to market its software and hardware solutions overseas have started to shine out in the 2022 Qatar World Cup, the football stadiums in Algeria and the football stadiums and athletic fields in Senegal.

Having given service in entertainment and event industry with its knowledge and experience since March 2019, E-Kent made agreements with the pioneering organizers of the industry and became the ticketing platform with the highest ticket revenue in 2021.



UPT Ödeme Hizmetleri ve Elektronik Para A.Ş., Turkey's first licensed payment provider offers money transfer services in multiple currencies to name, account and card both in Turkey and abroad as well as being the only money transfer institution that renders services through digital and physical channels. UPT, which broadened its area of activity by developing the UPTION application after obtaining an electronic money license in 2021 has a quite large network with which money transfer is performed at about 95% of all countries across the world. In this regard, UPT is one of the payment providers endowed with the most widespread access opportunities around the world.

11

TL Billion

UPT Transaction Volume

UPT demonstrated its determination in becoming a regional brand by boosting the number of countries where it serves with the UPT brand and system to 11 in 2021.

Offering innovative solutions today by quickly adapting to the rapidly-developing technologies and the altering consumer habits, UPT stepped into the digital world with UPTION mobile application introduced in 2021. With UPTION, customer acquisition is achieved fully through digital channels and alternative solutions are offered for the payment and money transfers of Turkish citizens and the foreigners residing at Turkey.

Customers of 91 different nationalities residing in Turkey signed up on UPTION application and generated a transaction volume of over TL 200 million by performing more than 46,000 transactions.

In 2021, UPT carried out 2.3 million transactions in 176 different countries and reached a transaction volume of over TL 11 billion. UPT boosted the number of contracted banks and payment providers abroad to 130, expanding its service network and range of services.

Getting ahead in its regional growth targets, UPT demonstrated its determination in becoming a regional brand by boosting the number of countries where it serves with the UPT brand and system to 11 in 2021. Number of transactions performed among countries outside Turkey via UPT system increased by 119% in 2021. A total of 57 foreign banks/payment providers from 62 countries carried out money transfers to 59 countries via UPT infrastructure. Aiming to make new partnership agreements, especially in Russia & the CIS region, UPT will continue to expand its structuring overseas in 2022.



Sigortayeri Sigorta ve Reasürans Brokerliği A.Ş. enhanced its net sales revenues by raising its partnerships also in 2021. The company consolidated its position as "Turkey's largest domestic broker" providing insurance and consulting services to retail and corporate customers.

Sigortayeri incorporated its cooperations with the leading companies of the retail industry, into the services it gives through digital channels, and extended the integration of its insurance capability into customer-based ecosystems.

In parallel with its approach of easy access to insurance services, Sigortayeri offered digitized services to customers with its robust distribution channels in retail insurance and range of customizable products that meet the needs of end customers and can be compared to the market.

Providing corporate insurance solutions in different fields, Sigortayeri kept taking part in the insurance placement of significant projects in Turkey and in the other countries around. The Company played role in insurance coverages and financial insurance products in the energy, construction, healthcare, textile, automotive and financial services industries. Furthermore, it reinforced its privileged position by gaining more experience in trade receivables insurance, bail bonds, engineering, professional liability, cyber risks and project finance insurance products that replace or support banking solutions.

Creating a special insurance facility in the field of renewable energy, that is suitable for project financing for the installation and operation of solar and wind energy facilities, Sigortayeri maintained its leader position in SPP insurance in 2021. The Company is the insurance broker for 30% of Turkey's solar power generation.



PAVO continues to offer up-to-date solutions to its customers with its strong R&D team, experience and deep knowledge by expanding its range of services in next-generation payment systems. Operating with over 250,000 licensed cash register POS devices, PAVO increased its market share to around 20%, becoming one of Turkey's two most important players in value-added applications and software integration.

Having worked on diversifying the next-generation payment solutions since 2020, PAVO aligned itself with the new business models that emerged in payment systems as per the Communiqué no. 507 of the Republic of Turkey the Ministry of Treasury and Finance. The Company offers its customers standard products and turnkey projects based on their expectations in cooperation with its solution partners by including "Operator Organization, Special Integration, Android Device Solutions, BKM (Interbank Card Center) Techpos, ERP" and project-based payment systems software development in its activities.

AKTİF BANK'S UNIQUE AND INNOVATIVE SUBSIDIARIES



Having started its operations in August 2016 with EchoPOS brand, Echo Bilgi Yönetim Sistemleri A.Ş. realized more than 13 thousand hardware and software installations in 81 provinces at the end of 2021. EchoPOS became a "Next-Generation Solution Partner" for the retail industry by providing end-to-end payment systems and integration solutions for companies' front and back-office applications.

EchoPOS is one step ahead of its competitors thanks to its high value-added products and services, simple, scalable and easy-to-integrate architecture, and user-friendly interface that can be customized with ease to meet project requirements.

Working with the leading retail chains of Turkey, EchoPOS can provide infrastructures for 2 million transactions per day without any error.



Having the broadest network in payment services industry, N Kolay has provided convenient and reliable service to its customers for 14 years with more than 570 Transaction Centers and 3,500 Shop in Shop points.

As part of the collaboration with the biggest retail stores of Turkey, N Kolay began to render payment service at more than 9 thousand locations and boosted the number of physical service locations to over 13 thousand in 81 provinces.

Rendering services to its retail customers at physical locations, N Kolay also gives payment service provider service with APIs to other organizations operating in its relevant industry. In this context, it continues its collaboration with the E-Money Provider company owned by 3 GSM operators.

N Kolay annually performs approximately 80 million transactions, particularly bill collections and domestic/international money transfers, and mediates the payment transactions with a volume of TL 7.2 billion.

Upon the Operational Expansion permit received from the Central Bank of Turkey

at the end of 2020, small and medium-sized enterprises started to get POS service during the year. 2022 will be a year in which N Kolay aims to achieve growth in POS services.

Moreover, with the synergy generated by the POS service that it will render, N Kolay aims to provide services to meet financing needs of the SMEs via a platform that will work in integration with banks.



Aktif Asset Management was established in 2016 as a subsidiary of Aktif Bank in the field of asset management within the framework of CMB regulations. With its know-how and industry expertise, Aktif Asset offers return alternatives to its investors with mutual funds that it established and managed in line with different risk/return expectations. The Company brings together its investors with venture capital and real estate funds in addition to investment funds and the high earnings of the real sector. It also produces long-term solutions for customers in the system through the pension funds it manages. Aktif Asset Management which raised, particularly the asset size it has managed for two years, to over TL 4 billion with its approximately 80,000 domestic and international corporate and individual investors expands its range of funds by estimating the needs properly, and keeps growing full steam ahead.



Emlak Girişim Danışmanlık A.Ş. was established to seize business opportunities in the real estate and construction industry and to participate in investment projects, particularly in the energy industry. It makes investments and operates in numerous industries such as renewable energy, electronic security solutions and human resources consulting.

Emlak Girişim's largest investment is the Istanbul International Financial Center (IFC), which is expected to become one of the world's major financial hubs. Covering 3 million square meters of construction area, IFC is the biggest real estate development project in Turkey. Additionally, Emlak Girişim is a profit-loss partner in the Metropol Project in Ataşehir, and the Company has successfully completed this major investment. In 2017, Emlak Girişim also invested in SPP projects with a total capacity of 61 MWp to become one of the

400
Thousand
Workindo
Number of Registered
Members

major players in the industry. By the end of 2021, the company had the following investments: a solar power plant investment with a total energy generation capacity of 30.8 MWp, and biomass plant investments that will have a total energy generation capacity of 12 MWp after entering into service in 2022.



Inovaban İnovasyon ve Finansal Danışmanlık A.Ş. provides "Growth Strategies and Process Management" service for companies that want to gain a competitive advantage with R&D and innovation.

It is the only company that provides integrated solutions in relation to benefiting from R&D support and incentives, risk management in financial and legal fields as well as intellectual and industrial property rights consultancy.

In 2021, Inovaban made contact with many companies which are classified as making productions in high and medium-high technology by TUIK, and developed business relations with them. The company was continuously in contact with the private banks, mutual funds and investment networks that cherish R&D ecosystem, thereby developing relationships with the units in the ecosystem. Inovaban also carried out activities to increase the value-added production in Turkey and to accelerate the commercialization and globalization journeys efficiently by providing our companies with an advantage in international competition. In this direction, it has participated in more than 20 training events, virtual fairs and conferences as an instructor or panelist.



Carrying on developing its products, systems and services for security needs which have been diversified since its establishment, SECOM offers innovative solutions that provide a sense of security for its retail and corporate customers. The Company took substantial steps in digitalizing physical security. It founded business partnerships with the world's largest technology companies with the aim of integrating the advanced technology in Japan's security systems into its own

security systems. SECOM which makes efforts to minimize the security concerns by analyzing all requirements of the markets where it operates continues to show its sustainable quality mentality through the R&D studies that contribute to providing security not only in Asia, but also all over the world.



Established in 2020, Workindo Teknoloji ve İnsan Kaynakları Danışmanlık A.Ş. started its operations to solve the problems such as finding qualified staff in construction industry, creating a team quickly and reaching the material and service providers. With its technological infrastructure, experienced team, intelligent strategies and the significance it attaches to each member of the construction industry, Workindo grows steadily and reaches more people from the industry each passing day. Workindo currently operates in Turkey, Russia, Ukraine and Uzbekistan and targets globalization by penetrating into new countries every year. Today, Workindo has 400 thousand registered members, 16 thousand registered companies, 25 thousand service demands and 15 thousand job advertisements.

SUBSIDIARIES ESTABLISHED OVERSEAS

KIC (Kazakhstan Ijara Company Joint Stock Company)

Established in 2013, KIC began operations in early 2014. KIC is the first "Financial Leasing" company in Kazakhstan that operates in accordance with Islamic finance principles. KIC provides leasing services mainly to small and medium-sized enterprises (SMEs) and aims to become one of the largest leasing companies in Kazakhstan over the next five years.

ELC (Euroasia Leasing Company)

Founded in 2012 in Tatarstan, ELC is the first Islamic "Financial Leasing" company to become operational in Russia. Ranking among the leading Islamic financial leasing companies in Russia, ELC provides leasing services mainly to small and medium sized enterprises (SMEs).

EMIC (Euro - Mediterranean Investment Company Ltd.)

Established in 2015 in Nicosia, EMIC is the first and only "Islamic Investment Company" on the island of Cyprus; it is also the largest international investment firm in the Turkish Republic of Northern Cyprus (TRNC).

BANKA KOMBETARE TREGTARE (BKT ALBANIA)

Profit champion "Smart" bank

Based in the International Financial Reporting Standards (IFRS), BKT Albania broke its own profitability record also in 2021, obtaining a profit of USD 93 million. The Bank maintained its title as the most profitable company and tax champion of Albania.

In 2006, Çalik Group acquired 60% of Banka Kombëtare Tregtare, one of Albania's most long-established banks, founded in 1925. This purchase was followed by the full acquisition process in 2009. BKT, the largest bank in the country as of 2014 increased its market share to 26%, reaching the position of the bank with the highest market share among Turkish banks operating abroad. By the end of 2021, the Bank renders service to its customers with 63 branches, 939 employees, 107 ATMs and 7,345 POS terminals.

BKT Albania undertakes to stand behind the economic growth and development of the country, provide citizens with the new economic opportunities and take steps in improving the banking industry further in a way that will inspire the next generations.

1.7

TL Billion
Net Sales

With its asset size, BKT Albania currently has 26% of the market share and 25% of the deposit market. Holding a share of 13.6% in loan market, the Bank is the biggest housing finance institution with its market share of about 20%.

In contrast to its foreign competitors, BKT Albania managed to position itself as a local bank and the first reliable address that the citizens of Albania can entrust their deposits. Despite possessing local features, BKT Albania is the only bank that makes difference in the industry by adopting an international position in the country. The Bank assumes a leading role in digitalization, thereby being able to launch original products that meet the needs of the country.

BKT received license from the relevant authorities in Albania for the first time and became the bank which enables its customers to make transactions in international markets. BKT Smart Invest service is a revolutionary development for Albania, considering the quite limited financial investment opportunities in the country. With this move which is equivalent to that an Albanian citizen travels around the world without a need for visa, financial borders disappeared and customers opened up to the world through mobile banking and internet branch.

Me **BKT Smart** në dorën tuaj
ju jeni në **duar të sigurta!**



In the digitalization journey started off with the motto "Smart way of banking" (SMART), 2021 became the SMART year for BKT Albania. BKT SMART Invest which allowed for the access to international finance products for the first time in the country was introduced to customers.

69.6

TL Billion
Total Assets

Despite the challenges originating from the pandemic and the rising global uncertainties in 2021, BKT Albania sustained its stable performance as the biggest bank of the Albanian banking industry and maintained its leading position in basic banking indicators for size. With its asset size, BKT Albania currently has 26% of the market share and 25% of the deposit market. Holding a share of 13.6% in loan market, the Bank is the biggest housing finance institution with its market share of about 20%.

In BKT Albania, 60% of the total loan portfolio comprises corporate loans. By the end of 2021, total customer loans portfolio was exposed to a real shrinkage of 4.6%, corresponding to USD 837 million. The percentage of non-performing loans to the total loan balance (NPL 90) in the entire Albanian banking industry was 5.65% as of the end of 2021 while BKT Albania has shown a much better performance with 2.86%.

By the end of 2021, the Bank's total assets increased USD 172 million and reached USD 4.4 billion. On the other hand, annual real increase of BKT Albania amounted to USD 420 million (10%). Meanwhile, total deposits of the Bank rose USD 329 million (10%) on a real basis, compared to the end of 2020 and reached USD 3.4 billion. Its total shareholders' equity went up USD 46 million, amounting to USD 492.5 million.

Based in the International Financial Reporting Standards (IFRS), the Bank broke its own profitability record also in 2021, obtaining a profit of USD 93 million.

The Bank maintained its title as the most profitable company and tax champion of Albania.

JCR Eurasia affirmed BKT's long term national credit rating as AAA (Alb)/Stable for the 13th time in November 2021 and its long term international foreign and local currency rating as BB.

Making USD 45 million dividend payment to its only stakeholder Çalik Holding in 2021, BKT has been selected as the intermediary bank for potential compensation payments by the Albanian Savings Deposit Insurance Fund, and once again consolidated the title of a strong and reliable bank.

In 2021, BKT Albania shaped its medium-term strategy which will cover its 100th anniversary, 2025, with Boston Consulting Group (BCG). Within this strategy, it was decided to raise the share of Individual Loans, particularly the loans in EUR currency in the loan portfolio. The Bank will maintain its waiting stance on Corporate Commercial loans for a while. Digitalization will continue to be the major target and the process will be brought to a different dimension with the resolution of founding an e-money institution. Roadmap about the improvement and digitalization of the processes was prepared together with Price Waterhouse Coppers (PWC).

Digitalization Journey

In the digitalization journey started off with the motto "Smart way of banking" (SMART), 2021 became the SMART year for BKT Albania. Customer experience was improved by bringing numerous new features in BKT SMART which is the mobile banking application, namely the flagship of digital products. BKT SMART Invest which allowed for the access to international finance products for the first time in the country was introduced to customers after the license was obtained within the year. Besides, the SMART INSURANCE product which brought the insurance companies together for the first time in the country and gave its customers the opportunity to choose products from different insurance companies was launched in 2021. Another digital product whose preparation process was completed and introduced within the same year is SMARTPAY that enables customers to pay with QR. BKT SMART ATMs were commissioned throughout the country after the first three phases of the software which brings tablet's ease of use to ATMs were completed.

BANKA KOMBETARE TREGTARE (BKT ALBANIA)

In 2021, BKT Albania shaped its medium-term strategy which will cover its 100th anniversary, 2025, with Boston Consulting Group (BCG).

The Bank is on its way to creating a Super App by completing the missing points in this journey. Furthermore, it is aimed to accomplish the SMART PENSION application which will allow for receiving personal pension service from different companies, in the coming year.

In addition to the projects about the new products and services, two more big projects are currently conducted at the Bank. One of them is the project for upgrading the main banking application. As part of the project, the module related to payments was put into use. Works on the other phases continue. The second project that aims to transfer the card operating systems from the existing third party to its group company, Aktif Bank's Atlas system is also under way. It is planned to bring both projects into completion within 2023.

Sustainability Goal

As a member of the UN Global Compact, BKT Albania takes action for each SDG (Sustainable Development Goals). Activities in this context are grouped under two main headings. The organization and the world-citizen employees constituting the organization take actions such as creating awareness and making a first-hand contribution regarding the issues including the environment, equality of opportunity, gender equality, responsible consumption and production, human/employee health, etc. to fulfill their responsibilities to the environment and society. Moreover, the productivity in terms of society and organization is increased regarding the issues that are directly within the impact area of the Bank (such as not providing financing services in the areas against the product, service, and banking principles as well as that of the UN Global Compact and Holding; preventing bribery; and minimizing the carbon emission, energy, and paper consumption with the digitalization of daily banking operations) and investment is made in sustainable profitability.

The Bank gives priority to two major subjects in the field of social responsibility: Higher Education and Environment. Collaborating with New York University, which is affiliated with the Maarif Foundation, the Bank provides financial support to the Applied Banking department and its students. Job opportunities are offered to students who graduate at

the end of the school program which is organized as part-time theoretical training and part-time on-the-job training. Contribution to forestation works in the cities where branches are located continues. Giving education on financial literacy to elementary school students to encourage financial education and participation, and providing special financial services to jail inmates who are isolated from society are among the social responsibility projects.

2022 Targets

The Bank forecasted a low increase in FX loans owing to the low interest rates which are not aligned with the facts in the country, and the legal risks about the relationships with corporate customers. In parallel with the successful examples in the world, the companies which provide revenue in foreign currency, and the corporate customers with independently audited financial statements will be able to borrow corporate loans in foreign currency in special cases.

Moreover, BKT Albania will keep giving weight to Lek financing of the SMEs and micro companies according to the investment priorities and strategies of the government. It was decided to boost the share of individual portfolio in view of the Bank's medium-term strategy.



BKT Albania was awarded with the Award for the "Best Domestic Bank in Albania" presented by the prestigious British trade magazine EMEA Finance for the eleventh consecutive year in April 2021.

Another target of BKT Albania is to expand the deposit base. In this context, the funds to be brought by expats have particular importance. Interest rates of deposits and loans are very low due to the abundance of euro liquidity in the Albanian market. For this reason, the Bank gave priority to expanding foreign exchange deposit portfolio, especially for long term deposits by offering pretty competitive interest rates for euro and US dollar.

The increase targeted in FX deposits will be utilized in different financial instruments in the international markets. Such investments consist of different treasury bonds in euro and US dollar (government bonds, company bonds and bank bonds), syndication loans and bilateral agreements (direct debt).

Awards in 2021

- BKT Albania was awarded with the Award for the "Best Domestic Bank in Albania" presented by the prestigious British trade magazine EMEA Finance for the eleventh consecutive year in April 2021.
- The Bank won "The Most Innovative Bank in the Central and Eastern Europe and BDT region" Award organized by the EMEA Finance magazine in April 2021.
- In March 2021, BKT was granted the "Best Bank in Albania in 2021" award by the American magazine Global Finance.
- The Bank received the "Best Bank of Albania in 2021" award from the British magazine Finance Central Europe, in September 2021.
- BKT Albania's CEO Seyhan Pencablilil was chosen as the Best Banker in Albania for 2021, the "CEO of the Year" by Finance Central Europe in September 2021.
- In December 2021, The Banker Magazine awarded BKT as the "Best Bank of the Year in Albania" for the ninth time in a row after 2013 and for the 12th time in total.

BANKA KOMBETARE TREGTARE (BKT ALBANIA)

BKT Albania, Albania’s first commercial bank, launched the first installment credit card and the first rewards credit card (loyalty program) in Albania; it is also the leading bank in credit cards in the country.

Quality Standards and Certifications

ISO 9001:2015 Quality Management System Certificate

Financial Summary (TL Million)	2019	2020	2021
Total Assets	22,086	31,229	58,015
Net Sales	790	970	1,344
Total Shareholders’ Equity	2,670	3,670	6,559
EBITDA	418	564	745
EBITDA Margin (%)	53	58	55
Market Share in Asset Size (%)	27.1	26.3	26.0
Market Share in Deposits (%)	25.9	25.5	24.9
Market Share in Loans (%)	16.5	15.7	13.6

“Firsts” and “Major Achievements” in the Sector

- The first commercial bank in Albania
- BKT launched the first installment credit card and the first rewards credit card (loyalty program) in Albania; it is also the leading bank in credit cards in the country
- The first bank-university Partnership project (Fastip) that provides guaranteed employment in collaboration with the German Agency for International Cooperation (GIZ) and the Ministry of Education
- The first and only Albanian bank to become a member of the World Saving Bank Institution (WSBI)

- The first bank to introduce the bill payment system, e-government & bank partnership, virtual POS and 3D-Secure system, and the first contactless bank cards in Albania
- First murabaha transaction in Albania
- The bank made it possible for Albania to become a member of ICC (International Chamber of Commerce)
- The bank that made all insurance companies to communicate their agencies online and allowed the establishment of a switch infrastructure with the E-Insurance product (Almost all insurance transactions in the country Are made through the BKT infrastructure.)
- BKT CEO Seyhan Pencabligil was selected the CEO of the Year in Europe by EMEA Finance in 2012 and by Finance Central Europe in 2019
- Initiation of activities of Albania’s first icara (Islamic financial leasing) company, of which BKT is a co-founder
- In 2015, BKT was named the best bank in southeastern Europe in terms of social responsibility initiatives (EMEA Finance)
- Earning a silver award in the banking category and an honor award in the environmental-friendly category in the Annual Report Competition (Mercomm) attended in 2015 for the first time and earning a special award by BACEE for Central and Eastern Europe
- With the first multi-functional mobile application, the first use of Beacon integration and automated push notifications in the country, and also use of the first mobile business application and the first WhatsApp application by BTK



BKT is ranked as the second bank in Albania in terms of branch and ATM network. BKT has the widest network in terms of cash-in ATMs.

- Turkish bank reached the highest market share in a country among all Turkish banks that operate overseas, with its active market share of 26% in Albania
- Launch of SMART Invest, the only licensed international investment platform of the country, in 2021
- Introduction of SMART Insurance, the first insurance intermediary application of Albania in 2021
- As part of SMART ATM application, non-bank customers started to receive service from ATM for the first time in Albania
- Most profitable and largest bank of the country
- Most profitable institution and largest taxpayer of the country for the last five years
- Albania’s oldest, largest and best bank

Competitive Advantages

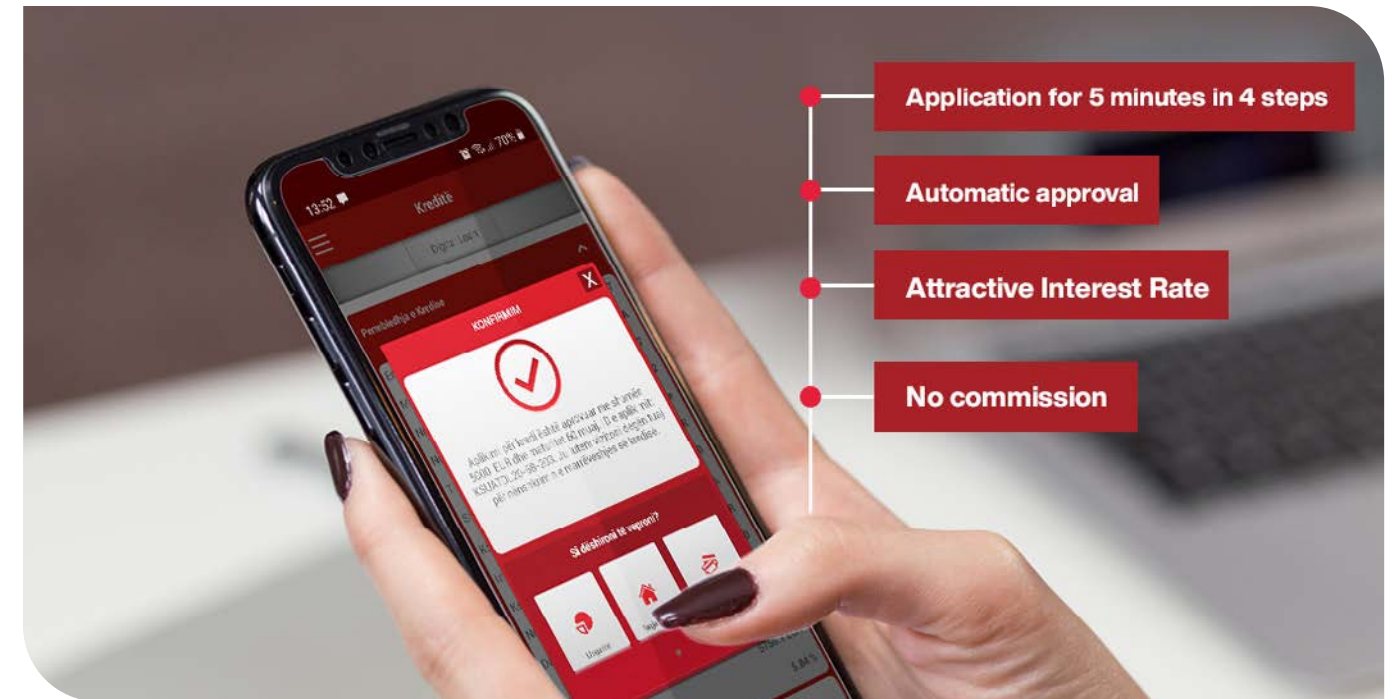
- BKT’s most distinctive feature is that unlike large international banks that adopt local strategies, it was established in Albania but expanded into overseas markets.
- The perception of being “the most reliable and respected bank in the country” with its 96-year history and steady growth provides an advantage to the Bank in terms of attracting deposits.

- Having a widespread and long-term deposit composition, BKT has a deposit market share of 25%.
- BKT is ranked as the second bank in Albania in terms of branch and ATM network. BKT has the widest network in terms of cash-in ATMs.
- Differentiating itself from international banks with its stable organizational structure; BKT has the advantage of implementing a long-term strategy that is similar to local banks.
- Thanks to its robust capital structure, BKT is least affected by regulatory pressure. BKT has nearly a 50% market share in mortgage loans (in local currency), credit cards and POS networks.
- BKT is an innovation pioneer in Albania’s banking sector.
- BKT SMART is the mobile application which is ideally on the way to become a Super App with its broad range of digital products.
- By maintaining its classic customer base, it is taking strong steps in terms of digital banking.

BANKA KOMBETARE TREGTARE (BKT KOSOVO)

Customer-oriented and innovative bank

For BKT Kosovo, growth means experiencing the change in every sphere and adapting to new developments. Therefore, the Bank adopts the latest technological developments in finance world by investing in the current trends.



828

TL Billion
Total Assets

23.4

TL Billion
Net Sales

The Bank which takes firm steps towards the goal of leading the industry achieved a significant growth in all performance indicators. Assets of the Bank rose by 23% while its deposits and loans increased by 23% and 19%, respectively. The Bank boosted its net profit by 44%, obtaining a net profit of EUR 15.9 million.

With its robust financial structure, competent team, solid corporate culture, loyal customer base, investments in digitalization and innovation and its determination in adding value to stakeholders with differentiated business model, BKT Kosovo broke new records also in 2021.

Approaching to the target of being the biggest bank in the market, with firm steps, the Bank achieved a noteworthy growth in all performance indicators. The Bank which ranked number four with its market share contributed to the highest sectoral growth in all indicators. Assets of the Bank rose by 23% while its deposits and loans increased by 23% and 19%, respectively. Thus, the Bank boosted its net profit by 44%, obtaining a net profit of EUR 15.9 million.

Achievement of the Bank is based on its ability to stand behind Kosovo's economy as a universal bank with its world-class banking solutions for both enterprises and individuals. The Bank's strategic approach for meeting customers' needs is the driving

force of this success. In line with these needs, the Bank embraced the priority of turning into a digital, fast and lean financial services provider. In addition to the infrastructure investments, products and new service channels were developed and customer experience was improved further during the year.

Contributing to development of the country by reshaping the banking industry, BKT Kosovo works on offering a better future to people. The Bank introduced new applications and products and trailblazing services to its customers also in 2021. Opening Digital Account, Digital Loan, Loan Issue via the Third Persons, Expanded Business Partners and Smart Investment Platform (Smart Invest) are only some of the innovative solutions offered by BKT Kosovo.

Thanks to the investments in digitalization, number of the customers using digital channels climbed by 32%, rate of the active users reached 57% and transaction volume in digital channels increased by 68%.

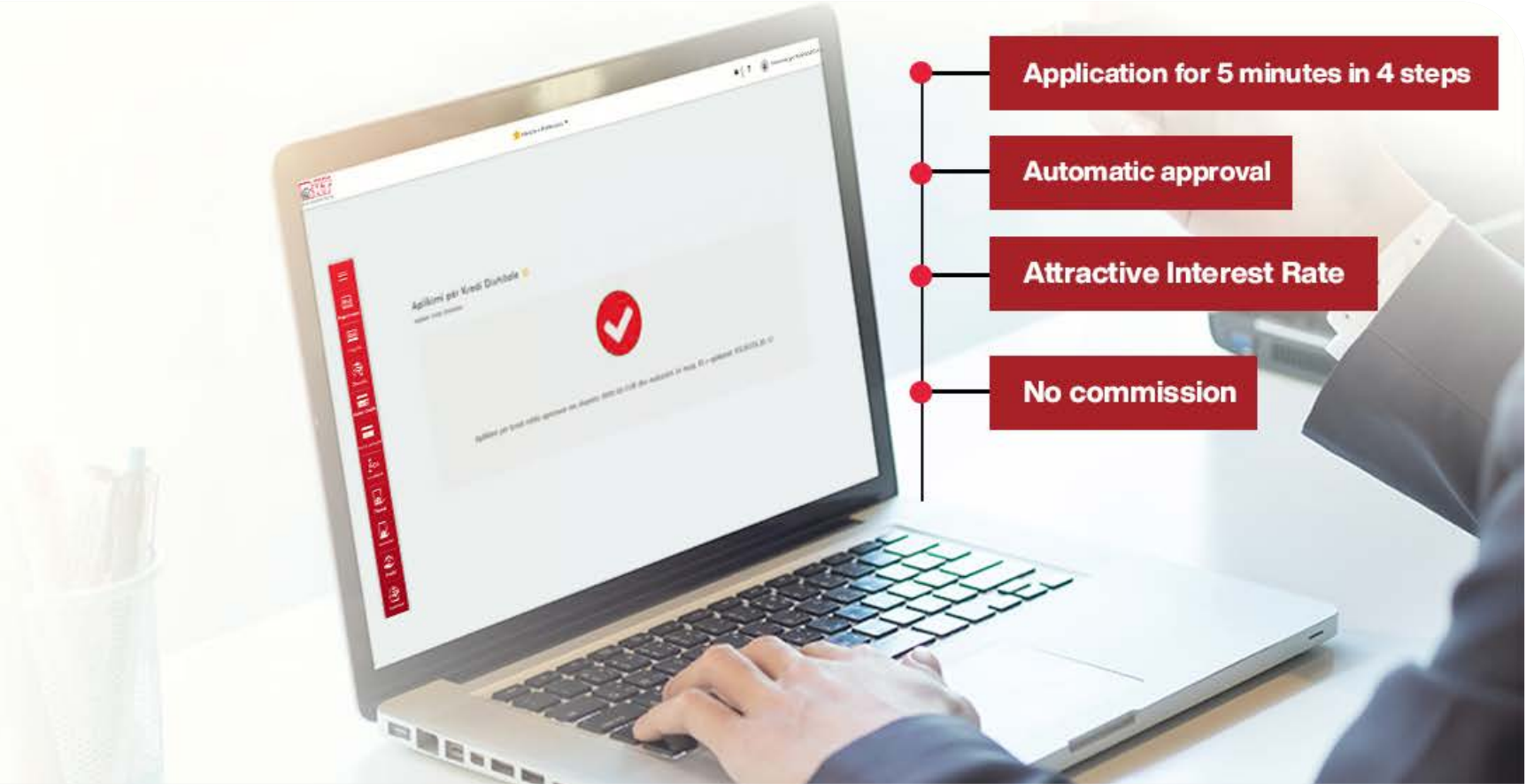
With these developments, each of which is a significant component on the path to the Bank's major target, the Bank aims to be close to its customers in any physical or digital mode and offer all kinds of banking services and solutions.

In light of the launch of innovations and new products, BKT offers the first and only local investment platform that opens the door for Kosovo citizens to access international financial markets or reduce the risks of their financial assets. Smart Invest provides customers with direct access to a variety of products such as FX, commodities and stocks not only in high-end markets such as USA, Germany, Japan or UK, but also in South Africa, Peru and many other markets where they can trade with international investors. With Smart Invest, customers who have the opportunity to monitor markets from their phones can instantly read relevant news, receive alerts and notifications, make transactions and perform technical analyses. In addition, customers can easily see the history of their investments, performance analysis, account movements and more.

With the investments and breakthroughs, The Bank was granted three prestigious awards by Global Banking & Finance in 2021: "Best Retail Bank Kosovo 2021", "Best Digital Bank Kosovo 2021" and "Retail Banking Brand of the Year Kosovo 2021." The said awards received from Global Banking & Finance demonstrate success of BKT Kosovo and its determination in offering the best service and the ideal and innovative banking solutions to general market.



Digital Loan through BKT e-Banking 24/7



BKT Kosovo, which carries out all of its activities with a sense of sustainability, improved its cooperation with the Green for Growth Fund (GGF) in 2021 and increased awareness and efforts to save energy in the following years.

Awards of BKT Kosovo are not limited to them. The Bank was awarded as “The Bank of the Year in Kosovo” by “The Banker,” the prestigious finance magazine of “Financial Times” group for two years in a row. This award reflects outstanding performance and increasing strength of BKT Kosovo and its impact on Kosovo’s fiscal environment.

BKT Kosovo, which carries out all of its activities with a sense of sustainability, improved its cooperation with the Green for Growth Fund (GGF) in 2021 and increased awareness and efforts to save energy in the following years. In this context, it developed a new product to finance energy-saving projects in 2021.

Striking with its support to agriculture and sports in the country, the Bank carried on standing behind the children with autism and organized blood donation campaigns as part of the social responsibility activities.

BKT Kosovo targets maintaining its sustainable growth in 2022 and after that. The Bank which transformed it’s all processes and made them customer-centered will continue to lead the industry in the field of digital innovation. The Bank aims to be leader in the industry as of 2024 and carry and generalize its operations beyond the borders of Kosovo.

“Firsts” and “Major Achievements” in the Sector

- The first bank in Kosovo to start digital opening of a current account via a Digital Account
- The first bank in Kosovo to provide digital credit through mobile banking
- The bank with the largest and most efficient network of branches and agencies that increase overall satisfaction in the conduct of banking transactions
- The bank which offers the first and only local investment platform that opens the door for Kosovo citizens to access international financial markets or reduce the risks of their financial assets with Smart Invest

BKT Kosovo which transforms it’s all processes and makes them customer-centered continues to lead the industry in the field of digital innovation.

Competitive Advantages

- Being as close as possible to its customers by making banking accessible and flexible at all times using online platforms that constitute the main asset of customer relationship management
- State-of-the-art technology used to provide digital services to customers through branches, digital banking or communication centers

Financial Summary (TL Million)	2018	2019	2020	2021
Total Assets	412,307,256	536,735,026	672,910,942	825,837,715
Net Sales	13,751,714	17,023,478	19,309,931	24,206,049
Total Shareholders' Equity	37,143,078	53,990,145	73,488,360	87,241,603
EBITDA	7,666,111	11,595,021	14,565,400	19,764,773
EBITDA Margin (%)	36.69	46.33	48.20	54.41
Market Share in Asset Size (%)	10.35	11.79	13.14	14.54
Market Share in Deposits (%)	10.63	11.71	12.63	13.86
Market Share in Loans (%)	9.34	10.47	11.26	11.54

CONSTRUCTION SECTOR

RAPID ADVANCEMENT IN THE CONSTRUCTION SECTOR

2021 saw a rapid economic recovery worldwide and in Turkey with the start of post-pandemic vaccinations and the partial lifting of travel restrictions.



AN OVERVIEW OF THE CONSTRUCTION SECTOR IN 2021

Bouncing back from the deep wounds of the pandemic

The number of homes sold, a key indicator of the construction sector, increased to 1 million 491 thousand thanks to accelerated economic growth and a rebound in housing demand partly driven by the unleashing of deferred demand.

As of early 2021, the construction industry began to bounce back after being greatly affected by the global pandemic in the previous year. However, construction costs rose significantly in most countries from the second half of 2021. The change in demand structure and disrupted production resulted in global supply chain and logistics problems worldwide.

Highly volatile raw material costs fueled inflation around the world. Countries that adopted expansionary monetary and fiscal policies at the onset of the pandemic started to tighten their stance in an attempt to curb inflation. As a result, overall demand

According to the Construction Global Market Report: Opportunities to 2030 of The Business Research Company, the global construction industry is projected to post average annual growth of 7.5% between 2021 and 2023, climbing to USD 15.5 trillion.

is expected to cool and many sectors, including construction, will be affected by this weakening demand.

According to the Construction Global Market Report: Opportunities to 2030 of The Business Research Company, the global construction industry is projected to post average annual growth of 7.5% between 2021 and 2023, climbing to USD 15.5 trillion. The Asia-Pacific region is expected to account for 42% of the total construction market by 2030, in further consolidation of that region's market dominance.

Although investment in the construction sector has risen, and the need for providing sufficient allowance to ongoing businesses has increased, market conditions pose a significant risk for infrastructure projects that require high levels of financing. The expected contraction in global liquidity for the coming period, a strong uptrend in geopolitical risks, elevated foreign exchange rates and rising interest rates all greatly increase the risk factors on construction investment. Against this challenging backdrop, prioritization of public investment programs would be beneficial in addition to support for immediately implementing projects that will create higher economic and social added value. Recognition of the headwinds currently faced by the construction sector in addition to high financing costs is critical.



According to TBRC's report, urban development and renewable energy investments are projected to climb over the next 10 years. Green buildings, autonomous systems, digital adaptation, and the use of innovative building materials are expected to be focus areas for construction industry players in the following decade.

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Turkey's Construction Sector

In 2021, the Turkish construction sector contracted by 0.9%. With this performance, the sector has now recorded a contraction for four consecutive years. Demand is the most significant factor in the construction industry. Measures to support the construction and housing sector against the negative effects of the pandemic started to stimulate demand from its previously weakened state.

The number of homes sold, a key indicator of the construction sector, increased to 1 million 491 thousand thanks to accelerated economic growth and a rebound in housing demand partly driven by the unleashing of deferred demand. Mortgage sales declined from 573 thousand to 294 thousand with the effect of interest rate hikes. A remarkable jump was recorded in the sale of non-residential real estate, including tracts of land, fields, workplaces, factories, office space, warehouses and industrial sites. In 2021, sales in this category rose

by 29.6% compared to the previous year, reaching 1 million 528 thousand – an all-time high.

Turkey's construction sector attracts foreign currency to the country's economy with its contracting activities overseas while providing significant employment opportunities to the Turkish labor force. The country's construction industry recorded a milestone in the international market in 2021. The total value of new international construction projects rose from USD 15.2 billion in 2020 to USD 30 billion in 2021, up by nearly double year-on-year. In the medium-term, Turkey's construction industry aims to boost this figure to USD 50 billion.

In 2021, Turkish contractors registered the most business and total project value in Russia, as was the case over the prior two years. After Russia, Iraq has ranked second for Turkey's construction contractors since 2019. That Middle East country is poised to maintain its importance for the Turkish industry in coming year. However, the course of the Russia-Ukraine war will also determine the ranking in future years. In Iraq, major cooperations are anticipated to emerge following the formation of a new government. Positive results of political relationships, which are growing warmer, are expected in the Middle East. Cooperation with the UAE in third countries, especially in Iraq, is on the agenda.

AN OVERVIEW OF THE CONSTRUCTION SECTOR IN 2021



The country's construction industry recorded a milestone in the international market in 2021. The total value of new international construction projects rose from USD 15.2 billion in 2020 to USD 30 billion in 2021, up by nearly double year-on-year.

1.4
Million
Homes Sold

Sub-Saharan Africa has become a center of attraction for contracting services, especially Tanzania and Zambia. The Turkish Contractors Association is actively engaging in efforts to connect the local market information of Turkey's contractors in Africa with the strong financing opportunities of countries such as Japan, Austria, Sweden, and Switzerland.

The pandemic greatly altered numerous well-established components of the sector, from sales to building systems, building structure to materials used, consumer behavior to general trends and tendencies. Thanks to its domestic and international experience and extensive market knowledge, the Turkish construction sector can act in a flexible way to a large extent. Nevertheless, risk and fund management and socio-psychological factors are now understood to be as least as important as macroeconomic variables. The lack of structuring in these various issues drew attention in particular. At this stage of its development, Turkey's construction sector would be well-served to undergo an environment-friendly structural transformation to ensure sustainable growth.

The world today is dominated by a climate crisis posing an existential risk to the entire planet and humanity. Against this stark backdrop, the construction sector and its sub-components must engage in more environmentally-conscious and climate-friendly activities with lower carbon emissions. It is critical that the domestic construction industry set and meet clearly defined standards, from manufacturing to final use, in the coming year. Development of national climate standards and

their implementation in an environmentally sensitive manner will contribute significantly to sustainability.

The Turkish construction sector clearly needs to further develop its carbon trading capabilities and define rights based on it. This existing gap in the market can be utilized as an emerging opportunity in the construction sector. Collaborations with the government and related institutions for this purpose will gain major significance. Development of new financing models/products for urban transformation is essential as is construction of earthquake resistance buildings. Generating structural solutions based on region/neighborhood is also urgently needed.

Global and Domestic Position of Gap İnşaat

Gap İnşaat executes construction projects on three continents to build a sustainable future under the slogan: "Value for People, Value for the Future."

Gap İnşaat's target market is the zone within a five-hour flight time from Turkey. The company is taking firm steps toward becoming a major player in the region. In 2021, Gap İnşaat once again ranked among the world's largest contractors in the global listing compiled by US-based ENR magazine. The company has appeared on ENR's annual list every year since 2006. With its global scale projects, Gap İnşaat was ranked as the world's 162nd biggest contracting company in 2021.

Gap İnşaat entered the list of 2020 Export Champions compiled by the Service Exporters' Association (HİB) of the Turkish Exporters Assembly (TİM). The company was presented with the Second Place Award in the category of "Construction Contracting Services."

With its focus on the concept of "Engineering of the Future," Gap İnşaat is building the future today with its professional management team, expert staff, the capability to undertake turnkey business in-country and abroad, and its successful track record of major development projects.

- Work experience across a wide geography
- Reliability associated with the "Çalık" corporate brand
- International partnerships that create synergy
- Strong financial structure
- Organic growth model
- Experienced team
- Innovative solutions

These differentiating factors and competitive advantages drive Gap İnşaat's global success.



GAP İNŞAAT

Projects that add value to life

With its reliable expert teams driven by an innovation-focused entrepreneurial spirit, Gap İnşaat operates with the vision of expanding four-fold on four continents by 2025, its 44th anniversary year, by adding value to every aspect of life it touches.



Gap İnşaat exited 2021, a year that saw the ongoing global impacts of the pandemic, with confidence by consolidating its existing work underway and focusing on penetrating new markets worldwide.

To date, Gap İnşaat has completed 136 international projects with a total contract value of USD 7.40 billion. Currently, four separate projects totaling USD 1.04 billion are underway in Turkey, Turkmenistan, and Qatar. Gap İnşaat also carries out joint projects with Çalık Enerji and Japanese Mitsubishi Corporation in Iraq.

2021 Highlights

Having started in Qatar's capital Doha in 2019, the Qatar Military Training Facility Project is the most prestigious project carried out by Gap İnşaat in the Gulf region. The high-profile project is scheduled for completion in 2023.

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2.2

**TL Billion
Net Sales**

With a long track record of constructing healthcare facilities in Turkmenistan, Gap İnşaat signed contracts for the Ashgabat Rehabilitation and Physiology Hospital turn-key projects in 2021. Completion of the Ashgabat Rehabilitation Center Project, the 26th hospital built by Gap İnşaat in Turkmenistan, is scheduled for 2024. Gap İnşaat plans to complete the Turkmenistan International Physiology Center project in three years.

Construction of the Gediktepe Mine Site Project – Gold and Silver Production Facilities in Balıkesir was completed and delivered to Lidya Madencilik at year-end 2021. Gap İnşaat plans to finalize the Taksim 360 Residence and Office Project, featuring the first urban renewal project in Turkey carried out under a public-private sector partnership (PPP), at the end of 2023.



3.4

**TL Billion
Total Shareholders'
Equity**

With a long track record of constructing healthcare facilities in Turkmenistan, Gap İnşaat signed contracts for the Ashgabat Rehabilitation and Physiology Hospital turn-key projects in 2021.

Gap İnşaat carries out all its construction projects in accordance with international environmental standards. The company was awarded LEED Gold certification for the office block of the Taksim 360 development project. Gap İnşaat's LEED BD+C (Building Design + Construction) Gold certification, which covers new buildings or large renewal projects, is the first in Turkey.

Sustainability Efforts

As one of the world's most distinguished contracting firms, Gap İnşaat executes projects that add value to human life in the regions where it operates with the mission of ensuring a sustainable future. By focusing on smart climate solutions, digitalization and innovation, Gap İnşaat aims to reduce carbon emissions and create sustainable cities and living spaces. To these ends, Gap İnşaat is committed to implementing innovative solutions in its superstructure, industrial and infrastructure projects. Gap İnşaat is guided by the 17 Sustainable Development Goals of the United Nations and published its first

Sustainability Report in 2021. This report details the company's efforts toward achieving seven of the UN's Sustainable Development Goals.

Gap İnşaat 2020 Sustainability Report was prepared in light of the 2016 standards of the Global Reporting Initiative (GRI). The company's annual activities and practices related to governance, the economy, the environment, society and ethics were described in the report.

In 2021, Gap İnşaat implemented the Carbon Emissions Measurement Project for the first time in order to minimize its negative impact on the environment and the climate. Following a study performed at its headquarters and in various projects, Gap İnşaat issued a report estimating the size of its carbon footprint. Based on the results of the study, which is planned to be carried out more comprehensively in the coming years, Gap İnşaat plans to conduct efforts to further reduce its carbon footprint.

GAP İNŞAAT



11

TL Billion
Total Assets

Gap İnşaat is guided by the 17 Sustainable Development Goals of the United Nations and published its first Sustainability Report in 2021.

Gap İnşaat places great importance on smart climate solutions, digitalization, and innovation to reduce carbon emissions and create sustainable cities and living spaces. To these ends, Gap İnşaat is committed to implementing innovative solutions in its superstructure, industrial and infrastructure projects. With a strategic focus on automation, Gap İnşaat realized its digital transformation by utilizing advanced information technologies such as BIM and Revit and transitioning to Industry 3.0 solutions. Gap İnşaat is making investments to use wireless sensors, lasers, robots and artificial intelligence-based products and services at its construction sites. In addition, Gap İnşaat demonstrates its commitment to the environment with nature-friendly solutions integrated into its construction projects. Gap İnşaat aims to use solutions that qualify for LEED Gold certification and lower carbon emissions pursuant to its sustainability goals.

Target: Growing four-fold on four continents

With its reliable expert teams driven by an innovation-focused entrepreneurial spirit, Gap İnşaat operates with the vision of expanding four-fold on four continents by 2025, its 44th anniversary year, by adding value to every aspect of life it touches.

Focusing on the regions that are suitable for the changing world's contracting market, Gap İnşaat aims to undertake new projects with solutions relying on PPP, the EPC-F-based business model as well as EPC-based projects.

Gap İnşaat further consolidates its strong position in Central Asia and the Gulf region with each passing day. Currently, negotiations are underway to achieve similar success in continental Africa. While demonstrating interest in substructure and superstructure projects in Angola, Guinea, Senegal, Democratic Republic of Congo and Algeria, Gap İnşaat is also targeting similar-type projects in the European market. Gap İnşaat aims to undertake more projects in developed country markets, such as Germany, the United Kingdom and Netherlands.

Gap İnşaat places great importance on smart climate solutions, digitalization and innovation to reduce carbon emissions and create sustainable cities and living spaces.

Gap İnşaat plans to use its valuable experience from the Taksim360 urban renovation project (Tarlabaşı, Istanbul) in Europe. The company aims to focus on facade protection-based renovation projects in neighboring countries, especially Romania. In addition, Gap İnşaat is preparing to enter the Russian market for the first time with an industrial development project: construction of potassium processing facilities.

Quality Standards and Certifications

- ISO 9001:2015 Quality Management System
- ISO 14001:2015 Environmental Management System
- ISO 45001:2018 Occupational Health and Safety Management System
- UKAS (UK Accreditation Service)
- LEED BD+C (Building Design + Construction) Gold Certificate
- TSE COVID-19 Safe Service Certificate

Financial Summary (TL Million)	2019	2020	2021
Total Assets	6,499	7,645	11,060
Net Sales	1,242	1,826	2,206
Total Shareholders' Equity	2,007	2,110	3,437
EBITDA	193	28	-12
EBITDA Margin (%)	16	2	-1



TEXTILE SECTOR

PRODUCTION THAT EMBRACES A SUSTAINABILITY APPROACH IN THE TEXTILE SECTOR

The COVID-19 pandemic impacted ways of doing business across the economy, including the textile and ready-made garment sectors.

AN OVERVIEW OF THE TEXTILE SECTOR IN 2021

Increase of 18.3% in textile exports

In 2021, Turkey's ready-made clothing and apparel exports rose by 18.3% year-on-year to USD 20.3 billion. In denim sector, a major segment of the textiles and clothing industry, total exports amounted to USD 1.9 billion, up 14.5% from a year earlier.

The impact of the COVID-19 pandemic receded in 2021 after causing many sectors of the global economy to stagnate the previous year.

In 2021, Turkey's ready-made clothing and apparel exports rose by 18.3% year-on-year to USD 20.3 billion. The highest volume importers of ready-made garment and apparel products from Turkey include Germany, Spain, UK, Netherlands, France, USA, Italy, Iraq, Israel and Denmark.

Upon mitigation of the pandemic, restrictive measures were removed in EU countries – the main export markets of production, export and real turnover for the ready-made clothing industry. As a result,

2021 saw a rebound in textile and ready-made clothing production indices. The highest rate of increase was posted in April; the recovery continued at a declining pace in the following months.

order cancellations and postponements of the previous year were not recorded this year. In 2021, Turkish ready-made clothing exports to European Union markets amounted to USD 12.3 billion.

2021 saw a rebound in textile and ready-made clothing production indices. The highest rate of increase was posted in April; the recovery continued at a declining pace in the following months.

As of third quarter 2020, raw material prices jumped worldwide. Higher prices were also reflected in the raw materials of the ready-made garment and textile industries, such as cotton yarn, fiber, and dye. Raw materials prices continued to trend higher in 2021.



1.9
USD Billion
Denim Export

Similar to 2020, general uncertainty in commodity exchanges caused cotton prices to rise in 2021. The price of cotton per kg went up to USD 2.79 as of year's end. Various industries expanded their production capacities toward Asia-Pacific countries to take advantage of lower labor costs and closer geographic proximity to key raw materials, such as cotton and petrochemicals.

In the denim sector, a major segment of the textiles and clothing industry, total exports amounted to USD 1.9 billion, up 14.5% from a year earlier. In 2021, countries that imported the highest volume of denim apparel from Turkey included: Germany, with imports of USD 346.6 million; Spain, with imports of USD 271.6 million; and the United Kingdom, with imports of USD 207.1 million.

The global jeans market entered a recovery during the year as the pandemic subsided, growing to USD 79 billion. This positive growth trend is expected through 2025 with the market projected to climb to USD 97 billion.

The global jeans market entered a recovery during the year as the pandemic subsided, growing to USD 79 billion. This positive growth trend is expected through 2025 with the market projected to climb to USD 97 billion.

The global denim market and retail jeans market are projected to expand through 2025, registering average annual growth of 4% and 7%, respectively. In 2021, the premium clothing segment of the denim industry grew by 20-25% year-on-year, reaching 2019 level growth.

In 2021, Çalık Denim expanded its annual production capacity to 55 million meters and reported total sales revenue of USD 217 million, including domestic and overseas sales. Under its five-year growth strategy, Çalık Denim aims to boost its revenues to USD 350 million.

Always one step ahead of the sector

An industry leader with its sustainable and innovative approaches, Çalık Denim exports to about 40 countries worldwide, primarily Germany, Spain, USA, UK, Netherlands, France, Scandinavia, the Far East, Portugal, and Italy.

Çalık Denim, the first industrial investment of Çalık Holding, was founded in Malatya in 1987 with an initial investment of USD 111 million. As of year-end 2021, Çalık Denim operates with an annual capacity of 55 million meters in an enclosed area of 407,685 m² and a workforce of 2,739 employees.

Initiating denim fabric production in 1996, Çalık Denim has expanded steadily and commenced its ring spinning business in 1997. Boosting its market share and brand awareness globally with its efficient production operations and effective marketing strategies, Çalık Denim transformed into an integrated facility as of 2003. Today, Çalık Denim is further developing its product range, which also includes gabardine/velvet products.

2
TL Billion
Net Sales

Çalık Denim, one of the world's leading premium denim producers, manufactured about 40 million meters of fabric in 2021. The company aims to sell 52 million meters of fabric in 2022.

Prioritizing R&D and introducing new technologies to the textile sector since its founding, Çalık Denim opened its seventh textile R&D center in 2011 with certification granted by the Ministry of Science, Industry and Technology. Currently, Çalık Denim is consolidating its deep-rooted know-how in the industry with its advanced R&D efforts and emerging technologies. Çalık Denim is widely known for its advanced R&D center which became to be a scientific center to the industry.

Manufacturing fabrics that add value and vision to the Turkish and global textile industry, Çalık Denim conducts its business operations at its production facility and R&D center in Malatya and its Sales and Marketing Center in Istanbul. Thanks to its strong customer orientation, Çalık Denim is a dynamic supplier and reliable partner for global brands in the premium denim market. Some of the leading brands that Çalık Denim serves include Acne, GAP,



Çalık Denim is always one step ahead of the sector with its sustainable products and technologies. In 2021, Çalık Denim demonstrated a strong performance in terms of digitalization, sustainability and innovation.

Supreme, Scotch & Soda, Polo Ralph Lauren, Banana Republic, Mother, Hugo Boss, Lucky Brand, Uterque, Massimo Dutti, H&M, Top Shop, Gerry Weber, Mavi Jeans, Tommy Hilfiger, Frame, Brax, Zara, Replay, Ann Taylor, Calvin Klein, Diesel, River Island, Kaporal 5, Carhartt, Breal, Le Temp Des Cerices, Angels, S Oliver, Alberto, Mac Mode, Benetton, G Star, Salsa, Next, Jack & Jones, VF, Rag and Bone, Guess, Varner, Moussy, Uniqlo, Edwin, and 7 for All Mankind.

An industry leader with its sustainable and innovative approaches, Çalık Denim exports to about 40 countries worldwide, primarily Germany, Spain, USA, UK, Netherlands, France, Scandinavia, the Far East, Portugal, and Italy. The company generates fabric revenue via direct exports and realizes indirect exports mostly by selling to foreign brands. Çalık Denim generates 82% of its fabric revenues and 70% of total sales including yarn from direct and indirect exports.

The Çalık Denim brand adds value to the Turkish economy with products that make difference in the denim and gabardine fabric range. Taking part in the Turquality Support Program, Çalık Denim is also a role model by supporting an eco-friendly approach in the textile sector. The company has obtained numerous internationally recognized certifications, including GOTS, OCS, GRS, RCS, OEKOTEX, Nordic Swan Ecolabel, ISO 9001, ISO 14001, ISO 45001, ISO 50001, ISO 27001, ISO 10002, BCI, COTTON USA, C-TPAT, SEDEX, and EU Ecolabel. These certification demonstrate Çalık Denim's commitment

to environmental protection across its business operations. In addition, the company has developed and included sustainable and organic denim fabrics to its wide product portfolio.

In 2021, Çalık Denim, one of the world's leading premium denim producers, manufactured about 40 million meters of fabric. Ranking among Turkey's top three denim fabric manufacturers, Çalık Denim aims to sell 52 million meters of fabric in 2022.

2021 Highlights

For many years, Çalık Denim has shaped its investments around innovation and sustainability. Once again in 2021, these strategic investments yielded positive results and served as a key differentiator for the company in the market. As digital transformation became a must for laggard companies with the COVID-19 outbreak, Çalık Denim easily adapted to this highly challenging period thanks to its existing digital infrastructure. As a result, the company continued to operate during the pandemic without any issues. Çalık Denim is always one step ahead of the sector with its sustainable products and advanced technologies. In 2021, Çalık Denim demonstrated a strong performance in terms of digitalization, sustainability and innovation.

Digitalization

Çalık Denim's mobile app bolsters the company's innovative and leading position in the sector. The company's mobile application became one of its most important tools in the rapidly digitalizing world during the pandemic. During this unprecedented period when travel was restricted globally and social isolation became mandatory, Çalık Denim introduced two new modules to its mobile application. Unlike other sections of the app, the newly launched sections were not password protected in order to be easily accessible by all denim lovers worldwide.

After the COVID-19 outbreak, Çalık Denim also launched the New Technologies & Innovations Module to provide access to collection details for its customers with whom it could not meet face-to-face. This module complements the collection areas of the app by including video presentations of collection concepts.

ÇALIK DENİM



Since 2018, Çalık Denim has boosted the amount of energy it produces from renewable sources by 100%. The company has also reduced the use of conventional energy sources thanks to implementation of the Solar Panel Project at its factory.

In line with its vision and expectations, Çalık Denim aims to achieve its digital transformation objectives by gaining the advantages offered by the Industry 4.0 approach and new technologies. Digital transformation efforts are underway in key areas that will facilitate energy management, product traceability, operational and information technology integration, and end-to-end operational excellence. Çalık Denim is also collaborating with the Bosch brand in the area of digital energy management.

Sustainability

Çalık Denim implements the sustainability transformation initiated under the "Passion for Denim, Passion for Life" strategy in all its business processes. The Sustainability Committee, formed to integrate the sustainability strategy into the company's business model and make it an integral part of the corporate culture, ensures that Çalık Denim's 2025 goals are realized. The committee also monitors the company's progress toward these objectives.

Çalık Denim holds monthly meetings with its Sustainability Committee on current and planned activities, conducts innovation studies on sustainability, and monitors its product-based and corporate carbon footprint.

Since 2018, Çalık Denim has boosted the amount of energy it produces from renewable sources by 100%. The company has also reduced the use of conventional energy sources thanks to implementation of the Solar Panel Project at its factory. Commissioned in 2020, the Rooftop Solar Power Plant Project has an installed capacity of 820 kWe and an annual electric power generation capacity of 1,343,000 kWh. This solar power plant provides sufficient energy for the annual electricity consumption of the factory's rope dyeing machines. As part of its 2025 Goals, Çalık Denim has prevented the release of 792.05 tons of CO₂ equivalent into the atmosphere annually with its SPP Project. By 2025, Çalık Denim aims to boost its purchases of renewable energy to 50% and reduce overall greenhouse gas emissions by 10% via expanded renewable energy production.

604
TL Million
Total Shareholders'
Equity

Designed with fabrics produced with technologies developed by the company's R&D facilities, Çalık Denim's collections generated great interest due to their sustainable origins and innovative features.

Having successfully boosted its revenue from the sustainable product category to 20% of total turnover, Çalık Denim updated its new target to 60%. Çalık Denim has ensured that the chemicals it uses are 100% certified under MRSL ZDHC version 1.0. The company achieved its goal of increasing its suppliers subject to environmental and social audits by 30% in line with its sustainable raw material supply targets. A new target of a 60% increase has now been set. In addition, Çalık Denim aims to ensure that the chemicals it procures are at least 95% GOTS certified.

Under its Transformation Lab efforts, Çalık Denim plans to expand its inter-sector collaborations and carries out activities toward this goal. Joint projects implemented with non-sector stakeholders to find solutions to today's global environmental problems – such as climate change, the plastic waste crisis, and rapid resource consumption – also add significant value in terms of sustainability.

Always adhering to transparency and accuracy in its environmental product declarations, Çalık Denim has its Life Cycle Assessment (LCA) efforts verified by independent verification firms to ensure the accuracy of its data. Çalık Denim publishes the Environmental Product Declaration (EPD) through the International EPD System with the verified outputs of the Life Cycle

Assessment. The environmental effects of the product are recorded and disclosed to all company stakeholders. The hot spots in production are identified through the LCA study. The online tracking system is active and consumption is monitored instantly via that system. The most appropriate types are identified and categorized with real-time energy monitoring made possible from the energy consumption screen. Product category rules (PCR) apply to LCA studies worldwide. Product category rules form the basis of EPD certificates and guide LCA reporting, which is the preliminary study of an EPD certificate.

Çalık Denim implemented Dyepro, the new advanced technology indigo dyeing method, as another demonstration of its commitment to sustainable production. This high tech solution provides dyeing without using water and generates no chemical waste. Çalık Denim engages in environmentally friendly production by significantly saving resources with this advanced dyeing technology.

Fabrics produced using open-end yarn technology developed by Çalık Denim were offered to customers under the Re-J concept. Thanks to this technology, Çalık Denim achieved the use of 100% recycled content in the fabrics it produces. To contribute further to the circular economy, Çalık Denim uses Repreve® recycled polyester, Lycra® EcoMade fiber and RefibraTM content with this method. Çalık Denim produces all fabrics with Dyepro technology in its commitment to environmentally sensitive production.

The E-Last concept developed by Çalık Denim achieves almost 0% weft shrinkage denim fabrics with high elasticity. This innovation allows customers to mold, cut, and sew in one cutting plan, and then wash in different recipes during garment production. E-Last provides significant savings in both time and labor. In addition, E-Last eliminates the "fluctuation" issue, a common problem in powerstretch and superstretch products.



ÇALIK DENİM



638

TL Million
EBITDA

In 2022, Çalık Cotton aims to boost its cotton production by 100%, from 100 thousand decares with 50 farmers at end-2021 to 350-400 thousand decares in the coming year.

Hemp fiber, a popular alternative to cotton fiber in recent years, has become a solid option with its low carbon footprint compared to cotton production. Çalık Denim presents hemp fiber under the Blue-H concept in its collections. Cotton-like hemp fiber is very similar to cotton in terms of performance and cloth handle. In addition, hemp fiber is a naturally breathable and anti-bacterial material. Hemp requires very little water, grows fast, and does not need pesticides. The amount of fiber produced per area where it is cultivated is very efficient, providing a more sustainable production option than cotton.

The Transparency Monitoring System (TMS) was developed with a focus on measurable goals. Çalık Denim plans to measure inputs to production and optimize resource usage throughout the production process. Thanks to TMS, Çalık Denim maintains efforts to contribute to the textile sector with a transparent and more sustainable production line.

In 2021, Çalık Denim once again published its sustainability catalog, which was first introduced in 2019. The sustainability catalog includes all production practices related to the company's sustainability approach.

Published under the title "Green Print Book," Çalık Denim's sustainability catalog presents the company's ecological footprint and consists of three main sections: raw materials, processes and certificates. In addition to raw materials that support sustainability such as organic cotton, recycled polyester, and cottonized hemp, the Green Print Book includes extensive information about environmental technologies such as Re/J, E-Denim, Dyepro, Denethic, Washpro, Better Dye, Oxygene and D-Clear developed by Çalık Denim. One of the sector's rare publications prepared with such detailed content, the Green Print Book was well-received by Çalık Denim customers in 2021.

Çalık Denim operates with a sustainability understanding at every stage of production, from seed to finished product. All of the company's cotton needs are supplied by Çalık Cotton. In 2022, Çalık Cotton aims to boost its cotton production by 100%, from 100 thousand decares with 50 farmers at end-2021 to 350-400 thousand decares in the coming year. Çalık Denim took a big step forward in line with its transparency and traceability goal in production. Thanks to the barcode system introduced in 2021, Çalık Denim started displaying in detail how the cotton used in the product was produced.

In response to sharply higher demand for products containing BCI (Better Cotton Initiative) cotton, Çalık Denim once again fulfilled its mission of being a sustainable denim fabric manufacturer in the supply chain by meeting 100% of BCI demand.

31%

EBITDA Margin

In response to sharply higher demand for products containing BCI (Better Cotton Initiative) cotton, Çalık Denim once again fulfilled its mission of being a sustainable denim fabric manufacturer in the supply chain by meeting 100% of BCI demand.

Innovation

In 2021, Çalık Denim introduced two main collections: AW 22/23 Sequency and SS 23 BluEVASION. Designed with fabrics produced with technologies developed by the company's R&D facilities, Çalık Denim's collections generated great interest due to their sustainable origins and innovative features.

Digitizing all its business processes during the pandemic period, Çalık Denim launched its first collection of 2021, the AW 22/23 Sequency collection, online. Previously, collection launches were carried out physically in April and October every year. Meanwhile, the SS 23 BluEVASION collection, introduced in October, was launched physically due to the beginning of normalization post-pandemic and the easing of travel restrictions.

Branding

Following its branding strategy formulated in 2019, Çalık Denim established a cooperation with SDA Bocconi, one of world's leading business schools, to prepare a new branding roadmap. In line with this roadmap, Çalık Denim is planning new and pioneering initiatives in the sector.

BRAND COLLABORATIONS**Good American**

With its collections developed specifically for women, Çalık Denim started a collaboration for a sustainable and innovative collection with the world's leading American brand Good American in 2021. The "Always Fits" collection combines Çalık Denim's innovative and sustainable fabrics with the promise of perfect harmony from Good American. This forward-looking collection is available via online and offline channels.

Since its launch, the Always Fits Collection has attracted significant attention globally thanks to the innovative fabrics developed specially for Good American. The collection also uniquely uses Çalık Denim's Selfsized fabric concept, with its groundbreaking features, and Denethic technology. Since the collection is produced with Selfsized fabric and Denethic technology, energy and water usage are reduced and the risk of customers purchasing the wrong size jeans is significantly minimized.

KOI and Aware™

Thanks to a collaboration between Aware™, a blockchain-based technology firm providing the most transparent traceability in denim fabric production, and Çalık Denim, fabrics produced with Aware™ technology are offered to end consumers by Kings of Indigo, a leading European sustainable denim brand. In addition to Çalık Denim's D'enovated products with Aware™ technology, the collection features 14 different designs produced with Denethic technology, taking sustainability to the next level. The innovative collection is targeted to end consumers via an influencer marketing campaign.

Covent Walker

Collaborating with the Covent Walker brand, owned by Itochu corporation of Japan, for their sales on Amazon, an initiative was carried out about the products with the key messaging that Çalık Denim is a premium fabric manufacturer.

Taka Q

As a result of a collaboration carried out with Japan's Taka Q, the Çalık Denim brand was featured on the back pocket of the Selfsized trousers collection.

Lub Dub

Special hangtags were prepared for Lub Dub emphasizing that the products manufactured with Çalık Denim fabrics are organic and contain recycled cotton content. As a result, the Çalık Denim brand was highlighted on Lub Dub products in retail stores.

Cerutti

Under a collaboration with Cerutti, a special catalog was prepared containing various fabrics from the Royal Denim product concept, which includes luxury fibers such as cashmere, silk, and linen in its composition.

ÇALIK DENİM



40

Export Countries

Following its branding strategy formulated in 2019, Çalık Denim established a cooperation with SDA Bocconi, one of world's leading business schools, to prepare a new branding roadmap. In line with this roadmap, Çalık Denim is planning new and pioneering initiatives in the sector.

Gabba

Featuring on products made with thermoregulation-capable fabrics for Gabba Denim from Denmark, hangtags were prepared indicating the cooperation between Çalık Denim and Gabba and explaining the added value offered by the fabrics.

Musinsa Standard

Under a collaboration with the Musinsa Standard brand from South Korea, the Çalık Denim brand was included in four different fits on its websites.

Colin's

As part of a collaboration with Colin's for Çalık Denim's Selfsized product group, Colin's carried out a campaign with the slogan "Suits Everyone," underlining the advantages that Çalık Denim's fabrics provide to the end user.

DESIGNER COLLABORATIONS

Ahluwalia

Çalık Denim first came together with the Ahluwalia brand, founded by Priya Ahluwalia who is also the design director, at the "Ever Evolving Talks by Çalık Denim" held in 2019. Two brand collaborations were realized after the event. As an outcome of this collaboration, Ahluwalia's Frequency AW'20 and Traces AW'21 collections featured denim products designed with Çalık Denim's innovative and sustainable fabrics. The Çalık Denim-Ahluwalia collaboration continued for the 2021 spring-summer season.

One Square Meter

Çalık Denim collaborates with the world's leading brands and designers as well as local craftsmen toward its aim of designing denim collections with innovative approaches. In 2021, Çalık Denim continued its cooperation with One Square Meter, the leading "slow fashion" designer brand in Turkey, which produces handmade products for sustainable living. One Square Meter's new sustainable collection, produced using mostly Çalık Denim's Denethic fabrics, generated great attention in the market.

TRADESHOW COLLABORATIONS

Liberty Fairs

An ongoing collaboration with Liberty Fairs, dating back to 2017, continued at its August 2021 fair held in Los Angeles for the first time. At the fair featured leading brands such as Scotch & Soda and Edwin USA, Çalık Denim generated interest among both visitors and participating companies with its Lounge concept and boosted its brand awareness. In addition, Çalık Denim showcased Dyepro technology in its brand area at the fair.

Liberty Fairs has included many advantages offered by the Selfsized product group, especially in online shopping. These products were promoted with posts and story shares on the Liberty Fairs Instagram account with its significant follower numbers.



A special collaboration effort was carried out to include Çalık Denim's fabrics in Lycra® Company's online platform.

Participated Fairs in 2021

Fair's Name	Region	Country
Denim Premiere Vision (Physical)	Europe	Italy
Munich Fabric Start (Physical)	Europe	Germany
Kingpins24 Amsterdam (Online)	Europe	Netherlands
Kingpins24 US (Online)	America	USA
Kingpins24 Australia (Online)	Australia	Australia
Kingpins24 Latin America (Online)	Latin America	Latin America
Premium Textile Japan (Physical)	Far East	Japan

SUPPLIER COLLABORATIONS

Aware

Under a collaboration specific to Dyepro technology made with Aware, a business partner in traceability, a presentation was prepared detailing the advantages provided by Aware and Dyepro technology together.

Lycra

Lycra® Company introduced an online supply platform where fabric manufacturers present their certified fabrics and customers/brands can easily access these products. A special collaboration was carried out to include Çalık Denim's fabrics on this platform.

Polygiene

Polygiene's sector-wide newsletter included content informing readers that ViralOff® Polygiene technology is used in some products in the Çalık Denim SS 22 collection.

Meidea

In The Circle Book 2 initiative, developed by Meidea, Lenzing and Officina 39 to introduce sustainable products from start to end, Çalık Denim participated as the fabric supplier.

ÇALIK DENİM

The Habit Fashion Awards ceremony, the most prestigious fashion awards in Scandinavia, took place physically in 2021. At the ceremony, Çalık Denim presented Jack&Jones, a leading trendsetting brands in Northern Europe, with the Best Scandinavian Denim Brand of the Year Award.

Denim Dudes

Çalık Denim showcased its leading fabrics from the SS 22 collection in “The Denim Directory,” a trend report prepared by Denim Dudes that includes current denim fabric, fiber, and finish innovations. The report is very popular in the sector with more than 400 fabrics highlighted and the participation of 35 manufacturers. Similarly, “The Denim Directory 2,” published in 2021, also includes Çalık Denim’s featured fabrics from its AW 22/23 collection.

Lenzing

A capsule garment collection was prepared with fabrics featuring Lenzing’s Indigo Modal fiber, a sustainability standout. This collection was introduced to the sector jointly by Çalık Denim and Lenzing.

UNIVERSITY COLLABORATIONS

Parsons

Every year since 2017, student designers prepare collections with Çalık Denim fabrics in the Denim Department at Parsons School of Design, one of the world’s leading fashion schools. The student collections that rank in the top five in the competition are exhibited at tradeshow attended by Çalık Denim. The designer students who place in the top three are given an internship opportunity at the Çalık Denim Malatya factory.

ITU - Denim Anatomy

In 2015, Çalık Denim founded Denim Anatomy with the mission of becoming a solution partner of customers in collaboration with Istanbul Technical University (ITU). With this program, Çalık Denim aims to contribute to the development of industry employees, including managers. Under the program, theoretical information related to denim is provided to participants by expert academics at ITU. Subsequently, practical information is given to program participants by demonstrating denim production processes at the Çalık Denim Malatya Factory. At the end of the program, successful participants receive a certificate from ITU. Çalık Denim’s objective is to organize training sessions twice a year in the future and include foreign customers in the specialized training.

SPONSORSHIP

Habit Fashion Awards 2021

In 2021, Çalık Denim once again sponsored the Habit Fashion Awards, an event the company has supported for many years as a denim category sponsor. Held online during the pandemic, the Habit Fashion Awards ceremony, the most prestigious fashion competition in Scandinavia, was held physically again in 2021. At the ceremony watched online by nearly 200 participants, Çalık Denim presented the Best Scandinavian Denim Brand of the Year Award to Jack & Jones, a leading trendsetting brand in Northern Europe.

Habit Sustainable Production Day 2021

This year, Çalık Denim sponsored the Habit Sustainable Production Day event, held in a hybrid mode, online and physically. In addition to sponsorship to the event, Çalık Denim delivered a presentation on the “Importance of a Sustainable Supply Chain and Traceability” at a seminar attended by industry stakeholders. The presentation also informed seminar attendees on Çalık Denim’s strategies and initiatives on this topic.

Quality Standards and Certifications

- ISO 9001 Quality Management Systems Certificate
- ISO 14001 Environmental Management Systems Certificate
- ISO 45001 Occupational Health and Safety Management Systems Certificate

Çalık Denim ranked 105th among the top 250 companies that invested the most in R&D and third in the textile and raw materials sector in the R&D Investment 2021 Survey conducted by Turkish Time.

55
Million Meters
Production

- ISO 50001 Energy Management Systems Certificate
- ISO 27001 Information Security Management Systems Certificate
- ISO 10002 Customer Complaints Management Systems
- BCI Membership
- HIGG INDEX FEM (Environment) – FSLM (Social) Membership
- SEDEX Membership
- CTPAT Criteria Compliance
- OEKO-TEX
- GOTS
- OCS
- GRS
- RCS
- COTTON USA
- Nordic Swan Ecolabel
- EU Ecolabel
- COVID-19 Safe Production Certificate

Awards in 2021

- Established to identify and recognize excellence in sustainability reporting in 2007, Çalık Denim was awarded second prize in the “Innovation in Reporting” category for its 2018-19 Sustainability Report at the CR Reporting Awards (CRRA’21), the world’s only independent platform in the field of corporate reporting.
- Çalık Denim ranked 105th among the top 250 companies that invested the most in R&D and third in the textile and raw materials sector in the R&D Investment 2021 Survey conducted by Turkish Time.

- Çalık Denim placed in the top 50 and top 100 in six different categories in the OIZ Stars of Turkey research:
 - 91st among the top 100 companies with the highest volume exports
 - 34th among the top 100 companies with the highest domestic turnover
 - 10th among the top 100 companies providing the most employment
 - 13th among the top 50 companies with the highest R&D spending
 - 34th among the top 50 companies with the highest investment spending
 - 10th among the top 50 companies with the highest number of patents
- Çalık Denim was awarded first prize in the “Outstanding Event” category for its “Ever Evolving Talks by Calik Denim” event at the Global Business Excellence Awards 2021, organized by Awards Intelligence, the world’s leading business awards and personal honors experts provider.

Competitive Advantages

- Extensive industry experience and innovation leader
- Global sales and service network
- Innovation power and widespread recognition in the market
- Product quality and strong brand image
- Increased brand awareness and brand equity as well as easier access to premium brands thanks to brand identity investments
- Sustainability policy
- Steady investments in manufacturing capabilities

Financial Summary (TL Million)	2019	2020	2021
Total Assets	2,082	2,220	3,547
Net Sales	1,114	1,143	2,059
Total Shareholders’ Equity	307	136	604
EBITDA	172	224	638
EBITDA Margin (%)	15	20	31

Goals for 2022 and the Future

- In its 2022 investment program, Çalık Denim plans to invest about USD 7.5 million in machinery, optimization, and process development. Machine renewal and R&D investments are ongoing.
- In 2022, revenues are projected to increase by 27%.
- By year-end 2022, total turnover of USD 218 million is targeted, including direct and indirect exports of USD 191 million, and direct exports of USD 84 million.



Responsible clothing for a sustainable future

Gap Pazarlama, which gains a competitive advantage by responding rapidly to the accumulated demand in the market, re-entered the American market in 2021 and strengthened its dominance in the existing markets.

Having a strong supply network and a broad product range in Central Asia and North Africa, Gap Pazarlama supplies its products to the world's leading retailers and brands. It has major brands such as Forever21, Bershka, Aeropostal, Asos, Melon, Fashion Group, Ombre in its customer portfolio. In addition, it serves large retailers such as LC Waikiki, Colins, Koton, Mudo, as well as market groups such as Metro, Migros and Carrefour.

Developments in 2021

Although 2020 was a challenging year, Gap Pazarlama, which continued to work without interruption, responded quickly to the accumulated demand in the market and gained a competitive advantage. New themes have been prepared for fabric qualities and new collections prepared within the scope of these themes have been offered to the customers' taste. It re-entered the U.S. market and strengthened its dominance in the existing markets. In

The main philosophy of Gap Pazarlama is to produce responsible clothing for a sustainable future. Therefore, the Company aims to ensure that its production processes and products are sustainable.

2021, Gap Pazarlama signed an agreement with two brands in the American market and started production for this market again.

The Company, which commissioned new investments in the modernization of existing production facilities during the year, has taken important steps in end-to-end sustainable manufacturing and product development. The production facilities of Gap Pazarlama's suppliers have also been modernized in terms of sustainability. In this context, investments have been made in weaving machines that consume less electricity, laser machines that reduce the use of chemicals, and ozone washing machines that zero out water consumption.

After the pandemic period, the fair and organization participation started intensively again, stands were opened at many fairs held in the Americas, Europe, the Far East, and the metaverse universe, and brand awareness was further increased.



Gap Pazarlama, which commissioned new investments in the modernization of existing production facilities during the year, has taken important steps in end-to-end sustainable manufacturing and product development.

1.4

TL Billion
Total Assets

COVID-19 has caused the rapid growth of the e-commerce market in a short time. The e-commerce journey that started with Denigma® Jeans in 2020 continued to progress rapidly in 2021 and stores were opened in global markets. In cooperation with Boyner, the "Fabrika X Denigma" collection has been prepared for Denigma®.

Increasing both sales and brand awareness, Denigma® aims to increase its sales in 2022 as well, and spread in global markets with its new collections prepared according to the demands and expectations of its customers.

Within the scope of B2C studies, the first micro export abroad via an e-commerce channel was made in 2021. The infrastructure works of the B2C Project are continuing. In 2022, the expansion will also be made to the US and European markets.

Gap Pazarlama realized a long time ago that for the sustainability of competition in the garment and denim fabric sector, it is necessary to take measures such as producing products with high added value, developing the design capabilities of companies, and thus allowing them to develop and present different products and collections specific to them, reducing costs, increasing operational efficiency and delivery speeds, and began to coordinate their work for this purpose.

The Company's approach in this process has returned in the short term and a product-oriented working system has come into being in general. The R&D and Design culture formed within the Company has created a foundation for the works that will return in the medium and long term aiming at producing innovative products with high added value in addition to short-term goals and has guided the organization in line with these new goals. In this process, the Company provided the financial support it needed from its equity.

The various factors such as the speed of responding to the needs of the market, product quality, and the development of new products and services have become as important as costs indicates that innovation is the most important factor that sustains companies in today's competitive world.

In order to transform the existing design power into a more systematic one, Gap Pazarlama has decided to establish a Design Center within its organization in order to bring the relevant processes coordinated by the Company with its equity, the production of commercializable functional and featured products and the technology and design work necessary for this under a certain discipline and coordination.

During the year, trainings were received from Istanbul Fashion Academy (IMA) and Mimar Sinan University, Gap Pazarlama Istanbul Design Center Project was established, 3D programs were started to be used in the Design Center, and remote 3D modeling and product presentations were offered to customers.

The product images were recorded with 3D scanners, ghost mannequins, and high-resolution cameras. In relation to the product contents, with the awareness of responsible clothing, materials that might be recycled and adapted to the circular economy have been chosen.

In 2021, a new managerial development class was also created under the name of Blueclass™, and extensive training was provided to increase the capabilities of employees.

GAP PAZARLAMA

Gap Pazarlama will be a company that produces responsible clothing for a sustainable future, expands its fields of activity with human resources having high potential, increases its productivity, and continues to grow committed to the Green Deal.

Sustainability Efforts

The main philosophy of Gap Pazarlama is to produce responsible clothing for a sustainable future. Therefore, the Company aims to ensure that its production processes and products are sustainable. With many new certificates, the consciousness and levels of all the manufacturers in the supply chain have been raised.

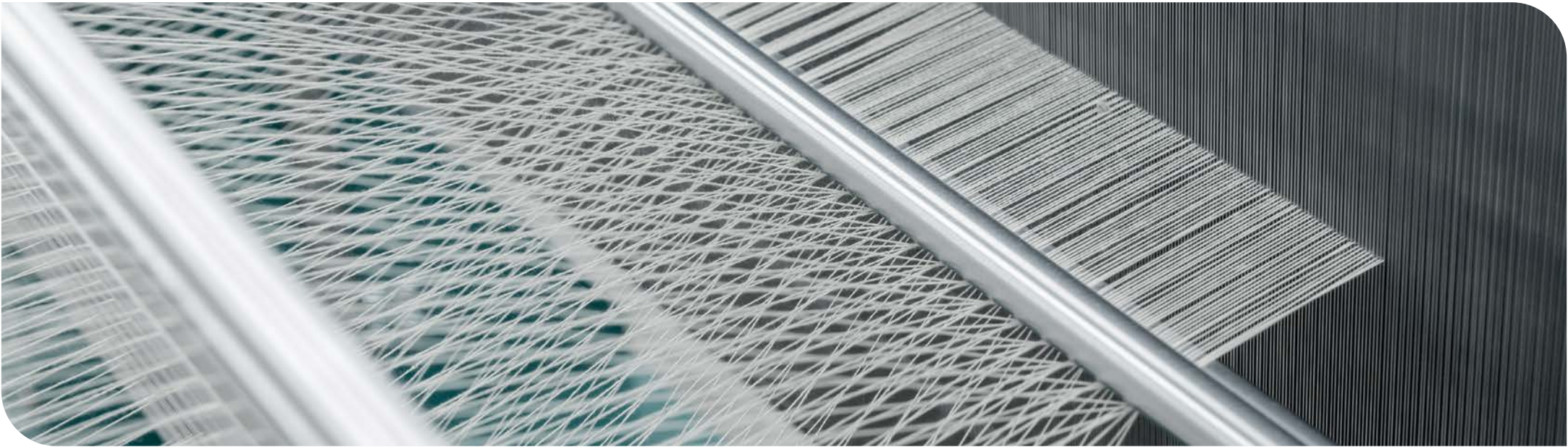
The Company, which has implemented important works on sustainability, has successfully passed the audit of GOTS and GRS certificates in its Egypt factory. Continuing its path with firm steps by adding Organic and Recycle products to its sustainable product collection, the Company carried out works for the modernization of the Calik Alexandria factory and decided to invest in laser, ozone washing, and e-flow machines. 16 Picanol machine contracts were signed and orders were placed for the modernization of the TJK factory in Turkmenistan. With new investments, chemical and water consumption was reduced, and awareness of respect for the environment and nature was increased.

The roadmap related to the existing climate crisis has been created and all studies within the scope of the Green Deal have been initiated.

Gap Pazarlama A.Ş. has continued to establish close relationships with universities in 2021 and is planning its employees to start graduate studies at universities with successful activities arising from these relationships.

Within this scope, bilateral cooperation works (Design project development, education cooperation, seminar and conference participation, etc.) are carried out with 4 Universities (Mimar Sinan University, Istanbul Technical University, Çukurova University, and Marmara University). In addition, different trainings with design content were received from Istanbul Fashion Academy.

A framework agreement for R&D Cooperation and Mentoring has been made with Marmara University Innovation and Technology Transfer Application and Research Center (MITTO). The trainings with design content were received from



Mimar Sinan University. Gap Pazarlama and the university have in sectoral cooperation in the denim fabric supply, application and product development process of denim clothing capsule collection which is planned to be created within the scope of the thesis titled “Eco-Friendly Approaches and Future Predictions in Denim Clothing Design,” on which Art Proficiency Thesis student Feyza Erol continues her studies under the supervision of Prof. Kemal Can.

It is considered that the studies carried out will make a great contribution to providing new business opportunities to the regional industry and employing trained qualified manpower.

Gap Pazarlama is taking firm steps towards its goal of becoming a global player in the textile sector. It will be a company that produces responsible clothing for a sustainable future, focuses on creating added-value, expands its fields of activity with human resources having high potential, increases its productivity, and continues to grow committed to the Green Deal.

“Firsts” and “Major Achievements” in the Sector

- One of the most reliable companies in the textile world, serving more than 200 customers in more than 40 countries.
- Leading company in the textile supply.
- First company to publish an Integrated Annual Report within Çalık Holding and in Turkey’s textile industry.
- The first marketing company to qualify for the AEOC Certificate.

Gap Pazarlama is one of the most reliable companies in the textile world, serving more than 200 customers in more than 40 countries

Competitive Advantages

- Permanent collaborations with facilities operating through an integrated production system,
- Its reputation and history in the market,
- Capacity to produce new and innovative products,
- Agile company structure, ability to adapt to different business models,
- The successful performance and reliability it has demonstrated since 1994.

Quality Standards and Certifications

- ISO 9001:2015 Quality Management System
- ISO 14001:2015 Environmental Management System
- ISO 22301:2012 Business Continuity Management System
- ISO 28001: Supply Chain Safety Management System
- ISO 27001: Information Security Management System Certificate
- WRAP
- Sedex
- 6 Sigma
- AEOC (Authorized Economic Operator Certification)
- Oeko Tex 100
- BCI
- GRS
- GOTS

Financial Summary (TL Million)	2019	2020	2021
Total Assets	807	873	1,444
Net Sales	362	315	646
Total Shareholders’ Equity	255	304	827
EBITDA	-2	-22	61
EBITDA Margin (%)	-0.6	7.1	9.5

MINING SECTOR

GROWING IMPORTANCE OF LOCAL WORKFORCE IN THE MINING SECTOR

Lidya Madencilik provides resources to the local community by prioritizing local employment and purchasing in the impact area of its ongoing projects.



AN OVERVIEW OF THE MINING SECTOR IN 2021

Accelerated investments in parallel with growing demand

The mining sector has benefited from rising commodity prices fueled by the recovery of the global economy. The return of deferred spending, government support and incentives, and the transition to renewable energy have boosted demand for metals.



In 2021, two major developments dominated the global economy: the post-pandemic economic recovery and the unprecedented rise in commodity prices. Against this backdrop, ESG (environmental, social, and corporate governance) emerged as a critical decision-making element in mining activities.

After slowing sharply with the onset of the COVID-19 pandemic, the global economy continued to rebound in 2021 driven by government support packages implemented in the second half of the previous year. The mining sector has benefited from rising commodity prices fueled by the recovery of the global economy. The return of deferred consumer spending, government support and incentives, and the transition to renewable energy have boosted demand for metals. Sector markets have become more simplified after prior crises and are trying to avoid repetition of past excesses. However,

Demand for industrial metals is forecast to expand with rising commodity prices and growing renewable energy investments. As a result of accelerated investments, prospecting activity and drilling operations carried out by mining companies are on the rise.

markets are mobilizing to evaluate new opportunities due to historically high prices of many commodities. At the start of 2022, markets generally expected commodity prices to remain below the highs recorded in 2021. In the medium term, commodity prices are expected to remain elevated until 2025 due to constraints on the supply side and demand which is expected to increase with the acceleration of the transition to renewable energy globally. Growing uncertainty with the sanctions imposed on Russia after the start of the Ukraine-Russia war in the first quarter of the year has raised questions about future growth of the global economy. As a result of additional restrictions on the commodity supply side, the historically high commodity prices recorded in October 2021 were exceeded due to Russia's role as a major commodity exporter.

The price of gold, after declining by 2.9% the previous year in anticipation of interest rate hikes, closed 2021 at USD 1,828/ounce. Although demand for gold has fallen with rising bond returns, this precious metal remains a popular option for investors seeking a safe haven. Against the aggressive interest rate increase forecasts due to high inflation, gold quickly outperformed year-end 2021 projections by rising to USD 1,900/ounce after the start of the Ukraine-Russia war. The price of silver, a component of solar panel production, widened its gap with gold and traded above USD 23/ounce at the end of 2021. The price of iron ore was highly volatile in 2021. After rising to a record high of USD 237/ton, the price of iron ore dropped to USD 85/ton in November, after China's decision to reduce steel production.



123

Mining Exploration Projects in 2021

Since mining products cannot be replaced, their production must be rendered sustainable. To this end, production companies are taking new measures to reduce their carbon emissions.

Iron ore prices, which move in parallel with the Chinese economy on the demand side, were affected by higher iron ore production in Brazil and Australia on the supply side. The price of copper rose from USD 7,750/ton in 2020 to USD 9,740/ton in 2021, in tandem with higher demand driven by more robust economic growth. During the year, coal, mainly used in electricity generation and steel production, was in short supply due to various factors including purchase restrictions imposed by the Chinese government on imported coal from Australia for the domestic market and production problems in Indonesia, Russia, and South Africa. In 2021, coal prices started the year at USD 100/ton, jumped to USD 300/ton in October and closed the year at USD 200/ton. Nickel reached and exceeded its pre-pandemic price levels in the first quarter of 2021 fueled by rising stainless steel production. However, the price of nickel fell as demand declined when China imposed production limits on industries with high energy consumption. Nickel prices ended the year at USD 20,850/ton, a five-year high.

Demand for industrial metals is forecast to expand with rising commodity prices and growing renewable energy investments. As a result of accelerated investments, prospecting activity and drilling operations carried out by mining companies are on the rise.

Exploration-level projects commissioned by large mining companies reached a 10-year high, up by 29% year-on-year to 123 projects in 2021. Gold prices, which stabilized at USD 1,800/ounce mid-year, and lithium prices, which jumped by 140% between July 2020 and December 2021, contributed significantly to higher exploration activity. Drilling projects reported by publicly traded gold mining companies soared from 925 in 2020 to 2,544 in 2021. In 2021, the mining industry recorded 2,969 M&A transactions with a total value of USD 84.5 billion. Significant M&A transactions of 2021 included the merger of Canadian Agnico Eagle Mines and Kirkland Lake Gold with a value of USD 10 billion; the sale of 46.62% of steel-producing Hitachi Metals for USD 4 billion; the purchase of 95.2% of Australian Newcrest Mining's Pretium Resources for USD 2.8 billion; and the takeover of Mopani mine by ZCCM from Glencore for USD 1.5 billion.

AN OVERVIEW OF THE MINING SECTOR IN 2021

2,544

Drilling Projects
in 2021

In Turkey, a country that aims to differentiate with edge products in mining, the Ministry of Energy and Natural Resources has announced support for domestic production of mining machinery and equipment.

The trend of rising resource nationalism continued in 2021. This growing trend is driven by two key factors: higher commodity prices and looming financial crises that countries are facing. While governments are generally expected to raise taxes when commodity prices increase, the tax increases in recent years have trended higher. As a result, governments have turned to resource nationalism to finance budget deficits caused by loose budgetary discipline and higher public spending in order to support their domestic economies. South American countries, major copper producers, are pioneers of this approach. Chile has boosted its royalty rates by 3% and introduced a one-time income tax starting from 15% and rising up to 75%. Similarly, after the elections of June 2021, Peru is expected to introduce additional taxes on mining activities. In addition to South America, countries in Africa, Asia, and the Pacific, from Burkino Faso to Zambia, Mongolia to the Philippines, have imposed various additional taxes, such as income tax, gradual royalty rates, additional customs duty, and one-time taxes. Madagascar revised its mining law where the royalty rate for all metals, including gold and silver, rose from 2% to 4%. In addition, a new regulation was enacted to transfer 20% of mining production to the Madagascar state.

In May 2021, the Democratic Republic of the Congo imposed large fines on mining firms for improper tax payment. In Kyrgyzstan, Centerra's Kumtor gold mine was nationalized for its environmental penalties. Copper producer First Quantum Minerals appealed to international arbitration courts in Zambia and Mauritania, objecting to the changes in royalty rates.

Like all other sectors of the global economy in 2020, the mining industry was adversely impacted by the COVID-19 pandemic. In 2021, the mining sector returned to normal levels of production and productivity under a new, strengthened OHS regulatory framework.

Some 7% of total global greenhouse gas emissions are attributable to the mining sector. Since mining products cannot be omitted or replaced, their production must be rendered sustainable. To this end, production companies are taking new measures to reduce their carbon emissions. Advanced technology solutions are being adopted in mining operations, along with greater environmental awareness of local residents around mine sites and stricter regulations. Leading large-scale mining firms are increasingly turning to electrical equipment and construction machinery instead of diesel fuel equipment for their production operations. The International Council on Mining and Metals, participated by many of the world's major mining firms, has committed to achieving net zero greenhouse gas emissions by 2050. Rio Tinto has announced that it will invest USD 1 billion in its sustainability-focused long-term projects to reduce carbon emissions by 30% by 2030. Anglo American has set a target to be carbon neutral by 2040. Peabody Energy Corp., a major American coal producer, has signed a joint venture agreement with Riverstone Credit Partners and Summit Partners to have a solar power plant with an installed capacity of 3.3 GW and a battery installation with a capacity of 1.6 GW within five years. In China, the world's largest copper consumer, investment plans aim to boost the scrap recovery rate from 50-55% to 60-70%.



Currently, Turkey has a total of 18 domestic/foreign gold mines; 20 new gold mining projects are under development to start production.

Although the mining industry is having difficulties in keeping up with the Big Data era, data mining methods constitute a technology that can provide high efficiency to operations in the mining field. A wide range of solutions have been introduced – including process production line control, the use of unmanned work machinery, and blasting optimization – as a result of processing raw data collected from the field. Mining companies, after reducing their workforce in the field due to the pandemic, have adopted AI, ML, and IoT technologies with Industry 4.0, the fourth generation of the industrial revolution. In 2021, disrupted supply chains hampered chip production resulting in problems with executing digital investments. Even in this challenging landscape, digitalization investments continued during the year. Rio Tinto, BHP, First Quantum, and Fortescue Metals were sector leaders in using autonomous tools. Vale, the Brazilian mining company, fully operates the country's second largest iron ore mine with a fleet of 13 autonomous trucks in Brucutu, where it transports 100 million tons of material annually. The company also announced that it has invested in 10 autonomous trucks each with a 320 ton capacity and four autonomous drilling machines for use in Carajas, Brazil's largest iron ore

mine. BHP, operating the Jimblebar iron ore mine in Australia 100% autonomously since 2017, is investing in 86 autonomous trucks as part of digitalization efforts at the Goonyella Riverside coal mine. Since 2019, Rio Tinto has operated the world's first fully automated railway network which has successfully transported 1 million tons of iron ore to date. Rio Tinto has also signed an agreement with Caterpillar to build the world's first fully automated water truck fleet. Under this agreement, Rio Tinto aims to boost production efficiency, monitor water consumption, and reduce wastewater.

In Turkey, a country that aims to differentiate with cutting-edge products in mining, the Ministry of Energy and Natural Resources has announced support for domestic production of mining machinery and equipment. In the Investment Program for 2022, Turkey has allocated TL 23 billion in resources for 51 planned mining projects. At year-end 2021, Turkey's mining sector recorded total exports of USD 5.9 billion: USD 2.9 billion from natural stone, USD 2.2 billion from metal mining, and USD 1.1 billion from industrial raw materials.

Within the next five years, Turkey aims to achieve an annual gold production capacity of 100 tons. In 2021, the country recorded gold production of 39 tons with a value of USD 2.3 billion. Currently, Turkey has a total of 18 domestic/foreign gold mines; 20 new gold mining projects are under development to start production. The country's gold imports have declined from 288 tons in 2020 to 56 tons in 2021. During the year, the Turkish mining sector recorded no major transactions except for the purchase of a 20% stake from SSR Mining by Tunçpınar in exchange for a 20% stake in Bakırtepe by Lidya Madencilik.

5.9
USD Billion
Mining Sector Exports



From Anadolu to Asia and Africa

Lidya Madencilik has obtained all permits, completed construction, and carried out the first gold casting in the last quarter of 2021 in the Gediktepe mine oxide project, of which it has conducted the exploration. Thus, it has experienced every stage of mining and transformed completely into a mining company.

4.2

TL Billion
Total Assets

Lidya Madencilik has a rapidly growing profile with the prospecting activities it carries out in the license areas it has at home and abroad and the mining projects it has developed in the licenses for which it has explored resources.

Developments in 2021

Lidya Madencilik, as a result of its prospecting activities, made its first significant exploration in Turkey, in Gediktepe, Balıkesir in 2013. Active in all business lines of the mining sector, the Company has obtained all permits, completed construction, and carried out the first gold casting in the last quarter of 2021 in the Gediktepe mine oxide project, of which it has conducted the exploration. Thus, it has reached a position that successfully performs all the work within the mining workflow and is experienced and competent in all matters.

Additional geochemistry studies have been initiated for the second phase of the Gediktepe Project, and the projects for conducting environmental status follow-ups on a digital platform have been started.

The feasibility studies for the Artvin Hod Mine Project, in which Lidya Madencilik is a 70% partner (Sandstorm Gold is 30%), have been completed. The ESIA works, which started in August 2021, are intended to be completed in the first half of 2022. The first production in the project, where an investment of USD 300 million is envisaged, is planned to be started in 2025.

Lidya Madencilik prospecting team has made a new exploration in Gümüşhane, Kazıkbeli license area in 2021 and has determined 140 thousand tons of copper with a grade of 1.60% in 8.8 million tons of ore resource.

After the Kazıkbeli exploration, a Tunçpınar-Bakırtepe share exchange agreement was signed with SSR Mining, the strategic partner of the Company, and thus Lidya's share increased from 50% to 70% in Tunçpınar and decreased from 50% to 30% in Bakırtepe.

As a result of the successful results obtained and the increasing commodity prices in 2021, prospecting activities in Africa and Central Asia, which have been determined as a strategic target in Turkey and globally, were accelerated. Drilling operations continued in Uzbekistan during the year, and preliminary drilling operations in Guinea were accelerated by the end of the year.

Sustainability Efforts

Within Lidya Madencilik and its subsidiaries, the activities for the set-up of an Integrated Management System within the framework of ISO 14001, 45001, and 9001 were continued in 2021. The works will continue in 2022. It is aimed to achieve the goal of sustainable mining with the implementation of a holistic and inclusive management system following the completion and certification of the aforementioned works. In addition, the preparations in relation to the necessary data collection studies have been made in order to make water and carbon footprint calculations in 2021, a zero waste system has been established, and a Zero Waste Certificate has been obtained.

Having realized its first largest international cooperation in the Turkish mining sector in 2009 between Alacer Gold and Çalık Group, Lidya Madencilik started its activities in 2010. According to the agreement, the Company has become a partner in 20% of the Çöpler Gold Mine and 50% of a wide exploration portfolio. The first strategic partnership in the Turkish mining sector between Lidya Madencilik and SSR Mining has been continuing successfully for over 10 years.

With 100 employees as of the end of 2021, Lidya Madencilik aims to become the most valuable mining company in Eurasia by continuing its activities in Turkey and the region with competitive and high standards.

With 100 employees as of the end of 2021, Lidya Madencilik aims to become the most valuable mining company in Eurasia by continuing its activities in Turkey and the region with competitive and high standards, while continuing its project evaluation studies in the African continent.

Acquiring a prestigious position in global markets with the partnerships it has established with publicly traded large international mining companies, Lidya Madencilik has a rapidly growing profile with the prospecting activities it continues in the license areas it has at home and abroad and the mining projects it has developed in the licenses for which it has explored resources.

The Erzincan Çöpler Mine, which is part of Anagold Mining, of which Lidya Madencilik has %20 shares, continued to be the largest operating gold mine in Turkey and Europe by producing 329 thousand ounces of gold in 2021. The facility, which has produced a total of 70 tons of gold since 2011, makes a very serious social and economic contribution to the region.

The completion of a pre-feasibility study of the Ardıç Field, which is one of the new mineralization areas newly discovered during exploration works in and around the Çöpler Mine, has increased the value of the Çöpler Mine.



LİDYA MADENCİLİK



The preparations in relation to the necessary data collection studies have been made in order to make water and carbon footprint calculations in 2021, a zero waste system has been established, and a Zero Waste Certificate has been obtained.

Within the scope of the Integrated Management System, ISO 9001:2015 Quality Management System, ISO 14001:2015 Environmental Management System, and ISO 45001:2018 OHS Management System installation studies are ongoing. By the end of 2022, certification is planned for three standards.

Polimetal Madencilik donated 300 thousand saplings to Balıkesir by signing a protocol with the Balıkesir Regional Directorate of Forestry as a reflection of an understanding of sustainable mining in 2021 when it started production. As such, Turkish pine, jujube, almond, stone pine, acacia, and cypress saplings were planted in Merkez, Yağcılar, Çağış and Balatlı Neighborhoods of Bigadiç District.

Anagold has a Social Development Fund to support social and community development in the settlements neighboring the Çöpler Gold Mine and to provide financing and in-kind support for projects that will be prepared for the development of non-mining income-generating opportunities for the people of the region.

The resources allocated from the annual sales income are planned to be used to support agricultural development/ income-generating activities, the empowerment of women and youth, education/ vocational training, and health priorities.

Lidya Madencilik exhibits an approach that aims at economic and social development by attaching importance to its relations with stakeholders in all regions where its projects are located. Within this scope:

- Maintaining to increase its support for education activities, which it considers as the primary step of social development, Lidya Madencilik, in addition to the scholarships it has granted to university students in Artmin and Polimetal, provided tablets to the needy students who have difficulty accessing distance education activities during the pandemic in 2021.
- Artmin Madencilik, one of the important projects of Lidya Madencilik, started to develop projects in the region by giving priority to social investments in line with the understanding of responsible mining before the mine site has yet been commissioned. A social facility including a guesthouse, cafe, headman's office, and cooperative was built in Yukarımaden Village and handed over to the headman. The guest house located in the social facility will be operated by Yukarımaden Village Women's Initiative Production and Enterprise Cooperative and offer accommodation in the region. Another project realized by Artmin is the irrigation water project in Aşağımaden village, which aims to contribute to the sources of living in the region.
- Lidya Madencilik provides resources to the local community by prioritizing local employment and purchasing in the project impact area. In this context, Polimetal Madencilik brought construction equipment and five service vehicles to Hacıömerderesi Agricultural Development Cooperative and contributed to the increase of business and employment potential alongside the locally procured labor force.



Erzincan Çöpler Mine, where Lidya Madencilik has a 20% partnership (SSR Mining 80%), produced a total of 329 thousand ounces of gold in 2021 and had a total turnover of USD 608 million.

Goals

- It is planned to complete the commissioning works by performing the operational optimization of the Polimetal Balıkesir Gold Mine Project, which started production in 2021. To complete the feasibility studies for the sulfide investment envisaged within the project in the first half of 2022 and to start the investment in the last quarter of the year,
- To complete all legal permits and expropriations in the Artmin Hod Mining Project, to complete the major infrastructure construction related to the main transportation route and energy supply of the project, to complete the EPCM contract and project financing of the project,
- In 2022, it is planned that Lidya will continue project/site exploration works in countries in Central Asia and Africa, which were determined in line with the Company's strategies, and drilling/ exploration activities in established sites. Lidya Madencilik's long-term goal is to expand its mining portfolio by making at least one new exploration every year.

Financial and Operational Data

The Erzincan Çöpler Mine, in which Lidya Madencilik has a 20% partnership (SSR Mining has 80%) and is currently the largest gold producer in Europe, produced a total of 329 thousand ounces of gold in 2021 and made a total turnover of USD 608 million.

Policies

- Quality Policy
- Environmental Policy
- Occupational Health and Safety Policy
- Social Sustainability Policy
- Polymetal Major Industrial Accident Prevention (Seveso) Policy
- Vision & Mission & Values

Competitive Advantages

- Operated by Lidya Madencilik, Polimetal Madencilik has an effective and highly skilled team
- Implementing fast and effective cost controls at world-class standards
- Ability to execute strong, long-term partnerships with multinational mining companies
- Increased operational experience and know-how transfer thanks to its partnerships with two large international mining companies, SSR Mining and Sandstorm Gold
- Expert exploration and project teams and a strong capital structure
- Experience gained at Çöpler Gold Mine
- Sensitivity to social and environmental issues
- The importance attached to occupational health and safety
- Ability to mine in accordance with international operational standards
- Synergy created by the Çalık Group brand and its subsidiaries

TELECOMMUNICATIONS SECTOR

EXPONENTIAL GROWTH OF DIGITALIZATION IN THE TELECOM SECTOR

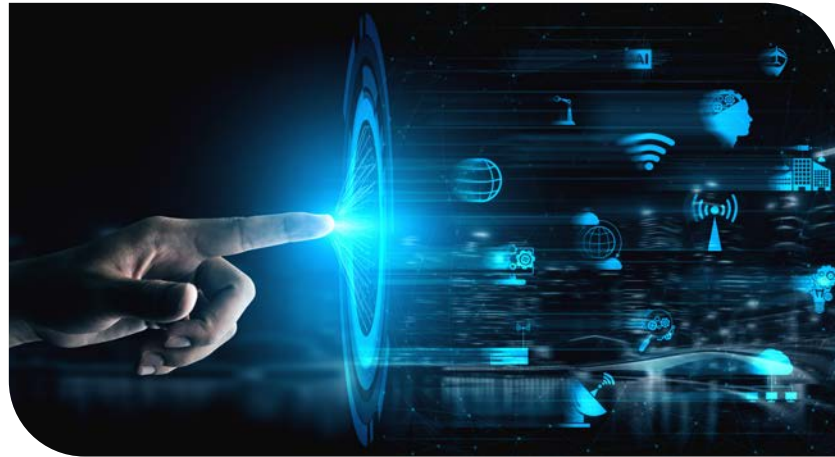
Demands on the telecommunications sector are steadily increasing due to an expanding population, exponential growth of digitalization, and rising urbanization.



AN OVERVIEW OF THE TELECOMMUNICATIONS SECTOR IN 2021

A growing market with the increasing speed

According to Precedence Research, the global telecom market has reached USD 1.73 trillion. This figure is expected to climb to USD 2.65 trillion by 2030.



Demands on the telecommunications industry, one of the most rapidly developing sectors today, are steadily increasing due to an expanding population, exponential growth of digitalization, and rising urbanization.

Deloitte research reveals that the world telecom sector is growing with fiber and wireless internet investments aimed at meeting soaring demand for high-speed internet.

According to Precedence Research, the global telecom market has reached USD 1.73 trillion. This figure is expected to reach to USD 2.65 trillion by 2030. Apple, Verizon Communications, China Mobile, AT&T Inc., Deutsche Telekom AG, Huawei, Comcast Corporation, T-Mobile USA, Inc., China Telecom and Telefonica SA are the largest players in the global telecommunications market.

Deloitte research reveals that the telecom sector is growing with fiber and wireless internet investments aimed at meeting soaring demand for high-speed internet.

Asia Pacific countries account for the largest share of this market at 33%. According to International Telecommunication Union (ITC) data, India and China's 854 million customers make up the biggest block of internet users in the world.

The wireless segment accounts for 76% of the transmission market while the consumer/residential segment amounts to 61% of the end user market.

According to Dell'Oro Group research, total revenues of telecom equipment manufacturers increased by 20% in 2021 compared to 2017 and approached USD 100 billion. Registering positive growth for four consecutive years, the telecom equipment market expanded by 7% in 2021. Huawei continues to dominate the market despite the effects of US sanctions. According to the report, growth in the telecom equipment market is expected to slow to 4% due to the negative impact of the Ukrainian war on global supply chains.

A driving trend in the telecommunication sector is the widespread adoption of 5G. In 2021, the number of 5G subscribers climbed to 521 million, up by 303 million during the year. Global 5G subscriber numbers are projected to reach 1.9 billion by 2024. Companies that offer the most innovative products and services will capture a significant share of this fast-expanding market.



21.4%
Fixed Broadband
Subscription Rate in
Turkey

Turkey recorded 88.2 million broadband subscribers in fourth quarter 2021. Use of fixed broadband in the country has expanded significantly thanks to infrastructure investments carried out by Türk Telekom since 2005. Today, the country has 18.1 million fixed broadband subscribers. Fiber technology (FTTH/FTTB) counted 4.8 million subscribers as of fourth quarter 2021, up 20.8% year-on-year. The Turkish market also includes 11.4 million xDSL technology users and 1.4 million cable internet users. With an average fixed broadband subscription rate of 33.2% in OECD countries compared to 21.4% in Turkey, the country offers significant growth potential.

In recent years, capital investments in the fixed broadband market have favored building out the fiber optic infrastructure. Mobile broadband, with 70 million users as of fourth quarter 2021, is used by about 82.3% of the country's population. About 447 thousand mobile broadband users access the internet via mobile computers, while 69.6 million users connect via mobile phones. Compared to the OECD country average mobile broadband rate of 118.3%, Turkey still offers future growth potential in this key segment.

Turkey's mobile phone service market has about 86.3 million subscribers, or a 101.9% penetration rate as of fourth quarter 2021. Prepaid subscribers accounted for 33% of all Turkish mobile subscribers in fourth quarter 2021. In European countries, the average prepaid subscriber rate is 28%.

Deloitte's projections for the future of the telecommunications sector include:

- The chip crisis is likely to continue into the next year, resulting in problems in the manufacture of some products that rely on chips.
- Sales of Wi-Fi 6 devices have outpaced 5G devices by a large margin, and this trend is expected to continue for the next few years.
- Healthy life features of wearable technologies are expected to grow in popularity and be adopted by 320 million consumers worldwide.
- Subscription video on demand (SVOD) services are expected to record 150 million paid subscription cancellations worldwide, a 30% market contraction.



Having previously existed as a government entity tracing its history back to 1912, ALBtelecom was restructured in 1992 as Albania's state telecommunications company and it joined Çalik Holding in 2007. Today, ALBtelecom is Albania's largest fixed-line operator, providing a range of fixed and mobile electronic communication, Internet access, IPTV and other technologies. ALBtelecom merged with its GSM subsidiary Eagle Mobile in 2012, when the company celebrated its 100th anniversary, thus bolstering its market standing in the region.

Closely monitoring customers' needs, ALBtelecom continues its capital investments to deliver top-quality communication services. To this end, the company launched "4 in 1" (fixed voice, internet, mobile and TV) bundles and the "One Stop One Shop" concept.

In December 2021, an agreement was signed for the sale of ALBtelecom Company to the Hungarian 4iG Group.

ALBtelecom maintains its leading position in Albania's telecommunications sector by skillfully adapting to new developments in the global industry. In 2013, the company revamped its entire mobile network infrastructure and launched 3G services. In March 2015, ALBtelecom obtained the 4G/LTE license and began offering 4G services to its customers, further improving its service quality. Thanks to its robust infrastructure, data quality and continuous investments, ALBtelecom always distinguishes itself from its competitors. After having now obtained the 4G license, the company aims for leadership in this market as well.

Thanks to its infrastructure investments, the company became able to deliver infrastructure services to other players in the market. ALBtelecom continued its steady growth in 2021 thanks to the improvements in its quality of fixed and mobile services and its experienced staff. In December 2021, an agreement was signed for the sale of ALBtelecom Company to the Hungarian 4iG Group.

202.6
EUR Million
Total Assets



ALBtelecom continues its capital investments to deliver top-quality communication services. To this end, the company launched "4 in 1" (fixed voice, internet, mobile and TV) bundles and the "One Stop One Shop" concept.

Developments in the Mobile Market

In 2021, the year of recovery after the COVID pandemic, ALBtelecom's focus has been to retain its existing customer base in order to become the only provider in the context of communication. Continuing to facilitate as many customers as possible, in 2021, where the impacts of the pandemic continue, ALBtelecom has offered options and maintenance offers for the entire mobile subscriber base.

In order to offer unique options for using online channels to protect customers from unnecessary contacts and due to limited working hours in stores, in partnership with BKT, ALBtelecom increased the free benefits for downloading the application of bank and top-ups through this alternative channel, as well as additional benefits for activating communication packages from the ALBtelecom application "My Profile."

ALBtelecom has been a partner for distance learning by providing all students with free internet and free access to the SchoolMe online learning platform. Even during 2021, the Company has continued to offer special offers for students attending online, also increasing the collaborations of various universities.

ALBtelecom, together with its business partner BKT, has developed and expanded the loyalty program for the use of the credit card score system and has offered gifts to all of its loyal subscribers based on their subscription periods.

During the year, both prepaid and postpaid portfolios were reviewed to meet the communication needs of customers. In May, the prepaid portfolio including new additional packages was launched, in August, the existing subscriber are offered new offers to retain them and their existing Internet packages have been doubled.

In September, the new portfolio for postpaid subscribers was launched with the Try and Buy option to offer subscribers a unique opportunity for communication. In October, a three-month trial option with no withdrawal fee was offered and in November, for new subscribers, a discount for the first six months was offered.

Developments in the Fixed Market

During 2021, ALBtelecom was mostly focused on selling fixed products through online channels, assisting customers in receiving the requested service directly at home, without visiting ALBtelecom points of sale.

ALBTELECOM

In 2021, ALBtelecom continued to make fiber network investments, primarily in regions where there is no copper network coverage and in other regions where the quality of service needs to be improved.

Aiming to increase the awareness of its customers about using online channels, ALBtelecom has offered an advantage not available at ALBtelecom outlets via online channels: the “Try the speed of SuperFibra” campaign, which is a special offer for Internet and IPTV products and grants one month usage free of charge in 12- and 24-month contracts to all customers who apply online via ALBtelecom’s official website or social networks.

With the opening of the summer season, prepaid internet and IPTV products were improved by increasing the internet speed, in order to adapt to customers’ needs to be equipped with these services in their holiday homes.

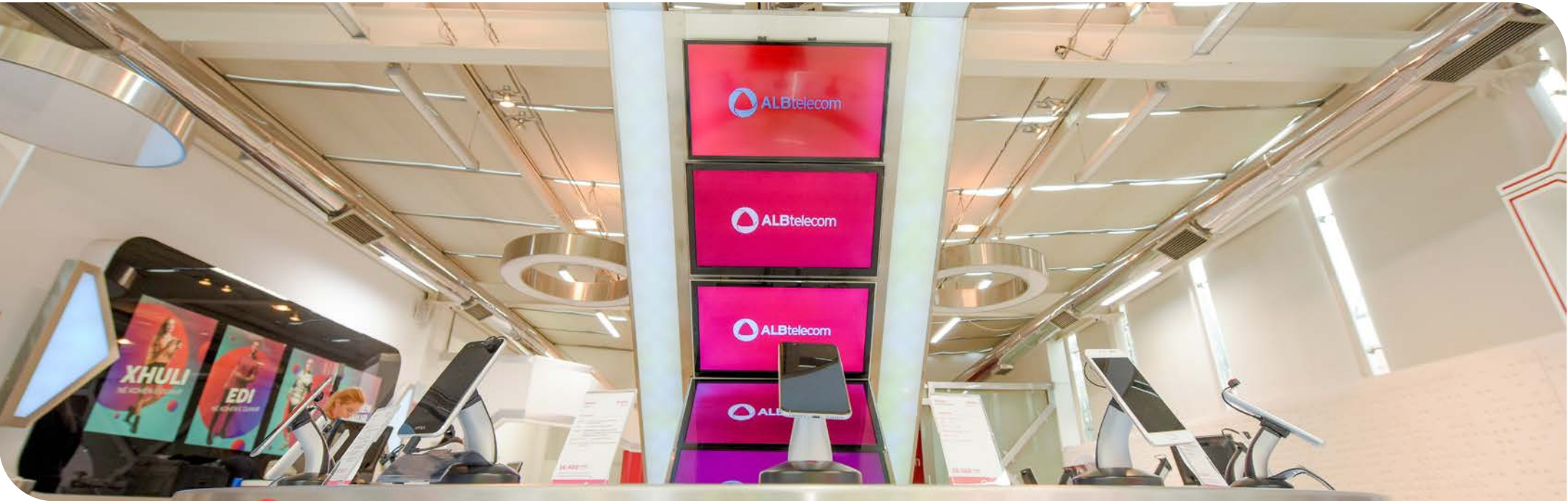
Also, during the summer season, the campaigns for special Internet and IPTV combinations providing discounts on the ALBtelecom basic monthly fee were launched, and customers were offered the opportunity to choose the most suitable TV package and Internet speed for their needs at advantageous prices.

Special campaigns for students continued in 2021 and advantageous price options were offered in line with the needs of students. At the end of the year, the “SuperFibra Festive” campaign offering high-speed internet products at advantageous prices was made.

In order to adapt to the growing market demand for qualitative internet service with the latest fiber technology, in 2021, ALBtelecom continued with investments in Fiber networks, mainly in areas without copper network coverage and in other areas with a need in improving the quality of service.

“Firsts” and “Major Achievements” in the Sector

- Albania’s largest fixed-line operator
- Service provider with the highest number of IPTV customers in the Albanian market
- The only operator that can reach all parts of the country via its extensive sales and distribution network
- The only operator that rewards its customers with the most generous package of benefits through a non-telecommunication program



- The operator that revealed the first full-scope non-telecommunication advantage platform for all fixed and mobile customers without any restrictions

Goals

- Growing the revenues from broadband internet services by increasing the net number of customers
- Increasing the mobile income level and profitability with increasing margins
- Providing a unique customer experience with a special dynamic approach towards Albania

Investment Projects

- Installation of 90 additional L900 4G stations
- Upgrade of the Mobile Package Core
- Installation of a new Geographic Information System
- SAP ERP Upgrade Project
- Installation of VDI infrastructure for stores
- Installation of IXbilling, Softswitch and SBC
- Upgrade of the entire CCBP platform
- IPMPLS network extension
- GPON network extension
- Fiber Back Bone extension
- Installation of Big Data Hadoop

ALBtelecom is the largest fixed-line operator in Albania and the service provider with the most IPTV customers in the Albanian market.

Quality Standards and Certifications

- ISO 9001: 2015-Quality Management System
- ISO 14001: 2015 – Environmental Management System
- ISO 27001: 2013 Information Security Management System
- ISO/IEC 20000-1: 2018 – Information technology Service Management
- OHSAS 18001: 2007 Occupational Health and Safety Management System

Competitive Advantages

- Operator with the most Wi-Fi access points
- Fiber optic infrastructure reaching 90% of all municipal regions across the country
- International internet connections with backups
- The working flexibility achieved thanks to its retail stores
- Improved trust with ISO 27001 and ISO 9001 certifications

Number of Subscribers (Thousand)	2019	2020	2021
Number of PSTN Subscribers	177	168	153
Number of Broadband Subscribers	134	129	118
Mobile Subscribers	422	421	405

Financial Summary	2019 (TL Million)	2020 (TL Million)	2021 (TL Million)
Total Assets	1,427	1,839	202.6
Net Sales	406	463	56.7
Total Shareholders’ Equity	286	304	44.9
EBITDA	133	138	16.5
EBITDA Margin (%)	33	30	29

DIGITAL SECTOR

BETTER UNDERSTANDING OF THE DIGITAL SECTOR'S IMPORTANCE

Tele-health, a key area of e-health that is expected to develop rapidly, is positioned for strong future growth once regulatory hurdles and data security concerns are addressed.



AN OVERVIEW OF THE DIGITAL SECTOR IN 2021

The digital economy continues to expand

According to the FT Omdia Digital Economies Index Report prepared in cooperation with the Financial Times newspaper and research firm Omdia, the global information and communication market expanded to USD 4.1 trillion, posting 8.4% growth in 2021.

Digitalization has transformed and changed production methods, customer expectations and business processes. This transformation has resulted in significant benefits with the ability to take action independently of time and space in the journey of service, from production to marketing.

Brands that truly understand this transformation and prioritize digital growth are developing new business models by blending the right technological solutions they need with the right processes. These brands are pioneering by leading the digital transformation in the market.

The COVID-19 pandemic clearly illuminated the importance of digitalization. Countries and companies that invested in digital technologies in a timely manner, established a fast and widespread infrastructure, and incorporated appropriate capabilities were able to navigate the challenges of the pandemic more easily.

In addition, supply chain disruptions during the pandemic and the dominance of global companies in various digital technologies demonstrated the need to focus on local opportunities in the digital transformation process.

The COVID-19 pandemic clearly illuminated the importance of digitalization.

Thus, a fast digital transformation that will embrace the entire society, spread to all sectors and types of companies, and offer content that mobilizes local dynamics, is at the focus of economic, social, and political goals all over the world.

Application of these digital technologies – such as internet of things, robotics, solar panel-based renewable energy, and artificial intelligence – to existing business lines has the potential to create a competitive advantage for developing countries in the near future via the development of new products and services.

According to the FT Omdia Digital Economies Index Report prepared in cooperation with the Financial Times newspaper and research firm Omdia, the global information and communication market expanded to USD 4.1 trillion, posting 8.4% growth in 2021.

A World Bank report estimates the current size of the digital economy at about 15.5% of global GDP.

19

Turkey's Ranking in the FT Omdia Digital Economies Index



4.1

**USD Trillion
Global Information and
Communication Market
Size**

**According to the
Digital Economies
Index Report, the
number of IoT
connections in China
is projected to reach
1.7 billion by 2024,
up from 1.1 billion in
2020.**

In the digital economy index, where the world's two largest economies have received the highest scores by far, the USA ranked first in 2021. China, which is expected to surpass the United States in 2022, became the world's second largest digital economy in 2021.

According to the report, the biggest factor in China surpassing the United States is its steady infrastructure investments over the past five years – primarily in 5G connectivity and fiber cabling. Over the last 12 months, China has added 257 million 5G connections and 48.85 million fiber connections. Experts report that in the United States, 5G connections increased by 58 million in the same period, while fiber connections rose by only 2.19 million.

According to the Digital Economies Index Report, the number of IoT connections in China is projected to reach 1.7 billion by 2024, up from 1.1 billion in 2020. For comparison, the number of IoT connections in Germany is expected to reach 45 million in 2024, up from 36 million in 2020.

Other countries with the highest scores in the index in terms of size of their digital economies include: India, Japan, Germany, United Kingdom, Russia, France, Brazil, Indonesia, South Korea, Canada, Mexico, Italy, Australia, Spain, Philippines, Netherlands, Turkey, Switzerland.

In 2021, Turkey no longer ranked among the world's 20 largest economies for the first time in many years due to the sharp depreciation of the TL. However, the country's level of digitalization is more advanced than some developed countries. This fact ensures that Turkey is still one of the world's 20 largest digital economies. Turkey is ranked 19th in the FT Omdia Digital Economies Index.

Turkey ranks even higher in some sub-indices, such as fixed and mobile connections, smart devices, digital payments, streaming services, and YouTube and Facebook user numbers. Enterprise software and cloud expenditures are the only category in which Turkey is not included in the top 20.

AN OVERVIEW OF THE DIGITAL SECTOR IN 2021

9

Turkey's Digital
Economy Growth
Ranking

Looking toward the future, Turkey should prioritize a “Domestic, National and Original” approach to digital-based applications, such as autonomous systems, robotics, intelligent systems, cloud applications, cybersecurity software, internet of things, artificial intelligence, and augmented reality.

Turkey ranked 16th in entertainment, 14th in devices & IoT, 13th in payments, 13th in connectivity, and 27th in enterprise software in 2021 in the FT-Omdia Digital Economies Index which highlights the digital economy rankings of countries in five main categories.

The report also examines the digital economic growth rate of countries worldwide. Digital economies are expanding much faster in developing countries. The five digital economies forecast to grow at the fastest pace between 2020 and 2024 include: India, Indonesia, Peru, Philippines, and Mexico.

The common features of all fast-growing digital economies are an expanding middle class and rising personal incomes boosting access to digital platforms in addition to an existing technology infrastructure. India's digital economy is forecast to record average annual growth of 8.8%, while the country is projected to record 15% average annual growth in entertainment technologies. International services, mobile messaging, and mobile gaming are expected to drive growth in Indonesia, while the Philippines is forecast to post one of the fastest growth rates in internet penetration. Mexico is expected to record robust growth in music subscriptions, and Facebook/YouTube usage. The report points out that the digital infrastructure in some developing countries is equivalent to or even more advanced than that in developed countries.

In the 2021 digital economic growth rate ranking, China comes in at seventh after Colombia, and Turkey ranks ninth with a growth rate approximating 10%. After expanding by 10% in 2021, Turkey's digital economic growth rate is expected to decline to just over 8% in 2022 and fall to 6% by 2024. This slowing growth performance lowers Turkey's digital economy growth rate ranking from 9 to 11.

In 2021, Turkey's digital agenda was primarily concerned with 5G, internet of things, intelligent edge computing, artificial intelligence, cybersecurity, and data privacy technologies. These technologies are key to the Turkish market in terms of both growth expectations and adaptation, as well as their transformative impact on various sectors of the economy.

Looking toward the future, Turkey should prioritize a “Domestic, National and Original” approach to digital-based applications, such as autonomous systems, robotics, intelligent systems, cloud applications, cybersecurity software, internet of things, artificial intelligence, and augmented reality.

Robotic technologies are now primarily used in manufacturing areas, such as automobiles and electronics. In addition, some sectors of the economy, such as textile, remain labor-intensive even today. Digitalization is expected to expand further in these sectors to ensure international competitiveness in the future. While robotics is very likely improve in terms of efficiency and durability in the coming years, prices are expected to trend downward. Digital technologies such as artificial intelligence and automation also hold opportunities for developing countries.

Demand for data centers, digital services, and cloud computing services, the basis of future technologies, is forecast to expand significantly in future years. Similarly, the transformation in energy generation should accompany the ongoing digital transformation.



Business partner of companies in digital transformation

In 2021, Çalık Digital initiated a restructuring project in order to respond to the needs of Turkey and the region. In this context, it focused on data center building, customs projects, as well as new technologies.



Starting operations in early 2018, Çalık Digital increases efficiency in business processes with the internet of things, data science, digital twin, cybersecurity, sector-specific software, data center and infrastructure solutions it offers in the industrial field and therefore increases the product and service quality provided to the final user.

In this era when digital transformation became more popular and started to be used in industry, Çalık Digital develops innovative and competitive products and services to resolve the problems regarding digital transformation. Carrying out activities with the vision of creating unique value in the digital development and transformation of health, energy, production, telecommunication, and corporate areas, Çalık Digital aims to be a reliable digital transformation business partner for the private sector and public institutions in Turkey and the neighboring geographies.

Çalık Digital, which set out with the goal of becoming the leading digital transformation business partner of Turkey and the region within the coming five years, established a strategic business partnership with General Electric (GE) in line with this vision.

As the importance of data becomes clearer with Industry 4.0; the production strength of businesses as well as the added value they obtain from it are insufficient by themselves. With digital transformation, the data obtained has become processable and actionable. Data-oriented business models have been established to adapt to constantly changing and developing digital trends. Çalık Digital provides end-to-end integration by accompanying the digital processes of institutions with data-oriented solutions and consultancy services.

Industry 4.0 and artificial intelligence applications provide critical data to institutions and businesses and the big data obtained is transferred to digital environments. Every data transferred to the digital environment raises cybersecurity risks. Getting more and more complex every day, Cyber-attacks create serious security risks and can even affect government levels. With the solutions and services rendered in the cyber security area, Çalık Digital is positioned as one of the leading solution partners.



By providing digital transformation consultancy services included in its service portfolio to production companies in different sectors, Çalık Digital carries out important studies in line with its goal of becoming a "digital transformation business partner" for the production sector.

2021 Highlights

In 2021, Çalık Digital initiated a restructuring project in order to respond to the needs of Turkey and the region. In this context, it focused on data center building, customs projects, as well as new technologies.

2021 has been a year in which Çalık Digital continued to be a digital transformation business partner in different geographies. Çalık Digital continues to offer value-added services including Industry 4.0 applications, sector-specific solutions, data and cloud solutions as well as system and network integration solutions. Çalık Digital has been a door opening abroad for many domestic companies producing solutions. In addition, it is a contact point in Turkey for many foreign companies.

Continuing to work closely with its strategic business partner General Electric, Çalık Digital examines the kinds of projects it can develop in the outbreak environment and how it can capitalize on this uncertain environment. GE, which is one of the business partners with strong global references and economic status, evaluates the course of the outbreak and the opportunities created and tries to expand its collaboration with Çalık Digital in the relevant geographical regions. The Ministry of Energy Cyber Security project carried out by Çalık Digital together with GE was completed in 2021.

One of the most important collaborations that started in 2021 is the Congo customs modernization and data center establishment project.

In 2021, Çalık diversified its digital portfolio and held cooperation negotiations with JungoTVPlus, which provides services to end users. Marketing activities and cooperation with JungoTVPlus are of great importance for the following years. In addition, various agreements have been made to enable companies with important solutions in the health sector in Turkey to expand abroad.

The industrialist history of Çalık Holding as well as the deep experience it has gained by operating in different industries for many years and undertaking important and major projects provides Çalık Digital a competitive edge in industrial digital transformation projects. With this broad industry experience as well as the competence of its team in digital transformation projects, Çalık Digital analyzes the needs of its customers accurately and provides competitive solutions. Aiming to provide efficiency in many areas in line with the demands of the customers with an approach of fast returns in a short time, Çalık Digital continues to be a global business partner with its strong business partner ecosystem.

By providing digital transformation consultancy services included in its service portfolio to production companies in different sectors, Çalık Digital carries out important studies in line with its goal of becoming a "digital transformation business partner" for the production sector.

ÇALIK DIGITAL



The concept of digital transformation in health enables the emergence of new solutions in this field and increases the interest of governments and private institutions to solutions in this field.

Accordingly, the Company signed a strategic cooperation agreement with the Istanbul Chamber of Industry (ISO) in December 2018 and provided "Digital Transformation Maturity Analysis and Roadmap" consultancy services to 50 ISO member companies in the production sector within the scope of the Agreement as of 2019.

Continuing to provide digital transformation consultancy to various industrial organizations in the private sector, Çalık Digital contributed to leading companies in the manufacturing sector on the digitalization path in 2021.

Çalık Digital also continues its efforts to increase the awareness of and contribute to the digital transformation of Çalık Holding and its subsidiaries. In the days when the transition to the remote working model took place with the pandemic, seminars were organized with the participation of the employees in the Holding and its subsidiaries, and many participants were trained. At these trainings, the participants were told about what digital transformation is, how it is applied and what kind of sample applications are available.

Developing strategic e-health projects for the private sector and public institutions in the field of health, Çalık Digital aims to become one of the leading solution partners in this field. With its expert and experienced team that has been involved in many strategic e-health transformation projects in Turkey as well as different geographies in addition to its global business partner ecosystem, Çalık Digital provides e-health solutions for hospitals, pharmacies, and other institutions operating in the public and private sectors with its software, hardware, and consultancy portfolio. After the implementation of these solutions, citizens receive a higher quality health service as the health service operations of the states become more efficient and effective.

The concept of digital transformation in health, which has become an important need with the COVID-19 pandemic, provides the emergence of new solutions in this field and increases the interest of governments and private institutions in solutions. Solutions such as medicine tracking system, vaccine tracking system, tele-health, electronic health records systems and emergency health systems rapidly started to be implemented and played a key role in the outbreak

management. Çalık Digital analyzed the needs of its customers with its comprehensive e-health portfolio during the pandemic and took important steps to implement projects in this field.

It examined closely the health systems of geographies it targeted such as Uzbekistan, Kazakhstan, Ukraine, and Morocco and offered solutions that would add value to human life and increase access to health services in these regions.

The changing industry and increasing need for resource force the stakeholders in the energy industry to be digitalized. Offering digital solutions to increase the safety, productivity, accessibility and sustainability of energy production and distribution companies, Çalık Digital contributes to the digitalization of the energy sector, especially with its solutions such as Remote Operations, Asset Performance Management and Monitoring & Diagnosis Center. The energy sector, where digitalization has gained importance with the new order brought about by the COVID-19 pandemic, has an important position in Çalık Digital's strategy.

In recent years, the security problems brought by the developing technologies and digital tools continue to increase

their impact in the industrial field. In this period when the industrial use of digital transformation is increasing, institutions are insufficient in integrating cyber security solutions. These attacks increased with the COVID-19 pandemic forces businesses and institutions to take precautions in the field of cyber security. Çalık Digital continues to protect the critical infrastructure and data of institutions with the solutions it offers in the field of cyber security. With the project realized with its strategic business partner GE, Çalık Digital continued to contribute to the energy sector stakeholders in Turkey.

"Focusing on the future technologies," which is one of the company strategies, has a major place in the roadmap that Çalık Digital will follow after the outbreak. New generation technologies, innovative solutions and entrepreneurship ecosystem which develop in the COVID-19 environment are among the top issues that the company follows closely. Çalık Digital meets with start-up companies that develop products and solutions in the technologies it focuses on and develops various collaborations.

The year of 2022 targets of the Company include smart cities digital consultancy solutions in addition to the modernization of customs, digitalization of health services, and the creation of solutions for the end users.

Çalık Digital created a business development plan for 2021-2025 and boosted its efforts in line with this strategy. Çalık Digital, which set out with the goal of becoming the leading digital transformation business partner of Turkey and the region within the coming five years, established a strategic business partnership with General Electric (GE) in line with this vision. Çalık Digital, which will focus on mega projects as a system integrator, aims to open offices in five countries and to invest in companies that develop the future technologies until 2025.

Competitive Advantages

- Deep experience of Çalık Group,
- Reliability associated with the "Çalık" brand,
- Çalık Digital's mission to produce sustainable solutions that focus on human life,
- Expertise and experience of Çalık Digital team in digital transformation projects,
- Globally strong business partner ecosystem of Çalık Digital,
- Innovative solution portfolio with the technologies that Çalık Digital focuses on.

SUSTAINABLE GROWTH WITH "ÇALIK VALUES"

In order to ensure sustainable growth, getting hold of the rapid digital transformation wave is becoming more and more important day by day.



CORPORATE GOVERNANCE

A leading, strong, and reliable brand in the business world

Çalık Holding plans and conducts all its business processes in line with the principles of fairness, transparency, accountability and responsibility. It strives to create the highest possible value for its employees, customers, stakeholders and society as a whole in all company operations.

Acting with a common values and corporate culture in all sectors and geographies where they operate, Çalık Holding companies’ synergy and the commitment of its employees to corporate goals enable the Group to achieve a determined, strong and reliable position in every sector it operates.

Çalık Holding plans and conducts all its business processes in line with the principles of fairness, transparency, accountability and responsibility. It strives to create the highest possible value for its employees, customers, stakeholders and society as a whole in all company operations.

Aiming sustainable growth in the business areas it focuses on by developing innovative business models, Çalık Holding acts with the commitment of creating permanent value in every geography where it conducts business. Çalık Holding implements pioneering projects for society and the business world, with the business processes, services and products it designs.

Strong Steps into the Future with Corporate Values

Since its establishment, Çalık Holding has maintained its dynamism and set a good example for the business world with its courage and determination, especially in exploring new business opportunities and implementing innovation in its existing businesses.

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A dynamic organization coupled with a top quality workforce and highly qualified managers together create an exceptional competitive advantage for the Group.

The “Çalık” brand, which is built on Çalık Holding’s entrepreneurial spirit and extensive know-how, is differentiated in domestic and international markets with the corporate values it represents. Each Group company embraces the brand values wholeheartedly; in turn, they reflect these values in their products and services while aiming for superior quality and productivity. The Group companies build their respective organizational structure upon the dynamic nature of the “Çalık” brand while they seek out and implement new investment opportunities and business practices.

Çalık Holding’s Corporate Values

Implementing an effective human resources strategy, Çalık Holding hires result-oriented individuals who embrace the group’s values, apply them to all business processes, continuously improve themselves, and propose new ideas.



Çalık Holding has always prioritized and will continue to give priority to the corporate values that are the source of the solid and reliable stance of the “Çalık” brand in all its activities carried out so far and planned for the future.

The corporate values embraced and implemented by each member of the Çalık Holding Family include:

- Fairness
- People-Oriented
- Reputation
- Working Wholeheartedly
- Innovation
- Agility
- Sustainability

Çalık Holding companies successfully demonstrate the values embedded in the “Çalık” brand, on both national and international platforms.

Being aware of their important role in representing Turkey, the Group’s companies always strive to improve the country’s strength and reputation.

Internal Audit

Çalık Holding Audit Group is responsible for conducting audits and where necessary, consultancy activities at Çalık Holding and Group companies on financial, operational, information and technical systems in accordance with the annual audit plan.

To carry out its activities in line with the principle of independence, Çalık Holding Audit Group functions directly under the Chairman of the Board of Directors and Audit Committee in the organizational structure.

The Audit Group continues all of its activities in line with the policies and procedures of Çalık Holding as well as the International Internal Audit Standards (IIAS), uses modern technologies and digital infrastructures effectively during the audit processes, and informs the BoD and Audit Committees about the audit results periodically.

Audit Group audits the Internal Control System of Çalık Holding and subsidiaries in line with the COSO standards and best practices, and evaluates their effectiveness.

The annual audit plan prepared within the framework of a risk assessment model and risk-based audit approach in compliance with international standards is implemented after obtaining approval from the Chairman and Audit Committee.

The Audit Committees, which play a major role in corporate governance, aim to establish an effective internal control system across Çalık Holding and Group companies; oversee corporate governance practices; and help the Boards of Directors perform their duties and responsibilities related to auditing and supervision in an effective manner.

Established to support and facilitate the practical implementation of the Code of Business Ethics, to ensure that all actions violating the Code of Business Ethics are reported, recorded and retained, the Ethics Line continued its activities effectively in 2021 as well.

CORPORATE SOCIAL RESPONSIBILITY ACTIVITIES

Activities that add value to life

Acting with the principle of creating permanent values in every geography where it operates, Çalık Holding adds value to life with social, environmental, and cultural benefits through the sustainability approaches it focuses on.

Placing the principle of providing added value to the society in all countries where it conducts business, on the heart of its social responsibility approach, Çalık Holding and Group companies continued their social responsibility activities in six different areas including education, innovation and entrepreneurship, social solidarity, environment, arts and sports in 2021.

Education

Denim Anatomy was established by Çalık Denim in 2015, combining theoretical and practical education with the collaboration of Istanbul Technical University (ITU). With this organization aiming to contribute to the development of sector professionals every year, a two-days program is presented to the managers and employees of the brands in the industry, in which all stages of denim, from cotton to production, are examined and their usage areas are explained.

Çalık Enerji has implemented the Energetic Schools Social Responsibility Project within the scope of its cooperation with the Ministry of National Education.

Çalık Denim takes action being aware of the importance of the younger generation in terms of the future, and in this regard, supports and provides scholarships to the university students who need economic assistance through the Malatya Education Foundation.

Çalık Enerji, which operates for a cleaner future with its environmentally friendly projects, realized the Energetic Schools Social Responsibility Project within the scope of cooperation with the Ministry of National Education. Thanks to the solar panels installed within the scope of the project, both schools produce the energy they need and students are introduced to renewable energy. The project, which supports schools to produce their own energy and aims to increase students' awareness of renewable energy sources and sustainability issues, is realized with the "Value to people, investment in the

future" approach. The first leg of the Energetic Schools Social Responsibility Project, which is planned to continue for a long time, was started under the coordination of the Amasya Provincial Directorate of National Education.

Gap Pazarlama continued to establish close relations with universities in 2021. Within this scope, bilateral cooperation works (Design project development, education cooperation, seminar and conference participation, etc.) are carried out with 4 universities (Mimar Sinan University, Istanbul Technical University, Çukurova University, and Marmara University).

Aras EDAŞ participated in the project initiated by the Iğdır Provincial Coordinatorship to provide young minds to be individuals who question, search, think analytically, and produce information by providing the students with the culture of reading. The company donated books to the library of a designated school to raise children's perception and awareness about the concept of a library.

In addition to the scholarship opportunities provided to university students every year within Artmin and Polimetel, tablet support was also provided to students in need who had difficulty in accessing distance education activities during the pandemic in 2021.

BKT Albania, which cooperates with New York University, supports the Department of Applied Banking and its students financially. Job opportunities are offered to students who graduate at the end of the school program which is organized as part-time theoretical training and part-time on-the-job training. In addition, financial literacy education is given to primary school students to encourage financial education and participation.



Innovation and Entrepreneurship

YEDAŞ aims to award authentic, innovative, and technology-based R&D ideas of students, academicians, and start-ups for their activities in the distribution area of YEDAŞ through the "R&D Marathon Acceleration Program" for the electricity distribution sector in its service area in which students, academicians, and start-ups will participate.

By organizing an R&D Project Contest, YEDAŞ created an R&D culture among the entire Company's employees. Efforts to increase energy quality and provide efficiency were determined based on the project suggestions from the employees, and the employees who made the best suggestions were rewarded.

Aiming to bring energy companies that continuously improve, come up with innovative solutions and adapt to changes rapidly to the sector, "You're My Energy Program" initiated by the Electricity Distribution Services Association (ELDER) and ODTÜ TEKNOKENT under the coordination of the Energy Market Regulatory Authority (EMRA) focuses on realizing innovative business ideas and projects for the energy sector. Participating in the You're My Energy Program, YEDAŞ gathered with entrepreneurs, start-ups, Technoparks and R&D companies.



CORPORATE SOCIAL RESPONSIBILITY ACTIVITIES

In its 40th year, Çalık Holding participated in the donation campaign initiated by TEMA Foundation by donating 40 thousand seedlings.

Social Solidarity

Artmin Madencilik, an affiliate of Lidya Madencilik, started to develop projects in the region by giving priority to social investments in line with the understanding of responsible mining before the mine site has yet been commissioned. A social facility including a guesthouse, cafe, headman's office, and cooperative was built in Yukarımaden Village and handed over to the headman. The guest house located in the social facility will be operated by Yukarımaden Village Women's Initiative Production and Enterprise Cooperative and offers accommodation in the region. Another project realized by Artmin is the irrigation water project in Aşağımaden village, which aims to contribute to the sources of living in the region.

Lidya Madencilik provides resources to the local community by prioritizing local employment and purchasing in the project impact area. In this context, Polimetall Madencilik brought construction equipment and five service vehicles to Hacıömerderesi Agricultural Development Cooperative and contributed to the increase of business and employment potential alongside the locally procured labor force.

As part of the "İftarımızı Anadolu'da Açıyoruz" event initiated by Çalık Holding in 2012, it provided shopping checks and food supplies to people in need in Erzincan in cooperation with the Red Crescent in 2021.



Çalık Enerji cooperated with non-governmental organizations such as TEMA, Food Rescue Association, and Purple Roof Women's Shelter Foundation on special days and weeks such as new year's day.

BKT Albania provides special services for people in need of social assistance and for isolated prison inmates to use financial services.

Environment

Çalık Holding participated in the donation campaign initiated by the TEMA Foundation to re-green the forest areas damaged due to the fire disaster experienced throughout Turkey by donating 40 thousand saplings in its 40th year.

YEDAŞ, which fulfilled its social responsibilities at full speed as well as providing quality and sustainable energy supply in the provinces of Samsun, Ordu, Çorum, Amasya, and Sinop, created a memorial forest in Deniz Village, Çorum with the slogan "Zero Carbon."

Çalık Holding carried out awareness activities within the company as part of Electronic Waste Day and supported the "Atma Bağışla" campaign of the Education Volunteers Foundation of Turkey (TEGV) by ensuring the collection of electronic waste with the participation of volunteers within the Group in 2021 as well.

Gap İnşaat implemented the Carbon Emissions Measurement Project for the first time in 2021 to minimize its negative impact on the environment and climate.

Gap İnşaat was awarded the LEED GOLD Certificate with the office block of the Taksim 360 project. The LEED BD+C (Building Design + Construction) GOLD Certificate, which covers new buildings or large renovation projects, is a pioneer in its field in Turkey.

The main philosophy of Gap Pazarlama is to produce "responsible clothing for a sustainable future." Calik Alexandria carried out works for the factory modernization and decided to invest in laser, ozone washing, and e-flow machines. 16 Picanol machine contracts were signed and orders were placed for the modernization of the TJK Factory in Turkmenistan. With new investments, chemical and water consumption was reduced, and awareness of respect for the environment and nature was increased.

Within Lidya Madencilik and its subsidiaries, the activities for the set-up of an Integrated Management System within the framework of ISO 14001, 45001, and 9001 were continued in 2021. It is aimed to achieve the goal of sustainable mining with the implementation of a holistic and inclusive management system after the works are completed and documented. In 2021, to make water and carbon footprint calculations, preparations were made for the necessary data collection studies, a zero waste system was established and a Zero Waste Certificate was obtained.



CORPORATE SOCIAL RESPONSIBILITY ACTIVITIES

The name sponsorship provided to the Istanbul Marathon by Aktif Bank subsidiary N Kolay was continued in 2021 as well.

Polimetal Madencilik, a subsidiary of Lidya Madencilik, donated 300,000 saplings to Balıkesir by signing a protocol with the Balıkesir Regional Directorate of Forestry as a reflection of an understanding of sustainable mining in 2021 when it started production. As such, Turkish pine, jujube, almond, stone pine, acacia, and cypress saplings were planted in Merkez, Yağcılar, Çağış and Balatlı Neighborhoods of Bigadiç District.

Aras EDAŞ initiated landscaping projects in 7 provinces and 58 districts that are served with the slogan "Garden is On Us Gardening is On You." Teams that were created to provide the gardening and arrangement of enterprise gardens performed their duty elaborately and planted fruit and vegetable saplings in suitable places. Besides, the nests of storks on migration routes were checked and cleaned one by one, and feeding activities were carried out for wild and stray animals that had difficulty finding food during the pandemic.

BKT Kosovo, which carries out all of its activities with a sense of sustainability, improved its cooperation with the Green for Growth Fund (GGF) in 2021 and increased awareness and efforts to save energy in the following years. In this context, it developed a new product to finance energy-saving projects in 2021.

As a member of the UN Global Compact, BKT Albania takes action for each SDG (Sustainable Development Goals). Activities in this context are grouped under two main headings. The organization and the world-citizen employees constituting the organization take actions such as creating awareness and making a first-hand contribution regarding the issues including the environment, equality of opportunity, gender equality, responsible consumption and production, human/employee health, etc. to fulfill their responsibilities to the environment and society. Moreover, the productivity in terms of society and

organization is increased regarding the issues that are directly within the impact area of the Bank (such as not providing financing services in the areas against the product, service, and banking principles as well as that of the UN Global Compact and Holding; preventing bribery; and minimizing the carbon emission, energy, and paper consumption with the digitalization of daily banking operations) and investment is made in sustainable profitability. Contribution to forestation works in the cities where branches are located continues.

Art

In 2021, support was provided as a "Contributing Organization"; to the Istanbul Film Festival with N Kolay Digital Banking and the Istanbul Music Festival with Aktif Bank Private Banking; and as a "Highly Contributing Organization" to the Istanbul Theater Festival with N Kolay Digital Banking.

Taksim 360 project, realized by Gap İnşaat in Tarlabası, hosted the Beyoğlu Culture Road event. As part of the event, the Istanbul photographs exhibition was organized by the Turkish Photography Foundation.

The restoration and modernization of a historical qualified building were carried out by Gap İnşaat within the scope of the cooperation with Beyoğlu Municipality. In cooperation with Beyoğlu Municipality and the Ministry of Industry, it is planned to open the building as a technology center.

Sports

The name sponsorship provided to the Istanbul Marathon by Aktif Bank subsidiary N Kolay was continued in 2021 as well. In addition to many different activities realized as part of the marathon during the year, with the N Kolay Idea Marathon young people were provided the opportunity to present creative suggestions specific to the marathon.



HUMAN RESOURCES

It aims at an innovative and solution-oriented employee profile

The Human Resources Committees were established in 2021 for Çalık Holding A.Ş. and its Group Companies in order to determine the Human Resources strategies and principles, and improve employee satisfaction and loyalty.

The main purpose of the Human Resources Policy of Çalık Holding is to achieve maximum success and to ensure sustainability in the sectors in which it operates by investing in a human resource that is loyal to the Company, that prioritizes corporate and ethical values and improves its personal and occupational competencies.

As of the end of 2021, the total number of employees in the Group is 14,176, including 6,122 white collars, 6,185 blue collars, 504 local white collars, and 1,365 local blue collars.

Placing great importance on human resources, which play a central role in achieving corporate success, Çalık Holding aims to attain an employee profile that is innovative, solutions-focused and that can make use of high added value and advanced technologies effectively. To this end, Holding strives to continuously support the professional development of Group personnel while working to increase their motivation and job satisfaction.

Organizational activities that cement a sense of unity among employees, foster corporate loyalty, build team spirit, and promote the exchange of thoughts and feelings are proactively supported by Çalık Holding Executive Management. Besides,

In compliance with the Group's constantly growing and expanding organizational structure, modern human resources management processes, and technologies are put in place, and the implementation of current organizational structures, which are believed to be effective in line with corporate needs, is supported.

to ensure that the corporate culture is embraced by the Company employees and that their loyalty to the Company is consolidated, the activities under the Holding and the Group companies are administered by the Human Resources Departments.

Çalık Holding keeps its guiding "Values" and "Competencies" at the center of its strategy in all its affairs and relationships and benefits from their guidance, and in the light of these common values, it works in coordination with the Group companies and forges ahead by becoming stronger in its 40th year.

The Group values guide the Group in the Human Resources processes and targets as in all activities and communication models.

In 2021, the Human Resources Committees were established for Çalık Holding AŞ and Group Companies for the purpose of determining Human Resources strategies and principles, improving employee satisfaction and loyalty, in order to determine the standards of Çalık Holding in certain human resources practices (recruitment, backup, wage management, etc.), propose new practices in this context, make suggestions for improving or developing existing practices.



The Human Resources teams of the Group Companies have been gathering regularly since 2021, in these meetings, they share current Human Resources practices specific to their sectors, exchange ideas to implement best practices or improve existing practices, and share information about the projects carried out jointly.

As a result of the employer brand research and studies, the employer brand was created as "Smiling Faces of Çalık" as a strong reflection of the corporate culture. After this study, Human Resources progresses by focusing on studies that will strengthen the employer's brand perception. Since 2021, regular meetings are held with employees in the departments, internal communication is strengthened, employees' requests are listened to, and information and reminders about important processes are provided.

Digitalization Project

In parallel with the Group's constantly growing and expanding organizational structure, modern human resources management processes, and technologies are put in place, and the implementation of current organizational structures, which are believed to be effective in line with corporate needs, is supported. Furthermore, systems are set up to blend individuals' careers with corporate targets. Çalık Holding strives to recruit and develop those highly skilled employees who will move the Group forward into the future.

Within the scope of training activities, it organized innovative corporate training programs in line with Company strategies, to boost employee performance, contribute to the advancement of the corporate culture, and improve in-house communications.

In line with this, in 2018, the preparatory work for the digital transformation of Human Resources processes was completed and the performance evaluation process, backup process, and self-service systems, where employees can manage their individual requests for Human Resources processes, have been developed in all Group companies in accordance with the roadmap and calendar determined in 2019, and they have started to be managed digitally. In 2020, the Recruitment and internal announcement processes were designed on the system and started to be used in Çalık Group Companies after a year of intensive efforts.

Çalık Holding continues to use Career in Çalık, which is an advanced career website providing multi-channel job postings with its strong mobile technology function, on the cloud system to be integrated with the digitalized recruitment process.

Within the scope of the Human Resources Digitization Project, in 2021, the EC (Employee Center) Project was launched in order to manage the processes, such as performance, recruitment, backup, self-service, and personnel management, that have been digitized in previous years more efficiently in a single center.

HUMAN RESOURCES

The Holding's Human Resources Department assumes the coordination and management roles in designing and implementing shared programs.

Remuneration and Fringe Benefits Management Applications

Çalık Holding takes into consideration the key parameters of market wage rate and performance criteria when determining its compensation strategy. The Group's compensation policy is shaped according to the scope and scale of the business, competitive conditions in the market, and budget criteria. While a remuneration system in which the contribution of individuals in achieving corporate goals is prioritized in line with the person's responsibility level, there are fringe benefits made available and categorized according to title levels. The remuneration and fringe benefit activities to Group companies are kept up-to-date with their wage structures, market position and regular industrial researches.

Strategic Performance Management System

Strategic Performance Management System is a set of processes that allow the vision and strategy to be achieved by ensuring the sustainable alignment of the performance results obtained from the competencies, which are also expressed as individual goals and Çalık DNA, with the Company's strategy.

A target- and capability-based performance management system is being applied in the Holding and the Group companies. It is aimed to manage the individual performance of employees objectively within the framework of common principles and achieve the highest level of performance with the targets determined in line with the company's strategies and Çalık DNA competencies that will allow achieving sustainable success. A strategic performance management system forms a

basis for remuneration, rewarding and career management processes.

In addition to the performance system, the studies are carried out for scaling technical knowledge and skills, which are mainly needed in the execution of the work or which provide added value to the work, and which are specially designed for positions in Çalık Group companies, on the cloud system.

Training Management

Training needs are determined according to employees' performance evaluation results and career management data. The Human Resources Departments plan and execute training programs to improve employees' corporate skills and professional competencies.

The Holding's Human Resources Department also assumes the coordination and management roles in designing and implementing shared programs.

Training activities reflect long-term and deliberative steps in line with the career management strategies of the Group employees. Employees trained accordingly, competent in terms of professional knowledge, skills, and personal development, are assigned to positions that will have a higher authority and responsibility in accordance with the career model created within the scope of the Talent Management project implemented in 2020.

In 2021, the Human Resources Departments organized innovative corporate training programs in line with Company strategies, to boost employee performance, contribute to the advancement of the corporate culture and improve in-house communications.

Sector	White Collar	Blue Collar	Local White Collar	Local Blue Collar	Total
Holding	142	0	0	0	142
Digital	2	0	0	0	2
Textile	536	3,506	0	0	4,042
Construction	289	43	171	672	1,175
Mining	102	130	0	0	232
Energy	1,830	2,442	333	693	5,298
Telecommunications	671	54	0	0	724
Finance	2,551	10	0	0	2,561
Total	6,091	6,176	504	1,365	14,176



OCCUPATIONAL SAFETY, ENVIRONMENT AND QUALITY POLICY

Practices at global standards

Valuing all its employees as a member of the Çalık Family, the Group makes arrangements to minimize risks as regards occupational health and safety. The employees actively participate in occupational health and safety practices.

Making investments by following modern practices in quality, environment, occupational health and safety, Çalık Holding prioritizes quality, human and environment.

In order to ensure its corporate sustainability in the economic and social fields, the Group primarily observes occupational safety, the environment, and quality policies in all its activities. While managing its operations, the Holding pays attention to taking all necessary measures to protect natural resources, minimize waste amounts, and prevent soil, air and water pollution. In addition, it develops practices to minimize risks in occupational health and safety issues and ensures the active participation of all employees in these practices.

The Group companies show respect for people and the natural environment in all their operations. They strive to conserve natural resources, reduce waste, and prevent soil, air and water pollution.

Valuing all its employees as a member of the Çalık Family, the Group makes arrangements to minimize risks as regards occupational health and safety. Active participation of employees is ensured regarding occupational health and safety practices, which is updated on a regular basis.

Group companies carry out their activities in line with the objectives of sustainability of natural resources, minimization of waste amounts, and prevention of soil, air, and water pollution.

Following the developments instantly in Turkey and around the world, Çalık Holding implemented a simultaneous coordinated alternating work program in different sectors and locations within the scope of fighting the COVID-19 pandemic.

Çalık Group companies met the requirements for the TSE COVID-19 Hygiene, Infection Prevention and Control Documentation Program of the Turkish Standards Institution and was awarded the TSE COVID-19 Safe Service Certificate.

Çalık Holding ensures that effective policies and practices relating to quality, environmental protection, occupational health, and safety are implemented across companies under its umbrella and obtains the required certifications for these systems.

Acting with the goal of becoming a leading global brand and providing customer satisfaction unconditionally, the Group achieves its goals by measuring the change in all the breakthroughs it makes and ensuring sustained improvement in the success chart with the results it achieves.



QUALITY CERTIFICATIONS OF GROUP COMPANIES

ENERGY SECTOR

ÇALIK ENERJİ

- ISO 9001:2015 Quality Management System Certificate
- ISO 14001:2015 Environmental Management System Certificate
- ISO 45001:2018 Occupational Health and Safety Systems Certificate
- COVID-19 Safe Service Certificate

YEDAŞ

- ISO 9001:2015 Quality Management System
- ISO 10002:2018 Customer Satisfaction Management System
- ISO 14001:2015 Environmental Management System
- ISO 45001:2018 Occupational Health and Safety Management System Standard
- ISO 18295-1:2017 Customer Contact Center Management System
- ISO 27001:2013 Information Security Management System
- ISO 31000:2018 Corporate Risk Management System
- TSE COVID-19 Safe Service Certificate
- Zero Waste Certificate

YEPAS

- ISO 9001:2015 Quality Management System
- ISO 10002:2018 Customer Satisfaction Management System
- ISO/IEC 27001:2017 Information Security Management System
- COVID-19 Safe Service Certificate
- Zero Waste Certificate of the Ministry of Environment and Urbanization

ARAS EDAŞ

- ISO 9001:2015 Quality Management System
- ISO 14001:2015 Environmental Management System
- ISO 45001:2018 Occupational Health and Safety Management System Standard
- ISO 50001:2018 Energy Management System
- ISO 27001:2017 Information Security Management System
- ISO 10002:2018 Customer Satisfaction Management System
- ISO 27019:2020 Energy Service Industry Information Security Controls
- ISO 18295-1 and ISO 18295-2:2017 Customer Services and Call Center Service Quality Standards
- World Energy Council Membership

ARAS EPSAŞ

- ISO/IEC 27001:2017 Information Security Management System
- ISO 10002:2018 Customer Satisfaction Management System
- ISO 9001:2015 Quality Management System
- ISO 45001:2018 Occupational Health and Safety Management System Standard
- ISO 14001:2015 Environmental Management System
- ISO/IEC 27019:2020 Information Security for Process Control Systems in the Energy Services Industry
- ISO 18295-1 and ISO 18295-2: Customer Services and Call Center Service Quality Standards

OCCUPATIONAL SAFETY, ENVIRONMENT AND QUALITY POLICY



CONSTRUCTION SECTOR

GAP İNŞAAT

- ISO 9001:2015 Quality Management System
- ISO 14001:2015 Environmental Management System
- ISO 45001:2018 Occupational Health and Safety Management System Standard
- UKAS (UK Accreditation Service)
- LEED BD+C (Building Design + Construction) Gold Certificate
- TSE COVID-19 Safe Service Certificate

TEXTILE SECTOR

ÇALIK DENİM

- ISO 9001 Quality Management Systems Certificate
- ISO 14001 Environmental Management Systems Certificate
- ISO 45001 Occupational Health and Safety Management Systems Certificate
- ISO 50001 Energy Management Systems Certificate
- ISO 27001 Information Security Management Systems Certificate
- ISO 10002 Customer Complaints Management Systems
- BCI Membership
- HIGG INDEX FEM (Environment) - FSLM (Social) Membership
- SEDEX Membership
- CTPAT Criteria Compliance
- OEKO-TEX

- GOTS
- OCS
- GRS
- RCS
- COTTON USA
- Nordic Swan Ecolabel
- EU Ecolabel
- COVID-19 Safe Production Certificate

GAP PAZARLAMA

- ISO 9001:2015 Quality Management System
- ISO 14001:2015 Environmental Management System
- ISO 22301:2012 Business Continuity Management System
- ISO 28001: Supply Chain Safety Management System
- ISO 27001: Information Security Management System Certificate
- WRAP
- Sedex
- 6 Sigma
- AEOC (Authorized Economic Operator Certification)
- Oeko Tex 100
- BCI
- GRS
- GOTS

MINING SECTOR

LİDYA MADENCİLİK

- OHS&E Policy Commitment Certificate – Artmin
- OHS&E Policy Commitment Certificate – Polimetel

TELECOMMUNICATIONS SECTOR

ALBTELECOM

- ISO 9001: 2015 - Quality Management System
- ISO 14001: 2015 - Environmental Management System
- ISO 27001: 2013 Information Security Management System
- ISO/IEC 20000-1: 2018 – Information technology Service Management
- OHSAS 18001: 2007 Occupational Health and Safety Management System

FINANCE SECTOR

AKTİF BANK

- ISO 20000-1:2018 Service Management System
- ISO 22301:2012 Business Continuity Management System
- Card Payment Industry Data Safety Standard, PCI-DSS Certificate
- ISO 27001: Information Security Management System Certificate
- R&D Center License

BKT ALBANIA

- ISO 9001:2015 Quality Management System Certificate

ÇALIK HOLDİNG ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

Consolidated Financial Statements

As at and for the Year Ended

31 December 2021

With Independent Auditor's Report

19 April 2022

This report includes 4 pages of independent auditor's report and 140 pages of consolidated financial statements together with their explanatory notes.

Çalık Holding Anonim Şirketi and its Subsidiaries

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Independent auditor's report

To the Shareholders of Çalık Holding Anonim Şirketi

Report on the audit of the consolidated financial statements

Opinion

We have audited the consolidated financial statements of Çalık Holding Anonim Şirketi (“the Company”) and its subsidiaries (“the Group”), which comprise the consolidated statement of financial position as at December 31, 2021, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2021, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (“IFRSs”).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor’s responsibilities for the audit of the* consolidated financial statements section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants’ Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements in Turkey, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming the auditor’s opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor’s responsibilities for the audit of the* consolidated *financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.



Key audit matters	How key audit matter addressed in the auditor’s response
Revenue recognition on construction contracts	Çalık Enerji Sanayi ve Ticaret Anonim Şirketi and GAP İnşaat Yatırım ve Dış Ticaret Anonim Şirketi, the consolidated subsidiaries of the Group, and the subsidiaries operating in the construction sector, conduct mainly engineering, procurement and construction projects (“EPC”) in mainly abroad. The revenue from the construction contracts of the companies in energy and construction sector amounting to USD 615.507 thousands constitutes a significant portion of the Group’s total revenue. The EPC projects are complex and exposes the Group to various business and financial reporting risks. The timing of the recognition of revenue in respect of EPC contracts is calculated in accordance with IFRS 15 “Revenue from Contracts with Customers” using the input method cost incurred to measure the progress towards to completion of the project. The Group recognizes revenue in accordance with input method to compare proportion of contract costs incurred for performance obligation with estimated total contract costs of related performance obligation. The recognition of revenue and the estimation of the outcome of EPC contracts with project specific terms require significant management judgment, with respect to estimation the cost to complete and the amounts of variation orders to be recognized. The recognition of revenue forms the construction contracts has been identified as key audit matter due to base based on significant management estimation and judgement. We identified revenue from EPC contracts as a significant risk, requiring special audit consideration.
	- We obtained an understanding of and tested that the key controls around the revenue recognition process are designed and implemented effectively, supporting the prevention, detection or correction of material errors in the reported contact revenue figures. - We inspected the terms and conditions of material EPC contracts in evaluating the judgements used and determining the timing of the revenue recognition. - We discussed on the status of projects under construction with finance and technical staff of the Group and evidenced our understanding with the supporting documents. - We recomputed contract revenues by using the percentage of completion method. - We tested the revenue recognised from the construction contracts to amounts invoiced to customers and the subsequent receipt of payment from those customers. - We tested by using sampling method the construction costs to invoices by suppliers and subcontractors and the subsequent receipt of payment to those parties by controlling the relevant reconciliations. - We performed an assesment of the historical level of accuracy and prudence in the contract cost budgets and forecasts and challenged management’s current assumptions in respect of completion stages of the EPC projects or change in the cost budgets. - We tested revenue and contract accouting journal entries focusing on unusual or irregular items. - We performed detailed cut off test over revenue and revenue return accounts.



Responsibilities of management and those charged with governance for the consolidated financial statements

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

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

Those charged with governance are responsible for overseeing the Group financial reporting process.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated 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 ISAs 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 consolidated financial statements.

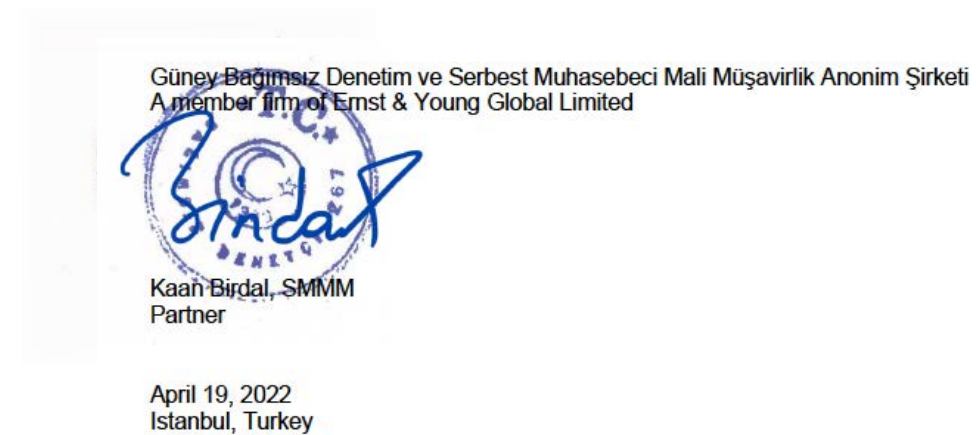
As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the **consolidated** financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the **consolidated** financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the **consolidated** financial statements, including the disclosures, and whether the **consolidated** financial statements represent the underlying transactions and events in a manner that achieves fair presentation.



- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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



ÇALIK HOLDİNG ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

As at 31 December 2021 Consolidated Statement of Financial Position

(Amounts expressed in thousands of United States Dollar ("USD") unless otherwise stated.)

		Reclassified (Note 2.f)	
		Current Period	Previous Period
		Audited	Audited
Assets	Notes	31 December 2021	31 December 2020
Current assets			
Cash and cash equivalents	9	1.271.777	897.487
Financial investments	10	1.237.348	1.427.561
Financial assets related to concession agreements	11	43.447	60.150
Trade receivables	12	458.158	394.769
<i>Due from related parties</i>	8	151.175	76.624
<i>Due from third parties</i>		306.983	318.145
Receivables related to finance sector operations	13	761.144	648.345
<i>Due from related parties</i>	8	2.146	3.480
<i>Due from third parties</i>		758.998	644.865
Other receivables	14	100.290	228.612
<i>Due from related parties</i>	8	18.101	49.873
<i>Due from third parties</i>		82.189	178.739
Contract assets	23	130.164	71.291
<i>Contract assets arising from ongoing construction and contracting works</i>		130.164	71.291
Inventories	15	249.758	228.773
Derivatives	25	27.610	13.332
Prepayments	16	89.652	117.951
Current tax assets	29	8.929	2.413
Other current assets	22	720.169	710.822
Subtotal		5.098.446	4.801.506
Assets held for sale	6	59.949	60.678
Total current assets		5.158.395	4.862.184
Non- current assets			
Trade receivables	12	55.745	35.407
<i>Due from related parties</i>	8	545	1.846
<i>Due from third parties</i>		55.200	33.561
Receivables related to finance sector operations	13	1.560.379	1.964.341
<i>Due from related parties</i>	8	--	4
<i>Due from third parties</i>		1.560.379	1.964.337
Other receivables	14	338.857	326.000
<i>Due from related parties</i>	8	320.003	320.005
<i>Due from third parties</i>		18.854	5.995
Financial investments	10	2.204.832	1.874.350
Financial assets related to concession agreements	11	130.034	194.309
Investments in equity-accounted investees	17	179.053	222.015
Investment property	21	81.584	130.338
Property, plant and equipment	18	443.242	562.406
Intangible assets	19	114.991	128.008
<i>Goodwill</i>		26.503	3.532
<i>Other intangible assets</i>		88.488	124.476
Right of use assets	20	47.073	45.805
Prepayments	16	37.856	78.448
Deferred tax assets	29	52.599	51.349
Other non-current assets		783	532
Total non-current assets		5.247.028	5.613.308
Total assets		10.405.423	10.475.492

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

ÇALIK HOLDİNG ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

As at 31 December 2021 Consolidated Statement of Financial Position (continued)

(Amounts expressed in thousands of United States Dollar ("USD") unless otherwise stated.)

		Current Period	Previous Period
		Audited	Audited
Liabilities	Notes	31 December 2021	31 December 2020
Short term liabilities			
Short term loans and borrowings	24	1.460.174	1.663.719
Short term portion of long-term loans and borrowings	24	158.547	177.312
Derivatives	25	4.112	19.557
Trade payables	12	284.649	270.160
<i>Due to related parties</i>	8	3.221	12.695
<i>Due to third parties</i>		281.428	257.465
Payables related to finance sector operations	13	4.827.725	4.778.821
<i>Due to related parties</i>	8	18.308	30.286
<i>Due to third parties</i>		4.809.417	4.748.535
Payables related to employee benefits	26	8.266	7.763
Other payables	14	30.170	53.794
<i>Due to related parties</i>	8	1	23.798
<i>Due to third parties</i>		30.169	29.996
Contract liabilities	23	53.291	42.534
<i>Contract liabilities arising from ongoing construction and contracting works</i>		53.291	42.534
Deferred revenue	16	200.515	124.678
Current tax liabilities	29	20.107	7.767
Short term provisions	27	31.481	42.204
<i>Short term employee provisions</i>	27	14.221	18.208
<i>Other short-term provisions</i>	27	17.260	23.996
Other short-term liabilities	22	73.298	81.479
Subtotal		7.152.335	7.269.788
Liabilities held for sale	6	739	11.896
Total short-term liabilities		7.153.074	7.281.684
Long term liabilities			
Long term loans and borrowings	24	451.132	536.264
Trade payables	12	4	4.886
<i>Due to third parties</i>		4	4.886
Payables related to finance sector operations	13	661.127	500.758
<i>Due to third parties</i>		661.127	500.758
Other payables	14	45.656	52.554
<i>Due to third parties</i>		45.656	52.554
Contract liabilities	23	30.689	46.595
<i>Contract liabilities arising from ongoing construction and contracting works</i>		30.689	46.595
Deferred revenue	16	94.472	93.083
Long term provisions	27	11.837	13.103
<i>Long-term employee provisions</i>	27	10.770	11.849
<i>Other long-term provisions</i>	27	1.067	1.254
Deferred tax liabilities	29	26.563	52.753
Other long-term liabilities		--	385
Total long-term liabilities		1.321.480	1.300.381
Total liabilities		8.474.554	8.582.065

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

ÇALIK HOLDİNG ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

As at 31 December 2021 Consolidated Statement of Financial Position (continued)
(Amounts expressed in thousands of United States Dollar ("USD") unless otherwise stated.)

		Current Period	Previous Period
		Audited	Audited
Equity	Notes	31 December 2021	31 December 2020
Equity attributable to the owners of the Company			
Share capital	30	210.761	210.761
Adjustment to share capital		3.388	3.388
Other comprehensive income that is			
or will not be reclassified to profit or loss		(5.211)	(2.604)
Accumulated re-measurements loss of defined benefit plans		(5.211)	(2.415)
Revaluation fund		--	(189)
Other comprehensive income that is			
or may be reclassified to profit or loss		(846.610)	(337.031)
Translation differences		(863.365)	(405.280)
Fair value reserve of financial assets available-for-sale		16.755	68.249
Restricted reserves	30	720.867	699.203
Retained earnings		1.179.643	842.023
Profit for the year		511.975	359.209
Total equity attributable to the owners of the Company		1.774.813	1.774.949
Total non-controlling interests	30	156.056	118.478
Total equity		1.930.869	1.893.427
Total equity and liabilities		10.405.423	10.475.492

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

ÇALIK HOLDİNG ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

Consolidated Statement of Profit or Loss and Other Comprehensive Income for the Year Ended 31 December 2021
(Amounts expressed in thousands of United States Dollar ("USD") unless otherwise stated.)

		Current period	Previous Period period
		Audited	Audited
Profit or loss	Notes	2021	2020
Continuing operations			
Revenue	31	1.720.771	1.375.664
Revenue from finance sector operations	31	526.312	448.218
Total revenue	31	2.247.083	1.823.882
Cost of sales (-)	31	(1.244.199)	(956.229)
Cost of revenues from finance sector operations (-)	31	(217.369)	(165.913)
Total cost	31	(1.461.568)	(1.122.142)
Gross profit	31	785.515	701.740
General and administrative expenses (-)	32	(236.511)	(229.572)
Selling, marketing and distribution expenses (-)	32	(38.973)	(36.845)
Research and development expenses (-)	32	(12.500)	(9.611)
Other income from operating activities	33	125.314	83.486
Other expenses from operating activities (-)	33	(138.257)	(129.421)
Operating profit		484.588	379.777
Gain from investing activities	34	168.435	114.548
Loss from investing activities (-)	34	(58.275)	(37.269)
Loss and gain from share of profit of equity accounted investees	17	(3.423)	32.347
Operating profit before finance costs		591.325	489.403
Finance income	35	194.284	105.091
Finance costs (-)	35	(222.675)	(168.713)
Net finance costs		(28.391)	(63.622)
Profit before tax from continuing operations		562.934	425.781
Current tax expense (-)	29	(79.979)	(75.003)
Deferred tax benefit	29	43.895	16.820
Total tax expense		(36.084)	(58.183)
Profit for the year from continuing operations		526.850	367.598

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

ÇALIK HOLDİNG ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

Consolidated Statement of Profit or Loss and Other Comprehensive Income for the Year Ended 31 December 2021 (continued)

		Current Period	Previous Period
		Audited	Audited
Other comprehensive income	Notes	2021	2020
Profit for the year from continuing operations		526.850	367.598
Items that are or may be reclassified to profit or loss			
Foreign currency translation differences for foreign operations and reporting currency translation differences		(438.358)	(112.309)
Change in fair value of available-for-sale financial assets	10	(68.698)	12.090
Deferred tax benefit/(expense)	29	17.175	(2.660)
Total		(489.881)	(102.879)
Items that are or will not be reclassified to profit or loss			
Actuarial losses	27	(3.790)	(1.350)
Deferred tax income		946	297
Total		(2.844)	(1.053)
Total other comprehensive loss		(492.725)	(103.932)
Total comprehensive income		34.125	263.666
Net profit attributable to:			
Equity holders of the parent		511.975	359.209
Non-controlling interests		14.875	8.389
Net profit for the year		526.850	367.598
Total comprehensive income attributable to:			
Equity holders of the parent		(400)	248.940
Non-controlling interests		34.525	14.726
Total other comprehensive income		34.125	263.666

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

ÇALIK HOLDING ANONİM ŞİRKETİ AND ITS SUBSIDIARIES
Consolidated Statement of Changes in Equity For the Year Ended 31 December 2021
 (Amounts expressed in thousands of USD unless otherwise stated.)

	Attributable to owners of the Company								
				Accumulated other comprehensive income/(expense) that will not be reclassified to profit or loss	Accumulated other comprehensive income/(expense) that may be reclassified to profit or loss	Retained earnings/(accumulated losses)			
		Restricted reserves		Accumulated re-measurements loss of defined benefit plans to profit or loss	Fair value reserve of financial assets available-for-sale	Translation reserve	Retained earnings	Profit for the year	
	Paid-in capital	Adjustment to share capital	Legal reserves						Equity attributable to the owners of the Company
Balances at 1 January 2020	210,761	3,388	611,516	(1,551)	58,819	(286,634)	638,147	293,470	1,527,916
Profit for the period	--	--	--	--	--	--	--	359,209	359,209
Other comprehensive income									
Net fair value change in financial assets available-for-sale	--	--	--	--	9,430	--	--	--	9,430
Actuarial gains/losses	--	--	--	(1,053)	--	--	--	--	(1,053)
Foreign currency translation differences for foreign operations and reporting currency translation differences	--	--	--	--	--	(118,646)	--	--	(118,646)
Total other comprehensive income	--	--	--	(1,053)	9,430	(118,646)	--	--	(110,269)
Total comprehensive income/(loss) for the period	--	--	--	(1,053)	9,430	(118,646)	--	359,209	248,940
Change in non-controlling interest in consolidated subsidiaries without change in control	--	--	(1,490)	--	--	--	901	--	(589)
Dividends paid	--	--	--	--	--	--	--	--	--
Decrease due to other changes	--	--	--	--	--	--	(1,318)	--	(1,318)
Transfers	--	--	89,177	--	--	--	204,293	(293,470)	--
Total transactions with owners	--	--	87,687	--	--	--	203,876	(293,470)	(1,907)
Balances at 31 December 2020	210,761	3,388	699,203	(2,604)	68,249	(405,280)	842,023	359,209	1,774,949

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

ÇALIK HOLDİNG ANONİM ŞİRKETİ AND ITS SUBSIDIARIES
Consolidated Statement of Changes in Equity For the Year Ended 31 December 2021
(Amounts expressed in thousands of USD unless otherwise stated.)

Financial Data

	Restricted reserves	Accumulated other comprehensive income/(expense) that will not be reclassified to profit or loss	Accumulated other comprehensive income/(expense) that may be reclassified to profit or loss	Retained earnings/(accumulated losses)	Equity attributable to the owners of the Company	Non-controlling interests	Total equity
	Legal reserves	Accumulated re-measurements loss of defined benefit plans	Fair value reserve of financial assets available-for-sale	Retained earnings			
	Revaluation fund			Profit for the year			
Balances at 1 January 2021	3.388	(2.415)	68.249	842.023	1.774.949	118.478	1.893.427
Profit for the period	--	--	--	359.209	511.975	14.875	526.850
Other comprehensive income	--	--	--	--	--	--	--
Net fair value change in financial assets available-for-sale	--	--	(51.494)	--	(51.494)	(28)	(51.522)
Actuarial gains/losses	--	(2.796)	--	--	(2.796)	(48)	(2.844)
Foreign currency translation differences for foreign	--	--	(458.085)	--	(458.085)	19.726	(438.359)
Total other comprehensive income	--	(2.796)	(51.494)	--	(51.2375)	19.680	(492.725)
Total comprehensive income/(loss) for the period	--	(2.796)	(51.494)	511.975	(400)	34.525	34.125
Increase in capital	--	--	--	--	--	3.904	3.904
Increase due to other changes	--	--	--	2.549	2.549	3.732	6.281
Dividends paid	--	--	--	--	--	(6.868)	(6.868)
Change in non-controlling interest in consolidated subsidiaries without change in control	--	--	--	(2.285)	(2.285)	2.285	--
Transfers	21.664	--	--	337.356	(359.209)	--	--
Total transactions with owners	21.664	189	--	337.620	264	3.053	3.317
Balances at 31 December 2021	3.388	(5.211)	16.755	1.179.643	1.774.813	156.056	1.930.869

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

ÇALIK HOLDİNG ANONİM ŞİRKETİ AND ITS SUBSIDIARIES
Consolidated Statement of Cash Flows For the Year Ended 31 December 2021
(Amounts expressed in thousands of USD unless otherwise stated.)

		Current period	Previous period
		Audited	Audited
	Notes	2021	2020
A. CASH FLOWS (USED IN) / FROM OPERATING ACTIVITIES		1.485.291	677.752
Profit for the period		526.850	367.598
Adjustments to reconcile cash flow generated from operating activities:		287.030	69.179
Adjustments for depreciation and amortization	18,19,20	69.984	75.052
(Gain)/loss on sale of derivative financial instruments	34	(32.518)	327
Adjustments for fair value (gains) / loss of financial investments		(20.302)	(94.502)
Adjustments for provision for doubtful receivables	12	8.794	9.196
Adjustments for dividend (income) expense		(60.037)	(31.970)
Adjustments for fair value (gain) / loss of investment property	21	43.544	31.351
Adjustments for inventory impairment, net	15	120	1.709
Adjustments for provision for employee benefits	27	6.322	6.043
Adjustments for provisions (cancellation) reserved for possible risks	13	28.721	45.334
Adjustments for other provisions, net	27	947	4.826
Adjustments for provision for litigation	27	1.487	2.971
Adjustments for share of (profit)/ loss of equity accounted investees	17	3.423	(32.347)
Adjustments for interest income and expenses		(99.701)	(69.188)
Adjustment for fair value (gain) / loss of other items	11	--	5.184
Rediscount interest (gain) / losses, net		491	920
Unrealized foreign currency (income) / loss		322.868	59.766
Adjustments for tax expense	29	36.084	58.183
Adjustment for business acquisition		(23.602)	(4.435)
Adjustments for the gains and losses on sales of property, plant and equipment, net	34	405	759
Changes in working capital		490.352	127.534
Adjustments for change in inventories		(21.772)	(1.077)
Adjustments for change in trade receivables		(106.483)	(15.892)
Adjustments for change in payables related to employee benefits		503	(1.652)
Adjustments for change in other receivables, other current assets and other non-current assets related with operating activities		105.866	(76.059)
Changes in contract assets and liabilities		(64.021)	(9.163)
Change in financial assets related to concession agreements		(50.098)	(37.588)
Adjustments for change in assets held for sale		729	(5.071)
Adjustments for change in liabilities held for sale		(11.157)	3.544
Adjustments for change in receivables from finance sector operations		272.623	(537.028)
Adjustments for change in payables from finance sector operations		209.273	866.507
Change in restricted cash and cash equivalents		14.454	55.989
Adjustments for change in trade payables		9.608	9.755
Adjustments for change in prepayments		68.891	(121.835)
Adjustments for change in deferred income		77.226	48.602
Adjustments for change in other payables and other liabilities related with operating activities		(15.290)	(51.498)

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

ÇALIK HOLDİNG ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

Consolidated Statement of Cash Flows For the Year Ended 31 December 2021 (continued)

(Amounts expressed in thousands of USD unless otherwise stated.)

		Current period	Previous period
	Notes	2021	2020
Cash flows from operating activities		181.059	113.441
Employee termination indemnity paid	27	(1.387)	(2.056)
Other inflows (outflows) of cash	13	18.811	9.146
Interest received including finance sector activities		444.900	372.806
Interest paid for finance sector activities		(218.613)	(198.401)
Collection from doubtful receivables	12	535	1.338
Taxes paid	29	(63.187)	(69.392)
B. CASH FLOWS USED IN INVESTING ACTIVITIES		(619.639)	(804.936)
Proceeds from redemption of financial assets at amortized cost	10	22.570	23.357
Acquisition of financial assets at amortised costs	10	(89.786)	(104.036)
Proceeds from the sale of investments in financial assets at FVTPL	10	18.841	6.366
Acquisitions of financial assets at FVTPL	10	(108.282)	(77.224)
Proceeds from sales of financial assets at FVTOCI	10	375.171	716.803
Acquisition of financial assets at FVTOCI	10	(851.685)	(1.361.539)
Cash inflows from dividends and other financial instruments		74.681	35.186
Proceeds from formation and capital increase of subsidiaries without change in control		--	1.964
Proceeds from / (repayment of) derivative financial instruments		2.795	7.974
Formation and capital contribution of share capital of equity accounted investees	17	(5.333)	(3.458)
Proceeds from sales of property and equipment and intangible assets		47.705	30.742
Acquisition of investment property	21	(812)	(1.961)
Acquisition of property, plant and equipment	18	(93.030)	(61.050)
Acquisition of intangible assets	19	(16.378)	(18.060)
Capital increase in non-controlling shares		3.904	--
C. CASH FLOWS FROM FINANCING ACTIVITIES		(476.908)	(673.517)
Proceeds from/ (payments of) the funding of related parties		(23.797)	(4.021)
Dividend payment		(6.868)	(6.210)
Proceeds from / (repayment of) loans and borrowings, net		(319.657)	(558.069)
Interest paid		(126.586)	(105.217)
NET (DECREASE) / INCREASE IN CASH AND CASH EQUIVALENTS (A+B+C)		388.744	(800.701)
D. CASH AND CASH EQUIVALENTS			
AT THE BEGINING OF THE PERIOD		844.978	1.645.679
CASH AND CASH EQUIVALENTS			
AT THE END OF THE PERIOD (A+B+C+D)	9	1.233.722	844.978

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

ÇALIK HOLDİNG ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

Notes to Consolidated Financial Statements As at and for the Year Ended 31 December 2021

(Amounts expressed in thousands of United States Dollar ("USD") unless otherwise stated.).

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ÇALIK HOLDİNG ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

Notes to Consolidated Financial Statements As at and for the Year Ended 31 December 2021
(Amounts expressed in thousands of United States Dollar ("USD") unless otherwise stated.)

1 Reporting entity

Çalık Holding Anonim Şirketi (“Çalık Holding” or “the Company”) was established in 1997 and the Company’s main operations are to manage and coordinate the activities of its subsidiaries operating in different industries, including textile, energy, telecommunication, construction, real estate, investment, marketing, banking and finance, and to make investments in these industries.

Çalık Holding was established at its registered office address, Büyükdere Caddesi No:163 Zincirlikuyu İstanbul/Türkiye, on 20 March 1997.

As at 31 December 2021, Çalık Holding has 112 (31 December 2020: 110) subsidiaries (“the Subsidiaries”), 10 (31 December 2020: 9) joint ventures (“the Joint Ventures”) and 22 (31 December 2020: 19) associates (“the Associates”) (referred to as “the Group” or “Çalık Group” herein and after). The consolidated financial statements of the Group as of and for the year ended 31 December, comprises Çalık Holding and its subsidiaries and the Group’s interest in associates and joint ventures and operations.

As at 31 December 2021, the number of employees of the Group is 10.236 (31 December 2020: 9.270). The fully consolidated companies have been included in the number of employees.

As explained in more detail in Note 7, the Group operates mainly under six segments:

- Energy
- Construction
- Textile
- Marketing
- Telecommunication
- Banking and finance

As 31 December 2021, ownership interests of the Group's Subsidiaries, Joint Ventures and Associates are as follows:

Company Name	Type of Partnership	Country	Sector
CYK Enerji Adi Ortaklığı	Joint Venture	Turkey	Energy
Çalık Enerji Japan G.K.	Subsidiary	Japan	Energy
OOO Gap İnşaat	Subsidiary	Russia	Construction
Eurokos Dd L.L.C.	Subsidiary	Kosovo	Energy
Jasper Trading	Subsidiary	Poland	Energy
Deutsche Tiefbau Gesellschaft für Infrastrukturentwicklung mbH (“Deutsche Tiefbau”)	Subsidiary	Germany	Construction
Aktif Ventures Teknoloji ve Pazarlama A.Ş.	Subsidiary	Turkey	Banking and Finance
Aktif Fortis Enerji A.Ş.	Joint Venture	Turkey	Banking and Finance
Bakırtepe Madencilik San.Ve Tic.A.Ş.	Associate	Turkey	Other
Lor Dafrique Sarlu	Associate	Guinea	Other

ÇALIK HOLDİNG ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

Notes to Consolidated Financial Statements As at and for the Year Ended 31 December 2021
(Amounts expressed in thousands of United States Dollar ("USD") unless otherwise stated.)

1 Reporting entity (continued)

1.1 Entities in energy segment

Company Name	Type of partnership	Country
Adacami Enerji Elektrik Üretim Sanayi ve Ticaret Anonim Şirketi	Subsidiary	Turkey
Ant Enerji Sanayi ve Ticaret Limited Şirketi	Subsidiary	Turkey
Atayurt İnşaat Anonim Şirketi	Subsidiary	Turkey
CE SOLAIRE 1 SAS (**)	Subsidiary	D.Congo
CE SOLAIRE 2 SAS (**)	Subsidiary	D.Congo
Çalık Elektrik Dağıtım Anonim Şirketi	Subsidiary	Turkey
Çalık Enerji Sanayi ve Ticaret Anonim Şirketi	Subsidiary	Turkey
Çalık Enerji Swiss AG	Subsidiary	Switzerland
Çalık Georgia LLC (*)	Subsidiary	Georgia
Çalık Limak Adi Ortaklığı	Joint venture	Turkey
Çalık Rüzgar Enerjisi Elektrik Üretim Limited Şirketi	Subsidiary	Turkey
ÇL Enerji Üretim ve İnşaat A.Ş. (*)	Subsidiary	Turkey
Demircili Rüzgar Enerjisi Elektrik Üretim Anonim Şirketi	Subsidiary	Turkey
Doğu Aras Enerji Yatırımları Anonim Şirketi	Joint venture	Turkey
JSC Calik Georgia Wind	Subsidiary	Georgia
Kızılırmak Enerji Elektrik Anonim Şirketi	Subsidiary	Turkey
Kosova Çalık Limak Energy Sh.A.	Joint venture	Kosovo
LC Electricity Supply and Trading d.o.o.	Joint venture	Serbia
Momentum Enerji Elektrik Üretim Sanayi ve Ticaret Anonim Şirketi	Subsidiary	Turkey
Onyx Trading Innovation FZE	Subsidiary	UAE-Dubai
Saudi Jalik Energy Company (*)	Subsidiary	Saudi Arabia
Taşkent Merkez Park Gayrimenkul Yatırım A.Ş.	Subsidiary	Turkey
TCB İnşaat Yatırım Anonim Şirketi	Subsidiary	Turkey
Technological Energy N.V.	Subsidiary	Netherlands
Çalık Proje Mühendislik A.Ş.	Subsidiary	Turkey
Türkmen’in Altın Asrı Elektrik Enerjisi Toptan Satış Anonim Şirketi	Subsidiary	Turkey
UZTUR Investment and Development	Subsidiary	Uzbekistan
Workindo Teknoloji ve İnsan Kaynakları Danışmanlık A.Ş. (*)	Subsidiary	Turkey
Yeşilçay Enerji Elektrik Üretim Sanayi ve Ticaret Anonim Şirketi	Subsidiary	Turkey
Yeşilırmak Elektrik Dağıtım Anonim Şirketi	Subsidiary	Turkey
Yeşilırmak Elektrik Perakende Satış Anonim Şirketi	Subsidiary	Turkey
Dtm Enerji Yatırımları Adi Ortaklığı (*)	Joint venture	Turkey
Pkn Enerji Hizmetleri Adi Ortaklığı (*)	Joint venture	Turkey
CYK Enerji Adi Ortaklığı (**)	Joint venture	Turkey
Eurokos Dd L.L.C(*) (**)	Subsidiary	Kosovo
Jasper Trading (*) (**)	Subsidiary	Poland
Çalık Enerji Japan G.K (*) (**)	Subsidiary	Japan

(*) Çalık Georgia LLC, ÇL Enerji Üretim ve İnşaat A.Ş., Saudi Jalik Energy Company, Workindo Teknoloji ve İnsan Kaynakları Danışmalık A.Ş., Jasper Trading, DTM Enerji Yatırımları Adi Ortaklığı, PKN Enerji Yatırımları Adi Ortaklığı, Çalık Enerji Japan G.K ve Eurokos D.d L.L.C subsidiaries/joint ventures of the Group, are in start up phase or non operating and are not consolidated due to the insignificance of their financial impact on the consolidated financial statements as at and for the period ended 31 December 2021.

(**) The company was established in 2021.

ÇALIK HOLDİNG ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

Notes to Consolidated Financial Statements As at and for the Year Ended 31 December 2021
(Amounts expressed in thousands of United States Dollar ("USD") unless otherwise stated.)

1 Reporting entity *(continued)*

1.1 Entities in energy segment *(continued)*

Adacami Enerji

Adacami Enerji was established in December 2009, for the purpose of renting and operating electricity facility and selling electricity.

Ant Enerji

Ant Enerji was established in 2006, in Istanbul for the purpose of marketing, selling and distribution of energy.

Atayurt İnşaat

Atayurt İnşaat was established in 2009 for the purpose of building and operating energy power plants and providing operational and maintenance services to power plants. Atayurt İnşaat has opened a branch in Tripoli, Libya in 2014.

CE Solaire 1 SAS (“CE Solaire 1”)

CE Solaire 1 was established in the Democratic Republic of Congo in 2020 for electrical power plant construction and operation, electricity generation, electricity sales and marketing.

CE Solaire 2 SAS (“CE Solaire 1”)

CE Solaire 2 was established in the Democratic Republic of Congo in 2020 for electrical power plant construction and operation, electricity generation, electricity sales and marketing.

Çalık Elektrik Dağıtım A.Ş. (“ÇEDAŞ”)

ÇEDAŞ was established in 2010 according to legislations of Energy Market Regulatory Authority (“EMRA”) to distribute and sale of electricity and to invest in companies operating in these businesses.

DTM Enerji Yatırımları Adi Ortaklığı (“DTM Enerji”)

Çalık-Biskon Adi Ortaklığı was established 23 January 2020 for the purpose of providing goods and supplies. Çalık-Biskon belongs to Çalık Enerji ve Biskon Yapı A.Ş. companies.

The title of Çalık Biskon was changed to DTM Enerji Yatırımları Adi Ortaklığı.

Çalık Enerji Sanayi ve Ticaret Anonim Şirketi (“Çalık Enerji”)

Çalık Enerji was established in 1998 to conduct the Group's activities in the energy sector and to engage in the operation, exploration and production of natural gas and petroleum resources, shipment and selling of these resources to the international areas. Çalık Enerji has five branches namely Çalık Enerji Turkmenistan, Çalık Enerji Georgia, Çalık Enerji Libya, Çalık Enerji Uzbekistan and Çalık Enerji Iraq.

Calik Enerji Swiss AG (“Çalık Swiss”)

Calik Swiss was established on in 2017 in Switzerland for the purpose of the acquisition management and use of concessions of other rights as well as construction and maintenance of power plants and to provide services in the development of other group companies operating in the energy sector, especially in the electricity sector and in funding sources.

Çalık Georgia LLC (“Çalık Georgia”)

Çalık Georgia was established in 2015 in Tbilisi for the purpose of engineering, procurement, constructing (“EPC”) of the hydroelectric power plant and trading the electricity produced in Georgia. As of reporting date, Çalık Georgia is non-operating.

Çalık Limak Adi Ortaklığı (“Çalık Limak”)

Çalık Limak Adi Ortaklığı was established in 2013 as a joint venture of ÇEDAŞ and Limak Yatırım Enerji Üretim İşletme Hizmetleri ve İnşaat Anonim Şirketi (“Limak Yatırım”), in Istanbul for the purpose of supplying all kind of technical equipments to Kosovo Electricity Distribution and Supply Company ISC fully owned by Kosovo Çalık Limak Energy which is also a joint venture of Çalık Enerji and Limak Yatırım.

ÇALIK HOLDİNG ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

Notes to Consolidated Financial Statements As at and for the Year Ended 31 December 2021
(Amounts expressed in thousands of United States Dollar ("USD") unless otherwise stated.)

1 Reporting entity *(continued)*

1.1 Entities in energy segment *(continued)*

Çalık Rüzgar Enerjisi Elektrik Üretim Limited Şirketi (“Çalık Rüzgar”)

Çalık Rüzgar was established in 1994 for the purpose of building and operating of electricity power plants, production, selling and marketing of electricity.

ÇL Enerji Üretim ve İnşaat A.Ş. (“ÇL Enerji”)

ÇL Enerji was established by Çalık Enerji and Limak İnşaat on 03.10.2019 for the purpose of engaging in energy and contracting activities. As of the reporting date, the company is non-operating.

Demircili Rüzgar Enerjisi Elektrik Üretim A.Ş. (“Demircili Rüzgar”)

Demircili Rüzgar was established in 2017 in Istanbul, for the purpose of establishing electric production facility, operating, renting it and producing electric energy and or selling it to customers.

Eurokos Dd. L.L.C. (“Eurokos”)

Eurokos Dd L.L.C. was established in the Republic of Kosovo in 2021 for electrical power plant construction and operation, electricity generation, electricity sales and marketing.

PKN Enerji Hizmetleri Adi Ortaklığı (“PKN Enerji”)

Denge Çalık NTF Adi Ortaklığı was established 23 january 2020 for the purpose of providing goods and supplies. Denge Çalık NTF belongs to Çalık Enerji ve Denge Reklam San. Ve Tic. Ltd companies.

The title of Denge-Çalık NTF was changed to PKN Enerji Hizmetleri Adi Ortaklığı.

Doğu Aras Enerji Yatırımları Anonim Şirketi (“Doğu Aras”)

Doğu Aras was founded in accordance with the energy market regulations as a joint venture with a joint agreement between ÇED and Kiler Alışveriş Hizmetleri Gıda Sanayi Ticaret Anonim Şirketi (“Kiler Alışveriş”) on 5 May 2013 with the participation of these two companies by 50 percent and 50 percent , respectively, for the purpose of establishing and participating to the companies that are engaged in distribution, retail and wholesale of electricity energy and/or capacity, assigning management of these established and participated companies, providing consultancy services on technical, financial, information processing and human resources management issues and making industrial and commercial investments through this companies.

On 28 June 2013, Doğu Aras purchased all shares of Aras Elektrik Dağıtım Anonim Şirketi (“EDAŞ”) and Aras Elektrik Perakende Satış Anonim Şirketi (“EPAŞ”), which were previously state-owned companies operating in electricity distribution and procurement in cities Kars, Ardahan, Iğdır, Erzinan, Ağrı, Bayburt and Erzurum, within the privatisation.

Jasper Trading (“Jasper Trading”)

Jasper Trading was established on 30 November 2021 in the Poland. As at the reporting date, the Company is nonoperating.

JSC Calik Georgia Wind (“JSC Georgia”)

JSC Georgia was established in 2015 in Tbilisi for the purpose of developing energy infrastructure and sponsoring of development of solar and wind power plant projects through finance, construction and long term operating of power plants.

ÇALIK HOLDİNG ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

Notes to Consolidated Financial Statements As at and for the Year Ended 31 December 2021
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1 Reporting entity (continued)

1.1 Entities in energy segment (continued)

Kızılırmak Enerji Elektrik Anonim Şirketi ("Kızılırmak")

Kızılırmak was established in 2005 in Istanbul for the purpose of importing, exporting, distributing and operating all kinds of natural gas, crude oil and derivatives of these products.

Kosova Çalık Limak Energy Sh.A. ("KÇLE")

KÇLE was established as a joint venture with a joint agreement between Çalık Enerji, ÇEDAŞ and Limak Yatırım on 17 September 2012 with the participation these three companies by 25 percent, 25 percent and 50 percent, respectively, in the share capital of KÇLE.

In 2015, shares of KÇLE representing 25 percent of all shares, held by ÇEDAŞ have been transferred to Çalık Enerji. On May 8, 2013, KÇLE purchased all shares of state-owned enterprise namely Kompania Per Distribuim Dhe Fumizim Me Energji Elektrike SH.A ("KEDS") which is operating in electricity distribution and procurement of electricity in Kosovo.

LC Electricity Supply and Trading d.o.o ("LC Electricity")

LC Electricity was founded in Serbia in 2014 as a joint venture with a joint agreement between Türkmen Elektrik and Limak Yatırım with the participation of these two companies equally by 50 percent. The purpose of LC Electricity is trading electricity and sales/purchases of goods and services as part of this operation.

Momentum Enerji Elektrik Üretim Sanayi ve Ticaret Anonim Şirketi ("Momentum Enerji")

Momentum Enerji was established in 2008 for the purpose of building and operating of electricity power plant, producing, selling and marketing of electricity.

Onyx Trading Innovation FZE ("Onyx Trading Innovation FZE")

Onyx Trading was established in Dubai in 2016.

Saudi Jalik Energy Company ("Saudi Jalik")

Saudi Jalik Energy Company was established in 2019 to operate building and construction projects. As of the reporting date, the Company is non-operating.

Taşkent Merkez Park Gayrimenkul Yatırım A.Ş ("Taşkent Merkez")

Taşkent Merkez Park was established in 2018 and its main activity is the construction of residential buildings.

TCB İnşaat Yatırım Anonim Şirketi ("TCB İnşaat")

TCB İnşaat Yatırım Anonim Şirketi was established in 2014 and its main activity is to do construction, contracting and decoration works in domestic and abroad.

Technological Energy N.V. ("Technological Energy")

Technological Energy was established in The Netherlands in 2016.

Çalık Proje Mühendislik A.Ş. ("Çalık Mühendislik")

Çalık Proje Mühendislik A.Ş. was established in 1994, in Ankara to provide machinery and civil engineering and consulting services. 90,00% of the Company's shares were acquired by Çalık Enerji in 2015 for the purpose of providing engineering and consultancy services to Group entities.

The title of Technovision was changed to Çalık Proje Mühendislik A.Ş.

ÇALIK HOLDİNG ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

Notes to Consolidated Financial Statements As at and for the Year Ended 31 December 2021
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1 Reporting entity (continued)

1.1 Entities in energy segment (continued)

Türkmen'in Altın Asrı Elektrik Enerjisi Toptan Satış Anonim Şirketi ("Türkmen Elektrik")

Türkmen Elektrik was established in 2000, in Istanbul for the purpose of distributing and selling electricity.

UZTUR Investment and Development ("Uztur")

Uztur was established in Uzbekistan on 11.10.2019 for the purpose of carrying out real estate activities.

Workindo Teknoloji ve İnsan Kaynakları Danışmalık A.Ş. ("Workindo Teknoloji")

Workindo was established in 2019 in turkey for the purpose of the showing business activity in human resources, domestically and internationally to give workers supply employment services and carry out these services. As of the reporting date, the company is non-operating.

Yeşilçay Enerji Elektrik Üretim Sanayi ve Ticaret Anonim Şirketi ("Yeşilçay Enerji")

Yeşilçay Enerji was established in 2008 for the purpose of building and operating of electricity power plant, producing, selling and marketing of electricity. Yeşilçay Enerji also engages in exploration and production of mineral ore.

YEDAŞ

YEDAŞ was taken over by the Group in 2010 for 30 years with the scope of privatisation in order to distribute electricity energy in Samsun, Ordu, Amasya, Çorum and Sinop.

In accordance with the 3rd clause of 4628 numbered Energy Markets Code, electricity distribution companies must separate its distribution and retail operations from each other until 1 January 2013. In this regard, YEDAŞ that carried out the electricity distribution and retail sales operations in Samsun, Ordu, Amasya, Çorum and Sinop regions, unbundled its distribution and retail sales operations on 31 December 2012 and YEPAŞ started its operations on 1 January 2013.

YEPAŞ

In accordance with the 3rd clause of 4628 numbered Energy Markets Code, electricity distribution companies must separate its distribution and retail operations from each other until 1 January 2013. In this regard, YEDAŞ which was engaged in distribution and retail sale of electricity in Samsun, Ordu, Çorum, Amasya and Sinop regions, unbundled its distribution and retail operations on 31 December 2012. YEPAŞ was founded for retail sales of electricity and electricity related products by partial demerger of YEDAŞ as of 1 January 2013.

CYK Enerji Adi Ortaklığı ("CYK Enerji")

CYK Enerji Adi Ortaklığı was established in 29 April 2021 in Samsun for supply of goods and services related to electricity distribution business.

Çalık Enerji Japan G.K. ("Çalık Japan")

Çalık Enerji Japan G.K was established in 25 February 2021 in Japan. The company is inactive as of the raporting date.

ÇALIK HOLDİNG ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

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1 Reporting entity (continued)

1.2 Entities in construction segment

Company name	Type of partnership	Country
Çalık İnşaat Anonim Şirketi (“Çalık İnşaat”)	Subsidiary	Turkey
Gap Construction Co.	Subsidiary	Libya
Gap Construction Investment and Foreign Trade LLC-Qatar (“Gap İnşaat Katar”)	Subsidiary	Qatar
Gap İnşaat Construction and Investment Co. Ltd. (“Gap İnşaat Sudan”)	Subsidiary	Sudan
Gap İnşaat Ukraine Ltd. (“Gap İnşaat Ukrayna”)	Subsidiary	Ukraine
Gap İnşaat Yatırım ve Dış Ticaret Anonim Lirketi (“Gap İnşaat”)	Subsidiary	Turkey
Gap İnşaat Dubai FZE	Subsidiary	UAE
Innovative Construction Technologies Trading FZE (“Innovative Construction”)	Subsidiary	UAE
Kentsel Dönüşüm İnşaat Anonim Şirketi	Subsidiary	Turkey
White Construction N.V.	Subsidiary	The Netherlands
OOO Gap İnşaat ^(*)	Subsidiary	Russia
Deutsche Tiefbau Gesellschaft für Infrastrukturentwicklung mbH (“Deutsche Tiefbau”) ^(*)	Subsidiary	Germany

(*) The company was established in 2021.

Gap İnşaat

Gap İnşaat was established in 1996 in Istanbul, Turkey in order to provide construction, contracting and decoration businesses both within Turkey and abroad. Gap İnşaat also operates in mining of all kinds of minerals, marble, lime, clay, coal and stone quarries and trading of stone cutter, spare parts and glazed ceramic tiles both within the country and abroad provided that the necessary permits are granted. Gap İnşaat has two branches in Turkmenistan and Qatar in order to carry out various construction projects.

Gap İnşaat Sudan, Gap Libya, Kentsel Dönüşüm, Çalık İnşaat, Gap İnşaat Qatar, Gap İnşaat Ukraine, White Construction and Innovative Construction, OOO Gap Construction and Deutsche Tiefbau.

As subsidiaries of Gap İnşaat; Gap İnşaat Sudan, Gap İnşaat Libya, Kentsel Dönüşüm, Çalık İnşaat, Gap İnşaat Qatar, Gap İnşaat Ukraine, White Construction and Innovative Construction, OOO Gap Insaat and Deutsche Tiefbau were established for the purpose of engaging in construction projects in the countries where they operate.

Gap İnşaat and its subsidiaries will be referred as the “Group”.

ÇALIK HOLDİNG ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

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1 Reporting entity (continued)

1.3 Entities in textile segment

Company names	Type of partnership	Country
Balkan Dokuma TG PJ (“Balkan Dokuma”)	Associate	Turkmenistan
Calik Denim B.V. (“Calik Denim”)	Subsidiary	The Netherlands
Çalık Alexandria For Readymade Garments (“Çalık Alexandria”)	Subsidiary	Egypt
Çalık Denim Tekstil Sanayi ve Ticaret Anonim Şirketi (“Çalık Denim”)	Subsidiary	Turkey
Gap Türkmen-Türkmenbaşı Jeans Kompleksi (“TJK”)	Associate	Turkmenistan
Malatya Boya ve Emprime Anonim Şirketi (“Malatya Boya”)	Subsidiary	Turkey
Serdar Pamuk Egrigi Fabrigi ÇJB (“Serdar Pamuk”)	Associate	Turkmenistan
Türkmenbaşı Tekstil Kompleksi (“TTK”)	Associate	Turkmenistan

Balkan Dokuma

Balkan Dokuma was established in 2000 in Turkmenistan for the purpose of manufacturing and marketing yarn.

Calik Denim

Calik Denim was established in 2017 in the Netherlands for the purpose of trading and marketing textile products and provide services in the development of other group companies operating in the textile sector.

Çalık Alexandria

Çalık Alexandria was established in 2006 in Egypt for the purpose of engaging in the business of manufacturing and marketing ready wear, yarn and textures.

Çalık Denim

Çalık Denim, formerly known as Gap Güneydoğu Tekstil Sanayi ve Ticaret Anonim Şirketi, was established in 1987, in Turkey and conducts its production operation in Malatya Industrial Area. Çalık Denim has a branch, namely Gap Güneydoğu Mersin Free Zone that is engaged in the importing and exporting of textile products.

TJK

TJK was established as a joint venture of Çalık Denim and the Ministry of Textiles Industry of Turkmenistan in 1995 within the frame of Turkmenistan regulations for the purpose of yarn and denim fabric production and marketing. TJK has a denim fabric and jean factory and makes domestic and foreign sales to USA and European countries.

Malatya Boya

Malatya Boya Emprime Factory was established in 1997 in Malatya, Turkey. The Company maintains fabric dyeing process since 2007. The company is acquired by Çalık Denim on 31 August 2017 which is a subsidiary of Çalık Group.

Serdar Pamuk and TTK

Serdar Pamuk and TTK were established in Turkmenistan for the purpose of producing denim fabric in textile industry.

ÇALIK HOLDİNG ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

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1 Reporting entity (continued)

1.4 Entities in marketing segment

Company name	Type of partnership	Country
Gap Pazarlama Anonim Şirketi	Subsidiary	Turkey
Gap Pazarlama FZE Jebel Ali Free Zone	Subsidiary	UAE
Gappa Textile Inc. ^(*)	Subsidiary	USA
Tura Moda Mağazacılık ve Elektronik Tic. A.Ş.	Subsidiary	Turkey

(*) As of the reporting date, the company is non-operating.

Gap Pazarlama

Gap Pazarlama was established in 1994 in order to supply goods used in the production and the domestic or foreign projects carried out mainly by the Group and other non-group companies. Gap Pazarlama has a branch in Mersin Free Zone, which is engaged in the importation and exportation of textile products.

Gap Pazarlama FZE

Gap Pazarlama FZE was established in 2004 in United Arab Emirates (“UAE”) for the purpose of importing and exporting of trading goods.

Gappa

Gappa Textile Inc. was established to operate in the international markets for selling of the home textiles and ready-to-wear garments. As of the reporting date, the company is non-operating.

Tura Moda

On 2 January 2018, all shares of Tura Moda (named “Tura Madencilik Anonim Şirketi” before) belonging Çalık Holding were transferred to Gap Pazarlama at nominal values. The name of the company has been changed to “Tura Moda” on 4 May 2018.

1.5 Entities in telecommunication segment

Company name	Type of partnership	Country
Albtelecom Sh.a. (“Albtelecom”)	Subsidiary	Albania
Cetel Telekom İletişim Sanayi ve Ticaret Anonim Şirketi. (“Cetel Telekom”)	Subsidiary	Turkey

Albtelecom

Albtelecom was established in 1992 with a company name Albtelecom Telekom Shqiptar and transformed into a joint-stock company on 23 February 1999. Until 28 September 2007, Government of Albania as represented by the Ministry of Economy, Trade and Energy was the sole shareholder of the company. As of 28 September 2007, CT Telecom Sh.a, a former subsidiary of Cetel Telekom acquired 76 percent of the Albtelecom’s share capital. Albtelecom is the unique national operator providing wired telephone service in Albania. In 2013, CT Telecom Sh.a merged with Albtelecom under Albtelecom.

Albtelecom merged with its subsidiary Eagle Mobile Sh.a, which provides local, mobile and terrestrial communication services in Albania, on 1 February 2013.

Cetel Telekom

Cetel Telekom was established in 2007 in Istanbul. The principal activities are telecommunication, multimedia, internet and data transportation.

ÇALIK HOLDİNG ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

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1 Reporting entity (continued)

1.6 Entities in banking and finance segment

Company name	Type of partnership	Country
Aktif Yatırım Bankası Anonim Şirketi (“Aktifbank”)	Subsidiary	Turkey
Aktif Yatırım Bankası Sukuk Varlık Kiralama Anonim Şirketi	Associate	Turkey
Aktif Fortis Enerji Anonim Şirketi (“Aktif Fortis”) (*)	Associate	Turkey
Aktif Ventures Teknoloji ve Pazarlama Anonim Şirketi (*)	Subsidiary	Turkey
Akuamarin Solar Enerji Üretim Anonim Şirketi	Subsidiary	Turkey
Albania Leasing Company ^(**)	Associate	Albania
Ametist Solar Enerji Üretim Anonim Şirketi	Subsidiary	Turkey
Attivo Bilişim Anonim Şirketi	Subsidiary	Turkey
Aytaş Solar Enerji Üretim Anonim Şirketi	Subsidiary	Turkey
Banka Kombëtare Tregtare Kosovë JSC	Subsidiary	Kosovo
Banka Kombetare Tregtare Sh.a	Subsidiary	Albania
Cydev Investment Ltd.	Associate	TRNC
Çiğdem Solar Enerji Üretim Anonim Şirketi	Subsidiary	Turkey
Defne Solar Enerji Üretim Anonim Şirketi	Subsidiary	Turkey
Deniz Güneş Enerjisi Üretimi Anonim Şirketi	Subsidiary	Turkey
Dome Zero Inc	Associate	USA
Duru Güneş Enerjisi Üretimi Anonim Şirketi	Subsidiary	Turkey
E-Kent Geçiş Sistemleri ve Biletleme Teknolojileri Anonim Şirketi	Subsidiary	Turkey
Eko Biokütle Enerji Üretim Anonim Şirketi	Subsidiary	Turkey
Emlak Girişim Danışmanlığı Anonim Şirketi	Subsidiary	Turkey
Emyap Development Limited	Associate	TRNC
E-post Elektronik Perakende Otomasyon Satış Ticaret Anonim Şirketi	Subsidiary	Turkey
Esen Güneş Enerjisi Üretim Anonim Şirketi	Subsidiary	Turkey
Euroasian Leasing Company (“ELC”)	Associate	Tatarstan-Russia
Euro-Mediterranean Investment Company Limited (“Euro-Mediterranean”)	Associate	TRNC
Gelincik Solar Enerji Üretim Anonim Şirketi.	Subsidiary	Turkey
Güneştaş Solar Enerji Üretim Anonim Şirketi	Subsidiary	Turkey
Halk Yenilenebilir Enerji Anonim Şirketi	Associate	Turkey
HMC Digital	Joint venture	Turkey
Idea Farm Ventures Limited	Associate	UAE
İnovaban İnovasyon ve Finansal Danışmanlık Anonim Şirketi	Subsidiary	Turkey
İpek Güneş Enerjisi Üretim Anonim Şirketi	Subsidiary	Turkey
Kaplan Gözü Solar Enerji Üretim Anonim Şirketi	Subsidiary	Turkey
Kasımpa Solar Enerji Üretim Anonim Şirketi	Subsidiary	Turkey
Kazakhstan İjara Company KIC Leasing (“Kazakhstan İjara”)	Associate	Kazakhstan
Kıbrıs Besicilik ve Çiftçilik Teşebbüsleri Limited	Associate	TRNC
Kuvars Solar Enerji Üretim Anonim Şirketi	Subsidiary	Turkey
Lapis Solar Enerji Üretim Anonim Şirketi	Subsidiary	Turkey
Leylak Solar Enerji Üretim Anonim Şirketi	Subsidiary	Turkey
Lilyum Solar Enerji Üretim Anonim Şirketi	Subsidiary	Turkey
Martı Solar Enerji Üretim Anonim Şirketi	Subsidiary	Turkey
Mehtap Güneş Enerjisi Üretim Anonim Şirketi	Subsidiary	Turkey
Mercan Solar Enerji Üretim Anonim Şirketi	Subsidiary	Turkey
Mükafat Portföy Yönetimi Anonim Şirketi (“Mükafat Portföy”)	Subsidiary	Turkey
Nilüfer Solar Enerji Üretim Anonim Şirketi	Subsidiary	Turkey
N-Kolay Ödeme Kuruluşu Anonim Şirketi	Subsidiary	Turkey
Oniki Teknoloji A.Ş. ^(**)	Subsidiary	Turkey
Oniks Solar Enerji Üretim Anonim Şirketi	Subsidiary	Turkey
Opal Solar Enerji Üretim Anonim Şirketi	Subsidiary	Turkey
Passo Spor Oyunları Kulübü Yazılım ve Pazarlama A.Ş.	Subsidiary	Turkey
Pavo Teknik Servis Elektrik ve Elektronik Sanayi ve Ticaret Anonim Şirketi	Subsidiary	Turkey
Secom Aktif Elektronik Güvenlik Çözümleri A.Ş.	Associate	Turkey
Secom Aktif Güvenlik Yatırım Anonim Şirketi	Associate	Turkey
Seher Güneş Enerjisi Üretim Anonim Şirketi	Subsidiary	Turkey
Sigortayeri Sigorta ve Reasürans Brokerliği Anonim Şirketi (“Sigortayeri”)	Subsidiary	Turkey
Silent Valley Partnership	Associate	TRNC
Tanyeri Güneş Enerjisi Üretim Anonim Şirketi	Subsidiary	Turkey
Tasfiye Halinde Haliç Finansal Kiralama A.Ş.	Associate	Turkey
Turkuvaz Solar Enerji Üretim Anonim Şirketi	Subsidiary	Turkey
Ufuk Güneş Enerjisi Üretim Anonim Şirketi	Subsidiary	Turkey
UPT Ödeme Hizmetleri Anonim Şirketi	Subsidiary	Turkey
Yakamoz Güneş Enerjisi Üretim Anonim Şirketi	Subsidiary	Turkey

(*) The company was established in 2021.

(**) As of the reporting date, the Company is non-operating.

ÇALIK HOLDİNG ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

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1 Reporting entity (continued)

1.6 Entities in banking and finance segment (continued)

Aktifbank

Aktifbank was founded as an investment and development bank in 1999 for the purpose of providing all kind of transactions related with investment, project finance and marketable securities and also to provide all kinds of investment banking services. However, Aktifbank is not authorised to accept deposits.

Name of Aktifbank was changed to “Aktif Yatırım Bankası Anonim Şirketi” from “Çalık Yatırım Bankası Anonim Şirketi” on 1 August 2008.

Aktif Yatırım Bankası Sukuk Varlık Kiralama Anonim Şirketi (“Aktif VKŞ”)

Aktif VKŞ was established in 2013 in Istanbul for the purpose of issuing rent certificate in accordance with the relevant regulations promulgated by Capital Market Board of Turkey.

Aktif Fortis Enerji Anonim Şirketi (“Aktif Fortis”)

Aktif Fortis was established in Istanbul in 2021 to provide electricity generation services from biomass or gas obtained from biomass.

Aktif Ventures Teknoloji ve Pazarlama Anonim Şirketi (“Aktif Fortis”)

It was established in December 2021 in Istanbul as a FinTech startup founder. It creates personalized solutions by designing new financial technology products and introducing them to users and evaluating financial technology needs and opportunities in local markets.

Akuamarin Solar Enerji Üretim Anonim Şirketi (“Akuamarin”)

Akuamarin was established in Istanbul in 2018 to provide solar power generation service. The power plant operates in Doğalar Village in Kütahya.

Albania Leasing

Main activity of Albania Leasing is financial leasing. As of the reporting date, Albania Leasing is non-operating.

Ametist Solar Enerji Üretim Anonim Şirketi (“Ametist Solar”)

Ametist Solar was established in 2018 in Istanbul in order to provide solar energy production services. The power plant operates in Çifteler Village in Eskişehir.

Attivo Bilişim Anonim Şirketi (“Attivo”)

Attivo, was established in in 2018 in Istanbul for the purpose of trading crypto-currencies.

Aytaşı Solar Enerji Üretim Anonim Şirketi (“Aytaşı”)

Aytaşı, was established in 2018 in Istanbul in order to provide solar energy production services. The power plant operates in Doğalar Village in Kütahya.

BKT

BKT was founded in 1998 by obtaining banking license and engages in banking activities in Albania.

BKT Kosovo

BKT Kosovo was opened in 2007 as a branch of BKT in Pristina. As of January 1, 2019, it has been transformed into a separate subsidiary.

Cydev Investment Ltd. (“CYDEV Investment”)

Cydev Investment was established in TRNC in 2016 and invests in the construction sector.

Çiğdem Solar Enerji Üretim Anonim Şirketi (“Çiğdem”)

Çiğdem, was established in 2017 in Istanbul in order to provide solar energy production services. The power plant operates in Karaalan Village in Eskişehir.

ÇALIK HOLDİNG ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

Notes to Consolidated Financial Statements As at and for the Year Ended 31 December 2021
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1 Reporting entity (continued)

Defne Solar Enerji Üretim Anonim Şirketi (“Defne”)

Defne, was established in 2017 in Istanbul for the purpose of providing solar energy services. The power plant operates in Doğalar Village in Kütahya.

Deniz Güneş Enerjisi Üretimi Anonim Şirketi (“Deniz Güneş Enerjisi”)

Deniz Güneş Enerjisi, was established in 2018 in Ankara for the purpose of providing solar energy services. The power plant operates in Çalkışla Village in Erzincan.

Dome Zero Inc (“Dome Zero”)

Dome Zero was established in the United States on December 7, 2016 and operates in industrial production.

Duru Güneş Enerjisi Üretimi Anonim Şirketi (“Duru”)

Duru, was established in 2018 in Ankara for the purpose of providing solar energy services. The power plant operates in Çalkışla Village in Erzincan.

E-Kent Geçiş Sistemleri ve Biletleme Teknolojileri Anonim Şirketi (“E-Kent”)

E-Kent was established in 2002 and its main activity is modernisation of public transportation and suggesting new electronic solutions about electronic ticket and prosecution system. E-Kent merged with Asset Aktif Sportif ve Sanatsal Etkinlik Hizmetleri Ticaret Anonim Şirketi under E-Kent on 29 December 2017.

Eko Biokütle Enerji Üretim Anonim Şirketi (“Eko Biokütle”)

Eko Biokütle, was established to operate in the field of bio energy in Istanbul in 2018. Feasibility and permit works are in progress for the establishment of the plant.

Emlak Girişim Danışmanlığı Anonim Şirketi (“Emlak Girişim”)

Emlak Girişim engages in real estate projects, structures and systems, and in this regard makes active counseling and guidance.

Emyap Development Limited (“Emyap Development”)

Emyap Development was established and operates in the construction sector in the TRNC in 2018.

E-Post Elektronik Perakende Otomasyon Satış ve Ticaret Anonim Şirketi (“E-Post”)

E-Post was established in order to provide personalized postcard design services via internet in Istanbul in 2009.

Esen Güneş Enerjisi Üretim Anonim Şirketi (“Esen”)

Esen, was established in 2018 in Ankara for the purpose of providing solar energy services. The power plant operates in Çalkışla Village in Erzincan.

Euroasian Leasing Company (“ELC”)

Euroasian Leasing Company was established in Tatarstan-Russia to provide leasing solutions to the SME sector in accordance with the Islamic principles.

Euro-Mediterranean

Euro-Mediterranean was established in 2015 for the purpose of portfolio management in Northern Cyprus Turkish Republic.

Gelincik Solar Enerji Üretim Anonim Şirketi (“Gelincik”)

Gelincik was established in order to provide solar power production service in Istanbul in 2017. The power plant operates in Karaalan Village in Eskişehir.

ÇALIK HOLDİNG ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

Notes to Consolidated Financial Statements As at and for the Year Ended 31 December 2021
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1 Reporting Entity *(continued)*

1.6 Entities in banking and finance segment *(continued)*

Güneştaşı Solar Enerji Üretim Anonim Şirketi (“Güneştaşı”)

Güneştaşı was established in order to provide solar power production service in Istanbul in 2018. The power plant operates in Doğalar Village in Kütahya.

Tasfiye Halinde Haliç Finansal Kiralama Anonim Şirketi (“Haliç”)

Haliç Leasing was established in 2004, in Turkey for the purpose of operating in financial leasing sector. 32 percent of the Haliç Leasing’s shares were acquired by the Group on 11 October 2016.

Halk Yenilebilir Enerji Anonim Şirketi (“Halk Yenilenebilir”)

The Company was established in 2017, in Ankara for the purpose of establishing and providing maintenance-repair services to power generation plants.

HMC Digital

HMC Digital is a joint venture signed between Kırmızı Elmas Enerji Ve Alt Yapı Yat. A.Ş. (Mitsubishi Corp.), Emlak Girişim and Hitachi Europe Ltd. It was established in Istanbul on August 13, 2020 and operates in the field of biometric recognition and identity verification technologies, crypto signing and cyber security solutions.

Idea Farm Ventures Limited (“Idea Farm”)

Idea Farm was founded in 2016 in the UAE and operates in investment activities.

İnovaban İnovasyon ve Finansal Danışmanlık Anonim Şirketi (“İnovaban İnovasyon”)

İnovaban İnovasyon, was established in 2018 in Istanbul for the purpose of providing financial consulting and developing projects in R&D fields.

İpek Güneş Enerjisi Üretim Anonim Şirketi (“İpek”)

İpek, was established in 2018 in Ankara for the purpose of providing solar energy services. The power plant operates in Çalkışla Village in Erzincan.

Kaplan Gözü Solar Enerji Üretim Anonim Şirketi (“Kaplan Gözü”)

Kaplangözü was established in 2018 in Istanbul for the purpose of providing solar energy services. The power plant operates in Doğalar Village in Kütahya.

Kasımpatı Solar Enerji Üretim Anonim Şirketi (“Kasımpatı”)

Kasımpatı was established in 2018 in Istanbul for the purpose of providing solar energy services. The power plant operates in Akkaynak Village in Ankara.

Kazakhstan İjara

Kazakhstan İjara Company KIC Leasing was established in 2013, in Kazakhstan for the purpose of operating in financial leasing sector.

Kıbrıs Besicilik ve Çiftçilik Teşebbüsleri Limited (“Kıbrıs Besicilik”)

Kıbrıs Besicilik was established and operates in livestock and agriculture in TRNC in 2018.

Kuvars Solar Enerji Üretim Anonim Şirketi (“Kuvars”)

Kuvars was established in 2018 in Istanbul for the purpose of providing solar energy services. The power plant operates in Değişören in Eskişehir.

Lapis Solar Enerji Üretim Anonim Şirketi (“Lapis”)

Lapis was established in 2018 in Istanbul for the purpose of providing solar energy services. The power plant operates in Çifteler in Eskişehir.

Leylak Solar Enerji Üretim Anonim Şirketi (“Leylak”)

Leylak, established in 2017 in Istanbul for the purpose of providing solar energy services. The power plant operates in Karaalan in Eskişehir.

ÇALIK HOLDİNG ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

Notes to Consolidated Financial Statements As at and for the Year Ended 31 December 2021
(Amounts expressed in thousands of United States Dollar ("USD") unless otherwise stated.)

1 Reporting Entity *(continued)*

1.6 Entities in banking and finance segment *(continued)*

Lilyum Solar Enerji Üretim Anonim Şirketi (“Lilyum”)

Lilyum, established in 2017 in Istanbul for the purpose of providing solar energy services. The power plant operates in Karaalan in Eskişehir.

Martı Solar Enerji Üretim Anonim Şirketi (“Martı”)

Martı, was established in 2018 in Istanbul for the purpose of providing solar energy services. The power plant operates in Akkaynak Village in Ankara.

Mehtap Güneş Enerjisi Üretim Anonim Şirketi (“Mehtap”)

Mehtap, was established in 2018 in Ankara for the purpose of providing solar energy services. The power plant operates in Çalkışla Village in Erzincan.

Mercan Solar Enerji Üretim Anonim Şirketi (“Mercan”)

Mercan, was established in 2018 in Istanbul for the purpose of providing solar energy services. The power plant operates in Akkaynak Village in Ankara.

Mükafat Portföy

Mükafat Portföy is established to operate in the field of portfolio management in 2016.

Nilüfer Solar Enerji Üretim Anonim Şirketi (“Nilüfer”)

Nilüfer, was established in 2018 in Istanbul for the purpose of providing solar energy services. The power plant operates in Akkaynak Village in Ankara.

N-Kolay Ödeme Sistemleri Anonim Şirketi (“N-Kolay”)

N-Kolay was established in 2014 in Istanbul for the purpose of providing bill payment point service to its customers.

Oniki Teknoloji A.Ş. (“Oniki Teknoloji”)

E-Post Dış Ticaret, was established in order to provide intermediary services in domestic and foreign trade in Istanbul in 2018. The Company's title was changed to “Oniki Teknoloji A.Ş.” in 2019. As of the reporting date, the company is non-operating.

Oniks Solar Enerji Üretim Anonim Şirketi (“Oniks”)

Oniks, established in 2018 in Istanbul for the purpose of providing solar energy services. The power plant operates in Çifteler in Eskişehir.

Opal Solar Enerji Üretim Anonim Şirketi (“Opal”)

Opal, established in 2018 in Istanbul for the purpose of providing solar energy services. The power plant operates in Çifteler in Eskişehir.

Passo Spor Oyunları Kulübü Yazılım ve Pazarlama A.Ş. (“Passo Spor”)

Passo Spor was established in 2019 within the body of E-Kent Geçiş Sistemleri ve Biletleme Teknolojileri Anonim Şirketi in order to engage in software development and marketing activities.

Pavo Teknik Servis Elektrik ve Elektronik Sanayi ve Ticaret Anonim Şirketi (“Pavo”)

Pavo operates in the area of new generation payment recorders import, manufacture, sales and technical services.

Secom Aktif Elektronik Güvenlik Çözümleri A.Ş. (“Secom Aktif Güvenlik”)

Secom Aktif Güvenlik, whose previous title was Kent Güvenlik Sistemleri Elektronik İnşaat Sanayi ve Ticaret A.Ş. has been purchased by Secom Aktif Güvenlik Yatırım A.Ş. on March 31, 2019.

ÇALIK HOLDİNG ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

Notes to Consolidated Financial Statements As at and for the Year Ended 31 December 2021
(Amounts expressed in thousands of United States Dollar ("USD") unless otherwise stated.)

1 Reporting Entity (continued)

1.6 Entities in banking and finance segment (continued)

Secom Aktif Güvenlik Yatırım Anonim Şirketi (“Secom Aktif Yatırım”)

Secom Aktif Yatırım was established on February 28, 2019 in order to engage in electronic security solutions.

Seher Güneş Enerjisi Üretim Anonim Şirketi (“Seher”)

Seher, was established in 2018 in Ankara for the purpose of providing solar energy services. The power plant operates in Çalkışla Village in Erzincan.

Sigortayeri

Sigortayeri provides insurance products through the virtual and physical multi-channel structure that are shaped according to the needs of potential policyholders in order to operate insurance brokerage.

Silent Valley Partnership (“Silent Valley”)

Silent Valley was established and operates in the construction sector in the TRNC in 2016.

Tanyeri Güneş Enerjisi Üretim Anonim Şirketi (“Tanyeri”)

Tanyeri, was established in 2018 in Ankara for the purpose of providing solar energy services. The power plant operates in Çalkışla Village in Erzincan.

Turkuvaz Solar Enerji Üretim Anonim Şirketi (“Turkuvaz”)

Turkuvaz, was established in 2018 in Istanbul for the purpose of providing solar energy services. The power plant operates in Doğalar in Kütahya.

Ufuk Güneş Enerjisi Üretim Anonim Şirketi (“Ufuk”)

Ufuk, was established in 2018 in Ankara for the purpose of providing solar energy services. The power plant operates in Çalkışla Village in Erzincan.

UPT Ödeme Hizmetleri Anonim Şirketi (“UPT”)

UPT was established for the purpose of electronic money transfer and payment services.

Yakamoz Güneş Enerjisi Üretim Anonim Şirketi (“Yakamoz”)

Yakamoz, was established in 2018 in Ankara for the purpose of providing solar energy services. The power plant operates in Çalkışla Village in Erzincan.

ÇALIK HOLDİNG ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

Notes to Consolidated Financial Statements As at and for the Year Ended 31 December 2021
(Amounts expressed in thousands of United States Dollar ("USD") unless otherwise stated.)

1 Reporting entity (continued)

1.7 Entities in other segments

Company name	Type of partnership	Country
Amethyst Holding N.V.	Subsidiary	The Netherlands
Artmin Madencilik Sanayi ve Ticaret Anonim Şirketi	Subsidiary	Turkey
Bakırtepe Madencilik ve Sanayi ve Ticaret Anonim Şirketi (*)	Associate	Turkey
Başak Yönetim Sistemleri Anonim Şirketi	Subsidiary	Turkey
Çalık Dijital ve Bilişim Hizmetleri Anonim Şirketi	Subsidiary	Turkey
Çalık Hava Taşımacılık Turizm Sanayi ve Ticaret Anonim Şirketi	Subsidiary	Turkey
Çalık Pamuk Doğal ve Sentetik Elyaf Ticaret Anonim Şirketi	Subsidiary	Turkey
Çalık Tarım Ürünleri Lisanlı Depoculuk Anonim Şirketi	Subsidiary	Turkey
Irmak Yönetim Sistemleri Anonim Şirketi	Subsidiary	Turkey
İkideniz Petrol ve Gaz Sanayi ve Ticaret Anonim Şirketi	Subsidiary	Turkey
Kartaltepe Madencilik Sanayi ve Ticaret Anonim Şirketi	Joint venture	Turkey
Lidya Aurasia	Subsidiary	Uzbekistan
Lidya Madencilik Sanayi ve Ticaret Anonim Şirketi	Subsidiary	Turkey
Lor Dافrique Sarlu (*)	Associate	Guinea
Nouvelle Frontiere SARL	Subsidiary	D.Congo
Polimetal Madencilik Sanayi ve Ticaret Anonim Şirketi (**)	Subsidiary	Turkey
Polimetal Mineral Madencilik Sanayi ve Ticaret Anonim Şirketi	Subsidiary	Turkey
Tunçpınar Madencilik Sanayi ve Ticaret Anonim Şirketi	Joint venture	Turkey
Çalık Petrol Arama Üretim Sanayi ve Ticaret A.Ş.	Subsidiary	Turkey

(*) The company joined the Group in 2021.

Amethyst Holding N.V. (“Amethyst”)

Amethyst was established in 2017 in the Netherlands for purpose of carrying out holding activities.

Artmin Madencilik Sanayi ve Ticaret Anonim Şirketi (“Artmin Madencilik”)

Artmin Madencilik (formerly known as AMG mineral Madencilik Anonim Şirketi) was established by AMG Mineral Inc in 2011 in Ankara for prospection and buying business licence, buying and selling mine site, managing and participating the mine tender. In 2015, the Group started to control the Artmin Madencilik by acquiring shares by 70 percent.

Bakırtepe Madencilik Sanayi ve Ticaret Anonim Şirketi (“Bakırtepe”)

Bakırtepe Madencilik San. ve Tic A.S. It was established in 2021. Headquartered in Ankara, the company operates in the Gümüşhane region. As of the reporting date, the ownership rates in Bakırtepe, a joint venture of Lidya Maden and Alacer, are 50% and 50%, respectively (31 December 2021: Lidya Maden: 50% Alacer: 50%).

Başak Yönetim Sistemleri Anonim Şirketi (“Başak Yönetim”)

Başak Yönetim was established in 2008 for the purpose of building and operating of electricity production facility and producing, selling and marketing of electricity with the name “Başak Enerji Elektrik Üretim Sanayi ve Ticaret Anonim Şirketi”. The former name of company, was changed on 11 April 2013 as “Başak Yönetim Sistemleri Anonim Şirketi”.

Çalık Dijital ve Bilişim Hizmetlerşi Anonim Şirketi (“Çalık Dijital)

Çalık Dijital (formerly known as Dore Altın ve Madencilik Anonim Şirketi) was established in 2010 in Istanbul for the purpose of mining, operating, purchasing and renting underground and surface mine and natural resources in accordance with existing regulations, to purchase prospecting license, to demand operating right and to take over mining rights. The former name of company, was changed on 8 December 2017 as Çalık Dijital ve Bilişim Hizmetlerşi Anonim Şirketi (“Çalık Dijital”).

ÇALIK HOLDİNG ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

Notes to Consolidated Financial Statements As at and for the Year Ended 31 December 2021
(Amounts expressed in thousands of United States Dollar ("USD") unless otherwise stated.)

1 Reporting entity (continued)

1.7 Entities in other segments (continued)

Çalık Hava Taşımacılık Turizm Sanayi ve Ticaret Anonim Şirketi (“Çalık Hava”)

Çalık Hava was established in 2010 in Istanbul for the purpose of providing every kind of air transportation activities, scheduled or unscheduled domestic and abroad air transportation, arranging passenger and freight cargo transportation.

Çalık Pamuk Doğal ve Sentetik Elyaf Ticaret Anonim Şirketi (“Çalık Pamuk”)

Çalık Pamuk started its operations under Çalık Holding in 2011. Çalık Pamuk beside trading cotton also provides consultancy services in all cotton related subjects. Çalık Pamuk procures cotton from both abroad and within Turkey mainly from USA and also from India, Central Asia, Africa, Greece and Turkish Southeast and provides services to cotton using textile companies both foreign and local companies.

Çalık Tarım Ürünleri ve Lisanslı Depoculuk Anonim Şirketi (“Çalık Tarım”)

Çalık Tarım was established in 2017 in order to provide licensed warehousing services for the conservation of agricultural products under the license and for the purpose of commercial storage.

Irmak Yönetim Sistemleri Anonim Şirketi (“Irmak Yönetim”)

Irmak Yönetim, formerly known as “Irmak Enerji Elektrik Üretim Madencilik Sanayi ve Ticaret Anonim Şirketi”, was established in 2008 for the purpose of building and operating electricity production facility and producing, selling and marketing of electricity. The name was changed on 11 April 2013 as “Irmak Yönetim Sistemleri Anonim Şirketi”.

İkideniz Petrol ve Gaz Sanayi ve Ticaret Anonim Şirketi (“İkideniz Petrol”)

İkideniz Petrol was established in 2008 for the purpose of importing, exporting, distributing, operating and production all kinds of crude oil.

Kartaltepe Madencilik Sanayi ve Ticaret Anonim Şirketi (“Kartaltepe”)

Kartaltepe was established in 2011 as a wholly owned subsidiary of YAMAS. Kartaltepe is registered in Ankara, Turkey and is engaged in the operation of mining in Erzincan region. As at reporting date, Kartaltepe is a joint venture of Lidya Madencilik Sanayi ve Ticaret Anonim Şirketi (“Lidya Maden”) and YAMAS with an ownership structure of 50 percent and 50 percent, respectively.

Lidya Aurasia

Lidya Aurasia was established by Lidya Maden in Uzbekistan on December 12, 2019.

Lidya Madencilik Sanayi ve Ticaret Anonim Şirketi (“Lidya Maden”)

Lidya Maden was established in 2006 in Istanbul to explore all kind of metal and mineral products and to participate in mining companies.

Lor Dafrique Sarlu (“Lor Dafrique”)

Lor Dafrique Sarlu was registered in 2021 with the aim of directly or indirectly conducting geological research studies, operating various mines and producing concentrates. The company is headquartered in Guinea.

Nouvelle Frontier SARL (“Nouvelle Frontiere”)

Nouvelle Frontiere was registered in 2019 with the purpose of conducting geological research studies directly or indirectly, operating various mines and producing concentrates. The head office of the company is in Democratic Republic of Congo.

ÇALIK HOLDİNG ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

Notes to Consolidated Financial Statements As at and for the Year Ended 31 December 2021
(Amounts expressed in thousands of United States Dollar ("USD") unless otherwise stated.)

1 Reporting entity (continued)

Polimetal Madencilik Sanayi ve Ticaret Anonim Şirketi (“Polimetal”)

Polimetal was incorporated in 2011 as a wholly owned subsidiary of Yeni Anadolu Mineral Madencilik Sanayi ve Ticaret Ltd. Şti. (“YAMAS”). Polimetal is registered in Ankara, Turkey and is engaged in the development and operation of mining assets. On 03.01.2020 Alacer Gold Madencilik A.Ş. left the partnership by transferring its shares to Lidya Maden and Lidya Maden's share in the company increased from 50% to 100%.

Polimetal Mineral Madencilik Sanayi ve Ticaret Anonim Şirketi (“Polimetal Mineral”)

Polimetal Mineral was established on 15 November 2016 to explore, develop and operate all kinds of mines.

Tunçpınar Madencilik Sanayi ve Ticaret Anonim Şirketi (“Tunçpınar”)

Tunçpınar was established in 2011 as a wholly owned subsidiary of YAMAS. Tunçpınar is registered in Ankara, Turkey and is engaged in the operation of mining in Tunceli region. As at reporting date, Tunçpınar is a joint venture of Lidya Maden and YAMAS with an ownership structure of 50 percent and 50 percent, respectively.

Çalık Petrol Arama Üretim Sanayi ve Ticaret A.Ş. (“Çalık Petrol”)

Çalık Petrol was founded in 2012 and the company was sold to family members in 2019. The company was purchased from family members on 31 December 2021. The company is registered in Ankara and is engaged in natural gas and oil, exploration, production, distribution, sale, transmission and trade. As of the reporting period, Çalık Petrol is 80% subsidiary of Çalık Holding A.Ş..

2 Basis of preparation

(a) Statement of compliance

Çalık Holding entities operating in Turkey maintain their books of account and prepare their statutory financial statements in Turkish Lira (“TL”) in accordance with the Accounting Practice Regulations as promulgated by the Banking Regulatory and Supervision Agency (“BRSA”) (applicable to the financial institutions), Turkish Uniform Chart of Accounts, Turkish Commercial Code and Tax Legislation.

Çalık Group’s foreign entities maintain their books of account and prepare their statutory financial statements in accordance with the related legislation and generally accepted accounting principles applicable in the countries they operate.

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standarts (“IFRS”).

Going concern

Consolidated financial statements have been prepared on the basis of going concern, assuming that the Company and its subsidiaries included in consolidation will benefit from its assets and fulfill its obligations in the natural flow of its activities in the next year.

b) Adjustment of the consolidated financial statements in high inflation periods

In the announcement published by the Public Oversight Accounting and Auditing Standards Authority on January 20, 2022, it is stated that TAS 29 Financial Reporting in Hyperinflationary Economies does not apply to the TFRS financial statements as of December 31, 2021, since the cumulative change in the general purchasing power of the last three years according to Consumer Price Index (CPI) is 74.41%. In this respect, consolidated financial statements as of December 31, 2021 are not adjusted for inflation in accordance with TAS 29.

With the “Law Amending the Tax Procedure Law and the Corporate Tax Law”, which was accepted on the agenda of the Turkish Grand National Assembly on January 20, 2022, the application of inflation accounting was postponed starting from the balance sheet dated on December 31, 2023.

ÇALIK HOLDİNG ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

Notes to Consolidated Financial Statements As at and for the Year Ended 31 December 2021
(Amounts expressed in thousands of United States Dollar ("USD") unless otherwise stated.)

2 Basis of preparation (continued)

c) Basis of Measurements

The consolidated financial statements have been prepared on the historical cost basis and for the Turkish entities as adjusted for the effects of inflation that lasted by 31 December 2004, except for the following:

- derivative financial instruments are measured at fair value,
- non-derivative financial assets at fair value OCI are measured at fair value
- assets and liabilities held for sale are measured at the lower of their carrying amount and fair value less costs to sell,
- non-derivative financial assets at fair value through profit or loss are measured at fair value,
- investment property is measured at fair value.

The methods used to measure the fair values are discussed further in Note 37.

(d) Functional and presentation currency

Çalık Holding determined its functional currency is Turkish Lira ("TL") as at 30 June 2018 and earlier. As of 1 July 2018, The Group's subsidiaries mainly operating in Energy and Construction sectors that are comprised significant part of Group's revenue has almost completed their projects in Turkey and focused on foreign projects. In addition, the main operation of the Company concentrated abroad where potential dividend income also can be obtained. In accordance with IAS 21 "The Effects of Changes in Foreign Exchange Rates" The Group management decided to change functional currency from TL to USD and it will be appropriate to apply as at 1 July 2018. The Company changed its functional currency into USD in accordance with IAS 21 "The Effects of Changes in Foreign Exchange Rates" due to intensification of the activities of the Group companies abroad and the changes in the dividend policies as of 1 July 2018.

The accompanying consolidated financial statements are presented in United States Dollar ("USD") except as otherwise indicated, financial information presented in USD has been rounded to the nearest thousand.

Financial statements prepared in US Dollars which is the current currency, have been translated into the reporting currency "TL" as described below;

As of 31 December 2021, balance sheet accounts have been issued by T.C. The Central Bank (TCMB), has been converted into TL with the US Dollar buying rate of 1 USD = 13,329 TL (31 December 2020: 1 USD = 7,3404 TL).

Profit or loss and other comprehensive income statements for the period ended 31 December 2021 have been converted to TL with an annual average of 1 USD = 8,8719 (31 December 2020: 1 USD = 7,0034 TL)

The translation differences resulting from the above translations are shown in the "foreign currency translation differences" account under the Comprehensive Income and Reclassified to Profit or Loss account group.

ÇALIK HOLDİNG ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

Notes to Consolidated Financial Statements As at and for the Year Ended 31 December 2021
(Amounts expressed in thousands of United States Dollar ("USD") unless otherwise stated.)

2 Basis of preparation (continued)

e) Use of estimates and judgements

The preparation of the consolidated financial statements in conformity with IFRSs requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

Information about significant areas at estimation uncertainty and critical judgment in applying accounting policies that have the most significant effect on the amounts recognised in the consolidated financial statements are described in the following notes:

- Note 3 (e) and (f) – Useful lives of property and equipment and intangible assets including goodwill
- Note 10 – Financial investments
- Note 12– Trade receivables and payables
- Note 16 – Prepayments and deferred revenue
- Note 21 – Investment property
- Note 25 – Derivatives
- Note 27 – Provisions
- Note 29 – Taxation
- Note 37 – Financial instruments – Fair values and risk management (including fair value explanations)

ÇALIK HOLDİNG ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

Notes to Consolidated Financial Statements As at and for the Year Ended 31 December 2021
(Amounts expressed in thousands of United States Dollar ("USD") unless otherwise stated.)

2 Basis of preparation (continued)

f) Comperative information and adjustment of prior period financial statements

Significant changes or material errors in accounting policies are adjusted retrospectively by rearranging the financial statements of the previous period. The effect of changes in accounting estimates affecting the current period has been recognized in the current period; The effects of changes in accounting estimates that affect current and future periods are recognized in the current and future periods.

The financial statements of the Group are prepared comparatively with the previous period in order to allow the determination of financial status and performance changes. Comparative information is reclassified when necessary and important differences are explained in order to comply with the presentation of the current period financial statements. The Group has made some classifications in the financial statements of the previous period in the current period. The nature and amounts of the classifications are described below.

In the consolidated financial statements for the year ended December 31, 2020, the following classifications have been made in order to comply with the presentation of the current period;

	31 December 2020		
	Previously reported	Revised	Reclassification
Short Term Financial Investments	1.692.761	1.427.561	(265.200)
Long Term Financial Investments	1.609.150	1.874.350	265.200
Total	3.301.911	3.301.911	--

Share investments in Anagold Madencilik Sanayi ve Ticaret A.Ş. amounting to USD 265.200 shown in the "Short-Term Financial Investments" account in previous years have been reclassified to the "Long-Term Financial Investments" account.

g) The new standards, amendments and interpretations

The accounting policies adopted in preparation of the consolidated financial statements as at December 31, 2021 are consistent with those of the previous financial year, except for the adoption of new and amended IFRS and IFRIC interpretations effective as of 1 January 2021 and thereafter. The effects of these standards and interpretations on the Group’s financial position and performance have been disclosed in the related paragraphs.

ÇALIK HOLDİNG ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

Notes to Consolidated Financial Statements As at and for the Year Ended 31 December 2021
(Amounts expressed in thousands of United States Dollar ("USD") unless otherwise stated.)

2 Basis of preparation (continued)

g) The new standards, amendments and interpretations (continued)

i)The new standards, amendments and interpretations which are effective as at January 1, 2021 are as follows:

- Interest Rate Benchmark Reform – Phase 2 – Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16
- Amendments to IFRS 16 - Covid-19-Related Rent Concessions and Covid-19-Related Rent Concessions beyond 30 June 2021

The amendments are not applicable for the Group and will not have an impact on the financial position or performance of the Group.

Definition of a Business (Amendments to IFRS 3)

In May 2019, the POA issued amendments to the definition of a business in TFRS 3 Business Combinations standards. The amendments are intended to assist entities to remove the assessment regarding the definition of business.

The amendments:

- clarify the minimum requirements for a business;
- remove the assessment of whether market participants are capable of replacing any missing elements;
- add guidance to help entities assess whether an acquired process is substantive;
- narrow the definitions of a business and of outputs; and
- introduce an optional fair value concentration test.

The amendments to TFRS 3 are effective for annual reporting periods beginning on or after 1 January 2020 and apply prospectively.

Amendments to TFRS 9, TAS 39, TFRS 7, TFRS 4 and TFRS 16- Interest Rate Benchmark Reform

The amendments issued to TFRS 9 and TAS 39 which are effective for periods beginning on or after January 1, 2020 provide reliefs which enable hedge accounting to continue. For these reliefs, it is assumed that the benchmark on which the cash flows of hedged risk or item are based and/or, the benchmark on which the cash flows of the hedging instrument are based, are not altered as a result of IBOR reform. in connection with interest rate benchmark reform.

Reliefs used as a result of amendments in TFRS 9 and TAS 39 is aimed to be disclosed in financial statements based on the amendments made in TFRS 7.

Definition of Material (Amendments to TAS 1 and TAS 8)

In June 2019, the POA issued amendments to TAS 1 Presentation of Financial Statements and TAS 8 Accounting Policies, Changes in Accounting Estimates and Errors to align the definition of ‘material’ across the standards and to clarify certain aspects of the definition. The new definition states that, ‘Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general-purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity. The amendments clarify that materiality will depend on the nature or magnitude of information, or both. An entity will need to assess whether the information, either individually or in combination with other information, is material in the context of the financial statements.

The amendments to TAS 1 and TAS 8 are required to be applied for annual periods beginning on or after 1 January 2020. The amendments must be applied prospectively and earlier application is permitted.

ÇALIK HOLDİNG ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

Notes to Consolidated Financial Statements As at and for the Year Ended 31 December 2021
(Amounts expressed in thousands of United States Dollar ("USD") unless otherwise stated.)

2 Basis of preparation *(continued)*

g) The new standards, amendments and interpretations (continued)

i) The new standards, amendments and interpretations which are effective as at January 1, 2021 are as follows *(continued)*

In June 5, 2020, the POA issued amendments to TFRS 16 Leases to provide relief to lessees from applying TFRS 16 guidance on lease modifications to rent concessions arising a direct consequence of the Covid-19 pandemic. A lessee that makes this election accounts for any change in lease payments related rent concession the same way it would account for the change under the standard, if the change were not a lease modification.

The practical expedient applies only to rent concessions occurring as a direct consequence of the Covid-19 pandemic and only if all of the following conditions are met:

- The change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change.
- Any reduction in lease payments affects only payments originally due on or before 30 June 2021
- There is no substantive change to other terms and conditions of the lease.

A lessee will apply the amendment for annual reporting periods beginning on or after 1 June 2020. Early application of the amendments is permitted.

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

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

- Amendments to IFRS 10 and IAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture
- Amendments to IFRS 3 – Reference to the Conceptual Framework
- Amendments to IAS 16 – Proceeds before intended use
- Amendments to IAS 37 – Onerous contracts – Costs of Fulfilling a Contract
- IFRS 17- The new Standard for insurance contracts
- Amendments to IAS 1- Classification of Liabilities as Current and Non-Current Liabilities
- Amendments to IAS 8 - Definition of Accounting Estimates
- Amendments to IAS 12 – Deferred Tax related to Assets and Liabilities arising from a Single Transaction
- Annual Improvements – 2018–2020 Cycle

Improvements are effective for annual reporting periods beginning on or after 1 January 2022. Earlier application is permitted for all.

The Group is in the process of assessing the impact of the amendments on financial position or performance of the Group.

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2 Basis of preparation *(continued)*

g) The new standards, amendments and interpretations (continued)

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

TFRS 10 and TAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments)

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 Group will wait until the final amendment to assess the impacts of the changes.

TFRS 17- The new Standard for insurance contracts

The 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. TFRS 17 will become effective for annual reporting periods beginning on or after 1 January 2023; early application is permitted. The standard is not applicable for The Group and will not have an impact on the financial position or performance of the Group.

Amendments to TAS 1- Classification of Liabilities as Current and Non-Current Liabilities

On March 12, 2020, the POA issued amendments to TAS 1 Presentation of Financial Statements. The amendments issued to TAS 1 which are effective for periods beginning on or after 1 January 2023, clarify the criteria for the classification of a liability as either current or non-current. Amendments must be applied retrospectively in accordance with TAS 8 Accounting Policies, Changes in Accounting Estimates and Errors. Early application is permitted.

The Group is in the process of assessing the impact of the amendments on financial position or performance of the Group.

Amendments to TFRS 3 – Reference to the Conceptual Framework

In July 2020, the POA issued amendments to TFRS 3 Business combinations. The amendments are intended to replace to a reference to a previous version of the Conceptual Framework (the 1989 Framework) with a reference to the current version issued in March 2018 (the Conceptual Framework) without significantly changing requirements of TFRS 3. At the same time, the amendments add a new paragraph to TFRS 3 to clarify that contingent assets do not qualify for recognition at the acquisition date. The amendments issued to TFRS 3 which are effective for periods beginning on or after 1 January 2022 and must be applied prospectively. Earlier application is permitted if, at the same time or earlier, an entity also applies all of the amendments contained in the Amendments to References to the Conceptual Framework in TFRS standards (March 2018).

The Group is in the process of assessing the impact of the amendments on financial position or performance of the Group.

Amendments to TAS 16 – Proceeds before intended use

In July 2020, the POA issued amendments to TAS 16 Property, plant and equipment. The amendment prohibits entities from deducting from the cost of an item of property, plant and equipment (PP&E), any proceeds of the sale of items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognizes the proceeds from selling such items, and costs of producing those items, in profit or loss. The amendments issued to TAS 16 which are effective for periods beginning on or after 1 January 2022.

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2 Basis of preparation *(continued)*

g) *The new standards, amendments and interpretations (continued)*

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

Amendments must be applied retrospectively only to items of PP&E made available for use on or after beginning of the earliest period presented when the entity first applies the amendment.

There is no transition relief for the first time adopters.

The Group is in the process of assessing the impact of the amendments on financial position or performance of the Group.

Amendments to TAS 37 – Onerous contracts – Costs of Fulfilling a Contract

In July 2020, the POA issued amendments to TAS 37 Provisions, Contingent Liabilities and Contingent assets. The amendments issued to TAS 37 which are effective for periods beginning on or after 1 January 2022, to specify which costs an entity needs to include when assessing whether a contract is onerous or loss-making and also apply a “directly related cost approach”. Amendments must be applied retrospectively to contracts for which an entity has not fulfilled all of its obligations at the beginning of the annual reporting period in which it first applies the amendments (the date of initial application). Earlier application is permitted and must be disclosed.

The Group is in the process of assessing the impact of the amendments on financial position or performance of the Group.

Interest Rate Benchmark Reform – Phase 2 – Amendments to TFRS 9, TAS 39, TFRS 7, TFRS 4 and TFRS 16

In December 2020, the POA issued Interest Rate Benchmark Reform – Phase 2, Amendments to TFRS 9, TAS 39, TFRS 7, TFRS 4 and TFRS 16 to provide temporary reliefs which address the financial reporting effects when an interbank offering rate (IBOR) is replaced with an alternative nearly risk-free rate (RFR, amending the followings. The amendments are effective for periods beginning on or after 1 January 2021. Earlier application is permitted and must be disclosed.

Practical expedient for changes in the basis for determining the contractual cash flows as a result of IBOR reform

The amendments include a practical expedient to require contractual changes, or changes to cash flows that are directly required by the reform, to be treated as changes to a floating interest rate, equivalent to a movement in a market rate of interest. Under this practical expedient, if the interest rates applicable to financial instruments change as a result of the IBOR reform, the situation is not considered as a derecognition or contract modification; instead, this would be determined by recalculating the carrying amount of the financial instrument using the original effective interest rate to discount the revised contractual cash flows.

The practical expedient is required for entities applying TFRS 4 Insurance Contracts that are using the exemption from TFRS 9 Financial Instruments (and, therefore, apply TAS 39 Financial Instruments: Classification and Measurement) and for TFRS 16 Leases, to lease modifications required by IBOR reform.

Relief from discontinuing hedging relationships

- The amendments permit changes required by IBOR reform to be made to hedge designations and hedge documentation without the hedging relationship being discontinued.
- Amounts accumulated in the cash flow hedge reserve are deemed to be based on the RFR.
- For the TAS 39 assessment of retrospective hedge effectiveness, on transition to an RFR, entities may elect on a hedge-by-hedge basis, to reset the cumulative fair value changes to zero.

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2 Basis of preparation *(continued)*

g) *The new standards, amendments and interpretations (continued)*

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

Relief from discontinuing hedging relationships *(continued)*

- The amendments provide relief for items within a designated group of items (such as those forming part of a macro cash flow hedging strategy) that are amended for modifications directly required by IBOR reform. The reliefs allow the hedging strategy to remain and not be discontinued.
- As instruments transition to RFRs, a hedging relationship may need to be modified more than once. The phase two reliefs apply each time a hedging relationship is modified as a direct result of IBOR reform.

Separately identifiable risk components

The amendments provide temporary relief to entities from having to meet the separately identifiable requirement when an RFR instrument is designated as a hedge of a risk component.

Additional disclosures

Amendments need additional TFRS 7 Financial Instruments disclosures such as; How the entity is managing the transition to RFRs, its progress and the risks to which it is exposed arising from financial instruments due to IBOR reform, quantitative information about financial instruments that have yet to transition to RFRs and If IBOR reform has given rise to changes in the entity’s risk management strategy, a description of these changes.

The amendments are mandatory, with earlier application permitted. While application is retrospective, an entity is not required to restate prior periods.

Annual Improvements – 2018–2020 Cycle

In July 2020, the POA issued Annual Improvements to TFRS Standards 2018–2020 Cycle, amending the followings:

- *TFRS 1 First-time Adoption of International Financial Reporting Standards – Subsidiary as a first-time adopter:* The amendment permits a subsidiary to measure cumulative translation differences using the amounts reported by the parent. The amendment is also applied to an associate or joint venture.
- *TFRS 9 Financial Instruments – Fees in the “10 per cent test” for derecognition of financial liabilities:* The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either borrower or lender on the other’s behalf.
- *TAS 41 Agriculture – Taxation in fair value measurements:* The amendment removes the requirement in paragraph 22 of TAS 41 that entities exclude cash flows for taxation when measuring fair value of assets within the scope of TAS 41.

Improvements are effective for annual reporting periods beginning on or after 1 January 2022. Earlier application is permitted for all.

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2 Basis of preparation (continued)

h) Significant changes and mistakes in accounting estimates

The effect of changes in accounting estimates affecting the current period is recognized in the current period; the effect of changes in accounting estimates affecting current and future periods is recognized in the current and future periods. The accounting estimates used in the preparation of these consolidated financial statements for the period ended December 31, 2021 are consistent with those used in the preparation of financial statements for the year ended December 31, 2020 except for the change of the seniority ceiling used in the calculation of severance pay.

While the Company management is calculating severance pay in the financial statements of 31 December 2020, 31 based on the seniority ceiling announced in December 2020. In the financial statements of 31 December 2021 re-evaluated the seniority ceiling used for the calculation of severance pay seniority, the Company started to use the announced seniority ceiling in the calculation due to adjustments made in salaries due to economic conditions, 1 January 2022 in order to reflect the effect of the changes in the ceiling on the correct period.

As of 31 December 2020, the Company has announced the seniority of the above-mentioned 1 January had used the ceiling, the provision for severance pay for the current period would have been USD 6.698, the current period provision effect would be USD 1.703.

3 Significant accounting policies

a) Basis of consolidation

The accompanying consolidated financial statements include the accounts of the parent company, Çalık Holding, its subsidiaries, joint arrangements and associates on the basis set out in sections below. The financial statements of the entities included in the consolidation have been prepared as at the date of the consolidated financial statements.

i) Business combinations

The Group accounts for business combinations using the acquisition method when control is transferred to the Group. The consideration transferred in the acquisition is generally measured at fair value, as are the identifiable net assets acquired. Any goodwill that arises is tested annually for impairment. Any gain on a bargain purchase is recognised in profit or loss immediately. Transaction costs are expensed as incurred, except if related to the issue of debt or equity securities.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognised in profit or loss.

Any contingent consideration is measured at fair value at the date of acquisition. If an obligation to pay contingent consideration that meets the definition of a financial instrument is classified as equity, then it is not remeasured and settlement is accounted for within equity. Otherwise, other contingent consideration is remeasured at fair value at each reporting date and subsequent changes in the fair value of the contingent consideration are recognised in profit or loss.

If share-based payment awards are required to be exchanged for awards held by the acquiree's employees, then all or a portion of the amount of the acquirer's replacement awards is included in measuring the consideration transferred in the business combination. This determination is based on the market-based measure of the replacement awards compared with the market-based measure of the acquiree's awards and the extent to which the replacement awards relate to pre-combination service.

ii) Non-controlling interests

Non-controlling interests are measured initially at their proportionate share of the acquiree's identifiable net assets at the date of acquisition.

Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

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3 Significant accounting policies (continued)

a) Basis of consolidation (continued)

iii) Subsidiaries

Subsidiaries are entities controlled by the Group. The Group 'controls' an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases.

iv) Loss of control

When the Group loses control over a subsidiary, it derecognises the assets and liabilities of the subsidiary, and any related NCI and other components of equity. Any resulting gain or loss is recognised in profit or loss. Any interest retained in the former subsidiary is measured at fair value when control is lost.

v) Acquisitions from entities under common control

Business combinations arising from transfers of interests in entities that are under the control of the shareholder that controls the Group are accounted for as if the acquisition had occurred at the beginning of the earliest comparative year presented or, if later, at the date that common control was established. The assets and liabilities acquired are recognised at the carrying amounts recognised previously in the Group controlling shareholder's consolidated financial statements. The components of equity of the acquired entities are added to the same components within the Group equity and any gain/loss arising is recognised directly in equity.

vi) Associates (Equity-accounted investees)

The Group's interests in equity-accounted investees comprise interests in associates and a joint venture. Associates are those entities in which the Group has significant influence, but not control or joint control, over the financial and operating policies. A joint venture is an arrangement in which the Group has joint control, whereby the Group has rights to the net assets of the arrangement, rather than rights to its assets and obligations for its liabilities.

Interests in associates and the joint venture are accounted for using the equity method. They are initially recognised at cost, which includes transaction costs. Subsequent to initial recognition, the consolidated financial statements include the Group's share of the profit or loss and OCI of equity-accounted investees, until the date on which significant influence or joint control ceases.

vii) Joint arrangements

Joint arrangements are arrangements of which the Group has joint control, established by contracts requiring unanimous consent for decisions about the activities that significantly affect the arrangements' returns. They are classified and accounted for as follows:

- Joint operation – when the Group has rights to the assets, and obligations for the liabilities, relating to an arrangement, it accounts for each of its assets, liabilities and transactions, including its share of those held or incurred jointly, in relation to the joint operation.
- Joint venture (equity-accounted investees) – when the Group has rights only to the net assets of the arrangements, it accounts for its interest using the equity method.

The accompanying consolidated financial statements include the Group's share of the profit or loss and other comprehensive income of joint ventures, after adjustments to align the accounting policies with those of the Group, from the date that joint control commences until the date that joint control ceases.

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3 Significant accounting policies (continued)

a) Basis of consolidation (continued)

When the Group’s share of losses exceeds its interest in a joint venture, the carrying amount of the investment, including any long-term interests that form part thereof, is reduced to zero, and the recognition of further losses is discontinued except to the extent that the Group has an obligation or has made payments on behalf of the investee.

viii) Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated. Unrealised gains arising from transactions with equity-accounted investees are eliminated against the investment to the extent of the Group’s interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

In consolidation of operating results and financial positions of subsidiaries whose functional currency is other than USD, main consolidation transactions are made such as elimination of related party balances and transactions. But, a monetary asset (or liability) of related parties regardless of short-term or long-term (except for monetary items which are part of net investment of the Group in its subsidiaries whose functional currency is different than USD) can not be eliminated with related party liability (or related party asset) without presenting results of fluctuation of foreign currencies in consolidated financial statements. Because, a monetary item provides obligation of translation of any currency to other currency and makes the Group exposed to gain or losses arising from fluctuation of foreign currencies. Correspondingly, these kind of foreign exchange differences are recognized in profit or loss of consolidated financial statements of the Group.

b) Foreign currency

i) Foreign currency transactions

Transactions in foreign currencies are translated into the respective functional currencies of Group companies at the exchange rates at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the exchange rate at the reporting date. Non-monetary assets and liabilities that are measured at fair value in a foreign currency are translated into the functional currency at the exchange rate when the fair value was determined. Non-monetary items that are measured based on historical cost in a foreign currency are translated at the exchange rate at the date of the transaction. Foreign currency differences are generally recognised in profit or loss and presented within finance costs.

However, foreign currency differences arising from the translation of the following items are recognised in OCI:

- an investment in equity securities designated as at FVOCI (2020: available-for-sale equity investments (except on impairment, in which case foreign currency differences that have been recognised in OCI are reclassified to profit or loss)
- a financial liability designated as a hedge of the net investment in a foreign operation to the extent that the hedge is effective
- qualifying cash flow hedges to the extent that the hedges are effective.

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3 Significant accounting policies (continued)

b) Foreign currency (continued)

The following significant foreign exchange rates are applied as at 31 December 2021 and 31 December 2020 are as follows:

<u>End of month</u>	<u>31 December 2021</u>	<u>31 December 2020</u>
EUR / TL	15,0867	9,0079
USD / TL	13,3290	7,3405
EUR / USD	1,1319	1,2272
<u>Cumulative average</u>		
EUR / TL	10,4572	8,0140
USD / TL	8,8719	7,0034
EUR / USD	1,1787	1,1443

ii) Foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated into euro at the exchange rates at the reporting date. The income and expenses of foreign operations are translated into euro at the exchange rates at the dates of the transactions.

Foreign currency differences are recognised in OCI and accumulated in the translation reserve, except to the extent that the translation difference is allocated to NCI.

When the use of a property changes from owner-occupied to investment property, the property is remeasured to fair value and reclassified accordingly. Any gain arising on this remeasurement is recognised in profit or loss to the extent that it reverses a previous impairment loss on the specific property, with any remaining gain recognised in OCI and presented in the revaluation reserve. Any loss is recognised in profit or loss. However, to the extent that an amount is included in the revaluation surplus for that property, the loss is recognised in other comprehensive income and reduces the revaluation surplus within equity.

c) Financial instruments

i) Financial assets

Initial Recognition and measurement

At initial recognition Group classifies its financial assets in three categories as; financial assets measured at amortised cost, financial assets measured at fair value through other comprehensive income and financial assets measured at fair value through profit of loss.

The classification of financial assets at initial recognition depends on the financial asset’s contractual cash flow characteristics and the Group’s business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient, the Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs.

Subsequent measurement and classification

Financial assets are not reclassified subsequent to their initial recognition unless the Group changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

a. Financial assets measured at amortized cost

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at fair value through profit of loss:

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3 Significant accounting policies (continued)

c) Financial instruments (continued)

Subsequent measurement and classification (continued)

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- it is its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortised cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

The Group’s financial assets at amortised cost includes cash and cash equivalents, trade receivables and other receivables.

b. Financial assets measured at fair value through other comprehensive income

A financial asset is measured at fair value through other comprehensive income if both of the following conditions are met:

- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Upon initial recognition, the Group can elect to classify irrevocably its equity investments as equity instruments designated at fair value through other comprehensive income when they are not held for trading. The classification is determined on an instrument-byinstrument basis.

The accounting policies below apply to gains and losses from subsequent measurements:

Debt instruments measured at fair value through other comprehensive income	These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognized in profit or loss. Other net gains and losses are recognized in other comprehensive income. On derecognition, gains and losses accumulated in other comprehensive income are reclassified to profit or loss.
Equity instruments measured at fair value through other comprehensive income	These assets are subsequently measured at fair value. Dividends are recognized as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognized in other comprehensive income and are never reclassified to profit or loss.

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3 Significant accounting policies (continued)

c) Financial instruments (continued)

a. Financial assets at fair value through profit or loss

All financial assets not classified as measured at amortised cost or fair value through other comprehensive income as described above are measured at fair value through profit or loss.

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group’s consolidated statement of financial position) when:

- The contractual rights to receive cash flows from the asset have expired, or
- The Group has transferred its contractual rights to receive cash flows from the asset, or retains the contractual rights to receive the cash flows of the financial asset but has assumed an obligation to pay the received cash flows in full without material delay to a third party under a ‘pass-through’ arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group transfers a financial asset, it evaluates the extent to which it retains the risks and rewards of ownership of the financial asset. When the Group has transferred its contractual rights to receive cash flows from an asset and neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of its continuing involvement.

Impairment

The Group recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss.

ECLs are recognised in two stages:

- 12-month ECL: For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months,
- Lifetime ECL: For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure.

For trade receivables, other receivables and contract assets, the Group applies a simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The expected credit losses were calculated based on a provision matrix that is based on the Group’s historical credit loss experience, considering for forward-looking factors.

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3 Significant accounting policies (continued)

c) Financial instruments (continued)

ii) Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of borrowings and payables, net of directly attributable transaction costs.

The Group’s financial liabilities include trade and other payables, borrowings and derivative financial instruments.

Subsequent measurement

For purposes of subsequent measurement, financial liabilities are classified in two categories:

- **Financial liabilities at fair value through profit or loss**
This category also includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by TFRS 9. Gains and losses are recognised in the statement of profit or loss.
- **Financial liabilities at amortised cost**
After initial recognition, borrowings and trade and other payables are subsequently measured at amortised cost using the effective inerest rate method. Gains and losses are recognised in the statement of profit or loss.

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability.

iii) Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

Derivative financial instruments and hedging activities

Derivative financial instruments are initially recognised at the acquisition cost reflecting the fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. The derivative instruments of the Group mainly consist of foreign exchange forward contracts and currency/interest rate swap instruments. These derivative transactions, even though providing effective economic hedges under the Group risk management position, do not generally qualify for hedge accounting under the specific rules and are therefore treated as derivatives held for trading in the consolidated financial statements. The fair value changes for these derivatives are recognised in the consolidated income statement.

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3 Significant accounting policies (continued)

c) Financial instruments (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 Group’s electricity distribution and meter reading service businesses are in the scope of service concession agreements.

Considering the Group’s terms in the service concession arrangements, a financial asset model where the Group recognises 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 tariffs by EMRA.

The Group has measured the financial asset at fair value, with the effective interest method which is calculated by discounting estimated future cash receipts with regards to the compensation of TOR and the initial and annual capital expenditures made by the Group, through the expected life of the arrangement and set “Financial Asset Related to Concession Agreements” on the balance sheet and recognizes the revenue on an effective interest method as “Finance Income from Service Concession Arrangements”

Security deposit

According to the Article 26 of Electricity Market Customer Services Regulation, legal entities which have retail electricity sale licenses, can demand security deposits from their subscribers in order to deduct customers’ debts in case of possible inability to pay energy consumption fee due to address change and/or cease of retail sale agreements or termination of retail sale agreements.

Security deposits received from current subscribers are recognised in the “payables to third parties” item at the adjusted values based on inflation applicable to reporting dates using Consumer Price Index (“CPI”) rates. Security deposits valuation expenses and realised security deposit expenses are recognised as finance cost in profit or loss.

Income and expenses arising from the repurchase and resale agreements over investments are recognised on an accruals basis over the period of the transaction and are included in “interest income” or “interest expense” presented under “revenue from finance sector operations” and “cost of revenue from finance sector operations”, respectively.

d) Repurchase transactions

The Group enters into purchases/sales of investments under agreements to resell/repurchase substantially identical investments at a certain date in the future at a fixed price. Investments purchased subject to commitments to resell them at future dates are not recognised. The amounts paid are recognised as “Receivables related to finance sector operations” in the accompanying consolidated financial statements. The receivables are shown as collateralized by the underlying security.

Investments sold under repurchase agreements continue to be recognised in the consolidated statement of financial position and are measured in accordance with the accounting policy for either assets held for trading, held to maturity or available-for-sale as appropriate. The proceeds from the sale of the investments are reported as funds from repo transactions presented under “Payables related to finance sector operations”.

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3 Significant accounting policies (continued)

(e) Property, plant and equipment

i) Recognition and measurement

Items of property, plant and equipment are measured at cost, which includes capitalised borrowing costs, less accumulated depreciation and any accumulated impairment losses.

If significant parts of an item of property, plant and equipment have different useful lives, then they are accounted for as separate items (major components) of property, plant and equipment.

Any gain or loss on disposal of an item of property, plant and equipment is recognised in profit or loss.

Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the following:

- cost of materials and direct labor;
- any other costs directly attributable to bringing the asset to a working condition for its intended use;
- when the Group has an obligation to remove the assets or restore the site, an estimate of the costs of dismantling and removing the items and restoring the site on which they are located; and
- capitalised borrowing costs.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of an item of property, plant and equipment (calculated as the difference between the net proceeds from disposal and the carrying amount of the asset) is recognised in “Gain from investing activities” or “Loss from investing activities” under profit or loss.

ii) Reclassification to investment property

When the use of a property changes from owner-occupied to investment property, the property is remeasured to fair value and reclassified accordingly. Any gain arising on this remeasurement is recognised in profit or loss to the extent that it reverses a previous impairment loss on the specific property, with any remaining gain recognised in OCI and presented in the revaluation reserve. Any loss is recognised in profit or loss. However, to the extent that an amount is included in the revaluation surplus for that property, the loss is recognised in other comprehensive income and reduces the revaluation surplus within equity.

iii) Subsequent costs

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands, is recognised in profit or loss as incurred.

iv) Depreciation

Items of property, plant and equipment are depreciated from the date that they are available for use or, in respect of self-constructed assets, from the date that the asset is completed and ready for use.

Depreciation is calculated to write off the cost of items of property, plant and equipment less their estimated residual values using the straight-line method over their estimated useful lives, and is generally recognised in profit or loss.

Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Group will obtain ownership by the end of the lease term. Land is not depreciated.

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3 Significant accounting policies (continued)

(e) Property, plant and equipment (continued)

The estimated useful lives of property, plant and equipment for current and comparative periods are as follows:

Description	Year
Buildings	50
Machinery and equipments	1-40
Vehicles	5-10
Furniture and fixtures	3-15
Other tangible assets	5-15
Leasehold improvements	2-50

Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

f) Intangible assets and goodwill

i) Goodwill

Goodwill arising on the acquisition of subsidiaries is measured at cost less accumulated impairment losses.

Subsequent measurement

Goodwill is measured at cost less accumulated impairment losses (see accounting policy 3(j) ii). In respect of equity accounted investees, the carrying amount of goodwill is included in the carrying amount of the investment, and any impairment loss is allocated to the carrying amount of the equity-accounted investee.

ii) Other intangible assets

Other intangible assets of the Group mainly consist of licences for oil exploration, hydroelectric power generation, wind power generation and liquefied natural gas import, electricity distribution rights and computer software acquired by the Group, which have finite useful lives, and are measured at cost less accumulated amortisation and any accumulated impairment losses, if any.

iii) Subsequent expenditures

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated and brands, is recognised in profit or loss as incurred.

iv) Amortisation

Intangible assets are amortised on a straight-line basis in profit or loss over their estimated useful lives, from the date that they are available for use.

Amortisation of service concession rights acquired by the Group is recognised in profit or loss on a straight-line basis over their respective concession periods.

Amortisation of electricity distribution rights is based on the fair value of the asset which is acquired through business combination under scope of IFRS 3 “Business Combinations”. The remaining amortisation period for electricity distribution rights are 26 years which is the service concession period of YEDAŞ as it was acquired by ÇEDAŞ. Licences and other intangible assets including computer software are amortised between 10 and 50 years and 2 and 10 years, respectively.

Amortisation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

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3 Significant accounting policies (continued)

g) Investment property

Investment property is initially measured at cost and subsequently at fair value with any change therein recognised in profit or loss.

Any gain or loss on disposal of investment property (calculated as the difference between the net proceeds from disposal and the carrying amount of the item) is recognised in profit or loss. When investment property that was previously classified as property, plant and equipment is sold, any related amount included in the revaluation reserve is transferred to retained earnings.

Rental income from investment property is recognised as revenue on a straight-line basis over the term of the lease. Lease incentives granted are recognised as an integral part of the total rental income, over the term of the lease.

Rental income from other property is recognised as other income.

h) Inventories

Inventories are measured at the lower of cost and net realisable value. The cost of trading goods and finished goods are based on the weighted average method and includes expenditure and other costs incurred in bringing them to their existing location and condition.

Cost of trading properties are determined on cost or deemed cost method by the entities operating in construction business. Trading properties comprised lands that are held for construction projects to sell and cost of buildings that are held for trading purposes.

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and estimated costs necessary to make the sale.

i) Construction contracts in progress / deferred revenue

Construction contracts in progress represent the gross unbilled amount expected to be collected from customers for contract work performed to date. Construction contracts in progress is measured at cost plus profit recognised to date less progress billings and recognised losses. Cost includes all expenditures related directly to specific projects and an allocation of fixed and variable overheads incurred in the Group's contract activities based on normal operating capacity.

Construction contracts in progress is presented as "Due from customers for contract work" within trade receivables in the consolidated statement of financial position for all contracts in which the sum of costs incurred and recognised expected losses plus recognised profits exceed progress billings. If the sum of progress billings and recognised expected losses exceed cost incurred plus recognised profits, then the difference is presented as "Due to customers for contract work" within deferred income in the consolidated statement of financial position.

When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately. Revenue measurements are based on estimates that are revised as events and uncertainties are resolved. Cost and revenues may be revised based on variations to the original contract, penalties on delays, cost escalation clauses and other similar items. These revisions are recognised in the consolidated financial statements as they are incurred. Revenue incentive are recognised as revenue to the extent that the amount can be measured reliably and its receipt is considered probable.

When the outcome of a construction contract cannot be estimated reliably, revenue is recognised to the extent of costs incurred that are probable of recovery. Costs are recognised as an expense as they are incurred.

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3 Significant accounting policies (continued)

i) Construction contracts in progress / deferred revenue (continued)

Contract assets

It is used to monitor the assets defined as contract assets in IFRS 15. According to IFRS 15, contract assets are the right to receive the fee, in exchange for the goods or services that the business transfers to the customer, which is bound to another condition (for example, the future performance of the business), except that time has passed.

The total amount of the contract assets is shown separately in the statement of financial position. In addition, the companies divide the contract assets into sub-items according to the type of contract they are born (in the form of contract assets arising from ongoing construction and contracting works, contract assets arising from sales of goods and services, other contract assets).

Contract Liabilities

It is used for monitoring the obligations defined as contractual obligation in IFRS 15. According to IFRS 15, the contractual obligation is the obligation of the business to transfer the goods or services to the customer in exchange for the amount collected (or entitled to be collected) from the customer.

Before a good or service is transferred to the customer, the contractual obligation arises if the customer has the right to pay the price or the entity has unconditional right to receive the price (in other words, a receivable).

The total amount of contractual obligations is shown separately in the statement of financial position. In addition, the companies divide their contractual obligations into sub-items according to the type of contract they are born (in the form of contractual obligations arising from ongoing construction and contracting works, contractual obligations from sales of goods and services, other contractual obligations).

j) Impairment

i) Non-derivative financial assets

Policy applicable from 1 January 2018

Financial instruments and contract assets

The Group recognises loss allowances for ECLs on:

- Financial assets measured at amortised cost;
- Debt investments measured at FVOCI; and
- Contract assets.

The Group measures loss allowances at an amount equal to lifetime ECLs, except for the following, which are measured at 12-month ECLs:

- Debt securities that are determined to have low credit risk at the reporting date; and
 - Other debt securities and bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.
- Loss allowances for trade receivables and contract assets are always measured at an amount equal to lifetime ECLs

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment and including forward-looking information.

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3 Significant accounting policies (continued)

j) Impairment (continued)

The Group considers a financial asset to be in default when:

- the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or
- the financial asset is more than past due.

The Group considers a debt security to have low credit risk when its credit risk rating is equivalent to the globally understood definition of ‘investment grade

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument.

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Group expects to receive).

ECLs are discounted at the effective interest rate of the financial asset.

Credit-impaired financial assets

At each reporting date, the Group assesses whether financial assets carried at amortised cost and debt securities at FVOCI are credit-impaired. A financial asset is ‘credit-impaired’ when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or being more than 730 days past due;
- the restructuring of a loan or advance by the Group on terms that the Group would not consider otherwise;
- it is probable that the borrower will enter bankruptcy or other financial reorganisation; or the disappearance of an active market for a security because of financial difficulties.

Presentation of allowance for ECL in the statement of financial position

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets.

For debt securities at FVOCI, the loss allowance is charged to profit or loss and is recognised in OCI.

Write-off

The gross carrying amount of a financial asset is written off when the Group has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. For individual customers, the Group has a policy of writing off the gross carrying amount when the financial asset is 730 days past due based on historical experience of recoveries of similar assets. For corporate customers, the Group individually makes an assessment with respect to the timing and amount of write-off based on whether there is a reasonable expectation of recovery. The Group expects no significant recovery from the amount written off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group’s procedures for recovery of amounts due.

k) Assets held for sale or distribution

Non-current assets, or disposal groups comprising assets and liabilities, are classified as held-for-sale if it is highly probable that they will be recovered primarily through sale rather than through continuing use.

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3 Significant accounting policies (continued)

k) Assets held for sale or distribution (continued)

Non-current assets, or disposal groups comprising assets and liabilities, are classified as held-for-sale if it is highly probable that they will be recovered primarily through sale rather than through continuing use.

Such assets, or disposal groups, are generally measured at the lower of their carrying amount and fair value less costs to sell. Any impairment loss on a disposal group is allocated first to goodwill, and then to the remaining assets and liabilities on a pro rata basis, except that no loss is allocated to inventories, financial assets, deferred tax assets, employee benefit assets, investment property or biological assets, which continue to be measured in accordance with the Group’s other accounting policies. Impairment

losses on initial classification as held-for-sale or held-for-distribution and subsequent gains and losses on remeasurement are recognised in profit or loss.

Once classified as held-for-sale, intangible assets and property, plant and equipment are no longer amortised or depreciated, and any equity-accounted investee is no longer equity accounted.

l) Employee benefits

i) Reserve for employee severance indemnity

Reserve for employee severance indemnity represents the present value of the estimated future probable obligation of the Group arising from the retirement of the employees of the Group’s entities operating in Turkey and calculated in accordance with the Turkish Labour Law. It is computed and reflected in the consolidated financial statements on an accrual basis as it is earned by serving employees. The computation of the liabilities is based upon the retirement pay ceiling announced by the Government. The ceiling amounts applicable for each year of employment were USD 814 and USD 1.041 (equivalent to TL 10,848.59 and TL 7,638.96 respectively) at 1 January 2022 and 2021, respectively.

IFRSs require actuarial valuation methods to be developed to estimate the entity’s obligation under defined benefit plans. The total liability for employee severance benefit was calculated by an independent actuary based on past service cost methodology using the observable statistical market data such as mortality, inflation and interest rates or retirement pay ceilings applicable to the relevant periods and assumptions derived from the specific historic date of the Group such as retention and employee turnover rates or salary increase rates.

Income ceiling calculation for the Group’s entities holding electricity distribution and retail sale license per the service concession agreement is updated yearly in accordance with EMRA decision No. 2991 dated 28 December 2010 to compensate the expenditures (such as employee benefit costs) relevant to the operations performed under these licenses as they incurred. Accordingly, the employee severance indemnity amounting to USD 1.078 (31 December 2020: USD 2.267) had no effect on the Group’s consolidated financial statements since the same amount will be compensated by the Government as an adjusting item in the following income ceiling calculation.

Actuarial gains/losses are comprised of adjustment of difference between actuarial assumptions and results and change in actuarial assumptions. Because of the adoption of IAS 19 (2011), all actuarial differences have to be recognised in other comprehensive income. However due to insignificance of the balances, the Group has recognised any actuarial differences on reserve for employee severance indemnity profit or loss.

Reserve for employee severance indemnity is not subject to any statutory funding.

Obligations for contributions to defined contribution pension plans are recognised as an expense in profit or loss when they are due. The Group’s banking subsidiary in Albania makes compulsory social security contributions that provide pension benefits for employees upon retirement. The local authorities are responsible for providing the legally set minimum threshold for pensions in Albania under a defined contribution pension plan.

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3 Significant accounting policies (continued)

- l) Employee benefits (continued)
- ii) Defined benefit plans

The Group’s banking subsidiary in Albania created a fully employer sponsored pension plan fund-Staff Support Program during 2002. The amount charged to this fund (SSP) was decided as 5 percent of yearly budgeted personnel salary expenses.

The amount due to employees based on the above plan would be grossed up by the interest that will accrue from the date the employees leave the Group’s banking subsidiary in Albania until their retirement. It would be paid to employees only when they reach the Albanian statutory retirement age, in monthly instalments equal to a minimum of 75 percent of their state monthly pension until the accumulated fund for the employee is consumed.

Based on the Board of Directors resolution effective on 30 September 2010, the Group’s banking subsidiary in Albania stopped the investment in this fund (SSP), by transforming it into the Staff Retention Credit Program (SRCP). The demographic changes in labour force during the last ten years and the employees’ average age at 31, where 80 percent of employees are below the age of 40, has resulted in SSP not being attractive for most employees of the Group’s banking subsidiary in Albania, as it can only be enjoyed at retirement. In contrast, SRCP will be more readily beneficial for all staff of the Group’s banking subsidiary in Albania, as it will provide consumer and home loans with preferential terms. The entire due amount calculated for eligible employees in Staff Support Program has been frozen on the same date. The frozen amount due to change of SSP into SRCP on 30 September 2010 and the corresponding annual interest that will be gained by the investment in AAA sovereign bonds in the future until retirement age, is recorded as a liability by the Group’s banking subsidiary in Albania.

- iii) Vacation pay liability

Short-term employee benefit obligations are consisting of reserve for the vacation pay liability due to the earned and unused vacation rights of its employees of the Group’s Turkish entities, and measured on an undiscounted basis and are recognised in profit or loss as the related service is provided.

- m) Provisions

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

- i) Provisions for EMRA regulations

In case of incompliance with the Electricity Market Act numbered 6446 which is effective after the publication on the Official Gazette dated 30 March 2013, numbered 28603 as well as with the regulations and communiqués promulgated by EMRA, EMRA sends a letter notifying the reason and related penalty fee with payment maturity to the Group. Although these penalties generally are paid in advance, some payments could be delayed until the final confirmation is reached in case of disagreement with EMRA. Based on the final conclusions of the legal department of the Group and assumption/analysis made by the Group management, required provision is made on the consolidated statement of the financial position when the notification is received.

- ii) Onerous contracts

A provision for onerous contracts is recognised when the expected benefits to be derived by the Group from a contract are lower than the unavoidable cost of meeting its obligations under the contract. The provision is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract. Before a provision is established, the Group recognises any impairment loss on the assets associated with that contract.

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3 Significant accounting policies (continued)
n) Revenue

General model for revenue recognition

IFRS 15 requires revenue recognition for all contracts with customers to follow the five-step approach to revenue recognition.

Step 1: Identifying the contract

A contract exists only if it is legally enforceable, the collection of the consideration is probable, the rights to goods and services and payment terms can be identified, the contract has commercial substance; and the contract is approved, and the parties are committed to their obligations.

If either contract were negotiated as a single commercial package, or consideration in one contract depends on the other contract or goods or services (or some of the goods or services) are a single performance obligation the Group accounts the contracts as a single contract.

Step 2: Identifying the performance obligations

The Group defines ‘performance obligation’ as a unit of account for revenue recognition. The Group assesses the goods or services promised in a contract with a customer and identifies as a performance obligation either a good or service that is distinct; or a series of distinct goods or services that are substantially the same and have the same pattern of transfer to the customer. A contract may contain promises to deliver a series of distinct goods or services that are substantially the same. At contract inception, an entity determines whether the series of goods or services is a single performance obligation.

Step 3: Determining the transaction price

In order to determine the transaction price, the Group assesses how much consideration it expects to be entitled to by fulfilling the contract. In arriving at the assessment, the Group considers variable elements of consideration, as well as the existence of a significant financing component.

Significant financing component

The Group revises the promised amount of consideration for the effect of a significant financing component to the amount that reflects what the cash selling price of the promised good or service. As a practical expedient, the Group does not adjust the transaction price for the effects of a significant financing component if, at contract inception, the entity expects the period between customer payment and the transfer of goods or services to be one year or less. In cases where advance for the services are received and the payment scheme is broadly aligned with the Group’s performance throughout the period, the Group concludes that the period between performance and payment is never more than 12 months, therefore the expedient is applied.

Variable consideration

The Group identifies items such as price concessions, incentives, performance bonuses, completion bonuses, price adjustment clauses, penalties.

Step 4: Allocating the transaction price to performance obligations

If distinct goods or services are delivered under a single arrangement, then the consideration is allocated based on relative stand-alone selling prices of the distinct goods or services (performance obligations). If directly observable stand-alone selling prices are not available, the total consideration in the service contracts is allocated based on their expected cost plus a margin.

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3 Significant accounting policies (continued)
n) Revenue (continued)

Step 5: Recognition of revenue

The Group recognises revenue over-time if any of the following conditions is met:
- Customer simultaneously receives and consumes the benefits as the entity performs, or
- The customer controls the asset as the entity creates or enhances it, or

- Group’s performance does not create an asset for which the entity has an use; and alternative there is a right to payment for performance to date.

For each performance obligation that is satisfied over time, an entity selects a single measure of progress, which depicts the transfer of control of the goods or services to the customer. The Group uses a method that measures the work performed reliably. The Group uses cost incurred to measure the progress towards to completion of the project where the input method is used and uses units transferred to measure the progress towards to completion of the project where the output method is used. If a performance obligation is not satisfied over time, then the Group recognises revenue at the point in time at which it transfers control of the good or service to the customer.

The Group recognises a provision in accordance with IAS 37 “Provisions, Contingent Liabilities and Contingent Assets” when the unavoidable costs of meeting the obligations under a contract exceed the economic benefits.

Rental income

Rental income from investment property is recognised as revenue on a straight-line basis over the term of the lease. Lease incentives granted are recognised as an integral part of the total rental income, over the term of the lease. Rental income from investment property is recognised as other income from operating activities.

Sale of trading properties

Revenue from the sale of trading properties during ordinary activities is measured at the fair value of the consideration received or receivable, net of discounts. Revenue is recognised when persuasive evidence exists, usually in the form of an executed sales agreement, that the significant risks and rewards of ownership have been transferred to the buyer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, and there is no continuing management involvement with the goods and the amount of revenue can be measured reliably. If it is probable that discounts will be granted, and the amount can be measured reliably, then the discount is recognised as a reduction of revenue as the sale is recognised.

Transfers of risks and rewards vary depending on the terms of the sale contract. For the sale of trading properties, transfer occurs when the property has been delivered to and registered in the name of the buyer officially.

i) Energy business

The Group recognizes revenue when the goods or services is transferred to the customer and when performance obligation is fulfilled. Goods is counted to be transferred when the control belongs to the customer.

The entity recognizes revenue based on the following main principles:

- Identification of customer contracts
- Identification of performance obligations
- Determination of transaction price in the contract
- Allocation of price to performance obligations
- Recognition of revenue when the performance obligations are fulfilled

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3 Significant accounting policies (continued)
n) Revenue (continued)

The Group recognizes revenue from its customers only when all of the following criteria are met:

- The parties to the contract have approved the contract (in writing, orally or in accordance with other customary business practices) and are committed to perform their respective obligations,
- The entity can identify each party’s rights regarding the goods or services to be transferred,
- The entity can identify the payment terms for the goods or services to be transferred;
- The contract has commercial substance,
- It is probable that the Group will collect the consideration to which it will be entitled in exchange for the goods or services that will be transferred to the customer. In evaluating whether collectability of an amount of consideration is probable, an entity shall consider only the customer’s ability and intention to pay that amount of consideration when it is due.

At the contract inception date, the Group evaluates the goods and services committed to be provided to the customer based on the contract and identifies each commitment as a separate performance obligation. In addition to that, the Group determines whether it satisfies the performance obligation over time or satisfies the performance obligation at a point in time.

When another party is involved in providing goods or services to a customer, the group 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 Group is a principal if it controls a promised good or service before the group transfers the good or service to a customer. When a group 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 Group 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 Group does not recognize the revenue of the consideration at gross amount.

The Group determines the transaction price in accordance with contract terms and customs of trade. Transaction price is the amount of consideration which is expected to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties. The Group allocates the transaction price to each performance obligation (or distinct goods or services), by reference to the consideration is considered to be deserved in return of the goods and services transferred to the customer. In this allocation, the Group allocates the transaction price determined in the contract to the standalone independent sales prices of these goods and services, where the Group identifies the prices of goods and services committed to be provided in the contract at the date of the inception of the contract and allocates the transaction price on these independent relative prices proportionally.

If the aggregate independent sales prices of the goods and services undertaken in the contract exceeds the transaction price in the contract, the customer has received discount on the purchase of goods or services. The Group allocates the discount to the all performance obligations retained in the contract proportionally except for the circumstances where there are observable inputs indicating that, the discount is provided for some but not all of the performance obligations.

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 Energy Market Regulatory Authority (“EMRA”). Additionally, according to the Electricity Market Law, the Electricity Market Tariffs Communiqué and other related regulations, the Group’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 Group during the transition period regardless of the consumption level. The underbillings or overbillings made by the Group are adjusted by EMRA in the tariffs to be effective in two years.

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3 Significant accounting policies (continued)

- n) Revenue (continued)
- i) Energy business (continued)

Revenue, (excluding the distribution business) is recognized upon delivery of electricity or upon fulfilment of services. Delivery is deemed complete when the risk and rewards associated with ownership has been transferred to the buyer as contractually agreed, compensation has been contractually established and collection of the resulting receivable is probable. The Group recognizes retail revenue only from illumination customers due to the regulations of the EMRA announced after the legal unbundling. Revenue from the sale and delivery of electricity is measured at the fair value of the consideration received or receivable. The estimated value of the electricity supplied but not invoiced to the customers is considered for the measurement of revenue.

Distribution of electricity revenue

Invoices of the subscribers other than residential and commercial companies are issued monthly at the end of each month by the retail companies 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. As a result, the estimated value of the electricity distributed including the theft and loss, but not invoiced to subscribers by the retail companies is considered for the measured revenue.

Due to the fact that the electricity could not be stored, the purchase and sales realizes simultaneously and accordingly revenue and cost of revenue are recognized at the transaction time. Monthly invoicing is made at the month ends and the Group management monitors closely at period ends and the delays of 5-10 days in electricity usage count do not have a significant impact on the accompanying financial statements. Revenue from the sale of electricity to subscribers is stated, net of returns. Revenue is recognised when the significant risks and rewards of ownership have been transferred to the subscribers. Transfer of risk and rewards depends on the consumption of electricity by subscribers.

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 Group’s electricity distribution and meter reading service businesses are in the scope of service concession agreements.

Considering the Group’s terms in the service concession arrangements, a financial asset model where the Group recognises 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 tariffs by EMRA.

The Group has measured the financial asset at fair value, with the effective interest method which is calculated by discounting estimated future cash receipts with regards to the compensation of TOR and the initial and annual capital expenditures made by the Group, through the expected life of the arrangement and set “Financial Asset Related to Concession Agreements” on the balance sheet and recognizes the revenue on an effective interest method as “Finance Income from Service Concession Arrangements”.

ÇALIK HOLDİNG ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

Notes to Consolidated Financial Statements As at and for the Year Ended 31 December 2021
(Amounts expressed in thousands of United States Dollar ("USD") unless otherwise stated.)

3 Significant accounting policies (continued)

- n) Revenue (continued)
- i) Energy business (continued)

Investment Income

Under the terms of contractual agreements covered by IFRS Comment 12, the Company acts as a service provider. It builds or renovates the infrastructure used to deliver a public service (construction or renovation services) and operates and maintains the infrastructure for a specified period (Operating services). The Company recognizes its revenue by IFRS 15, "Revenue from Contracts with Customers", for the services it performs. The company calculates the profit margin between the construction phase and active concession contracts by considering the difference between the cost of a base price and the actual cost by EMRA.

Interest revenue

Interest revenue 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.

Interest income related to service concession arrangements are recognized in accordance with Service Concession Arrangements (“TFRIC 12”). Interest income on receivable from concession arrangement is recognised on a time-proportion basis using the effective interest method.

Electricity retail revenue

Invoices of the subscribers other than residential and commercial companies are issued monthly at the end of each month by the retail companies 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. As a result, the estimated value of the electricity distributed including the theft and loss, but not invoiced to subscribers by the retail companies is considered for the measured revenue.

In accordance with the relevant provisions of EMRA’s regulation, electricity retail sale service is defined in Electricity Market Law and Electricity Market License Communiqué promulgated by EMRA as other services such as invoicing or collection provided to the customers excluding the sale of electricity and/or capacity, the services provided by companies holding retail sale licenses to consumers. Electricity retail sale service fee included in the invoices issued by the Group contains invoicing costs, consumer services costs, capital expenditures relevant to the electricity retail sale services. Electricity retail sale service fee is applied to all customers who purchase energy from the Group.

- ii) Banking and finance business

Interest income / expense

Interest income and expense are recognised in profit or loss using the effective interest method. The effective interest rate is the rate that exactly discounts the estimated future cash payments and receipts through the expected life of the financial asset or liability (or, where appropriate, a shorter period) to the carrying amount of the financial asset or liability. The effective interest rate is established on initial recognition of the financial asset and liability and is not revised subsequently.

The calculation of the effective interest rate includes all fees and commissions paid or received transaction costs, and discounts or premiums that are integral part of the effective interest rate. Interest income and expense on all trading assets and liabilities are considered to be incidental to the Group’s trading operations and are presented together with all other changes in the fair value of trading assets and liabilities in “Revenue from finance sector operations” item in profit or loss.

Interest income and expense presented in profit or loss include the interest income on financial assets and liabilities at amortised cost on an effective interest rate basis.

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Notes to Consolidated Financial Statements As at and for the Year Ended 31 December 2021
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3 Significant accounting policies (continued)

n) Revenue (continued)

ii) Banking and finance business (continued)

Fees and commission

Fees and commission income and expense that are integral to the effective interest rate on a financial asset or liability are included in the measurement of the effective interest rate. Other fees and commission income are recognised as the related services are provided. Other fees and commission expense relate mainly to transaction and service fees, which are expensed as the services are received.

Net trading income

Net trading income comprises gains less loss related to trading assets and liabilities, and includes all realised and unrealised fair value changes and foreign exchange differences.

iii) Telecommunication business

Revenues are recognised to the extent that it is probable that economic benefits will flow to the Group and their amount can be measured reliably. Revenues are stated net of discounts, allowances, and returns.

Services rendered

Revenues from services rendered are recognized in the profit or loss according to the stage of completion of the service and only when the outcome of the service rendered can be estimated reliably.

Monthly subscription fee

Revenue related to the monthly service fees is recognised in the month that the telecommunication service is provided.

Usage charges and value-added services fees

Call fees consist of fees based on airtime and traffic generated by the caller, the destination of the call and the service utilised. Usage charges are based on traffic, usage of airtime or volume of data transmitted for value added services, such as short message services, internet usage and data services. Revenues from usage charges and value-added services are recognised in the period when the services are provided. Unbilled revenues from the billing cycle dating to the end of each month are estimated based on traffic and are accrued at the end of the month.

Revenue from the sale of internet services through contracts for leased lines is recognized in the profit or loss over the course of the contract. Revenue from the sale of prepaid access internet cards and access mobile cards is recognized in profit or loss at the time of usage.

Traffic revenues from interconnection and roaming are reported gross of the amounts due to other telecom operators.

Revenues from prepaid airtime are recorded on the basis of the airtime used at the predefined prices per minute. Deferred revenues for unused airtime are recorded as “Deferred revenue” in the consolidated statement of financial position.

Sales of goods

Revenue from the sale of modems and mobile phones is measured at the fair value of the consideration received or receivable, net of returns and allowances, trade discounts and volume rebates. Revenue is recognized when the significant risks and rewards of ownership have been transferred to the buyer (i.e. upon delivery of goods), recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, and there is no continuing management involvement with the goods.

ÇALIK HOLDİNG ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

Notes to Consolidated Financial Statements As at and for the Year Ended 31 December 2021
(Amounts expressed in thousands of United States Dollar ("USD") unless otherwise stated.)

3 Significant accounting policies (continued)

n) Revenue (continued)

iv) Other businesses

Revenue from the sale of goods during ordinary activities is measured at the fair value of the consideration received or receivable, net of returns and allowances and trade discounts. Revenue is recognised when persuasive evidence exists, usually in the form of an executed sales agreement, that the significant risks and rewards of ownership have been transferred to the buyer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, and there is no continuing management involvement with the goods and the amount of revenue can be measured reliably. If it is probable that discounts will be granted, and the amount can be measured reliably, then the discount is recognised as a reduction of revenue as the sale is recognised.

Transfers of risks and rewards vary depending on the individual terms of the contract of sale. Revenue from services rendered is recognised in profit or loss in proportion to the stage of completion of the transaction at the reporting date.

v) Commissions

When the Group acts in the capacity of an agent rather than as the principal in a transaction, the revenue recognised is the net amount of commission made by the Group.

o) Research and development costs

Expenditure on research activities is recognised in profit or loss when incurred.

p) Dividend income

Dividend income is recognised on the date that the Group’s right to receive payment is established. Dividend payables are recognised after the dividend distribution approval in the General Assembly.

r) Right-of-use assets and leases liabilities

i) Right-of-use asset

The Group recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

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

- a) the amount of the initial measurement of the lease liability,
- b) any lease payments made at or before the commencement date, less any lease incentives received,
- c) any initial direct costs incurred by the Group.

Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

Right-of-use assets are subject to impairment.

ii) Lease liabilities

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees.

ÇALIK HOLDİNG ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

Notes to Consolidated Financial Statements As at and for the Year Ended 31 December 2021
(Amounts expressed in thousands of United States Dollar ("USD") unless otherwise stated.)

3 Significant accounting policies (continued)

r) Right-of-use assets and leases liabilities (continued)

ii) Lease liabilities (continued)

The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognised as expense in the period on which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

iii) Short-term leases and low-value leases

The Group applies the short-term lease recognition exemption to its short-term leases of machinery and equipment (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered of low value. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

s) Finance income and finance cost

Finance income comprises foreign currency gains (excluding those on trade receivables and payables), and gains on derivative instruments used for economic hedge for the foreign currency risk of the borrowings or interest rate risk exposures originating from the borrowings that are recognised in profit or loss (excluding other trading derivatives held by the banking subsidiaries of the Group). Interest income obtained from related parties for the funds provided is recognised as it accrues, using the effective interest method.

Finance cost comprises interest expense on borrowings and due to related parties for the funds received, foreign currency losses (excluding those on trade receivables and payables), and losses on derivative instruments used for economic hedge for the foreign currency or interest rate risk exposures originating from the borrowings that are recognised in profit or loss (excluding other trading derivatives held by the banking subsidiaries of the Group).

Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in profit or loss using the effective interest method.

Foreign currency gains and losses are reported on a net basis as either other income or expense depending on whether foreign currency movements are in a net gain or net loss position by each entity of the Group.

t) Other income and expenses from operating activities

Except for banking and finance operations, other income from operating activities comprises interest income on time deposits that is recognised as it accrues in profit or loss, using the effective interest method, recoveries reversal from provision for doubtful receivables and inventories, rediscount gains on payables, foreign currency gains (excluding those on borrowings), change of fair value on service concession agreement and other operating income.

Except for banking and finance operations, other expenses from operating activities comprise commission expenses for letter of credits, provision expense for doubtful receivables and inventories, donations, rediscount losses on payables, foreign currency losses (excluding those on borrowings) and other operating expenses. Foreign currency gains and losses are reported on a net basis as either finance income or finance cost depending on whether foreign currency movements are in a net gain or net loss position by each entity of the Group.

ÇALIK HOLDİNG ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

Notes to Consolidated Financial Statements As at and for the Year Ended 31 December 2021
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3 Significant accounting policies (continued)

u) Income and losses from investing activities

Income from investing activities comprises gain on sale of property, plant and equipment and intangible assets, fair value gain of financial assets at fair value through profit or loss from the operations other than those held by finance sector entities of the Group, available for sale financial assets and financial assets at fair value through profit or loss, gain on derivative instruments (including other trading derivatives held by the finance sector entities of the Group), fair value gains on investment property and other income from investing activities.

Losses from investing activities comprises gain on sale of property, plant and equipment and intangible assets, fair value loss on investment property, fair value loss of financial assets at fair value through profit from the operations other than those held by finance sector entities of the Group or loss on derivative financial instruments (including other trading derivatives held by the finance sector entities of the Group) and other losses from investing activities.

v) Income tax

Tax expense comprises current and deferred tax. Current tax and deferred tax are recognised in profit or loss except to the extent that it relates to a business combination, or items recognised directly in equity or in other comprehensive income.

Current tax

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 payable in respect of previous years.

Deferred tax

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for:

- temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss;
- temporary differences related to investments in subsidiaries, associates and joint arrangements o the extent that the Group can control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future; and
- taxable temporary differences arising on the initial recognition of goodwill.

Deferred tax assets are recognised for unused tax losses, unused tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be used. Future taxable profits are determined based on the reversal of relevant taxable temporary differences. If the amount of taxable temporary differences is insufficient to recognise a deferred tax asset in full, then future taxable profits, adjusted for reversals of existing temporary differences, are considered, based on the business plans for individual subsidiaries in the Group. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised; such reductions are reversed when the probability of future taxable profits improves.

Unrecognised deferred tax assets are reassessed at each reporting date and recognised to the extent that it has become probable that future taxable profits will be available against which they can be used.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date.

ÇALIK HOLDİNG ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

Notes to Consolidated Financial Statements As at and for the Year Ended 31 December 2021
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3 Significant accounting policies (continued)

v) Income tax (continued)

Deferred tax (continued)

The measurement of deferred tax reflects the tax consequences that would follow from the manner in which the Group expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities. For this purpose, the carrying amount of investment property measured at fair value is presumed to be recovered through sale, and the Group has not rebutted this presumption.

Deferred tax assets and liabilities are offset only if certain criteria are met.

Transfer pricing in Turkey

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.

If the taxpayer involves in transactions with related parties relating to trading of products or goods not performed within the framework of the principals regarding to pricing according to peers, then it will be considered that the related profits are shifted in a veiled way via transfer pricing. Such veiled shifting of profits via transfer pricing will not be deducted from tax assessment for the purposes of corporate tax.

The provisions concerning to the “thin capitalisation” are stated in the Article 12 of new corporate tax law issued by Ministry of Finance of Turkey. 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 operating in Turkey 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 capitalisation 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.

w) Segment reporting

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group’s other components. All operating segments’ operating results are reviewed regularly by the CEO (“Chief Executive Officer”) and BOD members to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

x) De-merger/ Spin off

Economically a de-merger represents a division of an entity into separate parts. The result of a de-merger is that the same shareholders own the same group of businesses; the shareholders structure and their ownership interests are identical both before and after the de-merger. In the absence of further guidance in IFRS, the Group has accounted the de-merger by recognising the book values.

y) Contingent assets and liabilities

If the inflows of the economic benefits to the Group are probable, contingent assets are disclosed in the notes to the consolidated financial statements. If it has become virtually certain that an inflow of economic benefits will arise, the asset and the related income are recognised in the consolidated financial statements in the period in which the change occurs.

Contingent liabilities are assessed continuously to determine whether an outflow of resources embodying economic benefits has become probable. Unless the possibility of any outflow in settlement is remote, contingent liabilities are disclosed in the notes to the financial statements.

ÇALIK HOLDİNG ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

Notes to Consolidated Financial Statements As at and for the Year Ended 31 December 2021
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3 Significant accounting policies (continued)

z) Subsequent events

Subsequent events represent the events after reporting date comprising any event between the reporting date and the date of authorisation for the consolidated financial statements’ issue to the benefit or loss of the entity. Conditions of subsequent events are as follows:

- to have new evidences of subsequent events as of reporting date (adjusting events); and
- to have evidences of related subsequent events occurred after reporting date (non-adjusting).

The Group adjusts its consolidated financial statements according to the new condition if adjusting subsequent events arise after the reporting date. If it is not necessary to adjust the consolidated financial statements according to subsequent events, these subsequent events must be disclosed in the notes to the consolidated financial statements.

aa) Statement of cash flows

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

Cash flows from operating activities reflect cash flows mainly generated from main operations of the Group. The Group presents the cash flows from operating activities by using the indirect method such as adjusting the accruals for cash inflows and outflows from gross profit/loss, other non-cash transactions, prior and future transactions or deferrals.

Cash flows from investment activities reflect cash used in investment activities (direct investments and financial investments) and cash flows generated from investment activities of the Group.

Cash flows relating to financing activities reflect sources of financial activities and payment schedules of the Group.

Cash and cash equivalents comprise cash on hand and demand deposits, investment funds, reverse repo receivables and other bank deposits whose maturities are three months or less from date of acquisition. Any restricted cash and cash equivalents that are not ready for the Group’s use as at the reporting date, are excluded from the sum of the cash and cash equivalent in the consolidated statement of cash flows.

ab) Related parties

Parties are considered related to the Group if:

- (a) Directly, or indirectly through one or more intermediaries, the party:
 - (i) controls, is controlled by, or is under common control with the Group (this includes parent, subsidiaries and fellow subsidiaries);
 - (ii) has an interest in the Group that gives it significant influence over the Group; or
 - (iii) has joint control over the Group;
- (b) the party is an associate of the Group;
- (c) the party is a joint venture/operation in which the Group is a venturer;
- (d) the party is member of the key management personnel of the Group and its parent;
- (e) the party is a close member of the family of any individual referred to in (a) or (d);
- (f) the party is an entity that is controlled or significantly influenced by, or for which significant voting power in such entity resides with directly or indirectly, any individual referred to in (d) or (e);
- (g) the party is a post-employment benefit plan for the benefit of employees of the Group, or of any entity that is a related party of the Group.

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

Several transactions are entered into with related parties in the normal course of business.

ÇALIK HOLDİNG ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

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4 Acquisition and disposals of subsidiary and non-controlling interest

4.1 Acquisitions of non-controlling interests without change in control during 2021

Çalık Finansal Hizmetler

On September 9 2021, Çalık Finansal Hizmetler merged with Çalık Holding A.Ş., one of the group companies, based on the June 30, 2021 balance sheets with the facilitated merger method.

4.2 Acquisitions of non-controlling interests with change in control during 2021

Akılci Bilişim Hizmetleri ve Danışmanlık Anonim Şirketi

On September 9 2021, as a result of the general assembly resolution by Akılci Bilişim Hizmetleri ve Danışmanlık Anonim Şirketi all of the shares corresponding to 85% of ÇEDAŞ company shares were transferred. As a result of this transaction, the company left the group.

Çalık Enerji Dubai FZE

Çalık Enerji Dubai FZE company was closed on 15 November, 2021.

ÇL Enerji Üretim ve İnşaat A.Ş.

ÇL Enerji Üretim ve İnşaat Anonim Şirketi ("ÇL Enerji") left Limak İnşaat, which has 50% subsidiary, and passed to Çalık Enerji A. Ş. with 100% ownership. (2020: Çalık Energy: 50% Limak Construction 50%)

Çalık Petrol

80% of the company's shares transferred to Çalık Holding A.Ş. Çalık Holding A.Ş. owns 80% of the company.

Doğu Aras Enerji Yatırımları Anonim Şirketi

20% of the company shares were sold as a public offering. The ownership rate for the period 31 December 2021 was 40% (2020: 50%).

Eurokos Dd. L.L.C

Eurokos Dd L.L.C. was established in the Republic of Kosovo in 2018 for power plant construction and operation, electricity generation, electricity sales and marketing. Çalık Enerji became a partner of Eurokos Dd. L.L.C in 2021.

UPT Lithuania UAB

UPT Lithuania UAB company was liquidated on 22 June 2021.

ÇALIK HOLDİNG ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

Notes to Consolidated Financial Statements As at and for the Year Ended 31 December 2021
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4 Acquisition and disposals of subsidiary and non-controlling interest *(continued)*

4.3 Acquisitions of non-controlling interests without change in control during 2020

Çalık Solar

On January 31 2020, Çalık Solar merged with Momentum Enerji Elektrik Üretim San. ve Tic. A.Ş., one of the group companies, based on the 31 December 2019 balance sheets with the facilitated merger method.

Çalık Yenilenebilir Enerji

On January 31 2020, Çalık Yenilenebilir Enerji merged with Momentum Enerji Elektrik Üretim San. ve Tic. A.Ş., one of the group companies, based on the 31 December 2019 balance sheets with the facilitated merger method.

Çedaş Elektrik Dağıtım Yatırımları

On April 13 2020, Çedaş Elektrik Dağıtım Yatırımları merged with Çalık Enerji San. Ve Tic. A.Ş., one of the group companies, based on the 31 December 2019 balance sheets with the facilitated merger method.

Gap Elektrik Dağıtım

As a result of the share transfer agreement signed on June 15, 2020, Çalık Holding A.Ş., Ahmet Çalık and Çalık Denim Tekstil San. ve Tic. A.Ş. left the partnership by transferring all the shares, corresponding to 99.98% of the company shares, to TCB İnşaat Yatırım A.Ş., one of the group companies. On October 28 2020, Gap Elektrik Dağıtım merged under TCB İnşaat Yatırım A.Ş.

Gapyapı İnşaat

In 2020, Gap İnşaat A.Ş. took over 50,000 shares of Gapyapı İnşaat A.Ş. ("Gapyapı") free of charge, which is owned by its main shareholder, corresponding to 100% of its 50 TL paid-in capital.

Petrotrans Enerji

On April 30 2020, Petrotrans Enerji merged with Çalık Holding A.Ş., based on the 31 December 2019 balance sheets with the facilitated merger method.

Sembol Enerji

On January 31 2020, Sembol Enerji merged with Momentum Enerji Elektrik Üretim San. Ve Tic A.Ş., one of the group companies, based on the 31 December 2019 balance sheets with the facilitated merger method.

Çalık Güneş Enerji

On January 31 2020, Çalık Güneş Enerji merged with Momentum Enerji Elektrik Üretim San. Ve Tic A.Ş., one of the group companies, based on the 31 December 2019 balance sheets with the facilitated merger method.

Olimpos Solar

On August 26 2020, Olimpos Solar merged with Momentum Enerji Elektrik Üretim San. Ve Tic A.Ş., one of the group companies, based on the 30 June 2020 balance sheets with the facilitated merger method.

Pasifik Solar

On August 26 2020, Pasifik Solar merged with Momentum Enerji Elektrik Üretim San. Ve Tic A.Ş., one of the group companies, based on the 30 June 2020 balance sheets with the facilitated merger method.

ÇALIK HOLDİNG ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

Notes to Consolidated Financial Statements As at and for the Year Ended 31 December 2021
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4 Acquisition and disposals of subsidiary and non-controlling interest (continued)

4.4 Acquisitions of non-controlling interests with change in control during 2020

Akyarlar Enerji

On 13 July 2020, all of the shares of the company were sold to Best Brands Grup Enerji Yatırım A.Ş.

Energy Sabz Arman Pars, Enerji Sabz Pouya Pars

On April 26 2020, Energy Sabz Arman Pars and Enerji Sabz Pouya Pars were liquidated.

Gök Safır Solar, Kızılyıldızı Solar, Kuzey Yıldızı Solar, Olivin Solar, Sedef Solar, Seher Yıldızı, Yakut Solar, Zirkon Solar

On April 16 2020, all of shares of Gök Safır Solar, Kızılyıldızı Solar, Kuzey Yıldızı Solar, Olivin Solar, Sedef Solar, Seher Yıldızı, Yakut Solar and Zirkon Solar were sold to Vonsteel Group A.Ş..

Hamerz Green Energy, Mayestan Clean Energy

On May 2 2020, companies Hamerz Green Energy and Mayestan Clean Energy were liquidated.

Kadıkalesi İnşaat, Yalıkavak Enerji

On July 13 2020, all shares of Kadıkalesi İnşaat and Yalıkavak Enerji company shares were sold to Best Brands Grup Enerji Yatırım A.Ş.

Kamelya Solar

On February 3 2020, all the shares of the Kamelya Solar company were sold to real persons.

Kırlangıç Solar

On January 31 2020, all the shares of the Kırlangıç Solar company were sold to real persons.

Olimpos Solar

On June 18 2020, all of the preferred shares, corresponding to 26,58% of Olimpos Solar company shares, were sold to Momentum Enerji Elektrik Üretim Sanayi ve Ticaret A.Ş.

Pasifik Solar

On June 18 2020, all of the preferred shares, corresponding to 26,87% of Pasifik Solar company shares, were sold to Momentum Enerji Elektrik Üretim Sanayi ve Ticaret A.Ş.

Polimetal Madencilik

On January 3 2020, Polimetal Madencilik Sanayi ve Ticaret A.Ş. shareholder Alacer Gold Madencilik A.Ş. transferred its shares to Lidya Madencilik San. ve Tic. A.Ş., and left the partnership.

ÇALIK HOLDİNG ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

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5 Business Acquisitions

Çalık Holding, a subsidiary of the Group, acquired a 80% share of Çalık Petrol on 31 December 2021 for a consideration of USD 42.400. Çalık Petrol engages in oil exploration and production fort he energy industry. The acquisition transaction is provisionally accounted in the consolidated financial statements by the acquisition method in accordance with IFRS 3 “Business Combinations”. As a result of the provisional accounting, a positive goodwill amounting to USD 24.558 is accounted in the consolidated financial statements (Note 19).

	31 Aralık 2021
Consideration transferred	42.400
Cash and cash equivalents of purchased subsidiary	(11.128)
Cash outflows related to acquisitions	31.272

The fair value of the identifiable assets and liabilities of Çalık Petrol as of 31 December 2021 is as follows:

	31 Aralık 2021
Current assets	
Cash and cash equivalents	11.128
Trade receivables	2.108
Other receivables	83
Inventories	1.080
Prepaid expenses	977
Diğer duran varlıklar	
Trade receivables	17
Property, plant and equipment	754
Intangible assets	7.369
Prepaid expenses	119
Deferred assets	302
Total assets	23.937
Short term liabilities	
Trade payables	987
Payables related to employee benefits	13
Other payables	4
Deferred incomes	974
Current tax liability	395
Short term provisions	14
Other short term liabilities	611
Long term liabilities	
Other long term liabilities	35
Total liabilities	3.033
Toplam identifiable net assets/liabilities	20.904
Ownership rate	80%
Subsidiary net asset	16.724
Translation difference	1.118
Purchase price	(42.400)
Goodwill balance in consolidated statements	24.558

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6 Discontinued operation and disposal group held for sale

The Group reclassified assets and liabilities of Çalık Alexandria operating in textile sector as “Assets held for sale” as the Group plans to dispose its production and retail facilities of this subsidiary. All assets and liabilities of this subsidiary except the cash and cash equivalents have been classified as “Assets held for sale” and “Liabilities held for sale” in the consolidated financial statements, respectively. In addition, properties acquired as a result of legal proceedings of uncollectable loans and receivables of banking sector operations have been re-presented under “Assets held for sale”.

As at 31 December 2021, assets and liabilities including those of discontinued operations are USD 59.949 and USD 739 (31 December 2020: USD 60.678 and USD 11.896), respectively, and details are as follows:

Assets held for sale	31 December 2021	31 December 2020
Property, plant and equipment (*)	52.622	53.602
Inventories	6.301	4.884
Intangible assets	23	26
Other assets	1.003	2.166
	59.949	60.678
Liabilities held for sale	31 December 2021	31 December 2020
Trade payables	623	11.805
Other liabilities	116	91
	739	11.896

(*) Property, plant and equipment consists of properties classified as held for sale of the subsidiaries in textile sector amounting to USD 9.741 (31 December 2020: USD 9.584), land and buildings with a carrying value of USD 1.044 (31 December 2020: USD 1.067) obtained against the doubtful receivables in marketing sector and properties amounting to USD 41.837 (31 December 2020: USD 42.951) which were acquired as a result of legal proceedings of uncollectable loans and receivables of banking sector operations.

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7 Operating segments

The Group has six reportable segments, as described below, which are largely organised and managed separately according to the nature of products and services provided, distribution channels and profile of customers.

Assets, liabilities, profit and measurement of financial results of the segments are dependent to accounting policies of the Group. Segment operating profit, assets and liabilities consist of items directly belonging to these segment or items that can be distributed fairly.

The Group’s main reportable operating segments are as follows:

Energy: Entities in energy segment operate in sale of electricity, operation of natural gas and crude oil resources, exploration-production of these resources and sale and transportation of these resources to international markets.

Construction: Entities in construction segment are operating in construction, contracting and decoration businesses both within Turkey and abroad. In addition, these entities are managing mining of all kinds of minerals, marble, lime, clay, coal and stone if the necessary permits are granted and trading of marble, store cutting machines with its spare parts, ceramic floor and wall tiles both within the country and abroad. These entities are also providing services for land development and project development services for urban renewal, office residential and housing markets.

Textile: Entities in textile segment mainly deal with production and trading activities of yarn, texture and ready wear besides providing consulting services related to importation and exportation of cotton.

Marketing: Entities in marketing segment mainly import and export textile and textile supply products.

Telecommunication: Entities in telecommunication segment mainly provides telecommunication, communication, press and internet services.

Banking and finance: Entities in banking and finance segment mainly provides commercial and investment banking, financial leasing, insurance, project financing, other financial services, trading of marketable securities and credit financial services.

Other: Entities in other segment mainly engage in mining, aviation, cotton trade, digital service and other services.

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Operating segments (continued)

The following information was prepared according to the accounting policies applied for subsidiaries, associates, joint ventures and joint operations.

	2021								
	Energy	Construction	Textile	Marketing	Tele-communication	Banking and finance	Others	Eliminations	Total
Revenue	1.087.564	248.691	232.121	72.763	66.836	632.887	45.141	(138.920)	2.247.083
Gross profit	325.209	3.516	87.589	13.682	21.386	363.339	15.582	(44.788)	785.515
Other income/(costs), net	(110.050)	(35.156)	6.071	(7.182)	(20.429)	(127.606)	(24.599)	18.024	(300.927)
Results from operating activities	215.159	(31.640)	93.660	6.500	957	235.733	(9.017)	(26.764)	484.588
Gain/(loss) from investing activities	47.419	(56.372)	2.361	--	4	41.539	202.162	(126.953)	110.160
Share of the after tax to profit/(loss) of equity accounted	(1.139)	--	--	--	--	(840)	(1.444)	--	(3.423)
Interest expense	(8.237)	(37.059)	(23.956)	(3.689)	(6.998)	(3.288)	(61.862)	18.504	(126.585)
Other finance income/(cost), net	16.568	84.968	(39.220)	11.659	1.399	(25.679)	51.571	(3.072)	98.194
Consolidated profit / (loss) before tax	269.770	(40.103)	32.845	14.470	(4.638)	247.465	181.410	(138.285)	562.934
Income tax benefit / (expense)	7.702	11.130	(2.560)	(872)	137	(47.140)	(293)	(4.188)	(36.084)
Net profit/(loss) for the year	277.472	(28.973)	30.285	13.598	(4.501)	200.325	181.117	(142.473)	526.850

Financial Data

	Energy	Construction	Textile	Marketing	Tele-communication	Banking and finance	Other	Eliminations	Total
Segment assets	1.132.914	829.800	266.145	108.371	229.279	7.887.301	1.373.274	(1.421.661)	10.405.423
Segment liabilities	(497.353)	(571.976)	(220.860)	(46.290)	(194.025)	(7.052.663)	(414.413)	523.026	(8.474.554)
Capital expenditure (*)	34.263	1.549	8.917	659	6.689	24.889	34.782	(1.528)	110.220
Depreciation and amortization (*)	(12.827)	(7.551)	(9.316)	(243)	(13.760)	(15.895)	(3.727)	146	(63.173)

(*) Additions and depreciation related to right of use assets are not included.

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Operating segments (continued)

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	2020								
	Energy	Construction	Textile	Marketing	Tele-communication	Banking and finance	Others	Eliminations	Total
Revenue	795.706	260.785	163.209	44.981	66.178	552.452	23.978	(83.407)	1,823.882
Gross profit	312.859	6.262	44.502	4.519	23.879	334.027	14.785	(39.093)	701.740
Other income/(costs), net	(95.797)	(22.198)	(13.726)	(8.116)	(20.700)	(154.451)	(31.968)	24.992	(321.964)
Results from operating activities	217.062	(15.936)	30.776	(3.597)	3.179	179.576	(17.183)	(14.100)	379.777
Gain/(loss) from investing activities	3.702	(36.092)	984	9	(1.452)	13.950	251.856	(155.678)	77.279
Share of the after tax to profit/(loss) of equity accounted	36.832	--	--	--	--	(1.388)	(3.097)	--	32.347
Interest expense	(10.208)	(19.639)	(29.866)	(5.822)	(7.644)	(5.310)	(58.477)	31.749	(105.217)
Other finance income/(cost), net	528	14.369	(26.995)	4.454	(3.924)	(4.983)	67.300	(9.154)	41.595
Consolidated profit / (loss) before tax	247.916	(57.298)	(25.101)	(4.956)	(9.841)	181.845	240.399	(147.183)	425.781
Income tax benefit / (expense)	(21.116)	13.838	962	154	(21)	(40.166)	(10.698)	(1.136)	(58.183)
Net profit/(loss) for the year	226.800	(43.460)	(24.139)	(4.802)	(9.862)	141.679	229.701	(148.319)	367.598

	Energy	Construction	Textile	Marketing	Tele-communication	Banking and finance	Other	Eliminations	Total
Segment assets	1.113.377	1.041.503	302.433	118.359	250.578	7.968.868	1.346.355	(1.665.981)	10.475.492
Segment liabilities	(466.165)	(754.049)	(283.871)	(77.510)	(209.141)	(7.021.916)	(587.065)	817.652	(8.582.065)
Capital expenditure (*)	24.829	2.396	10.172	42	10.774	21.262	11.596	--	81.071
Depreciation and amortization (*)	(16.624)	(9.855)	(10.160)	(294)	(13.389)	(16.203)	(2.035)	481	(68.079)

(*) Additions and depreciation related to right of use assets are not included.

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7 Operating segments (continued)

Distribution of the non-current assets and revenue balances by geographic divisions where the Group operates in, are as follows:

	2021	2020
<u>Revenue</u>		
Turkey	1.326.138	1.114.211
Albania	259.708	239.107
Turkmenistan	144.737	134.320
Other	516.500	336.244
Total	2.247.083	1.823.882
<u>Non-current Assets</u>		
Albania	3.189.126	2.901.584
Turkey	1.544.167	2.311.363
Turkmenistan	17.260	20.661
Other	496.475	379.700
Total	5.247.028	5.613.308

8 Related party disclosures

As disclosed in detail in Note 3, the joint ventures and associates of the Group have been accounted for using the equity method in the consolidated financial statements. Accordingly, the transactions of Group's subsidiaries with joint ventures and the balances from joint ventures and associates are not subject to elimination.

Related party balances

As at 31 December, the Group had the following balances outstanding from its related parties:

	2021				
	Shareholders	Associates	Joint ventures	Other	Total
Trade receivables	--	22.806	2.876	126.038	151.720
Financial investments	--	158.782	--	1	158.783
Other receivables (*)	330.810	66	4.766	2.462	338.104
Receivables related to finance sector operations	--	3	--	2.143	2.146
Prepaid expenses	--	4.762	--	20	4.782
Borrowings	--	(158.782)	--	(216)	(158.998)
Trade payables	--	(3)	(532)	(2.686)	(3.221)
Payables related to finance sector operations	(455)	--	(201)	(17.652)	(18.308)
Deferred revenue	--	--	--	(3.118)	(3.118)
Other payables	--	--	--	(1)	(1)
Total	330.355	27.634	6.909	106.991	471.889

ÇALIK HOLDİNG ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

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8 Related party disclosures (continued)

	2020				
	Shareholders	Associates	Joint ventures	Other	Total
Trade receivables	--	17.358	1.714	59.398	78.470
Financial investments	--	185.223	--	--	185.223
Other receivables (*)	328.932	--	4.835	36.111	369.878
Receivables related to finance sector operations	--	24	--	3.460	3.484
Prepaid expenses	--	5.699	--	23	5.722
Borrowings	--	(185.223)	--	(1.419)	(186.642)
Trade payables	--	--	(436)	(12.259)	(12.695)
Payables related to finance sector operations	(193)	(8)	(1.581)	(28.504)	(30.286)
Deferred revenue	--	(1)	(6.577)	(27)	(6.605)
Other payables	(13.984)	--	(3.233)	(6.581)	(23.798)
Total	314.755	23.072	(5.278)	50.202	382.751

(*) As of 31 December 2021, USD 320.000 (31 December 2020: USD 320.000) of the other receivables from the shareholders consist of the receivable of the GAP Construction Dubai FZE from Delta Netherlands B.V.

No impairment losses have been recognised against balances outstanding as at 31 December 2021 (31 December 2020: None) and no specific allowance has been made for impairment losses on balances with the related parties.

As at 31 December, the Group had the following transaction with its related parties:

	2021				
	Shareholders	Associates	Joint ventures	Other	Total
Revenue (*)	94	26.170	4.335	90.505	121.104
Cost of sales	--	(2.766)	3.037	(2.624)	(2.353)
General and administrative expenses	(56)	--	(13)	(139)	(208)
Sales, marketing and distribution expenses	--	--	--	(963)	(963)
Gain from investing activities	--	55.510	4.512	24	60.046
Other Income/(expense) from operating activities	--	14	(825)	22	(789)
Income/(expense) from financing activities	2.875	(10.295)	83	16	(7.321)
Total	2.913	68.633	11.129	86.841	169.516

	2020				
	Shareholders	Associates	Joint ventures	Other	Total
Revenue (*)	93	18.852	6.862	87.330	113.137
Cost of sales	--	(11.319)	(1.263)	(807)	(13.389)
General and administrative expenses	(160)	--	(22)	(152)	(334)
Sales, marketing and distribution expenses	--	--	--	(2.194)	(2.194)
Gain from investing activities	--	25.852	6.116	129	32.097
Other Income/(expense) from operating activities	--	22	571	48	641
Income/(expense) from financing activities	799	(10.482)	(260)	(354)	(10.297)
Total	732	22.925	12.004	84.000	119.661

(*) For the year ended 31 December 2021, amounting to US Dollar 70.929 of revenue transactions composed of progress billings to TAPP 500 Power Transmission Line FZE within the scope of TAPP project. (31 December2020: USD 55.000). In addition to this, as at 31 December 2021, revenue transactions composed of progress billings to Mitsubishi Corporation, a related party and prime contractor for the projects, in accordance with ongoing engineering, procurement and construction contracts amounting to US Dollar 18.255 (31 December2020: USD 30.076).

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8 Related party disclosures *(continued)*

Transactions with key management personnel

On a consolidated basis, key management costs included in general and administrative expenses for the year ended 31 December 2021 amounted to USD 29.524 (2020: USD 22.724).

9 Cash and cash equivalents

At 31 December, cash and cash equivalents comprised the following:

2021	Finance (*)	Non-finance (**)	Total
Cash on hand	88.949	484	89.433
Cash at banks	878.572	175.338	1.053.910
-Demand deposits	308.685	136.992	445.677
-Time deposits	569.887	38.346	608.233
Balances at central bank (excluding statutory reserve)	117.446	--	117.446
Other cash and cash equivalents (***)	1.375	9.613	10.988
Cash and cash equivalents	1.086.342	185.435	1.271.777
Restricted amounts	(17.230)	(20.825)	(38.055)
Cash and cash equivalents in the consolidated statement of cash flows	1.069.112	164.610	1.233.722
2020	Finance (*)	Non-finance (**)	Total
Cash on hand	77.113	465	77.578
Cash at banks	586.896	138.381	725.277
-Demand deposits	245.961	83.773	329.734
-Time deposits	340.935	54.608	395.543
Balances at central bank (excluding statutory reserve)	70.288	--	70.288
Other cash and cash equivalents (***)	14.848	9.496	24.344
Cash and cash equivalents	749.145	148.342	897.487
Restricted amounts	(22.166)	(30.343)	(52.509)
Cash and cash equivalents in the consolidated statement of cash flows	726.979	117.999	844.978

(*) Finance represents the Group's entities operating in banking and finance business.

(**) Non-finance represents the Group's entities operating in businesses other than banking and finance.

(***) Other cash and cash equivalents mainly consist of liquid funds to USD 8.887 (31 December 2020: USD 9.350), money in transit amounting to USD 709 (31 December 2020: USD 120), credit card receivables amounting to USD 986 (31 December 2020: USD 1.244) and other cash and cash equivalents USD 406. As of 31 December 2021, there is no reverse repo transactions (31 December 2020: USD 13.630)

As at 31 December 2021, restricted cash in cash equivalents amounting to USD 38.055 (31 December 2020: USD 52.509) is not available in the Group's day-to-day operations. The mandatory restricted account amounting to USD 17.230 (31 December 2020: USD 22.166). These amounts arising from the Group's banking activities in Albania and Turkey.

The Group has restricted cash and cash equivalents amounting to USD 10.519 (31 December 2020: None). The related blocked deposit can only be used for the investment expenditures of the Polimetel Balıkesir project. The remaining restricted cash balance of USD 57 in bank at Malawi (31 December 2020: None), and USD 1.486 in Switzerland (31 December 2020: None), amount of USD 8.677 are held in domestic banks as security for the outstanding bank loans (31 December 2020: USD 17.433), amount of USD 10 comprises of the court-restricted amount on expropriation cases (31 December 2020: USD 18). The remaining restricted cash balance USD 76 (31 December 2020: USD 4.937) mainly comprised of cash security given to İstanbul Takas ve Saklama Bankası Anonim Şirketi for the electricity purchases from Market Financial Settlement Center ("PMUM").

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9 Cash and cash equivalents *(continued)*

None of the restricted amounts (31 December 2020: USD 4.722) is related to the mandatory bank deposits at a bank in Georgia for a maintenance contract, related with partial maintenance contract and there is no blocked amounts consisting of online collections (31 December 2020: USD 3.233).

10 Financial investments

At 31 December, financial investments comprised the following:

2021			
	Current	Non-current	Total
Financial assets at FVTOCI	931.364	1.765.087	2.696.451
Financial assets at FVTPL (*)	188.828	277.106	465.934
Financial assets at amortised costs	117.156	162.639	279.795
Total	1.237.348	2.204.832	3.442.180
2020			
	Current	Non-current	Total
Financial assets at FVTOCI	1.157.933	1.458.820	2.616.753
Financial assets at FVTPL (*)	158.000	292.647	450.647
Financial assets at amortised costs	111.628	122.883	234.511
Total	1.427.561	1.874.350	3.301.911

(*) As at 31 December 2021 and 2020, equity securities in Anagold Madencilik Sanayi ve Ticaret Anonim Şirketi which is classified as equity securities at fair value through profit or loss were valued for the consolidated financial statements. These investments are valued periodically by an independent valuation firm by using discounted cash flow method. As at 31 December 2021, an increase in fair value for this investment amounting to USD 1.000 (31 December 2020: USD 64.428) has been recognised under "Gain from investing activities" in profit or loss due to valuation of equity securities at fair value through profit or loss after in the tax effect.

As of the reporting date, 50 basis point increase/decrease in the discount rate used in the valuation of discounted cash flows of the financial asset at fair value through profit or loss would have decreased/increased the profit before tax by USD 3.175 / USD 3.281 (31 December 2020: USD 2.069 / USD 2.275), respectively.

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10 Financial investments (continued)

Financial assets at FVTOCI and ve Financial assets at FVTPL

As at 31 December, financial assets at FVTOCI and ve financial assets at FVTPL comprised the following:

	2021	2020
	Carrying Amount	Carrying amount
Public sector bonds, notes and bills	1.867.900	1.776.262
Private sector bonds, notes and bills	709.690	603.279
Asset backed securities and lease certificates	205.812	304.010
Investment funds	61.355	68.241
Equity securities – listed	40.369	18.492
<i>Equity securities – non-listed</i>		
Anagold Madencilik Sanayi ve Ticaret Anonim Şirketi	266.200	265.200
Bursagaz Bursa Şehiriçi		
Doğal Gaz Dağıtım Ticaret ve Taahhüt Anonim Şirketi	5.072	15.194
Kayserigaz Kayseri Doğalgaz		
Dağıtım Pazarlama Ticaret Anonim Şirketi	4.336	12.253
Other	1.651	4.469
Balance at 31 December	3.162.385	3.067.400

Financial assets measured at cost that are not traded in an active market

As at 31 December 2021, investments in equity securities amounting to USD 1.651 (31 December 2020: USD 4.469) are measured at cost less impairment, if any, as these equity securities are not traded in stock exchange and have no quoted market price, and therefore their fair value cannot be reliably estimated since there is significant variability in the range of reasonable fair value estimates and the probabilities of the various estimates within the range cannot be assessed reasonably.

As at 31 December financial assets at amortised costs comprised the following:

	2021	2020
	Carrying Amount	Carrying Amount
Private sector bonds, notes and bills	149.235	130.116
Public sector bonds, notes and bills	80.500	49.581
Asset backed securities and lease certificates	41.491	48.897
Other	8.569	5.917
Total	279.795	234.511

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10 Financial investments (continued)

The movements in financial investments during the year ended 31 December 2021 were as follows:

	Financial assets at FVTOCI	Financial assets at amortised costs	Financial assets at FVTPL
At 1 January 2021	2.616.753	234.511	450.647
Additions through purchases	851.685	89.786	108.282
Fair value gains/ (losses)	(17.301)	1.503	(5.801)
Disposals (sale and redemption)	(375.171)	(22.570)	(18.841)
Impairment	(9.063)	(531)	--
Foreign currency translation differences	(370.452)	(22.904)	(68.353)
At 31 December 2021	2.696.451	279.795	465.934

The movements in financial investments during the year ended 31 December 2020 were as follows:

	Financial assets at FVTOCI	Financial assets at amortised costs	Financial assets at FVTPL
At 1 January 2020	1.970.885	150.752	326.559
Additions through purchases	1.361.539	104.036	77.224
Fair value gains	45.686	1.632	64.428
Disposals (sale and redemption)	(716.803)	(23.357)	(6.366)
Impairment	(7.229)	(585)	--
Foreign currency translation differences	(37.325)	2.033	(11.198)
At 31 December 2020	2.616.753	234.511	450.647

The Group's exposure to credit, currency and interest rate risks related to investment securities are disclosed in Note 37.

11 Financial assets related to concession agreements

As at 31 December, Financial assets related to concession agreements comprised the following:

	2021	2020
Current financial assets related to concession agreements	43.447	60.150
Non-current financial assets related to concession agreements	130.034	194.309
Total	173.481	254.459

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11 Financial assets related to concession agreements (continued)

Movements of Financial assets related to concession agreements for the years ended 31 December were as follows:

	31.Dec.21	31.Dec.20
Financial asset at the beginning of the period	254.459	291.057
Investments during the year	64.773	49.580
Collections	(66.713)	(69.378)
Principal collections	(41.978)	(41.546)
Financial income collections	(24.735)	(27.832)
Financial income	52.038	51.102
Fair value difference and other corrections	--	(5.184)
Transfers to property, plant and equipment	--	(6.284)
Foreign currency translation differences	(131.076)	(56.434)
End of Period Financial asset	173.481	254.459

As at 31 December 2021, the maturity breakdown of the financial assets related to concession agreements:

	31.Dec.21	31.Dec.20
Up to 1 year	43.447	60.150
Up to 1 - 3 years	69.347	96.454
Up to 3 - 5 years	49.131	67.915
Over 5 years	11.556	29.940
Total	173.481	254.459

12 Trade receivables and payables

Trade receivables

Short-term trade receivables

As at 31 December, short-term trade receivables comprised the following:

	2021	2020
Due from related parties	151.175	76.624
Due from third parties	306.983	318.145
Total	458.158	394.769

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Notes to Consolidated Financial Statements As at and for the Year Ended 31 December 2021
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12 Trade receivables and payables (continued)

Trade receivables (continued)

Short-term trade receivables (continued)

As at 31 December, short-term trade receivables comprised the following:

	2021	2020
Accounts receivables	420.505	362.310
Doubtful receivables	54.216	58.890
Notes receivables (*)	33.955	30.285
Postdated cheques received	1.825	2.112
Other trade receivables	1.999	132
Subtotal	512.500	453.729
Allowances for doubtful trade receivables (-)	(54.216)	(58.890)
Discount on trade receivables (-)	(126)	(70)
Total	458.158	394.769

(*) As of December 31, 2021, USD 28.339 of notes receivable consists of notes received from Çalık Denim's commercial activities (31 December 2020: USD 24.868).

Movements of allowance for doubtful receivables for the year ended at 31 December were as follows:

	2021	2020
Balance at 1 January	58.890	54.238
Allowance for the period	13.251	11.372
Collections (-)	(535)	(1.338)
Canceled allowance for the period (-)	(4.457)	(2.176)
Foreign currency translation difference	(12.933)	(3.206)
Total	54.216	58.890

Long-term trade receivables

As at 31 December, long-term trade receivables comprised the following:

	2021	2020
Due from related parties	545	1.846
Due from third parties	55.200	33.561
Total	55.745	35.407

As at 31 December, long-term trade receivables comprised the following:

	2021	2020
Accounts receivables	55.769	35.422
Subtotal	55.769	35.422
Discount on trade receivables (-)	(24)	(15)
Total	55.745	35.407

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12 Trade receivables and trade payables (continued)

Trade payables

Short-term trade payables

	2021	2020
Due to related parties	3.221	12.695
Due to third parties	281.428	257.465
Total	284.649	270.160

	2021	2020
Accounts payables (*)	276.580	256.542
Notes payable	5.404	9.119
Other trade payable	2.665	4.499
Total	284.649	270.160

(*) Accounts payables mainly consists of payables to suppliers of material and equipment for the EPC projects and payables to the subcontractors for the ongoing construction projects.

Long-term trade payables

As at 31 December, long-term trade payables comprised the following:

	2021	2020
Accounts payables	4	5.407
Subtotal	4	5.407
Discount on accounts payables (-)	--	(521)
Total	4	4.886

The Group's exposure to credit and currency risks related to trade receivables and liquidity and currency risks of trade payables are disclosed in Note 37.

13 Receivables and payables related finance sector operations

Receivables related finance sector operations

As at 31 December, current receivables related to finance sector activities comprised the following:

Current receivables related to finance sector operations	2021	2020
Due from related parties	2.146	3.480
Due from third parties	758.998	644.865
Total	761.144	648.345

Receivables related to finance sector operations	2021	2020
Loans and receivables from customers	680.184	476.434
Loans and receivables from banks	78.676	174.336
Non-performing loans and receivables	33.684	43.408
Subtotal	792.544	694.178
Provision for impairment in value of loans and receivables	(31.400)	(45.833)
Total	761.144	648.345

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13 Receivables and payables related finance sector operations (continued)

Receivables related finance sector operations (continued)

As at 31 December, non-current receivables related to finance sector activities comprised the following:

Non-current receivables related to finance sector operations	2021	2020
Due from related parties	--	4
Due from third parties	1.560.379	1.964.337
Total	1.560.379	1.964.341

Receivables related to finance sector operations	2021	2020
Loans and receivables from customers	1.577.942	1.959.615
Loans and receivables from banks	59.633	86.570
Subtotal	1.637.575	2.046.185
Provision for impairment in value of loans and receivables	(77.196)	(81.844)
Total	1.560.379	1.964.341

Movements of provision for impairment in value of loans and receivables for the years ended 31 December were as follows:

	2021	2020
Specific allowances for impairment		
Balance on 1 January	111.910	88.459
Impairment loss for the year	7.654	28.133
- Charge for the year	21.762	34.498
- Recoveries	(14.108)	(6.365)
Translation difference	(21.153)	(4.683)
Balance on 31 December	98.411	111.909
Collective allowances for impairment		
Balance on 1 January	15.768	9.987
Impairment loss for the year	2.256	8.056
- Charge for the year	6.959	10.837
- Recoveries	(4.703)	(2.781)
Translation difference	(7.839)	(2.275)
Balance on 31 December	10.185	15.768
Total allowances for impairment	108.596	127.677

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13 Receivables and payables related finance sector operations *(continued)*

Payables related to finance sector operations

As at 31 December, short-term payables related to finance sector operations comprised the following:

Short term payables related to finance sector operations	2021	2020
Due to related parties	18.308	30.286
Due to third parties	4.809.417	4.748.535
Total	4.827.725	4.778.821

As at 31 December, short-term payables to third parties comprised the following:

Short term payables related to finance sector operations	2021	2020
Due to banks	63.782	38.907
<i>Time deposits</i>	63.142	38.338
<i>Current accounts</i>	640	569
Due to customers	3.522.773	3.481.347
<i>Individual</i>	2.676.629	2.689.892
<i>Private enterprises</i>	694.861	601.775
<i>Public institutions</i>	94.184	113.766
<i>Other</i>	57.099	75.914
Customer accounts (*)	568.306	489.924
Funds from repo transactions	672.864	768.643
Total	4.827.725	4.778.821

(*) The Group's banking subsidiary in Turkey is not entitled to collect deposits. The customer accounts represent the transitory balances of loan customers for the respective transactions. As at 31 December 2021, this account does not include any deposit amount (31 December 2020: None).

As at 31 December, long-term payables related to finance sector operations comprised the following:

Long term payables related to finance sector operations	2021	2020
Payables from finance sector activities to third parties	661.127	500.758
Total	661.127	500.758

Long term payables related to finance sector operations	2021	2020
Due to banks	2.193	--
<i>Time deposits</i>	2.193	--
Due to customers	658.934	500.758
<i>Individual</i>	597.622	467.585
<i>Private enterprises</i>	44.307	32.964
<i>Public institutions</i>	16.803	--
<i>Other</i>	202	209
Total	661.127	500.758

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14 Other receivables and other payables

Other short-term receivables

As at 31 December, other short-term receivables comprised the following:

	2021	2020
Due from related parties	18.101	49.873
Due from third parties	82.189	178.739
Total	100.290	228.612

As at 31 December, other short-term receivables comprised the following:

	2021	2020
Deposits and guarantees given	33.400	118.238
Due from shareholders	10.810	8.932
Due from joint ventures	4.766	4.835
Receivables from tax authorities	4.047	8.345
Receivables from personnel	69	120
Other receivables	55.154	96.196
Subtotal	108.246	236.666
Allowance for other doubtful receivables (-)	(7.956)	(8.054)
Total	100.290	228.612

Other long-term receivables

As at 31 December, other long-term receivables comprised the following:

	2021	2020
Due from related parties	320.003	320.005
Due from third parties	18.854	5.995
Total	338.857	326.000

As at 31 December, other long-term receivables comprised the following:

	2021	2020
Due from shareholders	320.000	320.000
Deposits and guarantees given	17.476	3.192
Receivables from personnel	183	221
Other receivables	1.198	2.587
Total	338.857	326.000

Other short-term payables

As at 31 December, other short-term payables comprised the following:

	2021	2020
Due to related parties	1	23.798
Due to third parties	30.169	29.996
Total	30.170	53.794

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14 Other receivables and other payables (continued)

Other short-term payables (continued)

As at 31 December, other short-term payables comprised the following:

	2021	2020
Deposits and guarantees received	12.553	17.240
Due to shareholders	--	13.984
Due to joint ventures	--	3.233
Other payables	17.617	19.337
Total	30.170	53.794

Other long-term payables

As at 31 December, other long-term payables comprised the following:

	2021	2020
Due to third parties	45.656	52.554
Total	45.656	52.554

As at 31 December, other long-term payables to third parties comprised the following:

	2021	2020
Deposits and guarantees received (*)	39.522	39.545
Other	6.134	13.009
Total	45.656	52.554

(*) As at 31 December, the deposits and guarantees received mainly consist of security deposits received by the electricity distribution and retail sale companies of the Group from their consumers.

15 Inventories

As at 31 December, inventories comprised the following:

	2021	2020
Trading properties (*)	105.119	101.559
Raw materials	67.019	61.935
Trading goods	48.385	43.649
Finished goods	19.406	20.335
Semi finished goods in production	14.146	7.085
Other inventories	2.097	1.172
Allowance for impairment of inventories (-)	(6.414)	(6.962)
Total	249.758	228.773

(*) Trading properties comprise residential and office buildings built for available for sale within the scope of the "Taksim 360" project in Istanbul with a completion period of no longer than 48 months. As at 31 December 2021, the Group capitalised borrowing costs amounting to USD 55.908 (accumulated) on trading properties under development (31 December 2020: USD 72.725 (accumulated)).

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15 Inventories (continued)

Movements of provision for inventories for the year ended at 31 December were as follows:

	2021	2020
Beginning balance	6.962	5.229
Current year provision	120	1.709
Translation difference	(668)	24
Total	6.414	6.962

16 Prepayments and deferred revenue

Current prepayments

As at 31 December, current portion of prepayments comprised the following:

	2021	2020
Advances given (*)	79.468	80.907
Other	10.184	37.044
Total	89.652	117.951

(*) Advances given mainly consists of advances given to suppliers and service providers for ongoing EPC projects.

Non-current prepayments

As at 31 December, non-current prepayments comprised the following:

	2021	2020
Advances given for property, plant and equipment acquisitions	1.207	864
Other	36.649	77.584
Total	37.856	78.448

Short term deferred revenue

As at 31 December, short-term portion of deferred revenue comprised the following:

Short term deferred revenue	2021	2020
Advances received (*)	181.829	94.403
Short term deferred income	18.686	30.275
Total	200.515	124.678

As at 31 December, long term deferred revenue comprised the following:

Long term deferred revenue	2021	2020
Long term deferred income (**)	94.472	93.083
Total	94.472	93.083

(*) Advances received are composed of the contract advances received from Taurus Arm For Power Generation within the scope of the BZC and BZS2 project undertaken by the Group in Iraq, West African Energy SA within the scope of the SNC project undertaken by the Group in Senegal, Rompetrol Energy SA within the scope of the RPE project undertaken by the Group in Romania, Türkmenbashi Oil Refinery within the scope of the TRS project undertaken by the Group in Turkmenistan and from Toshkent Issiqlik Elektr Markazi AO within the scope of the THPE project undertaken by the Group in Uzbekistan.

(**) As at 31 December, USD 92.061 of deferred revenue was mainly due to real estate development and contracting projects of the Group's subsidiaries operating in the construction and real estate sectors (31 December 2020: USD 91.470).

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17 Investments in equity-accounted investees

i) Joint ventures

KÇLE

KÇLE was established as a joint venture with a joint agreement between ÇEDAŞ, Çalık Enerji and Limak Yatırım on 17 September 2012 with the participation of these three companies by 25 percent, 25 percent and 50 percent, respectively, in the share capital of KÇLE. On 8 May 2013, KÇLE purchased all shares of the state-owned enterprise namely Kompania Per Distribuim Dhe Fumizim Me Energji Elektrike SH.A ("KEDS") which is operating in electricity distribution and procurement in Kosovo for a consideration of USD 29.038 (equivalent of EUR 26.300) within the scope of a tender in the privatisation process initiated by the Government of Republic of Kosovo.

As per Share Transfer Agreement dated 27 April 2015, Çalık Enerji acquired 1.250 number of shares of KÇLE with a nominal value of EUR 12 held by ÇEDAŞ for a total consideration of EUR 17.475 and increased its ownership percent from 25.00 percent to 50.00 percent.

Doğu Aras

Doğu Aras was founded in accordance with energy market regulations as a joint venture with a joint agreement between ÇED and Kiler Alışveriş on 5 May 2013 with the participation of these two companies by 50 percent and 50 percent, respectively, for the purpose of establishing and participating to the companies that are engaged in distribution, retail and wholesale of electricity energy and/or capacity, assigning management of these established and participated companies, providing consultancy services on technical, financial, information processing and human resources management issues and making industrial and commercial investments through this companies.

On 28 June 2013, Doğu Aras purchased all shares of EDAŞ and EPAŞ which were previously state owned companies operating in electricity distribution and procurement in cities Kars, Ardahan, Iğdır, Erzinan, Ağrı, Bayburt and Erzurum within the privatisation by paying an amount of USD 128.500 as a result of a tender in the privatisation process.

On 4-5 November 2021, the public offering of Doğu Aras shares was carried out using the "Fixed Price Bookkeeping" method. In the public offering, the unit price is TL 110, and the shares with a nominal value of TL 13.400 offered to the public were sold. Accordingly, the size of the public offering was realized as TL 1.474.000.

LC Electricity

LC Electricity was established on 3 July 2014 in Serbia as a joint venture with a joint agreement between Türkmen Elektrik and Limak Yatırım with the participation of these two companies equally by 50 percent. The purpose of LC Electricity is trading electricity and sales/purchases of goods and services as part of this operation.

Kartaltepe

Kartaltepe was established in 2011 as a wholly owned subsidiary of YAMAS. Kartaltepe is registered in Ankara, Turkey and is engaged in the operation of mining in Erzincan region. As at reporting date, Kartaltepe is a joint venture of Lidya Madencilik Sanayi ve Ticaret Anonim Şirketi ("Lidya Maden") and YAMAS with an ownership structure of 50 percent and 50 percent, respectively.

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17 Investments in equity-accounted investees (continued)

i) Joint ventures (continued)

Investments in equity-accounted joint ventures and the Group's share of control as follows:

	31 December 2021		31 December 2020	
	Carrying value	% of ownership	Carrying value	% of ownership
Joint ventures				
Assets				
KÇLE	86.827	50,00	102.002	50,00
Doğu Aras	78.746	40,00	101.723	50,00
Tunçpınar	2.705	50,00	1.162	50,00
Kartaltepe	1.381	50,00	3.860	50,00
Çalık Limak Adı Ortaklığı	503	50,00	1.785	50,00
Bakırtepe	49	50,00	--	--
LC Electricity	10	50,00	10	50,00
	170.221		210.542	

For the years ended 31 December, the movements in net investments in joint ventures were as follows:

	2021	2020
Balance at 1 January	210.542	188.441
Share of profit of equity accounted investees	(2.583)	33.735
Translation difference	(7.379)	(1.913)
Share capital increases	3.502	179
Change in associate share	(19.217)	(6.684)
Dividend distribution	(14.644)	(3.216)
Balance at 31 December	170.221	210.542

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17 Investments in equity accounted investees (continued)

ii) *Associates*

Investments in equity-accounted Associates and the Group's share of control are as follows:

	31 December 2021		31 December 2020	
	<u>Carrying</u> <u>value</u>	<u>% of</u> <u>ownership</u>	<u>Carrying</u> <u>value</u>	<u>% of</u> <u>ownership</u>
Associates				
<u>Assets</u>				
Kazakhstan Ijara				
Company KIC Leasing	2.697	14,31	2.630	14,31
Aktif Fortis Enerji A.Ş.	1.484	50,00	--	--
Idea Farm	607	30,00	1.103	30,00
Albania Leasing	934	29,99	1.036	29,99
Haliç Leasing	659	32,00	913	32,00
Euro-Mediterranean	796	25,57	1.215	25,57
Eurasian Leasing Company	936	36,71	920	36,71
Secom Aktif Güvenlik Yatırım A.Ş.	--	50,00	2.582	50,00
Dome zero inch.	62	1,96	112	1,98
Workindo Teknoloji ve İnsan				
Kaynakları Danışmanlık A.Ş.	452	33,33	739	33,33
HMC Dijital	205	33,33	223	33,33
Subtotal	8.832		11.473	

For the years ended 31 December, the movements in investments in associates were as follows:

	2021	2020
Balance at 1 January	11.473	11.105
Share of gain of equity accounted associates	(840)	(1.388)
Capital contribution to share increase in associates	1.831	3.279
Translation difference	(3.632)	(1.523)
Balance at 31 December	8.832	11.473

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17 Investments in equity-accounted investees (continued)

Summary financial information for equity-accounted associates were presented below:

31 December 2021													
Company name-Associates	Reporting period	Ownership rates (%)	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liabilities	Total liabilities	Net assets	Profit/(loss)	Group's share of net assets	Carrying amount	Group's share of profit/(loss)
Kazakhstan Jira Company Jsc.	31 December	14.31	7,651	26,648	34,299	15,328	--	15,328	18,971	1,783	2,715	2,697	255
Eurasian Leasing Company	31 December	36.71	407	2,500	2,907	208	150	358	2,549	78	936	936	29
Euro Mediterranean	31 December	25.57	5,843	2,291	8,134	4,528	--	4,528	3,606	744	922	796	190
Halic Finansal Kiralama	31 December	32.00	2,354	6	2,360	326	--	326	2,034	734	651	659	235
Halk Yenilenebilir Enerji	31 December	50.00	540	--	540	269	--	269	271	--	136	--	--
Workindo	31 December	33.33	1,752	74	1,826	154	2	156	1,670	--	203	452	68
HMC Dijital	31 December	33.33	592	4	596	1	--	1	595	366	198	205	122
Idea Farm	31 December	30.00	1,200	690	1,890	--	--	--	1,890	--	567	607	--
Albania Leasing Company	31 December	29.99	2,893	4,742	7,635	2,375	1,422	3,797	3,838	(1)	1,151	934	--
Secom Akatif Güvencilik Yatırım A.Ş.	31 December	50.00	3,209	7,788	10,997	6,417	7,087	13,504	(2,507)	(9,331)	(1,254)	--	(2,534)
Dome Zero	31 December	1.96	--	--	--	--	--	--	--	--	--	62	--
AktifFortis Enerji A.Ş.	31 December	50.00	2,819	--	2,819	74	--	74	2,745	1,500	1,373	1,484	795
Total												8,832	(840)

Summary financial information for equity-accounted joint ventures were presented below:

31 December 2021													
Company name-Joint ventures	Reporting period	Ownership rates (%)	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liabilities	Total liabilities	Net assets	Profit/(loss)	Group's share of net assets	Carrying amount	Group's share of profit/(loss)
KÇİLE	31 December	50,00	117.405	171.506	288.911	147.345	12.948	160.293	128.618	(54.200)	64.309	86.827	(27.100)
Doğu Aras	31 December	40,00	120.737	98.775	219.512	99.788	14.794	114.582	104.930	50.483	41.972	78.746	25.204
Çalık Limak Adı Ortaklığı	31 December	50,00	4.185	10	4.195	4.193	--	4.193	2	1.513	2	503	757
Bakırtepe	31 December	50,00	244	--	244	--	--	--	244	--	122	49	--
Tuncpinar	31 December	50,00	910	--	910	27	--	27	883	(650)	442	2.705	(325)
Kartaltepe	31 December	50,00	687	1.411	2.098	3.746	375	4.121	(2.023)	(5.275)	(1.012)	1.381	(1.118)
LC Electricity	31 December	50,00	--	--	--	--	--	--	--	--	--	10	--
Total												170.221	(2.583)

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17 Investments in equity-accounted investees (continued)

Summary financial information for equity-accounted associates were presented below:

31 December 2020										
Company name-Associates	Reporting period	Ownership rates (%)	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liabilities	Total liabilities	Net assets	Profit/ (loss)
Kazakhstan Ijara Company Jsc.	31 December	14,31	7.727	20.590	28.317	9.476	--	9.476	18.841	1.590
Eurasian Leasing Company	31 December	36,71	491	2.377	2.868	210	152	362	2.506	43
Euro Mediterranean	31 December	25,57	8.528	1.994	10.522	5.802	--	5.802	4.720	743
Haliç Finansal Kiralama	31 December	32	3.845	27	3.872	1.114	--	1.114	2.758	74
Halk Yenilenebilir Enerji	31 December	50	714	--	714	435	--	435	279	--
Workindo	31 December	33,33	2.764	70	2.834	--	10	10	2.824	(140)
HMC Dijital	31 December	33,33	--	--	--	--	--	--	--	(82)
Idea Farm	31 December	30	1.423	818	2.241	--	--	--	2.241	672
Albania Leasing Company	31 December	30	821	7.613	8.434	891	3.656	4.547	3.887	--
Secom Aktif Güvenlik Yatırım A.Ş.	31 December	50,00	4.951	10.983	15.934	2.005	8.704	10.709	5.225	(3.541)
Dome Zero	31 December	1,98	--	--	--	--	--	--	--	112
Total									11.473	(1.388)

Summary financial information for equity-accounted joint ventures were presented below:

31 December 2020										
Company name-Joint ventures	Reporting period	Ownership rates (%)	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liabilities	Total liabilities	Net assets	Profit/ (loss)
KCLE	31 December	50,00	105.838	178.796	284.634	77.055	11.643	88.698	195.936	6.631
Doğu Aras	31 December	50,00	163.941	146.150	310.091	129.980	17.854	147.834	162.257	64.178
Çalık Limak Adı Ortaklığı	31 December	50,00	5.534	--	5.534	5.531	--	5.531	3	2.854
Tuncpunar	31 December	50,00	48	--	48	17	--	17	31	(384)
Kardalepe	31 December	50,00	2.510	1.453	3.963	579	682	1.261	2.702	(5.811)
LC Electricity	31 December	50,00	--	--	--	--	--	--	--	10
Total									210.542	33.735

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18 Property, plant and equipment

Movements of property, plant and equipment, and related accumulated depreciation during the years ended 31 December were as follows:

	Land and buildings	Machinery and equipment	Vehicles	Furniture and fixtures	Other tangible assets	Construction in progress	Leasehold improvements	Total
Balance at 1 January 2020	224.464	552.133	31.951	96.965	28.668	54.191	13.339	1.001.711
Additions	3.335	3.468	2.566	7.346	5.252	37.476	1.607	61.050
Transfers	45.502	17.986	--	2.430	--	(69.631)	9.718	6.005
Transfers to investment properties	(503)	--	--	--	--	--	--	(503)
Foreign currency translation differences	(9.465)	(32.047)	(1.391)	(1.351)	1.388	(7.709)	(2.340)	(52.915)
Addition and disposal of business acquisition	1.196	1.316	63	263	--	--	137	2.975
Disposals	(5.669)	(45.573)	(1.342)	(3.418)	(124)	(1.137)	(354)	(57.617)
Balance at 31 December 2020	258.860	497.283	31.847	102.235	35.184	13.190	22.107	960.706
Balance at 1 January 2021	258.860	497.283	31.847	102.235	35.184	13.190	22.107	960.706
Additions	5.202	9.693	4.443	9.995	5.082	57.843	772	93.030
Transfers	10.135	28.132	249	2.238	36	(41.097)	(11)	(318)
Foreign currency translation differences	(42.384)	(128.766)	(5.117)	(13.956)	(2.891)	6.622	(7.429)	(193.921)
Addition and disposal of business acquisition	45	--	397	470	--	--	--	912
Disposals	(39.705)	(1.804)	(1.656)	(5.367)	(1.569)	(1.642)	(5)	(51.748)
Balance at 31 December 2021	192.153	404.538	30.163	95.615	35.842	34.916	15.434	808.661

As at 31 December 2021, total insurance coverage on property, plant and equipment is USD 245.285 (31 December 2020: USD 425.548).

At 31 December 2021, there is no mortgages on property, plant and equipment (31 December 2020: None).

18 Property, plant and equipment (continued)

	Land and buildings	Machinery and equipment	Vehicles	Furniture and fixtures	Other tangible assets	Construction in progress	Leasehold improvements	Total
Accumulated depreciation								
Balance at 1 January 2020	(56.119)	(231.286)	(17.520)	(59.186)	(13.966)	--	(8.070)	(386.147)
Current year depreciation	(4.797)	(30.687)	(4.111)	(10.087)	(2.465)	--	(1.028)	(53.175)
Transfers	6	112	--	(112)	--	--	(6)	--
Impairment	(398)	--	--	--	--	--	--	(398)
Foreign currency translation differences	(1.441)	8.212	737	(180)	(2.523)	--	1.162	5.967
Addition and disposal of business acquisition	--	(241)	(63)	(201)	--	--	(127)	(632)
Disposal	2.111	31.451	862	1.335	124	--	202	36.085
Balance at 31 December 2020	(60.638)	(222.439)	(20.095)	(68.431)	(18.830)	--	(7.867)	(398.300)
Balance at 1 January 2021								
Current year depreciation	(5.798)	(25.704)	(4.000)	(8.904)	(2.612)	--	(1.270)	(48.288)
Transfers	--	--	(2)	--	--	--	2	--
Foreign currency translation differences	5.828	56.985	3.069	7.840	(197)	(23)	1.499	75.001
Addition and disposal of business acquisition	(4)	--	(50)	(104)	--	--	--	(158)
Disposal	811	1.020	917	2.923	654	--	1	6.326
Balance at 31 December 2021	(59.801)	(190.138)	(20.161)	(66.676)	(20.985)	(23)	(7.635)	(365.419)
Net carrying value at 1 January 2020	168.345	320.847	14.431	37.779	14.702	54.191	5.269	615.564
Net carrying value at 31 December 2020	198.222	274.844	11.752	33.804	16.354	13.190	14.240	562.406
Net carrying value at 31 December 2021	132.352	214.400	10.002	28.939	14.857	34.893	7.799	443.242

Financial Data

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Intangible assets

Movements of intangible assets and related accumulated amortisation during the years ended 31 December 2021 and 2020 were as follows

	Goodwill	Licences & software	Electricity distribution rights	Brand names	Other intangibles	Total
Cost						
Balance at 1 January 2020	7.802	100.448	104.624	1.930	37.281	252.085
Additions	--	7.736	68	--	10.256	18.060
Transfers	--	186	--	--	93	279
Foreign currency translation differences	(1.354)	5.781	(19.662)	(368)	(2.702)	(18.305)
Addition of business acquisition	--	312	--	--	8.425	8.737
Corrections	--	(334)	--	--	(746)	(1.080)
Disposals	(2.916)	--	(6.523)	--	--	(9.439)
Balance at 31 December 2020	3.532	114.129	78.507	1.562	52.607	250.337
Accumulated Amortization						
Balance at 1 January 2020	--	(57.551)	(30.947)	(9)	(17.544)	(106.051)
Current year amortization	--	(5.880)	(6.850)	--	(2.174)	(14.904)
Foreign currency translation differences	--	(7.917)	6.146	2	(454)	(2.223)
Corrections	--	(302)	1.152	--	--	850
Disposals	--	(1)	--	--	--	(1)
Balance at 31 December 2020	--	(71.651)	(30.499)	(7)	(20.172)	(122.329)
Balance at 1 January 2021						
Current year amortization	--	(7.865)	(3.025)	--	(3.995)	(14.885)
Foreign currency translation differences	--	17.590	14.715	3	2.351	34.659
Addition and disposal of business acquisition	--	(3)	--	--	(1.070)	(1.073)
Balance at 31 December 2021	--	(61.929)	(18.809)	(4)	(22.886)	(103.628)
Net carrying value at 1 January 2020	7.802	42.897	73.677	1.921	19.737	146.034
Net book value at 31 December 2020	3.532	42.478	48.008	1.555	32.435	128.008
Net book value at 31 December 2021	26.503	32.895	24.426	856	30.311	114.991

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20 Right of Use Assets

For the years ended 31 December, movements in right of use assets were as follows:

	Balance at 1 January 2021	Additions	Mergers	Disposal	Foreign currency translation differences	Balance at 31 December 2021
Right of Use Assets	60.030	12.215	1.974	(3.581)	(5.647)	64.991
Right of Use Assets	60.030	12.215	1.974	(3.581)	(5.647)	64.991
Depreciation of right of use assets	(14.225)	(6.811)	--	905	2.213	(17.918)
Net book value	45.805	5.404	1.974	(2.676)	(3.434)	47.073
	Balance at 1 January 2020	Additions	Mergers	Disposal	Foreign currency translation differences	Balance at 31 December 2020
Right of Use Assets	47.413	11.133	76	(413)	1.821	60.030
Right of Use Assets	47.413	11.133	76	(413)	1.821	60.030
Depreciation of right of use assets	(7.004)	(6.973)	(38)	73	(283)	(14.225)
Net book value	40.409	4.160	38	(340)	1.538	45.805

21 Investment property

As at 31 December, investment property comprised the following:

	2021	2020
Investment property under development	61.895	98.919
Investment property	19.689	31.419
Total	81.584	130.338

For the years ended 31 December, movements in investment property were as follows:

	2021	2020
Balance at 1 January	130.338	153.039
Additions	812	1.961
Transfers from property	(1.974)	503
Disposals	--	(190)
Changes in fair value (Note 34)	(43.544)	(31.351)
Foreign currency translation differences	(4.048)	6.376
Balance at 31 December	81.584	130.338

The Group obtained independent appraisal reports for each item of investment property and measured them at their fair values. Fair value information for all investment property within the scope of IFRS 13 based on fair value hierarchy are as follows:

2021	Level 1	Level 2	Level 3	Total
Investment property	--	81.584	--	81.584
Total	--	81.584	--	81.584

2020	Level 1	Level 2	Level 3	Total
Investment property	--	130.338	--	130.338
Total	--	130.338	--	130.338

As at 31 December, fair value of the investment properties is calculated as comparison method by independent appraisal.

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21 Investment property (continued)

Peer comparison method determines recently listed or sold properties in market and takes into consideration of other factors for the adjustment of value based on size of land of property with current condition and location. For current market outlook, the appraisers contact with the property sale intermediaries.

As at 31 December 2021, the Group have mortgages amounting to USD 200.000 on investment properties (31 December 2020: 200.000).

22 Other assets and liabilities

Other current assets

As at 31 December, other current assets comprised the following:

	2021	2020
Reserve deposits at Central Banks (*)	642.585	632.286
Value added tax ("VAT") receivables	31.777	30.403
Personnel advances	1.007	1.346
Other income accruals	12.372	8.376
Other current assets	32.428	38.411
Total	720.169	710.822

(*) As at 31 December 2021 and 2020, this amount consists only of reserve deposits, which represents the mandatory deposit and is not available in the Group's day-to-day operations.

Other short-term liabilities

As at 31 December, other short-term liabilities comprised the following:

	2021	2020
Taxes and funds payable	25.223	26.508
Blockage on corporate collection account	1.679	2.797
VAT payable	777	794
Turkish Football Federations' share on collection of card sales	1.559	80
Other current liabilities	44.060	51.300
Total	73.298	81.479

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23 Due from/due to customers for contract work

As at 31 December, the details of due from customers for contract work and due to customers for contract work as follows:

	2021	2020
Current amounts due from customers for contract work	130.164	71.291
Current liabilities due to customers for contract work	(53.291)	(42.534)
Non-current liabilities due to customers for contract work	(30.689)	(46.595)
Total	46.184	(17.838)

As at 31 December, the details of uncompleted contracts were as follows:

	2021	2020
Total costs incurred on uncompleted contracts	1.114.191	3.424.393
Estimated earnings	227.277	584.284
Total estimated revenue on uncompleted contracts	1.341.468	4.008.677
Less: Billings to date	(1.295.284)	(4.026.515)
Net amounts due from customers for contract work	46.184	(17.838)

24 Borrowings

As at 31 December, loans and borrowings comprised the following:

31 December 2021			
Short term loans and borrowings	Finance	Non Finance	Total
Funds borrowed by the Group's banking subsidiaries	631.400	--	631.400
Securities issued	617.746	9.779	627.525
Bank loans	2	189.025	189.027
Current portion of long-term bank loans	7.319	141.449	148.768
Lease obligations	2.607	8.692	11.299
Sukuk agreement	--	10.052	10.052
Factoring payables	--	650	650
Total	1.259.074	359.647	1.618.721
Long term loans and borrowings	Finance	Non Finance	Total
Bank loans	39.046	140.457	179.503
Sukuk agreement	--	151.647	151.647
Lease obligations	15.790	27.258	43.048
Securities issued	31.180	7.342	38.522
Subordinated liabilities	28.337	--	28.337
Funds borrowed by the Group's banking subsidiaries	10.075	--	10.075
Total	124.428	326.704	451.132

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24 Borrowings (continued)

31 December 2020			
Short term loans and borrowings	Finance	Non Finance	Total
Securities issued	1.010.110	--	1.010.110
Funds borrowed by the Group's banking subsidiaries	380.659	--	380.659
Bank loans	--	254.765	254.765
Current portion of long-term bank loans	8.549	168.763	177.312
Lease obligations	2.466	12.038	14.504
Factoring payables	--	3.681	3.681
Total	1.401.784	439.247	1.841.031
Long term loans and borrowings	Finance	Non Finance	Total
Bank loans	38.320	216.930	255.250
Sukuk agreement	--	186.645	186.645
Lease obligations	16.196	29.015	45.211
Subordinated liabilities	30.667	--	30.667
Funds borrowed by the Group's banking subsidiaries	16.356	--	16.356
Securities issued	2.135	--	2.135
Total	103.674	432.590	536.264

As at 31 December 2021, the Group has investment properties under construction amounting to USD 200.000 (31 December 2020: USD 200.000) respectively, against the bank borrowings used, also the Group has given guarantee letters for the Eximbank loans received, 103 USD and 16.430 EUR (31 December 2020: 9.092 USD and 23.615 EUR) respectively.

There are pledges over Çalık Enerji's shares of YEDAŞ, YEPAŞ and ÇEDAŞ with numbers of 85 (TL 0,085), 115 (TL 0,115), 377.622.000 (TL 372.622), respectively and ÇEDAŞ's shares of YEPAŞ and YEDAŞ, with numbers of 6.358.770.388 (TL 63.587) and 35.700.685.312 (TL 357.006), as a guarantee for the bank borrowings used or will be used by Çalık Holding, ÇEDAŞ, YEDAŞ and YEPAŞ from a bank.

25 Derivatives

The carrying values of derivative instruments held at 31 December, were as follows:

	2021		2020	
	Assets	Liabilities	Assets	Liabilities
Swap transactions	16.029	(2.317)	10.136	(16.927)
Futures transactions	9.165	--	--	--
Forward transactions	1.897	(1.341)	2.283	(1.814)
Currency options	519	(454)	913	(816)
Total	27.610	(4.112)	13.332	(19.557)

All derivatives in a net receivable position (positive fair value) are reported as derivative assets. All derivatives in a net payable position (negative fair value) are reported as derivative liabilities.

Further disclosure regarding the derivative contracts of the Group are explained at Note 37.

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26 Payables related to employee benefits

As at 31 December, payables related to employee benefits comprised the following:

	2021	2020
Due to personnel	5.890	5.157
Social security premiums payable	2.376	2.606
Total	8.266	7.763

27 Provisions

As at 31 December, provisions comprised the following items:

	2021	2020
<i>Short term provisions</i>		
Short term employee benefits	14.221	18.208
Other short-term provisions	17.260	23.996
Total short-term provisions	31.481	42.204
<i>Long term provisions</i>		
Long term employee benefits	10.770	11.849
Other long-term provisions	1.067	1.254
Total long-term provisions	11.837	13.103
Total provisions	43.318	55.307

As at 31 December, short-term and long-term employee benefits comprised the following items:

	2021	2020
Short-term		
Bonus provisions	10.093	13.818
Vacation pay liability	4.128	4.390
Total	14.221	18.208
Long term		
Employee termination benefits	10.770	11.844
Other	--	5
Total	10.770	11.849

As at 31 December, other provisions comprised the following items:

	2021	2020
Short-term		
Provision for litigations	12.635	16.977
Provisions for expenses	3.786	5.635
Other current provisions	1.906	2.638
Total	18.327	25.250

Reserve for employee severance indemnity

In accordance with the existing labour law in Turkey, the Group entities operating in Turkey are required to make lump-sum payments to employees who have completed one year of service and whose employment is terminated without cause or who retire (age of 58 for women, age of 60 for men) or completed service years of 20 for women or 25 for men, are called up for military service or die. According to change of regulation, dated 8 September 1999, there are additional liabilities for the integration articles.

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27 Provisions (continued)

For the years ended 31 December, the movements in the reserve for employee severance indemnity were as follows:

	2021	2020
Balance at the beginning of the year	11.844	11.208
Interest cost	1.896	1.773
Cost of services	1.342	1.085
Paid during the year	(1.387)	(2.056)
Addition of business acquisitions	53	--
Translation difference	(6.768)	(1.516)
Actuarial difference	3.790	1.350
Balance at the end of the year	10.770	11.844

The reserve has been calculated by estimating the present value of future probable obligation of the Group arising from the retirement of the employees.

Actuarial valuation methods were developed to estimate the Group's obligation under defined benefit plans. Accordingly, the following actuarial assumptions were used in the calculation of the total liability:

	2021	2020
Discount rate	3,03%	3,12%
Interest rate	19,1%	12,4%
Inflation rate	15,6%	9,00%

The computation of the liability is predicated upon retirement pay ceiling announced by the Government. As at 31 December 2021, the ceiling amount was USD 0,62 (31 December 2020: USD 0,97).

For the years ended 31 December, the movements in the provisions were as follows:

	1 January 2021	Provision for the reserve	Reversal	Currency translation differences	31 December 2021
Provision for litigations	16.977	2.235	(748)	(5.829)	12.635
Bonus provisions	13.818	8.150	(6.144)	(5.731)	10.093
Vacation pay liability	4.390	1.351	(273)	(1.340)	4.128
Other expense provisions	8.273	1.488	(541)	(3.528)	5.692
Total	43.458	13.224	(7.706)	(16.428)	32.548

	1 January 2020	Provision for the reserve	Reversal	Currency translation differences	31 December 2020
Provision for litigations	16.350	3.715	(744)	(2.344)	16.977
Bonus provisions	13.433	8.313	(5.703)	(2.225)	13.818
Vacation pay liability	4.480	1.175	(600)	(665)	4.390
Other expense provisions	4.370	4.926	(100)	(923)	8.273
Total	38.633	18.129	(7.147)	(6.157)	43.458

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28 Commitments and contingencies

Guarantee, pledge and mortgages ("GPM") in respect of commitment and contingencies realised in the ordinary course of business were given as at 31 December 2021 are as follows:

31 December 2021	Original currency (USD equivalent)			
	USD	TL	Others	Total
A Total amount of GPMs given in the name of its own legal personality	447.820	52.931	67.529	568.280
B Total amount of GPMs given in the name of the consolidated subsidiaries and joint ventures	--	59.886	--	59.886
- Total amount of GPMs given in the name of the consolidated subsidiaries	--	59.886	--	59.886
C Total amount of GPMs given to be able to conduct ordinary business transactions to secure payables of third parties	--	--	--	--
D Other GPMs given (*)	--	13.952	--	13.952
Total	447.820	126.769	67.529	642.118

GPMs in respect of commitment and contingencies realised in the ordinary course of business were given as at 31 December 2020 are as follows:

31 December 2020	Original currency (USD equivalent)			
	USD	TL	Others	Total
A Total amount of GPMs given in the name of its own legal personality	371.319	59.031	91.909	522.259
B Total amount of GPMs given in the name of the consolidated subsidiaries and joint ventures	--	108.742	--	108.742
- Total amount of GPMs given in the name of the consolidated subsidiaries	--	108.742	--	108.742
C Total amount of GPMs given to be able to conduct ordinary business transactions to secure payables of third parties	--	--	--	--
D Other GPMs given (*)	2.084	26.382	--	28.466
Total	373.403	194.155	91.909	659.467

(*) As at 31 December 2021, the ratio of other GPMs given to total equity is 0,7 percent (31 December 2020: 1,5 percent).

Details of the commitments and contingent liabilities arising in the ordinary course of the business of the Group comprised the following items as at 31 December:

	2021	2020
Given for ongoing EPC projects	375.667	289.525
Given to banks	162.459	210.266
Pledge on shares	59.886	108.742
TETAŞ and TEİAŞ	15.928	30.883
Given to EMRA	3	6
Given to other suppliers and government agencies	28.175	20.045
Total contingent liabilities	642.118	659.467

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28 Commitments and contingencies (continued)

Litigation and claims

As at 31 December 2021, the expected cash outflow amount for the pending claims filed against to the Group is USD 12.635 (31 December 2020: USD 16.977). As at 31 December 2021, the provision for litigation and claims are mainly related to the labor cases against the Group. The Group made a provision for the whole amount related to these claims.

Pending tax audits

In Turkey, the tax and other government authorities (Social Security Institution) have the right to inspect the Group's tax returns and accounting records for the past five fiscal years. The Group has not recorded a provision for any additional taxes for the fiscal years that remained unaudited, as the amount cannot be estimated with any degree of uncertainty. The Group's management believes that no material assessment will arise from any future inspection for unaudited fiscal years.

29 Taxation

Turkey

Corporate income tax is levied on the statutory corporate income tax base, which is determined by modifying income for certain tax exclusions and allowances.

Tax rates in Turkey are 25 percent for 2021 (31 December 2020: 22 percent) and tax returns are filed for permanent business purposes. This rate is included in 23 percent of 2022. For banks and institutions, the rate was accepted as 25 percent. According to the Corporate Tax, 75 percent of the income from the sales of affiliates and properties for at least two years is subject to tax if they are recorded in their own accounts for five years from their sales. The remaining 25 percent is taxable to certain corporations. It has been revised to 50 for these rates, effective from 2021.

In addition, there is a withholding tax liability on dividend distributions, and this withholding liability is accrued in the period when the dividend payment is made. According to the legal regulation effective from April 24, 2003, there is no withholding tax liability for dividend payments made from the profits obtained between 1999 and 2002 and which are exempt from corporate tax. With the decision of the Council of Ministers numbered 2006/10731 published in the Official Gazette dated 23 July 2006 and numbered 26237, some withholding rates in Articles 15 and 30 of the Corporate Tax Law No. 5520 were re-determined.

In this context, the withholding tax rate applied at the rate of 10 percent on dividend payments excluding those made to non-resident companies that generate income in Turkey through a workplace or their permanent representative and institutions residing in Turkey has been increased to 15 percent. In the application of withholding tax rates for profit distributions to non-resident companies and real persons, the withholding tax rates in the relevant Double Taxation Agreements are also taken into account.

Tax legislation in Turkey does not allow the parent and its subsidiaries to file a consolidated tax return. Therefore, provisions for taxes reflected in the consolidated financial statements have been calculated separately for each company subject to consolidation.

According to Turkish tax legislation, financial losses can be carried forward for a period of five years to be set off from the future corporate income. However, financial losses cannot be carried retrospectively.

Transfer pricing regulations

The subject of transfer pricing is covered under the title of "disguised profit distribution through transfer pricing" in Article 13 of the Corporate Tax Law. In the General Communiqué on disguised profit distribution through transfer pricing published on 18 November 2007, the details of the implementation were determined.

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29 Taxation (continued)

Turkey (continued)

Transfer pricing regulations (continued)

If taxpayers engage in purchases and sales of products, goods or services that are not priced within the framework of the arm's length principle, then it will be concluded that the relevant profits are distributed implicitly through transfer pricing. Disguised profit distributions through such transfer pricing will not be deducted from the tax base in terms of corporate tax.

Tax applications for foreign subsidiaries and joint ventures of the Group

Republic of Albania

The applicable corporate tax rate in Republic of Albania is 15 percent (31 December 2020:15 percent). Tax base is by modifying accounting income for certain exclusions and allowances in accordance with the related tax legislations. Non-documented expenses, repayments of loans and borrowings which are four times higher than equity, pre-payments, representation and accommodation expenses and fringe benefits over a certain limit are not subject to reduction for tax purposes.

Republic of Kosovo

The applicable corporate tax rate in Republic of Kosovo is 10 percent (31 December 2020:10 percent).

Under Kosovo tax legislation system, tax losses can be carried forward to be offset against future taxable income for up to seven years.

Arab Republic of Egypt

The applicable corporate tax rate for the subsidiaries operating in Egypt is 22.5 percent (31 December 2020: 22.5 percent). Since the Group is operating in free trade zone of Egypt, the Group is not subject to corporate tax.

United Arab Emirates

As at 31 December 2021, the Group has subsidiaries in the United Arab Emirates located in Dubai. There is no federal corporate tax in United Arab Emirates. However, similar taxes are implemented in different sectors in different emirates. As at 31 December 2021 and 2020, the Group's subsidiaries operating in Dubai are not subject to corporate tax.

USA

Federal corporate income tax applicable in bands of taxable income from 15 percent to 40 percent (31 December 2020: 15-40 percent). State and local governments may also impose income taxes ranging from less than 1 percent to 12 percent

Foreign companies are generally subject to the same corporate tax as domestic companies. However, taxable income is calculated on Effectively Connected Income (ECI) only, which is considered as all U.S.-source income derived from trade or business in the U.S. or sale of U.S. real property or inventory by a foreign entity.

Georgia

The applicable corporate tax rate in Georgia is 15 percent (31 December 2020: 15 percent).

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29 Taxation (continued)

Tax applications for foreign subsidiaries and joint ventures of the Group (continued)

Turkmenistan

According to Turkmenistan law, while the corporate tax rate is 8 percent for local companies, it is 20 percent for branches of foreign companies and for local companies which have foreign partner. Parent company of branches located in Turkmenistan is tax-exempt due to income generated from construction projects outside Turkey is tax exempt in Turkey. Besides, revenue arising from sales of machinery and equipment which are exported from Turkey and included in construction cost in those countries are subject to corporate tax in Turkey.

Libya

The corporate tax rate is 20 percent (31 December 2020: 20 percent). In addition to the 20 percent tax rate, a Jihad tax is levied by 4 percent.

Serbia

The applicable corporate tax rate in Serbia is 15 percent (31 December 2020: 15 percent).

Uzbekistan

The applicable corporate tax rate in Uzbekistan is 17,20 percent (31 December 2020: 17,20 percent). As at 31 December 2021, the Group's operation in Uzbekistan aren't subject to corporate tax due to dispensation.

The Netherlands

The tax rate on the worldwide income of Dutch institutions is 25.8 percent (31 December 2020: 25 percent). The corporate tax rate is applied to the tax base to be found as a result of adding the expenses that are not accepted as deductible in accordance with the tax laws to the commercial income of the corporations, and deducting the exemptions in the tax laws. If there is no tax treaty, an exemption is provided by a unilateral decree for Dutch income tax for resident companies related to avoiding double taxation, for foreign business income from foreign establishments.

According to Dutch tax legislation, financial losses can be carried forward for nine years to be offset against future corporate profits. Financial losses can be set off against retained earnings for up to one year. Companies must submit their tax returns within six months following the closing of the relevant accounting period, unless they request an extension of time, which normally means an additional nine-month period. The tax inspection authorities may examine the tax returns and the accounting records underlying them for five years, starting from the beginning of the year following the filing of the tax return, and make a reassessment as a result of their findings.

Switzerland

Corporate tax in Switzerland is a combination of Cantonal and Federal income taxes. Federal income tax is calculated at a rate of 8.50 percent (2020: 8.50 percent) on the net profit for the relevant period. Cantonal and community taxes are added to the federal tax. this provides an overall effective tax rate of 11.9% to 21.6%, depending on the company's corporate residence in Switzerland. In addition to Cantonal and Federal taxes, a tax called the professional tax is calculated on gross income, rental expenses, and staff numbers for the last two years at various effective rates.

According to the tax legislation in Switzerland, financial losses can be carried forward for seven years to be set off from the future corporate income. If companies have not requested an extension, they must file their tax returns within the first four months following the closing of the relevant tax year. The tax inspection authorities may examine the tax returns and the accounting records underlying them for five years, starting from the beginning of the year following the filing of the tax return, and make a reassessment as a result of their findings.

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29 Taxation (continued)

Qatar

As of 31 December 2021, corporate tax rate is 10 percent. The Group has a branch operating in Qatar and a subsidiary. In Qatar Emirates, companies are subject to corporate tax. Taxes and duties related to the project carried out by the Group in Qatar are tax exempt.

Tax recognised in profit or loss

Income tax expense for the years ended 31 December comprised the following items:

Reconciliation of effective tax rate

	<i>Continuing Operations</i>		<i>Discontinued operations</i>		<i>Total</i>	
	2021	2020	2021	2020	2021	2020
Current corporation and income taxes	79.979	75.003	--	--	79.979	75.003
Deferred tax expense / (benefit)	(43.895)	(16.820)	--	--	(43.895)	(16.820)
Total income tax expense / (benefit)	36.084	58.183	--	--	36.084	58.183

The reported income tax expense for the years ended 31 December are different than the amounts computed by applying statutory tax rate to profit before tax as shown in the following reconciliation:

	2021		2020	
	<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>
Reported profit before taxation	562.934		425.781	
Taxes on reported profit per statutory tax rate of the Company	(140.733)	(25,00)	(93.672)	(22,00)
Permanent differences:				
Disallowable expenses	(34.187)	(6,07)	(12.105)	(2,84)
Tax exempt income	98.094	17,43	64.503	15,15
Effect of different tax rates in foreign jurisdictions	12.840	2,28	6.417	1,51
Effect of tax rate changes	31.025	5,51	1.231	0,29
Unrecorded deferred tax assets	1.572	0,28	367	0,09
Temporary differences which no deferred tax asset is recognised	(2.396)	(0,43)	(1.784)	(0,42)
Recognition of previously unrecognized temporary differences	8.587	1,53	706	0,17
Effect of share of profit of equity-accounted investees and other consolidated adjustments	(47.249)	(8,39)	(23.649)	(5,55)
Utilisation of previously unrecognised tax losses	1.677	0,30	(2.289)	(0,54)
Revaluation effect of tangible and intangible assets	42.698	7,58	--	--
Effect of previous year tax expense adjustments	(2.913)	(0,52)	--	--
Others, net	(5.099)	(0,91)	2.092	0,49
Tax expense	(36.084)	(6,41)	(58.183)	(13,67)

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Notes to Consolidated Financial Statements As at and for the Year Ended 31 December 2021

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29 Taxation (continued)

Current tax assets/liabilities

As at 31 December, current tax assets and liabilities comprised the following:

	2021	2020
Taxes on income	79.979	75.003
Less: Deferred tax expense/ (benefit)	(63.187)	(69.392)
Foreign currency translation difference	(5.614)	(257)
Current tax liabilities/(assets), net	11.178	5.354

As at 31 December 2021, current tax liabilities on income amounting to USD 20.107 (31 December 2020: USD 7.767) is not offset with prepaid taxes amounting to USD 8.929 (31 December 2020: USD 2.413) since they are related to different tax jurisdictions.

Deferred tax assets and liabilities

Deferred tax is provided in respect of taxable temporary differences arising between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes, except for the differences relating to goodwill not deductible for tax purposes and the initial recognition of assets and liabilities which affect neither accounting nor taxable profit.

Unrecognised deferred tax assets and liabilities

As at 31 December 2021, deferred tax assets amounting to USD 39.254 have not been recognised with respect to the statutory tax losses carried forward as at 31 December 2021 (31 December 2020: USD 74.699). Such losses carried forward expire until 2021. Deferred tax assets have not been recognised in respect of these items because it is not probable that future taxable profit will be available against which the Group can utilise the benefits therefrom.

The table below shows the expiration date of the tax losses carried forward for which no deferred asset has been recognised:

	2021	2020
2021	--	49.445
2022	28.581	51.598
2023	34.960	180.832
2024	24.223	43.145
2025	20.763	48.474
2026	83.454	--
	191.981	373.494

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29 Taxation (continued)

Unrecognised deferred tax assets and liabilities (continued)

Recognised deferred tax assets and liabilities

Deferred tax assets and deferred tax liabilities at 31 December are attributable to the items detailed in the table below:

	2021		2020	
	Asset	Liability	Asset	Liability
Vacation pay liability	358	(52)	469	--
Employee severance indemnity	1.578	(6)	1.616	--
Impairment provision of credits and receivables	2.009	--	--	--
Provisions for litigations	1.067	(132)	--	--
Available for sale investment securities	2.163	--	--	(286)
Financial assets at FVOCI	--	(240)	--	(24.301)
Financial assets at FVTPL	2	(11.022)	--	--
Trade and other receivables (including rediscount)	42	--	43	(167)
Derivative instruments	--	(4.118)	--	--
Provisions	2.199	--	4.452	--
Inventories	116	(2.899)	566	(8.365)
Revaluation of financial investments	1.501	(289)	--	--
IAS 39 effect on loans and borrowings	2.327	(1.853)	2.531	(154)
Investment property	2.874	(5.838)	--	(8.368)
Property, plant and equipment and intangible assets	40.564	(13.646)	44.816	(8.562)
Rights of use	15	(2)	--	--
Investment incentives	11.503	--	23.057	--
Tax losses carried forward	1.837	--	6.760	--
Effect of percentage of completion method	1.794	(2.818)	--	(68)
Service concession receivables	--	(8.819)	--	(50.892)
Allowance for doubtful receivables	2.126	--	1.880	--
Security deposits	2.069	--	2.627	--
IFRS 9, 15 and IFRIC 22 effects as at January 1, 2020	--	--	2.327	--
Other temporary differences	9.602	(7.976)	9.119	(504)
Total deferred tax assets/(liabilities)	85.746	(59.710)	100.263	(101.667)
Set off of tax	(33.147)	33.147	(48.914)	48.914
Deferred tax assets/(liabilities), net	52.599	(26.563)	51.349	(52.753)

According to the Tax Procedural Law in Turkey, statutory losses can be carried forward maximum for five years. Consequently, 2026 is the latest year for recovering the deferred tax assets arising from such tax losses carried forward.

30 Capital and reserves

Paid in capital

At 31 December 2021, the Group’s statutory nominal value of authorised and paid-in share capital is USD 210.761 (31 December 2020: USD 210.761) (comprising of 400.000.000 registered shares (31 December 2020: 400.000.000) having par value of TL 1 at full terms (31 December 2020: TL 1 at full terms) each).

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30 Capital and reserves (continued)

Paid in capital (continued)

At 31 December, the shareholding structure of Çalık Holding based on the number of shares are presented below:

	2021		2020	
	Thousands of s shares	%	Thousands of shares	%
Ahmet Çalık	367.999	91,99	367.999	91,99
Delta Netherlands B.V. (*)	32.000	8	32.000	8
Other	1	0,01	1	0,01
	400.000	100	400.000	100

(*) The company’s shareholder Ahmet Çalık transferred his shares nominal values of 32.000.000 TL having par value of TL 1, 32.000.000 shares at full terms to Delta Holding B.V. on 24 December 2018 decision of the Board of Directors.

Restricted reserves

The legal reserves are established by annual appropriations amounting to 5 percent of income disclosed in the Group’s statutory accounts until it reaches 20 percent of paid-in share capital (first legal reserve). Without limit, a further 10 percent of dividend distributions in excess of 5 percent of share capital is to be appropriated to increase legal reserves (second legal reserve). The first legal reserve is restricted and is not available for distribution as dividend unless it exceeds 50 percent of share capital.

According to the 5th paragraph of the Corporate Tax Law numbered 5520, 75 percent of the capital gains arising from the sale of tangible assets and investments owned for at least two years are exempted from corporate tax on the condition that such gains are reflected in the restricted reserve within equity as a special fund with the intention to be utilised in a share capital increase within five years from the date of the sale. The remaining 25 percent of such capital gains are subject to corporate tax.

As at 31 December 2021, in the accompanying consolidated financial statements, special funds arising from the sale of associates classified to legal reserves excluding the non-controlling interest portion are amounting to USD 175.120 (31 December 2020: USD 175.014).

In the accompanying consolidated financial statements, the total legal restricted reserves excluding the non-controlling interest portion amounted to USD 720.867 as at 31 December 2021 (31 December 2020: USD 699.203).

Non-controlling interests

For the years ended 31 December, movements of the non-controlling interest were as follows:

	2021	2020
Non controlling interest at the beginning of the year	118.478	107.409
Foreign currency translation differences	19.727	6.337
Net profit for the year attributable to non controlling interests	14.875	8.389
Contribution to the capital increase by the non-controlling interests	3.904	--
Buyback effect of share transactions	3.732	--
Effect of the acquisition/(disposal) of non-controlling interests	2.285	2.553
Change in fair value of available for sale investments	(29)	--
Actuarial losses	(48)	--
Dividend distribution	(6.868)	(6.210)
Balance at the end of the year	156.056	118.478

Translation reserve

The translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations.

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31 Revenue and cost of sales

For the years ended 31 December, revenue and cost of sales comprised the following:

	2021	2020
Domestic sales	941.061	850.585
Export sales	792.643	535.761
Other sales	4.822	7.971
Sales discounts (-)	(17.755)	(18.653)
Subtotal	1.720.771	1.375.664
Cost of sales (-)	(1.244.199)	(956.229)
Gross profit from non-finance operations	476.572	419.435
Revenue from finance sector operations	526.312	448.218
Cost of revenues from finance sector operations (-)	(217.369)	(165.913)
Gross profit from finance sector activities	308.943	282.305
Gross profit	785.515	701.740

The depreciation and amortization expense of USD 44.150 was recognised in the cost of sales (2020: USD 49.154).

32 General and administrative expenses, selling, marketing and distribution expenses, and research and development expenses and expenses by nature

For the years ended 31 December, general and administrative expenses comprised the following:

	2021	2020
Personnel expenses	107.195	112.279
Depreciation and amortisation expenses	20.154	21.560
Outsourced services	16.963	12.057
Maintenance and repair expenses	15.467	14.690
Insurance expenses	13.738	12.716
Taxes, duties and fees other than on income	9.228	7.971
Consulting expenses	8.129	6.729
Rent expense	5.736	2.692
Telecommunication expenses	5.235	3.753
Travel and accommodation expenses	4.560	4.230
Representation expenses	3.860	4.049
Office expenses	973	1.067
Other	25.273	25.779
Total	236.511	229.572

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32 General and administrative expenses, selling, marketing and distribution expenses, and research and development expenses and expenses by nature (continued)

For the year ended 31 December, selling, marketing and distribution expenses comprised the following:

	2021	2020
Personnel expenses	10.686	10.113
Advertising and promotion expenses	10.682	9.984
Commission expense	5.104	4.836
Depreciation and amortisation expenses	3.014	2.929
Transportation expenses	2.458	2.131
Consulting expenses	1.986	2.168
Travel and accommodation expenses	952	415
Rent expense	907	1.331
Taxes, duties and fees other than on income	316	337
Maintenance and repair expenses	87	448
Telecommunication expenses	80	104
Other	2.701	2.049
Total	38.973	36.845

For the year ended 31 December, research and development expenses comprised the following:

	2021	2020
Personnel expenses	4.238	2.599
Field research expenses (*)	3.257	2.400
Depreciation and amortization expenses	1.560	1.409
Consulting expenses	1.064	1.130
Travel and accommodation expenses	736	476
Representation expenses	525	232
Rent expense	24	3
Other	1.096	1.362
Total	12.500	9.611

(*) Field research expenses consist by field research and development activities of the Group's subsidiaries operating in the field of mining and oil production.

For the year ended 31 December, personnel and depreciation and amortization expenses comprised the following.

	2021	2020
<u>Personnel expenses</u>		
Cost of sales (-)	65.677	54.164
General and administrative expenses	107.195	112.279
Selling, marketing and distribution expenses	10.686	10.113
Research and development expenses	4.238	2.599
Total	187.796	179.155

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32 General and administrative expenses, selling, marketing and distribution expenses, and research and development expenses and expenses by nature (continued)

	2021	2020
<u>Depreciation and amortization expenses</u>		
Cost of sales (-)	44.150	49.154
General and administrative expenses	20.154	21.560
Selling, marketing and distribution expenses	3.014	2.929
Research and development expenses	1.560	1.409
Total (*)	68.878	75.052

(*) The depreciation and amortization expense of USD 1.106 was recognised in the inventory. (2020: None).

33 Other income and expense from operating services

For the years ended 31 December, other income from operating activities comprised the following:

	2021	2020
Foreign exchange income	61.877	22.354
Provision cancellation / recycling	25.092	13.503
Gain on sale of marketable securities	10.875	13.479
Asset-backed security sales revenues	--	9.194
Other	27.470	24.956
Total	125.314	83.486

For the year ended 31 December, other expense from operating activities comprised the following:

	2021	2020
Foreign exchange expenses	51.872	45.173
Provision expense for receivables from financial sector activities	28.721	45.334
Doubtful receivable provision expenses	18.540	16.977
Realized guarantee cost expenses	7.272	3.640
Land lease line expenses	1.196	895
Rediscount expenses	465	951
Other	30.191	16.451
Total	138.257	129.421

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34 Gain and loss from investing activities

For the years ended 31 December, gains from investing activities comprised the following:

	2021	2020
Dividend income from equity securities held	60.037	31.970
Gain on sale of associate (subsidiary)	55.256	5.353
Gain from sale of derivative financial instruments	32.518	--
Gain on financial assets at fair value through profit or loss	6.302	67.487
Gain on sale of property, plant and equipment	645	814
Fair value gain on investment properties	310	605
Other	13.367	8.319
Total	168.435	114.548

For the years ended 31 December, losses from investing activities comprised the following:

	2021	2020
Fair value loss on investment properties	43.853	31.955
Loss on financial assets at fair value through profit or loss	12.103	3.059
Loss on sale of property, plant and equipment	1.050	1.573
Loss on sale of subsidiary	17	--
Loss from derivative financial instruments	--	327
Other	1.252	355
Total	58.275	37.269

35 Finance income and finance cost

For the years ended 31 December, finance income comprised the following:

	2021	2020
Foreign exchange gains on borrowings	187.907	95.094
Interest income	6.377	9.997
Total	194.284	105.091

For the years ended 31 December, finance cost comprised the following:

	2021	2020
Interest expense on borrowings	126.586	105.217
Foreign exchange losses on borrowings	79.676	43.738
Letters of guarantees commission expenses	5.340	4.031
Bank commission expenses	5.232	4.858
Other charges and commission expenses	5.841	10.869
Total	222.675	168.713

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36 Disclosure of interests in other entities

Information regarding the subsidiaries in which the Group has major non-controlling interests is as follows:

Subsidiaries	Non-controlling interests	Profit attributable to non-controlling interests	Cumulative non-controlling interests	Dividends paid to non-controlling interests
<u>Albtelecom</u>				
31 December 2021	19,73	(819)	7.130	--
31 December 2020	19,73	(1.897)	7.606	--
<u>Çalık Enerji</u>				
31 December 2021	4,58	12.708	29.028	(6.868)
31 December 2020	4,58	10.387	29.542	(6.210)

The financial information of Albtelecom before the Group's consolidation adjustments and eliminations is as follows:

Summary of Albtelecom's statement of financial position	31 December 2021	31 December 2020
Cash and cash equivalents	1.429	708
Trade receivables	6.948	7.123
Other current assets	5.703	8.788
Non-current assets	214.786	233.397
Total assets	228.866	250.016

Short-term borrowings	12.522	11.084
Other short term liabilities	29.261	32.944
Long-term liabilities	150.947	163.373
Total liabilities	192.730	207.401
Total equity	36.136	42.615
Total equity and liabilities	228.866	250.016

Summary of Albtelecom's statement of profit or loss	2021	2020
Revenue	66.836	66.178
Cost of sales	(45.450)	(42.299)
Other expenses from operating activities	(20.402)	(20.691)
Gain / (loss) from investing activities	4	(1.452)
Finance expenses	(5.275)	(11.327)
Tax incomes / (expenses)	137	(21)
Profit/(loss) for the period	(4.150)	(9.612)

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36 Disclosure of interests in other entities (continued)

The consolidated financial information of Çalık Enerji before the Group's consolidation adjustments and eliminations is as follows:

Summary of Çalık Enerji's statement of financial position	31 December 2021	31 December 2020
Cash and cash equivalents	95.181	67.993
Trade receivables	268.194	209.738
Other current assets	258.003	164.985
Non-current assets	511.536	670.661
Total assets	1.132.914	1.113.377

Short-term borrowings	27.767	35.624
Short term portion of long-term loans and borrowings	23.143	32.017
Other short-term liabilities	341.859	266.740
Long-term liabilities	104.584	131.784
Total liabilities	497.353	466.165
Total equity	635.561	647.212
Total equity and liabilities	1.132.914	1.113.377

Summary of Çalık Enerji's statement of profit or loss	2021	2020
Revenue	1.087.564	795.707
Cost of sales	(762.355)	(482.848)
Other expenses from operating activities	(110.050)	(95.797)
Gain from investing activities	46.280	40.534
Finance income / (cost)	8.331	(9.680)
Tax incomes / (expenses)	7.702	(21.116)
Profit for the period	277.472	226.800

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37 Financial instruments – Fair values and risk management

Financial risk management

Overview

The Group has exposure to the following risks from its use of financial instruments:

- credit risk
- liquidity risk
- market risk
- operational risk

This note presents information about the Group’s exposure to each of the above risks, the Group’s objectives, policies and processes for measuring and managing risks, and the Group’s management of capital. Further quantitative disclosures are included throughout these consolidated financial statements.

Risk management framework

Risk management activities are conducted by a realistic organizational structure and it is fully supported with the commitment of top-level management.

Group acts proactively in terms of risk management in order to ensure that its business operations in different industries and regions are not adversely affected as a result of market, operational, liquidity and counterparty risks. Risk Management and internal audit departments within each sector and at the Group level provide and maintain awareness for different types of risks, including emerging risks, and ensure that appropriate risk management mechanisms are in place.

Banking:

Risk management framework

For the Group’s banking group, Aktifbank and BKT actively use collateral management as the major risk mitigation mechanism. The Board of Directors of the Group’s banking group has overall responsibility for the establishment and oversight of the risk management framework. The Board has established the Audit Committee and Risk Management Department, which are responsible for developing and monitoring the Group’s banking group’s risk management policies in their specified areas. The Audit Committee has non-executive members and report regularly to the Board of Directors on their activities.

The Group’s banking group’s risk management policies are established to identify and analyse the risks faced, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions, products and services offered. The Group’s banking group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment, in which all employees understand their roles and obligations.

The Audit Committee is responsible for monitoring compliance with the risk management policies and procedures, and for reviewing the adequacy of the risk management framework in relation to the risks faced by the Aktif Bank and BKT. The Audit Committee is assisted in these functions by Internal Audit. Internal Audit undertakes both regular and ad-hoc reviews of risk management controls and procedures, the results of which are reported to the Audit Committee.

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37 Financial instruments – Fair values and risk management (continued)

Financial risk management (continued)

Credit risk:

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the Group’s receivables from customers and investment securities.

The Group’s principal financial assets are cash and cash equivalents, financial investments, trade receivables and other receivables. The Group requires a certain amount of collateral in respect of its account receivable. Credit evaluations are performed on all customers requiring credit over a certain amount on individual level.

At reporting date, there were no significant concentrations of credit risk. The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the consolidated statement of financial position.

Banking:

Impaired loans and advances to customers and investment securities

Impaired loans and advances to customers and investment debt securities are those for which the Group’s banking group determines that it is probable that it will be unable to collect all principal and interest due to according to the contractual terms of the loans and investment debt securities.

Allowance for impairment

The Group’s banking and finance group establishes an allowance for impairment losses on assets carried at amortised cost that represents its estimate of incurred losses in its loans and advances to customers and investment in debt security portfolio. This allowance is a specific loss component that relates to individually significant exposures.

Due to the increase in the consumer loan portfolio of Aktifbank and the availability of the historical trends of the probability of default, starting from 1 January 2012, Aktifbank started to provide collective loan loss allowance established for groups of homogeneous assets in respect of losses that have been incurred but have not been identified except for loans and receivables subject to individual assessment for impairment.

Write-off policy

The Group’s banking group write off a loan or investment debt security balance, and any related allowances for impairment losses, when the Group’s banking subsidiaries determine that the loan or security is uncollectible. This determination is reached after considering information such as occurrence of significant changes in the borrower’s / issuer’s financial position such that the borrower / issuer can no longer pay the obligation, or that proceeds from collateral will not be enough to pay back the entire exposure.

Loans with renegotiated terms

Loans with renegotiated terms are loans that have been restructured due to deterioration in the borrower’s financial position and where the Group’s banking subsidiaries have made concessions that it would not otherwise consider. Once the loan is restructured it remains in this category independent of satisfactory performance after restructuring.

37 Financial instruments – Fair values and risk management (continued)

Credit risk (continued):

Exposure to credit risk:

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at 31 December was:

	Receivables				Cash at banks and other cash and cash equivalents ^(*)	Financial investments ^(**)	Receivables from finance sector operations	Derivatives
	Trade receivables		Other receivables					
	Related party	Third party	Related party	Third party				
31 December 2021								
Maximum credit risk exposure at reporting date (A+B+C+D)	151.720	362.183	338.104	101.043	1.064.898	3.063.197	2.321.523	27.610
Portion of maximum risk covered by guarantees	---	12.759	---	---	---	---	---	---
A. Carrying value of financial assets that are neither past due nor impaired	151.720	338.430	338.104	101.043	1.064.898	3.063.197	2.255.920	27.610
B. Carrying value of financial assets that are past due but not impaired	---	23.753	---	---	---	---	---	---
C. Carrying value of impaired assets	---	---	---	---	---	---	65.603	---
Past due (gross carrying amount)	---	54.216	---	7.956	---	---	174.199	---
- Impairment (-)	---	(54.216)	---	(7.956)	---	---	(108.596)	---
- The part of net value under guarantee with collateral etc	---	---	---	---	---	---	---	---
Not past due (gross carrying amount)	---	---	---	---	---	---	---	---
- Impairment (-)	---	---	---	---	---	---	---	---
D. Elements including credit risk on off statement of financial position	---	---	---	---	---	---	---	---

(*) Balances at central banks and cash on hand are excluded.
(**) Equity securities and investment funds are excluded.

37 Financial instruments – Fair values and risk management (continued)

Credit risk (continued):

Exposure to credit risk (continued):

	31 December 2020	Receivables				Cash at banks and other cash and cash equivalents (*)	Financial investments (**)	Receivables from finance sector operations	Derivatives
		Trade receivables		Other receivables					
		Related party	Third party	Related party	Third party				
Maximum credit risk exposure at reporting date (A+B+C+D)		78.470	351.706	369.878	184.734	749.621	2.918.062	2.612.686	13.332
Portion of maximum risk covered by guarantees		---	13.662	---	---	---	---	---	---
A. Carrying value of financial assets that are neither past due nor impaired		78.470	322.378	369.878	184.734	749.621	2.918.062	2.479.312	13.332
B. Carrying value of financial assets that are past due but not impaired		---	29.328	---	---	---	---	---	---
C. Carrying value of impaired assets		---	---	---	---	---	---	133.374	---
Past due (gross carrying amount)		---	58.890	---	8.054	---	---	261.051	---
- Impairment (-)		---	(58.890)	---	(8.054)	---	---	(127.677)	---
- The part of net value under guarantee with collateral etc		---	---	---	---	---	---	---	---
Not past due (gross carrying amount)		---	---	---	---	---	---	---	---
- Impairment (-)		---	---	---	---	---	---	---	---
D. Elements including credit risk on off statement of financial position		---	---	---	---	---	---	---	---

(*) Balances at central banks and cash on hand are excluded.
(**) Equity securities and investment funds are excluded.

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37 Financial instruments – Fair values and risk management (continued)

Credit risk (continued):

Impairment losses

As of 31 December 2021, and 2020, the aging of trade receivables that are past due but not impaired was as below:

	Receivables		Receivables from financial sector operations
	Trade Receivables	Other Receivables	
31 December 2021			
Past due 0-30 days	12.145	--	--
Past due 1-3 months	4.668	--	--
Past due 3-12 months	4.568	--	--
Past due 1-5 years	2.372	--	--
More than five years	--	--	--
Total	23.753	--	--
Part of secured with guarantee etc.	--	--	--

	Receivables		Receivables from financial sector operations
	Trade Receivables	Other Receivables	
31 December 2020			
Past due 0-30 days	17.284	--	--
Past due 1-3 months	5.712	--	--
Past due 3-12 months	4.521	--	--
Past due 1-5 years	1.811	--	--
More than five years	--	--	--
Total	29.328	--	--
Part of secured with guarantee etc.	--	--	--

Liquidity risk

Liquidity risk arises in the general funding of the Group’s activities and in the management of positions. It includes both risk of being unable to fund assets at appropriate maturities and rates and risk of being unable to liquidate an asset at a reasonable price and in an appropriate time frame. The Group has access to funding sources from banks and keeps certain level assets as cash and cash equivalents. The Group continuously assesses liquidity risk by identifying and monitoring changes in funding required in meeting business goals and targets set in terms of the overall Group strategy.

Banking:

Management of liquidity risk

The Group’s banking group’s approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to their reputation.

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37 Financial instruments – Fair values and risk management (continued)

Liquidity risk (continued):

Banking:

Management of liquidity risk

The Group’s banking group funds its short-term liquidity with interbank. In the case of long-term liquidity need, the Group’s banking group utilises capital and debt market instruments. Additionally, the Group’s banking group also funds itself from the domestic and foreign market when it needs additional funds.

Exposure to liquidity risk

The key measure used by the Group’s banking group for managing liquidity risk is the ratio of net liquid assets to short-term loans and borrowings. Net liquid assets include cash and cash equivalents and trading debt securities for which there is an active market.

As at 31 December, the followings are carrying amounts, contractual cash flows and the contractual maturities of financial liabilities are as follows:

	Carrying amount	Contractual cash flows	3 months or less	3-12 months	1-5 years	More than 5 year
31 December 2021						
Contractual maturities						
Non-derivative financial liabilities						
Payables related to finance sector operations	(5.488.852)	(5.492.275)	(3.843.419)	(986.104)	(620.648)	(42.104)
Loans and borrowings	(2.069.853)	(2.247.214)	(1.305.452)	(389.377)	(429.551)	(122.834)
	(7.558.705)	(7.739.489)	(5.148.871)	(1.375.481)	(1.050.199)	(164.938)
Expected maturities						
Non-derivative financial liabilities						
Trade payables	(284.653)	(284.653)	(135.808)	(148.841)	(4)	--
Other payable	(75.826)	(75.826)	(20.429)	(9.741)	(45.656)	--
Payable related to employee benefits	(8.266)	(8.266)	(5.135)	(3.131)	--	--
	(368.745)	(368.745)	(161.372)	(161.713)	(45.660)	--
Derivative financial instruments						
Inflow	27.610	809.949	364.345	296.531	149.073	--
Outflow	(4.112)	(794.187)	(361.363)	(283.994)	(148.830)	--

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37 Financial instruments – Fair values and risk management (continued)

Liquidity risk (continued)

	Carrying amount	Contractual cash flows	3 months or less	3-12 months	1-5 years	More than 5 year
31 December 2020						
Contractual maturities						
<i>Non-derivative financial liabilities</i>						
Payables related to finance sector operations	(5.279.579)	(5.329.665)	(3.659.623)	(1.165.908)	(468.426)	(35.708)
Loans and borrowings	(2.377.295)	(2.574.221)	(1.371.736)	(469.295)	(520.465)	(212.725)
	(7.656.874)	(7.903.886)	(5.031.359)	(1.635.203)	(988.891)	(248.433)
Expected maturities						
<i>Non-derivative financial liabilities</i>						
Trade payables	(275.046)	(277.599)	(92.136)	(180.577)	(4.886)	--
Other payable	(106.348)	(106.348)	(29.249)	(24.545)	(52.554)	--
Payable related to employee benefits	(7.763)	(7.763)	(5.168)	(2.595)	--	--
	(389.157)	(391.710)	(126.553)	(207.717)	(57.440)	--
Derivative financial instruments						
Inflow	13.332	513.000	180.925	255.741	76.334	--
Outflow	(19.557)	(524.646)	(186.064)	(262.249)	(76.333)	--

Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices, will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

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37 Financial instruments – Fair values and risk management (continued)

Interest rate risk

The Group's operations are subject to the risk of interest rate fluctuations to the extent that interest-earning assets and interest-bearing liabilities mature or reprise at different times or in differing amounts. In the case of floating rate assets and liabilities the Group is also exposed to basis risk, which is the difference in reprising characteristics of the various floating rate indices, such as six months Libor and different types of interest. Risk management activities are aimed at optimizing net interest income, given market interest rate levels consistent with the Group's business strategies.

Profile

As at 31 December, the interest rate profile of the Group's interest-bearing financial instruments was as follows:

	2021	2020
Fixed rate instruments		
Financial assets	1.629.091	1.551.921
Financial liabilities	7.139.630	7.292.728
Variable rate instruments		
Financial assets	4.107.989	4.015.546
Financial liabilities	419.076	364.146

As of 31 December 2021, an increase of 100 basis points in interest rates dominated in Turkish Lira would have decreased profit or loss before tax and allocation of the non-controlling interest by USD 55.422. Under the same conditions, a decrease of 100 basis points in interest rates dominated in Turkish Lira would have increased profit or loss by USD 55.422. This analysis assumes that all other variables remain constant (31 December 2020: USD 38.272, USD 38.272 respectively).

Fair value sensitivity analysis for fixed rate instruments

The Group does not account for any fixed rate financial assets and liabilities at fair value through profit or loss and the Group does not designate derivatives (interest rate swaps) as hedging instruments under fair value hedge accounting model. Therefore, a change in interest rate as of the reporting date would not affect profit or loss and equity.

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37 Financial instruments – Fair values and risk management (continued)

Currency risk

The Group is exposed to currency risk on sales, purchases and borrowings that are denominated in a currency other than the respective functional currencies of Group entities. The currencies in which these transactions primarily are denominated are TL and Euro (31 December 2020: TL and Euro).

In respect of other monetary assets and liabilities denominated in foreign currencies, the Group ensures that its net exposure is kept to an acceptable level by buying or selling foreign currencies at spot rates when necessary to address short-term imbalances.

The Group is exposed to currency risk through the impact of rate changes on the translation of foreign currency denominated payables and bank borrowings from financial institutions. Such risk is monitored by the Board of Directors and limited through taking positions within approved limits as well as using derivative instruments where necessary.

To minimise risk arising from foreign currency denominated statement of financial position items, the Group sometimes utilises derivative instruments as well as keeping part of its idle cash in foreign currencies.

At 31 December 2021, the currency risk exposures of the Group in USD equivalents are as follows:

CURRENCY POSITION STATEMENT	31 DECEMBER 2021			
	USD equivalent	TL	EURO	OTHER ^(*)
1. Trade Receivables	116.059	316.137	39.815	47.275
2a. Monetary financial assets	2.478.034	61.605	1.147.269	1.174.852
2b. Non-monetary financial assets	--	--	--	--
3. Other	277.171	72.038	222.393	20.046
4. Current assets (1+2+3)	2.871.264	449.780	1.409.477	1.242.173
5. Trade Receivables	630	7.067	--	100
6a. Monetary financial assets	1.779.902	24.416	1.042.710	597.858
6b. Non-monetary financial assets	--	--	--	--
7. Other	4.724	1.560	310	4.256
8. Non-current assets (5+6+7)	1.785.256	33.043	1.043.020	602.214
9. Total Assets (4+8)	4.656.520	482.823	2.452.497	1.844.387
10. Trade payables	(158.594)	(337.316)	(102.748)	(16.989)
11. Financial liabilities	(641.965)	(885.229)	(170.489)	(382.581)
12a. Other monetary liabilities	(3.075.488)	(91.020)	(1.945.637)	(866.451)
12b. Other non-monetary liabilities	(10.089)	--	(500)	(9.524)
13. Short term liabilities (10+11+12)	(3.886.136)	(1.313.565)	(2.219.374)	(1.275.545)
14. Trade payables	(5)	--	(4)	--
15. Financial liabilities	(250.968)	(1.217.945)	(68.217)	(82.379)
16a. Other monetary liabilities	(434.132)	--	(363.397)	(22.813)
16b. Other non-monetary liabilities	(1)	(8)	--	--
17. Long term liabilities (14+15+16)	(685.106)	(1.217.953)	(431.618)	(105.192)
18. Total liabilities (13+17)	(4.571.242)	(2.531.518)	(2.650.992)	(1.380.737)
19. Outside of the financial statements derivatives instruments net assets / (liability) position (19a+19b)	31.004	38	88.339	(68.987)
19a. Hedged portion of assets amount	720.783	38	155.090	545.238
19b. Hedged portion of liabilities amount	(689.779)	--	(66.751)	(614.225)
20.Net foreign currencies assets / (liability) position (9+18+19)	116.282	(2.048.657)	(110.156)	394.663
21. Monetary items Net foreign currencies assets / (liability) position (IFRS 7.b 23) (=1+2a+5+6a+10+11+12a+14+15+16a)	(186.527)	(2.122.285)	(420.698)	448.872

(*) USD equivalents are given.

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37 Financial instruments – Fair values and risk management (continued)

Currency risk (continued)

At 31 December 2020, the currency risk exposures of the Group in USD equivalents are as follows:

CURRENCY POSITION STATEMENT	31 DECEMBER 2020			
	USD equivalent	TL	EURO	OTHER ^(*)
1. Trade Receivables	119.160	28.821	44.987	60.027
2a. Monetary financial assets	2.051.253	180.431	894.253	929.290
2b. Non-monetary financial assets	--	--	--	--
3. Other	256.947	74.880	184.613	20.199
4. Current assets (1+2+3)	2.427.360	284.132	1.123.853	1.009.516
5. Trade Receivables	1.296	9.510	--	--
6a. Monetary financial assets	1.617.511	24.701	897.934	512.245
6b. Non-monetary financial assets	--	--	--	--
7. Other	22.576	1.464	3.860	17.639
8. Non-current assets (5+6+7)	1.641.383	35.675	901.794	529.884
9. Total Assets (4+8)	4.068.743	319.807	2.025.647	1.539.400
10. Trade payables	(179.972)	(248.567)	(102.573)	(20.237)
11. Financial liabilities	(628.017)	(790.133)	(146.941)	(340.058)
12a. Other monetary liabilities	(3.058.177)	(130.951)	(1.758.198)	(882.763)
12b. Other non-monetary liabilities	(4.545)	--	(1.177)	(3.102)
13. Short term liabilities (10+11+12)	(3.870.711)	(1.169.651)	(2.008.889)	(1.246.160)
14. Trade payables	(4.885)	--	(1.310)	(3.278)
15. Financial liabilities	(326.740)	(1.357.055)	(83.663)	(39.201)
16a. Other monetary liabilities	(288.112)	--	(219.857)	(18.314)
16b. Other non-monetary liabilities	(1)	(8)	--	--
17. Long term liabilities (14+15+16)	(619.738)	(1.357.063)	(304.830)	(60.793)
18. Total liabilities (13+17)	(4.490.449)	(2.526.714)	(2.313.719)	(1.306.953)
19. Outside of the financial statements derivatives instruments net assets / (liability) position (19a+19b)	170.991	(59.662)	72.478	90.179
19a. Hedged portion of assets amount	706.808	338	169.714	498.497
19b. Hedged portion of liabilities amount	(535.817)	(60.000)	(97.236)	(408.318)
20.Net foreign currencies assets / (liability) position (9+18+19)	(250.715)	(2.266.569)	(215.594)	322.626
21. Monetary items Net foreign currencies assets / (liability) position (IFRS 7.b 23) (=1+2a+5+6a+10+11+12a+14+15+16a)	(696.683)	(2.283.243)	(475.368)	197.710

(*) USD equivalents are given.

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37 Financial instruments – Fair values and risk management (continued)

Currency risk (continued)

Sensitivity analysis

A 10 percent strengthening/weakening of the USD against the other currencies below would have increased/ (decreased) the comprehensive income and profit/loss (excluding the tax effect) of 31 December as follows:

	Profit / (Loss)		Equity	
	Strengthening of USD	Weakening of USD	Strengthening of USD	Weakening of USD
31 December 2021				
Increase/(decrease) 10 percent of TL parity				
1-TL net asset / liability	15.370	(15.370)	--	--
2-Hedged portion of TL amounts (-)	--	--	--	--
3-Net effect of TL (1+2)	15.370	(15.370)	--	--
Increase/(decrease) 10 percent of EUR parity				
4-EUR net asset / liability	12.468	(12.468)	--	--
5-Hedged portion of EUR amounts (-)	--	--	--	--
6-Net effect of EUR (4+5)	12.468	(12.468)	--	--
Increase/(decrease) 10 percent of other parities				
7-Other foreign currency net asset / liability	(39.466)	39.466	--	--
8-Hedged portion of other foreign currency amounts (-)	--	--	--	--
9-Net effect of other foreign currencies (7+8)	(39.466)	39.466	--	--
TOTAL (3+6+9)	(11.628)	11.628	--	--

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37 Financial instruments – Fair values and risk management (continued)

Currency risk (continued)

	Profit / (Loss)		Equity	
	Strengthening of USD	Weakening of USD	Strengthening of USD	Weakening of USD
31 December 2020				
Increase/(decrease) 10 percent of TL parity				
1-TL net asset / liability	30.878	(30.878)	--	--
2-Hedged portion of TL amounts (-)	--	--	--	--
3-Net effect of TL (1+2)	30.878	(30.878)	--	--
Increase/(decrease) 10 percent of EUR parity				
4-EUR net asset / liability	26.457	(26.457)	--	--
5-Hedged portion of EUR amounts (-)	--	--	--	--
6-Net effect of EUR (4+5)	26.457	(26.457)	--	--
Increase/(decrease) 10 percent of other parities				
7-Other foreign currency net asset / liability	(32.263)	32.263	--	--
8-Hedged portion of other foreign currency amounts (-)	--	--	--	--
9-Net effect of other foreign currencies (7+8)	(32.263)	32.263	--	--
TOTAL (3+6+9)	25.072	(25.072)	--	--

Capital management

The Group's objectives when managing capital include:

- to comply with the capital requirements required by the regulators of the financial markets where the Group operates;
- to safeguard the Group's ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders; and
- to provide an adequate return to shareholders.

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37 Financial instruments – Fair values and risk management *(continued)*

Capital management (continued)

Banking:

Aktifbank

BRSA sets and monitors capital requirements for the Aktifbank regularly.

The capital adequacy ratio calculations are made in accordance with the “Regulation on Measurement and Evaluation of Capital Adequacy of Banks” published in Official Journal No 28337 of 28 June 2012 from 1 July 2012. Standard Method is used to calculate market risk, which is included in computation of capital adequacy ratio.

In implementing current capital requirements of BRSA requires Aktifbank to maintain a 12 percent ratio of total capital to total risk-weighted assets.

As at 31 December 2021, the Aktifbank’s capital adequacy ratio is 13,75 percent (31 December 2020: 14,39 percent).

BKT

BKT’s policy is to maintain a strong capital base to maintain investor, creditor and market confidence and to sustain future development of the business. The impact of the level of capital on shareholder’s return is also recognised and BKT recognises the need to maintain a balance between the higher returns that might be possible with greater gearing and the advantages and security afforded by a sound capital position. There have been no material changes in BKT’s management of capital during the period.

Regulatory capital: BKT monitors the adequacy of its capital using, among other measures, the rules and ratios established by the Albanian regulator, the Bank of Albania (“BoA”), which ultimately determines the statutory capital required to underpin its business. The regulation “On capital adequacy” is issued pursuant to Law No. 8269 date 23 December 1997 “On the Bank of Albania”, and Law No. 9662 dated 18 December 2006 “On Banks in the Republic of Albania”.

The Capital Adequacy Ratio is the proportion of the regulatory capital to risk weighted exposures, calculated as the sum of the risk-weighted exposure amounts, on- and off-statement of financial position for credit risk and for credit counterparty risk, capital requirement for market and operational risk. The minimum Capital Adequacy Ratio required by Bank of Albania is 12 percent, while BKT has maintained this ratio at 15,98 percent as at 31 December 2021 (31 December 2020: 15,75 percent).

In December 2021, BKT has reported Regulatory Capital Ratio, Tier 1 Capital Ratio and Common Equity Tier 1 Ratio as 15,98 percent, 15,25 percent and 15,25 percent, respectively. (31 December 2020: 15,75 percent, 14,69 percent and 14,69 percent respectively).

Risk-Weighted Assets (RWAs): For calculation of credit risk, exposures, on- and off-statement of financial position are classified in 15 exposure classes. In general terms, client/ issuer type, loan destination and collateral are the main determinants of the exposure class. Each exposure class has its own specific requirements on how to assess the appropriate risk weight and respective risk weighted exposures. For credit risk and counterparty risk is applied the Standardised Approach. Market risk capital requirements are calculated in case the BKT has a trading portfolio that fulfils the requirements defined by the regulation and/ or a total net open currency position that is larger than the defined minimum threshold. Operational risk capital requirement is calculated based on the Basic Indicator Approach.

Compliance: BKT and its individually regulated operations have complied with all internally and externally imposed capital requirements throughout the year.

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37 Financial instruments – Fair values and risk management *(continued)*

Operational risk

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the Group’s processes, personnel, technology and infrastructure, and from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of corporate behavior. Operational risks arise from all of the Group’s operations.

The Group’s objective is to manage operational risk to balance the avoidance of financial losses and damage to the Group’s reputation with overall cost effectiveness and to avoid control procedures that restrict initiative and creativity.

The primary responsibility for the development and implementation of controls to address operational risk is assigned to senior management within each business unit. This responsibility is supported by the development of overall Group standards for the management of operational risk in the following areas:

- requirements for appropriate segregation of duties, including the independent authorisation of transactions
- requirements for the reconciliation and monitoring of transactions,
- compliance with regulatory and other legal requirements,
- documentation of controls and procedures,
- requirements for the periodic assessment of operational risks faced, and the adequacy of controls and procedures to address the risks identified,
- requirements for the reporting of operational losses and proposed remedial action,
- development of contingency plans,
- training and professional development,
- ethical and business standards,
- risk mitigation, including insurance where this is effective.

Compliance with Group standards is supported by a programme of periodic reviews undertaken by Internal Audit.

Fair value information

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or in its absence, the most advantageous market to which the Group has access at that date.

When available, the Group measures the fair value of an instrument using the quoted price in an active market for that instrument. A market is regarded as active if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis. If there is no quoted market price in an active market, then the Group uses valuation techniques that maximise the use of relevant observable inputs and minimise the use of unobservable inputs.

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Financial instruments – Fair values and risk management (continued)

Fair value information

The table below shows the carrying amount and fair values of financial assets and financial liabilities, including their levels in the fair value. It does not include fair value information for financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value.

31 December 2021	Amortised costs	Measured at fair value through profit or loss	Measured at fair value through other comprehensive income	Total book value	Level 1	Level 2	Level 3	Total net realisable value
Financial assets measured at fair value								
Financial investments ^(*)	--	465.934	2.696.451	3.162.385	1.867.900	1.017.226	277.259	3.162.385
Derivatives ^(**)	--	27.610	--	27.610	--	27.610	--	27.610
Financial assets not measured at fair value								
Trade receivables	279.795	--	--	279.795	80.500	199.295	--	279.795
Financial investments ^(**)	513.903	--	--	513.903	--	--	--	--
Other receivables	439.147	--	--	439.147	--	--	--	--
Cash and cash equivalents	1.271.777	--	--	1.271.777	--	--	--	--
Receivables related to finance sector operations	2.321.523	--	--	2.321.523	--	--	--	--
Total	4.826.145	493.544	2.696.451	8.016.140	1.948.400	1.244.131	277.259	3.469.790
Financial liabilities measured at fair value								
Derivatives ^(**)	--	4.112	--	4.112	--	4.112	--	4.112
Financial liabilities not measured at fair value								
Loans and borrowings ^(**)	2.069.853	--	--	2.069.853	--	--	2.069.853	2.069.853
Trade payables	284.653	--	--	284.653	--	--	--	--
Payables related to finance sector operations	5.488.852	--	--	5.488.852	--	--	--	--
Other payables ^(*)	23.751	--	--	23.751	--	--	--	--
Total	7.867.109	4.112	--	7.871.221	--	4.112	2.069.853	2.073.965

(*) Deposits and guarantees given are excluded from other liabilities

(**) Carrying value and fair value of this assets and liabilities are the same.

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Financial instruments – Fair values and risk management (continued)

Fair value information (continued)

The table below shows the carrying amount and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy. It does not include fair value information for financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value.

31 December 2020	Amortised costs	Measured at fair value through profit or loss	Measured at fair value through other comprehensive income	Total book value	Level 1	Level 2	Level 3	Total net realisable value
Financial assets measured at fair value								
Financial investments ^(**)	--	450.647	2.616.753	3.067.400	1.776.262	994.022	297.116	3.067.400
Derivatives ^(**)	--	13.332	--	13.332	--	13.332	--	13.332
Financial assets not measured at fair value								
Financial investments ^(**)	234.511	--	--	234.511	49.581	184.930	--	234.511
Trade receivables	430.176	--	--	430.176	--	--	--	--
Other receivables	554.612	--	--	554.612	--	--	--	--
Cash and cash equivalents	897.487	--	--	897.487	--	--	--	--
Receivables related to finance sector operations	2.612.686	--	--	2.612.686	--	--	--	--
Total	4.729.472	463.979	2.616.753	7.810.204	1.825.843	1.192.284	297.116	3.315.243
Financial liabilities measured at fair value								
Derivatives ^(**)	--	19.557	--	19.557	--	19.557	--	19.557
Financial liabilities not measured at fair value								
Loans and borrowings ^(**)	2.377.295	--	--	2.377.295	--	--	2.377.295	2.377.295
Trade payables	275.046	--	--	275.046	--	--	--	--
Payables related to finance sector operations	5.279.579	--	--	5.279.579	--	--	--	--
Other payables ^(*)	49.563	--	--	49.563	--	--	--	--
Total	7.981.483	19.557	--	8.001.040	--	19.557	2.377.295	2.396.852

(*) Deposits and guarantees given are excluded from other liabilities.

(**) Carrying value and fair value of this assets and liabilities are the same.

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37 Financial instruments – Fair values and risk management (continued)

Fair value information (continued)

Fair value hierarchy

The fair value hierarchy consists of three levels, depending upon whether fair values are determined based on quoted prices in an active market (Level 1), valuation techniques with observable inputs (Level 2) or valuation techniques that incorporate inputs which are unobservable and which have significant impact on the fair value of the instrument (Level 3):

The Group measures fair values using the following fair value hierarchy, which reflects the significance of the inputs used in making the measurements.

- Level 1: This category includes inputs that are quoted market prices (unadjusted) in active markets for identical instruments. These are instruments where the fair value can be determined directly from prices which are quoted in active, liquid markets and where the instrument observed in the market is representative of that being priced in the Group's portfolio.
- Level 2: This category includes inputs other than quoted prices included within Level 1 that are observable either directly (i.e. as prices) or indirectly (i.e. derived from prices). This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques in which all significant inputs are directly or indirectly observable from market data.
- Level 3: This category includes all instruments where the valuation technique uses inputs based on unobservable data, which could have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments where significant, unobservable adjustments or assumptions are required to reflect differences between instruments. Unobservable in this context means that there is little or no current market data available from which the price at which an arm's length transaction would be likely to occur can be derived.

Valuation models

The Group uses following assumptions to estimate the fair value of financial instruments:

Equity securities: Fair values of publicly traded equity securities are based on quoted market prices where available. In the case of where no quoted market is available, fair value is determined based on quoted prices for similar securities or other valuation techniques. Valuation techniques include discounted cash flow models and transaction multiple methods.

Valuation of equity securities designated as at fair value through profit or loss was carried out by an independent appraiser firm as at 31 December 2021. Discounted cash flow method was used as valuation method and the fair value of this investment was assessed USD 275.608 (31 December 2020: USD 292.647).

Debt securities: Fair values are based on quoted market prices, where available. Quoted market prices may be obtained from an exchange, dealer, broker, pricing service or regulatory service. If quoted prices in an active market are not available, fair value is based on an analysis of available market inputs, which may include values obtained from one or more pricing services or by a valuation technique that discounts expected future cash flows using a market interest rate curves, referenced credit spreads and maturity of the investment.

ÇALIK HOLDİNG ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

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37 Financial instruments – Fair values and risk management (continued)

Fair value information (continued)

Valuation models (continued)

Derivative assets and liabilities: Derivatives are valued using valuation techniques. The valuation techniques and inputs depend on the type of derivative and the nature of the underlying instruments. Observable prices or model inputs are usually available in the market for exchange-traded derivatives and simple over-the-counter derivatives.

Availability of observable market prices and model inputs reduces the need for management judgement and estimation and also reduces the uncertainty associated with determining fair values. The principal technique used to value these instruments are based on discounted cash flows. These valuation models calculate the present value of expected future cash flows. Inputs to valuation models are determined from observable market data where possible. The inputs used include prices available from exchanges, dealers, brokers or providers of consensus pricing, yield curves, credit spreads, default rates, recovery rates, volatility of underlying interest rates, equity prices and foreign currency exchange rates. These inputs are determined with reference to quoted prices, recently executed trades, independent market quotes, where available.

Fair value estimates obtained from models are adjusted for any other factors, such as liquidity risk or model uncertainties; to the extent that the Group believes that a third party market participant would take them into account in pricing a transaction. Fair values reflect the credit risk of the instrument and include adjustments to take account of the credit risk of the Group entity and the counterparty where appropriate. For measuring derivatives, fair values taken into account both credit valuation adjustments and debit valuation adjustments.

ÇALIK HOLDİNG ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

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38 Group enterprises

The consolidated financial statements aggregate financial information from the following entities:

Subsidiaries

The table below sets out the subsidiaries and their shareholding structure at 31 December:

Company name	Direct controlling interest of Çalık Holding and its subsidiaries		Effective ownership interest of Çalık Holding and its Subsidiaries	
	2021	2020	2021	2020
Adacami Enerji ⁽¹⁾	99,95	99,95	95,38	95,38
Akılcı Bilişim ^{(1) (*****)}	--	70,00	--	66,76
Aktifbank	99,43	99,43	99,87	99,87
Aktif Ventures ^{(6) (***)}	100,00	--	99,87	--
Akuamarin ⁽⁶⁾	100,00	100,00	99,87	99,87
Albtelecom ⁽⁵⁾	80,27	80,27	74,78	74,78
Amethyst ⁽⁸⁾	100,00	100,00	99,29	99,29
Ametist Solar ⁽⁶⁾	100,00	100,00	99,87	99,87
Ant Enerji ⁽¹⁾	100,00	100,00	95,42	95,42
Artmin ⁽⁸⁾	70,00	70,00	69,50	69,50
Atayurt İnşaat ⁽¹⁾	99,50	99,50	95,20	95,20
Attivo ⁽⁶⁾	90,00	90,00	89,88	89,88
Aytaşı ⁽⁶⁾	100,00	100,00	99,87	99,87
BKT Kosova ⁽⁷⁾	100,00	100,00	100,00	100,00
BKT ⁽⁷⁾	100,00	100,00	100,00	100,00
Başak Yönetim	100,00	100,00	100,00	100,00
Calik Denim B.V. ⁽³⁾	100,00	100,00	99,80	99,72
CE Solaire 1 ⁽¹⁾	95,00	95,00	90,65	90,65
CE Solaire 2 ⁽¹⁾	95,00	95,00	90,65	90,65
Cetel Telekom	93,16	93,16	93,16	93,16
Çalık Alexandria ⁽³⁾	94,00	94,00	99,81	99,72
Çalık Denim	99,80	99,72	99,80	99,72
Çalık Dijital	100,00	100,00	100,00	100,00
ÇEDAŞ ⁽¹⁾	99,90	99,90	95,38	95,38
Çalık Enerji Dubai ^{(1) (****)}	--	100,00	--	95,42
Çalık Enerji	95,42	95,42	95,42	95,42
Çalık Enerji Swiss A.G. ⁽¹⁾	100,00	100,00	95,42	95,42
Çalık Finansal Hizmetler (*****)	--	100,00	--	100,00
Çalık Georgia ⁽¹⁾	100,00	100,00	95,42	95,42
Çalık Hava	100,00	100,00	100,00	100,00
Çalık İnşaat ⁽²⁾	99,98	99,95	99,16	98,90
Çalık Japan ^{(1) (***)}	100,00	--	95,42	--
Çalık Pamuk	86,39	86,39	86,39	86,39
Çalık Proje ^{(1) (**)}	100,00	99,99	96,69	95,41
Çalık Rüzgar ⁽¹⁾	95,00	95,00	90,65	90,65
Çalık Tarım ⁽⁹⁾	100,00	100,00	86,39	86,39

ÇALIK HOLDİNG ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

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38 Group enterprises (continued)

Subsidiaries (continued)

Company name	Direct controlling interest of Çalık Holding and its subsidiaries		Effective ownership interest of Çalık Holding and its Subsidiaries	
	2021	2020	2021	2020
Çiğdem ⁽⁶⁾	100,00	100,00	99,87	99,87
ÇL Enerji ^{(1) (*)}	100,00	50,00	95,42	47,71
Defne ⁽⁶⁾	100,00	100,00	99,87	99,87
Demircili ⁽¹⁾	85,00	85,00	81,11	81,11
Deniz Güneş Enerjisi ⁽⁶⁾	100,00	100,00	99,87	99,87
Deutsche Tiefbau ^{(2) (****)}	100,00	--	99,17	--
Duru ⁽⁶⁾	100,00	100,00	99,87	99,87
E-Kent ⁽⁶⁾	100,00	100,00	99,87	99,87
Eko Biokütle ⁽⁶⁾	100,00	100,00	99,87	99,87
Emlak Girişim ⁽⁶⁾	100,00	100,00	99,87	99,87
E-Post ⁽⁶⁾	99,86	99,86	99,87	99,87
Esen ⁽⁶⁾	100,00	100,00	99,87	99,87
Eurokos ^{(1) (****)}	75,00	--	71,57	--
Gap Construction Co. ⁽²⁾	100,00	100,00	98,91	98,91
Gap İnşaat Katar ⁽²⁾	100,00	100,00	98,91	98,91
Gap İnşaat Sudan ⁽²⁾	80,00	80,00	98,22	98,22
Gap İnşaat Dubai ⁽²⁾	100,00	100,00	99,17	98,91
Gap İnşaat Ukraine ⁽²⁾	99,00	99,00	98,18	97,92
Gap İnşaat	99,16	98,90	99,17	98,91
Gap Pazarlama	99,77	99,43	99,77	99,43
Gap Pazarlama FZE ⁽⁴⁾	100,00	100,00	99,77	99,43
Gappa ⁽⁴⁾	100,00	100,00	99,77	99,43
Gelincik ⁽⁶⁾	100,00	100,00	99,87	99,87
Güneştaşı ⁽⁶⁾	100,00	100,00	99,87	99,87
Innovative Construction ⁽²⁾	100,00	100,00	99,17	98,91
İrmak Yönetim	100,00	100,00	100,00	100,00
İkideniz Petrol	99,99	99,99	99,99	99,99
İnovaban İnovasyon ⁽⁶⁾	67,00	67,00	66,91	66,91
İpek ⁽⁶⁾	100,00	100,00	99,87	99,87
Jasper Trading ^{(1) (****)}	99,00	--	94,47	--
JSC Georgia ⁽¹⁾	85,00	85,00	81,11	81,11
Kaplan Gözü ⁽⁶⁾	100,00	100,00	99,87	99,87
Kasımpatı ⁽⁶⁾	100,00	100,00	99,87	99,87
Kentsel Dönüşüm ⁽²⁾	99,67	99,00	99,09	98,67
Kızılırmak ⁽¹⁾	99,30	99,30	94,86	94,86
Kuvars ⁽⁶⁾	100,00	100,00	99,87	99,87

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38 Group enterprises (continued)

Subsidiaries (continued)

Company name	Direct controlling interest of Çalık Holding and its subsidiaries		Effective ownership interest of Çalık Holding and its Subsidiaries	
	2021	2020	2021	2020
Lapis ⁽⁶⁾	100,00	100,00	99,87	99,87
Leylak ⁽⁶⁾	100,00	100,00	99,87	99,87
Lidya Aurasia ⁽⁸⁾	100,00	100,00	99,29	99,29
Lidya Maden	99,28	99,28	99,29	99,29
Lilyum ⁽⁶⁾	100,00	100,00	99,87	99,87
Malatya Boya ⁽³⁾	100,00	100,00	99,80	99,72
Martı ⁽⁶⁾	100,00	100,00	99,87	99,87
Mehtap ⁽⁶⁾	100,00	100,00	99,87	99,87
Mercan ⁽⁶⁾	100,00	100,00	99,87	99,87
Momentum Enerji ⁽¹⁾	100,00	100,00	95,42	95,42
Mükafat Portföy ⁽⁶⁾	80,00	80,00	79,89	79,89
Nilüfer ⁽⁶⁾	100,00	100,00	99,87	99,87
N-Kolay ⁽⁶⁾	90,04	90,04	89,92	89,92
Nouvelle Frontiere ⁽⁸⁾	100,00	100,00	99,29	99,29
OOO GAP ^{(2) (***)}	100,00	--	99,17	--
Oniki Teknoloji ⁽⁶⁾	100,00	100,00	99,87	99,87
Oniks ⁽⁶⁾	100,00	100,00	99,87	99,87
Onyx ⁽¹⁾	100,00	100,00	95,42	95,42
Opal ⁽⁶⁾	100,00	100,00	99,87	99,87
Passo Spor ⁽⁶⁾	75,00	75,00	74,90	74,90
Pavo ⁽⁶⁾	100,00	100,00	99,87	99,87
Polimetal Madencilik ⁽⁸⁾	100,00	100,00	99,29	99,29
Polimetal Mineral ⁽⁸⁾	100,00	100,00	99,29	99,29
Saudi Jalik Energy Company ⁽¹⁾	100,00	100,00	95,42	95,42
Seher ⁽⁶⁾	100,00	100,00	99,87	99,87
Sigortayeri ⁽⁶⁾	100,00	100,00	99,87	99,87
Synchron ^{(4) (****)}	--	100,00	--	99,43
Tanyeri ⁽⁶⁾	100,00	100,00	99,87	99,87
Taşkent Merkez ⁽¹⁾	100,00	100,00	95,42	95,42
TCB İnşaat ⁽¹⁾	100,00	100,00	95,42	95,42
Technological Energy ⁽¹⁾	100,00	100,00	95,42	95,42
Tura Moda ⁽⁴⁾	100,00	100,00	99,77	99,43
Turkuvaz ⁽⁶⁾	100,00	100,00	99,87	99,87
Türkmen Elektrik ⁽¹⁾	95,50	95,50	92,63	92,63
Ufuk ⁽⁶⁾	100,00	100,00	99,87	99,87
UPT ⁽⁶⁾	100,00	100,00	99,87	99,87
UPT Lithuania ^{(6) (*****)}	--	100,00	--	99,87
Uztur ⁽¹⁾	100,00	100,00	95,42	95,42
White Construction N.V ⁽²⁾	100,00	100,00	99,17	98,91

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38 Group enterprises (continued)

Subsidiaries (continued)

Company name	Direct controlling interest of Çalık Holding and its subsidiaries		Effective ownership interest of Çalık Holding and its Subsidiaries	
	2021	2020	2021	2020
Workindo ⁽⁶⁾	66,67	66,67	65,10	65,10
Yakamoz ⁽⁶⁾	100,00	100,00	99,87	99,87
Yeşilçay Enerji ⁽¹⁾	100,00	100,00	95,42	95,42
YEDAŞ ⁽¹⁾	100,00	100,00	95,38	95,38
YEPAS ⁽¹⁾	100,00	100,00	95,38	95,38

(*) The company merged with Çalık Enerji Sanayi ve Ticaret A.Ş.

(**) Technovision Mühendislik Danışmanlık ve Dış Ticaret Limited Şirketi was changed its name to Çalık Proje Mühendislik A.Ş.

(***) Established in 2021

(****) Closed in 2021

(*****) Liquidated in 2021

(******) The company merged with Çalık Holding A.Ş.

(******) The company left the partnership in 2021

¹First consolidated under Çalık Enerji, then consolidated under the Group

²First consolidated under Gap İnşaat, then consolidated under the Group

³First consolidated under Çalık Denim, then consolidated under the Group

⁴First consolidated under Gap Pazarlama, then consolidated under the Group

⁵First consolidated under Cetel Telekom, then consolidated under the Group

⁶First consolidated under Aktifbank, then consolidated under the Group

⁷First consolidated under Çalık Finansal Hizmetler, then consolidated under the Group

⁸First consolidated under Lidya Maden, then consolidated under the Group

⁹First consolidated under Çalık Pamuk, then consolidated under the Group

Joint ventures

The table below sets out the joint ventures and their shareholding structure at 31 December:

	Direct controlling interest of Çalık Holding and its subsidiaries		Effective ownership interest of Çalık Holding and its Subsidiaries	
	2021	2020	2021	2020
CYK Enerji	99,00	--	95,42	--
Çalık Limak Adi Ortaklığı	50,00	50,00	47,69	47,69
Doğu Aras	40,00	50,00	38,17	47,71
DTM Enerji	50,00	50,00	47,71	47,71
HMC Digital	33,33	33,33	33,29	33,29
Kartaltepe	50,00	50,00	49,64	49,64
KÇLE	50,00	50,00	47,71	47,71
LC Electricity	50,00	50,00	46,31	46,31
PKN Enerji	50,00	50,00	47,71	47,71
Tunçpınar	50,00	50,00	49,64	49,64

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38 Group enterprises (continued)

Associates

The table below sets out the associates and their shareholding structure at 31 December:

	Direct controlling interest of Çalık Holding and its subsidiaries		Effective ownership interest of Çalık Holding and its Subsidiaries	
Şirket adı	2021	2020	2021	2020
Aktif VKŞ	100,00	100,00	99,87	99,87
Aktif Fortis	50,00	--	49,93	--
Albania Leasing	29,99	29,99	29,99	29,99
Balkan Dokuma	31,00	31,00	31,00	31,00
Bakırtepe	50,00	--	49,64	--
CYDEV Investment	99,99	99,99	25,53	25,53
Dome Zero	1,98	1,98	1,98	1,98
Emyap Development	51,00	51,00	13,02	13,02
ELC	36,71	36,71	36,66	36,66
Euro-Mediterranean	25,57	25,57	25,54	25,54
Halk Yenilenebilir	50,00	50,00	49,93	49,93
Lor Dafrique Sarlu	100,00	--	99,29	--
TJK	34,80	34,80	34,70	34,70
Haliç Leasing	32,00	32,00	31,96	31,96
Idea Farm	30,00	30,00	29,96	29,96
Kazakhstan Ijara Company KIC Leasing	14,32	14,32	14,30	14,30
Kıbrıs Besicilik	99,99	99,99	22,53	22,53
Secom Aktif Elektronik	100,00	100,00	49,93	49,93
Secom Aktif Yatırım	50,00	50,00	49,93	49,93
Serdar Pamuk	10,00	10,00	10,00	10,00
Silent Valley	51,00	51,00	13,02	13,02
TTK	32,00	32,00	32,00	32,00

39 Fees for services received from independent auditor/independent audit firm

The explanation of the services fee provided by independent audit firms prepared by the Group regarding the Board decision of the POA published in the Official Gazette on March 30, 2021 is as follows. The preparation principles are based on the POA letter dated August 19, 2021.

	31 December 2021	31 December 2020
Independent audit fee for the reporting period (*)	823.016	855.959
Fee for other assurance services (*)	4.657	24.410
Fees for tax consultancy services (*)	--	4.200
Total	827.673	884.569

(*) The foreign currency fees of the foreign subsidiary are translated into TL using the annual average rate of the relevant year.

ÇALIK HOLDİNG ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

Notes to Consolidated Financial Statements As at and for the Year Ended 31 December 2021
(Amounts expressed in thousands of United States Dollar ("USD") unless otherwise stated.)

40 Subsequent events

Cetel Telekom signed a contract for sale of shares through which Cetel Telekom sells to 4iG NYILVANOSAN MUKODO RESZVENYTARSASAG (“4iG”), its shares in Albtelecom, which constitutes 80,27% of the entire share capital of the company. 80.27% of Cetel Telekom's shares were transferred to 4iG, with the closing date on March 4, 2022 within the scope of the agreement between CETEL TELEKOM İLETİŞİM SANAYİ VE TİCARET ANONİM ŞİRKETİ as Seller, 4iG as Buyer and ÇALIK HOLDİNG ANONİM ŞİRKETİ as Guarantor.

Since January 2022, tension between Russia and Ukraine has turned into a crisis and a hot conflict as of the date of the report. In both countries, the Group does not carry out any major activities related to the non-financial sectors. Considering the locations where the Group operates, no significant impact is expected on commercial operations.

The Group’s current total exposure in these countries amounts to USD 53.2 million, consisting of USD 50.4 million in Russia and USD 2.8 million in Ukraine, measured at FVOCI (31 December 2021: USD 49.6 million) and USD 8.2 million in Ukraine measured at amortized cost. The maturity of these investments varies from July 2022 to January 2030.

The fair value loss of the Group’s investments in Russia and Ukraine measured at FVOCI reached USD 36.2 million as at 31 March 2022 (31 December 2021: USD 0.5 million).

Adopting a prudential approach in the respective estimation and calculation, the Management expects to incur credit losses on Russia and Ukraine exposures due to the ongoing militaty conflict and will recognize such losses during 2022. The estimations of the possible effects have been considered by the Bank Management and there is no expectation of breaches in the regulatory limits, including the liquidity or capital adequacy ratios.

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