

Çalık Holding Anonim Şirketi and its Subsidiaries

**Consolidated Financial Statements
As at and for the Year Ended 31 December 2019
With Independent Auditor's Report**

31 March 2020

This report includes 5 pages of independent auditor's report and 147 pages of consolidated financial statements together with their explanatory notes.

Çalık Holding Anonim Şirketi and its Subsidiaries

Table of Contents

Independent Auditor's Report
Consolidated Statement of Financial Position
Consolidated Statement of Profit or Loss and Other Comprehensive Income
Consolidated Statement of Changes in Equity
Consolidated Statement of Cash Flows
Notes to the Consolidated Financial Statements



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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, 2019, 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, 2019, 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.

Other matter

The consolidated financial statements of the Group, prepared in accordance with International Financial Reporting Standards, as of 31 December 2018 were audited by another audit firm whose independent auditor's report thereon dated 25 March 2019 expressed an unqualified 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.



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Key audit matters	How key audit matter addressed in the auditor's response
Revenue recognition on construction contracts	
<p>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 Turkey and abroad. The revenue from the construction contracts of the companies in energy and construction sector amounting to USD 350.762 thousands constitutes a significant portion of the Group's total revenue.</p> <p>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.</p> <p>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.</p> <p>We identified revenue from EPC contracts as a significant risk, requiring special audit consideration.</p>	<ul style="list-style-type: none">- 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 contract 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 accounting journal entries focusing on unusual or irregular items.- We performed detailed cut off test over revenue and revenue return accounts.



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Allowance for probable losses on loans and receivables from customers	How key audit matter addressed in the auditor's response
<p>As at 31 December 2019, gross receivables related to finance sector operations were USD 2.221.626 thousand against which loan allowance for impairment of USD 98.446 thousands were provided ending with a net carrying amount of USD 2.123.180 thousands.</p> <p>For specific allowances, a management decision and judgement are required to determine whether and impairment event has occurred and a necessary classification should be done. Furthermore, in accordance with the IFRS 9 Financial Instruments standard ("Standard") requirements for allowances, significant accounting estimates made by management are required to determine the outstanding balances to loans and receivables when an impairment event has occurred, and a necessary classification should be done and also the calculation of the allowance related to the classification of performing the non-performing loans.</p> <p>The new model contains significant assumptions and estimates.</p> <ul style="list-style-type: none"> • significant increase in credit risk • incorporating the forward-looking macroeconomic information in calculation of credit risk; and • design and implementation of expected credit loss model. <p>The determination of the impairment of loans advances to the customers measured at amortised cost depends on (i) the credit default status, (ii) the model based on the change in the credit risk at the first recognition date and (iii) the classification of the loans and advances to the customers measured at amortised cost according to the model. Establishing an accurate classification is a significant process as the calculation of expected credit loss varies to the staging of the financial assets.</p> <p>The collective basis expected credit loss calculation is based on complex processes which are modelled by using current and past data sets and expectations and the forward-looking expectations are reflected by macroeconomic models.</p> <p>Impairment on loans and advances to the customers measured at amortised cost was considered to be a key audit matter, due to the significance of the estimates, assumptions, the level of judgements and its complex structure as explained above.</p> <p>Because of the significance of these judgements and the size of the receivables related to finance sector operations, the audit of allowance for probable losses on loans and receivables from customers is a key area of focus.</p>	<p>Our procedures for testing the impairment of loans included below:</p> <ul style="list-style-type: none"> - We tested the design and operating effectiveness of the controls on lending, collateralization, collection, follow-up, classification and impairment procedures are tested with the involvement of information risk management specialists. - We evaluated the adequacy of the subjective and objective criteria that is defined in the Group's impairment accounting policy compared with standard. - We evaluated the Group's business model and methodology and the evaluation of the calculations were carried out with the control testing and detailed analysis by the involvement of specialist. - We performed loan reviews for selected loan samples which include a detailed examination of loan files and related information and testing their classification. In this context, the current status of the loan customer has been evaluated by including prospective information and macroeconomic variables. - We tested the accuracy and completeness of the data in the calculation models for the loans which are assessed on collective basis. The expected credit loss calculation was tested through recalculation. The models used for the calculation of the risk parameters were examined and the risk parameters for the selected sample portfolios were recalculated. - We assessed the macroeconomic models which are used to reflect forward looking expectations and tested the effect of the risk parameters by recalculation method. - We evaluated the qualitative and quantitative assessments which are used in determining the significant increase in credit risk. <p>Additionally, we also evaluated the adequacy of the consolidated financial statements disclosures related to impairment provisions.</p>

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.

Güney Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik Anonim Şirketi
A member firm of Ernst & Young Global Limited



Kaan Birdal, SMMM
Partner

31 March 2020
İstanbul, Türkiye

Çalık Holding Anonim Şirketi and its Subsidiaries

As at 31 December 2019

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 2019	31 December 2018
Current assets			
Cash and cash equivalents	8	1.754.177	803.852
Financial investments	9	1.283.164	1.023.428
Financial assets related to concession agreements	10	48.974	70.140
Trade receivables	11	330.326	358.299
<i>Due from related parties</i>	7	46.927	107.082
<i>Due from third parties</i>		283.399	251.217
Receivables related to finance sector operations	12	644.707	951.595
<i>Due from related parties</i>	7	3.061	35.357
<i>Due from third parties</i>		641.646	916.238
Other receivables	13	229.296	75.665
<i>Due from related parties</i>	7	46.540	5.741
<i>Due from third parties</i>		182.756	69.924
Contract assets	22	101.621	221.144
<i>Contract assets arising from ongoing construction and contracting works</i>		101.621	221.144
Inventories	14	229.382	250.721
Derivatives	24	4.943	9.996
Prepayments	15	46.925	90.172
Current tax assets	28	8.156	11.002
Other current assets	21	631.920	738.266
Subtotal		5.313.591	4.604.280
Assets held for sale	5	55.607	61.426
Total current assets		5.369.198	4.665.706
Non-current assets			
Trade receivables	11	98.617	192.036
<i>Due from related parties</i>	7	2.280	47.742
<i>Due from third parties</i>		96.337	144.294
Receivables related to finance sector operations	12	1.478.473	1.240.386
<i>Due from related parties</i>	7	--	79
<i>Due from third parties</i>		1.478.473	1.240.307
Other receivables	13	327.171	433.303
<i>Due from related parties</i>	7	320.000	320.000
<i>Due from third parties</i>		7.171	113.303
Financial investments	9	1.165.032	1.088.534
Financial assets related to concession agreements	10	242.083	259.255
Investments in equity-accounted investees	16	199.546	151.224
Investment property	20	153.039	133.915
Property, plant and equipment	17	615.564	626.911
Intangible assets	18	146.034	133.145
<i>Goodwill</i>		7.802	722
<i>Other intangible assets</i>		138.232	132.423
Right of use assets	19	40.409	--
Prepayments	15	27.639	42.602
Deferred tax assets	28	53.061	38.533
Other non-current assets		1.518	804
Total non-current assets		4.548.186	4.340.648
Total assets		9.917.384	9.006.354

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

Çalık Holding Anonim Şirketi and its Subsidiaries
As at 31 December 2019
Consolidated Statement of Financial Position (*continued*)
(Amounts expressed in thousands of USD unless otherwise stated.)

		Reclassified (Note 2.f)	
		Current Period	Previous Period
		Audited	Audited
Liabilities	Notes	31 December 2019	31 December 2018
Short term liabilities			
Short term loans and borrowings	23	2.163.347	1.488.326
Short term portion of long-term loans and borrowings	23	235.658	258.560
Derivatives	24	2.867	4.375
Trade payables	11	256.331	435.962
<i>Due to related parties</i>	7	3.756	2.505
<i>Due to third parties</i>		252.575	433.457
Payables related to finance sector operations	12	3.964.962	3.700.528
<i>Due to related parties</i>	7	932	2.802
<i>Due to third parties</i>		3.964.030	3.697.726
Payables related to employee benefits	25	9.415	10.521
Other payables	13	62.917	186.859
<i>Due to related parties</i>	7	27.819	152.098
<i>Due to third parties</i>		35.098	34.761
Contract liabilities	22	93.134	211.765
<i>Contract liabilities arising from ongoing construction and contracting works</i>		93.134	211.765
Deferred revenue	15	77.424	113.198
Current tax liabilities	28	4.082	9.329
Short term provisions	26	37.729	32.383
<i>Short term employee provisions</i>	26	17.913	16.440
<i>Other short-term provisions</i>	26	19.816	15.943
Other short-term liabilities	21	129.838	101.662
Subtotal		7.037.704	6.553.468
Liabilities held for sale	5	8.352	6.610
Total short-term liabilities		7.046.056	6.560.078
Long term liabilities			
Long term loans and borrowings	23	525.225	467.334
Trade payables	11	8.959	13.508
<i>Due to third parties</i>		8.959	13.508
Payables related to finance sector operations	12	448.111	384.435
<i>Due to third parties</i>		448.111	384.435
Other payables	13	48.254	42.869
<i>Due to third parties</i>		48.254	42.869
Contract liabilities	22	35.487	20.712
<i>Contract liabilities arising from ongoing construction and contracting works</i>		35.487	20.712
Deferred revenue	15	91.735	79.392
Long term provisions	26	12.112	8.279
<i>Long-term employee provisions</i>	26	11.208	8.279
<i>Other long-term provisions</i>	26	904	--
Deferred tax liabilities	28	63.399	59.683
Investments in equity-accounted investees	16	--	41
Other long-term liabilities		2.721	--
Total long-term liabilities		1.236.003	1.076.253
Total liabilities		8.282.059	7.636.331

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

Çalık Holding Anonim Şirketi and its Subsidiaries
As at 31 December 2019
Consolidated Statement of Financial Position (*continued*)
(Amounts expressed in thousands of USD unless otherwise stated.)

		Current Period	Previous Period
		Audited	Audited
Equity	Notes	31 December 2019	31 December 2018
Equity attributable to the owners of the Company			
Share capital	29	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		(1.551)	--
Accumulated re-measurements loss of defined benefit plans		(1.551)	--
Other comprehensive income that is or may be reclassified to profit or loss		(227.815)	(194.221)
Translation differences		(286.634)	(214.308)
Fair value reserve of financial assets available-for-sale		58.819	20.087
Restricted reserves	29	611.516	537.963
Retained earnings		638.147	715.812
Profit / (loss) for the year		293.470	(5.728)
Total equity attributable to the owners of the Company		1.527.916	1.267.975
Total non-controlling interests	29	107.409	102.048
Total equity		1.635.325	1.370.023
Total equity and liabilities		9.917.384	9.006.354

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

Çalık Holding Anonim Şirketi and its Subsidiaries
Consolidated Statement of Profit or Loss and Other Comprehensive
Income

For the Year Ended 31 December 2019

(Amounts expressed in thousands of USD unless otherwise stated.)

		Current period	Reclassified (Note 2.f) Current period
		Audited	Audited
Profit or loss	Notes	2019	2018
Continuing operations			
Revenue	30	1.343.095	1.981.466
Cost of sales (-)	30	(961.341)	(1.593.742)
Gross profit from non-finance sector operations	30	381.754	387.724
Revenue from finance sector operations	30	454.146	432.042
Cost of revenues from finance sector operations (-)	30	(209.855)	(190.012)
Gross profit from finance sector operations	30	244.291	242.030
Gross profit	30	626.045	629.754
General and administrative expenses (-)	31	(206.981)	(211.047)
Selling, marketing and distribution expenses (-)	31	(55.790)	(66.037)
Research and development expenses (-)	32	(16.105)	(11.264)
Other income from operating activities	31	73.601	93.928
Other expenses from operating activities (-)	32	(108.024)	(192.505)
Operating profit			
Gain from investing activities	33	113.388	68.482
Loss from investing activities (-)	33	(3.074)	(22.012)
Share of profit of equity accounted investees	16	43.342	26.187
Operating profit before finance costs		466.402	315.486
Finance income	34	40.239	25.825
Finance costs (-)	34	(164.333)	(301.480)
Net finance costs		(124.094)	(275.655)
Profit before tax from continuing operations		342.308	39.831
Current tax expense (-)	28	(59.550)	(48.698)
Deferred tax benefit/(expense)	28	20.091	11.063
Total tax expense		(39.459)	(37.635)
Profit for the year from continuing operations		302.849	2.196

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

Çalık Holding Anonim Şirketi and its Subsidiaries
Consolidated Statement of Profit or Loss and Other Comprehensive
Income

For the Year Ended 31 December 2019 (*continued*)

(Amounts expressed in thousands of USD unless otherwise stated.)

		Current Period	Previous Period
		Audited	Audited
Other comprehensive income	Notes	2019	2018
Profit for the year from continuing operations		302.849	2.196
Items that are or may be reclassified to profit or loss			
Foreign currency translation differences for foreign operations and reporting currency translation differences		(62.307)	(197.030)
Change in fair value of available-for-sale financial assets	9	49.657	32.225
Deferred tax benefit/(expense)	28	(10.925)	(5.280)
Total		(23.575)	(170.085)
Items that are or will not be reclassified to profit or loss			
Actuarial gains/loses		(1.988)	--
Deferred tax income / (expense)		437	--
Total		(1.551)	--
Total other comprehensive income/(loss)		(25.126)	(170.085)
Total comprehensive income		277.723	(167.889)
Net profit attributable to:			
Equity holders of the parent		293.470	(5.728)
Non-controlling interests		9.379	7.924
Net profit for the year		302.849	2.196
Total comprehensive income attributable to:			
Equity holders of the parent		258.325	(188.140)
Non-controlling interests		19.398	20.251
Total other comprehensive income		277.723	(167.889)

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

Çalık Holding Anonim Şirketi and its Subsidiaries

Consolidated Statement of Changes in Equity

For the Year Ended 31 December 2019

(Amounts expressed in thousands of USD unless otherwise stated.)

				Attributable to owners of the Company									
			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)						
	Paid-in capital	Adjustment to share capital	Legal reserves	Accumulated re-measurements loss of defined benefit plans	Fair value reserve of financial assets available-for-sale	Translation reserve	Retained earnings	Profit / (loss) for the year	Equity attributable to the owners of the Company	Non-controlling interests	Total equity		
Balances at 1 January 2018	210.761	3.388	453.786	--	(6.858)	(4.951)	352.572	441.602	1.450.300	107.197	1.557.497		
Effect on accounting policy changes and other adjustments	--	--	--	--	--	--	2.387	--	2.387	820	3.207		
Profit for the period	--	--	--	--	--	--	--	(5.728)	(5.728)	7.924	2.196		
Other comprehensive income													
Net fair value change in financial assets available-for-sale	--	--	--	--	26.945	--	--	--	26.945	--	26.945		
Foreign currency translation differences for foreign operations and reporting currency translation differences	--	--	--	--	--	(209.357)	--	--	(209.357)	12.327	(197.030)		
Total other comprehensive income	--	--	--	--	26.945	(209.357)	--	--	(182.412)	12.327	(170.085)		
Total comprehensive income/(loss) for the period	--	--	--	--	26.945	(209.357)	--	(5.728)	(188.140)	20.251	(167.889)		
Change in non-controlling interest in consolidated subsidiaries without change in control	--	--	--	--	--	--	--	--	--	(23.689)	(23.689)		
Formation of subsidiary with non-controlling interest	--	--	--	--	--	--	3.428	--	3.428	4.423	7.851		
Contribution to capital increase by non-controlling interests in subsidiaries with non-controlling share	--	--	--	--	--	--	--	--	--	3	3		
Dividends paid	--	--	--	--	--	--	--	--	--	(6.957)	(6.957)		
Transfers	--	--	84.177	--	--	--	357.425	(441.602)	--	--	--		
Total transactions with owners	--	--	84.177	--	--	--	360.853	(441.602)	3.428	(26.220)	(22.792)		
Balances at 31 December 2018	210.761	3.388	537.963	--	20.087	(214.308)	715.812	(5.728)	1.267.975	102.048	1.370.023		

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

Çalık Holding Anonim Şirketi and its Subsidiaries

Consolidated Statement of Changes in Equity

For the Year Ended 31 December 2019

(Amounts expressed in thousands of USD unless otherwise stated.)

				Attributable to owners of the Company								
			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)					
	Paid-in capital	Adjustment to share capital	Legal reserves	Accumulated re-measurements loss of defined benefit plans	Fair value reserve of financial assets available-for-sale	Translation reserve	Retained earnings	Profit / (loss) for the year	Equity attributable to the owners of the Company	Non-controlling interests	Total equity	
Balances at 1 January 2019	210.761	3.388	537.963	--	20.087	(214.308)	715.812	(5.728)	1.267.975	102.048	1.370.023	
Profit for the period	--	--	--	--	--	--	--	293.470	293.470	9.379	302.849	
Other comprehensive income	--	--	--	--	--	--	--	--	--	--	--	
Net fair value change in financial assets available-for-sale	--	--	--	--	38.732	--	--	--	38.732	--	38.732	
Actuarial gains/losses	--	--	--	(1.551)	--	--	--	--	(1.551)	--	(1.551)	
Foreign currency translation differences for foreign operations and reporting currency translation differences	--	--	--	--	--	(72.326)	--	--	(72.326)	10.019	(62.307)	
Total other comprehensive income	--	--	--	(1.551)	38.732	(72.136)	--	--	(35.145)	10.019	(25.126)	
Total comprehensive income/(loss) for the period	--	--	--	(1.551)	38.732	(72.136)	--	293.470	258.325	19.398	277.723	
Change in non-controlling interest in consolidated subsidiaries without change in control	--	--	1.855	--	--	--	(1.202)	--	653	53	706	
Acquisition of control power in enterprises subject to common control	--	--	281	--	--	--	1.968	--	2.249	(2.249)	--	
Decrease due to other changes	--	--	--	--	--	--	(1.746)	--	(1.746)	--	(1.746)	
Contribution to capital increase resulting to set power of control in a subsidiary	--	--	--	--	--	--	--	--	--	3.055	3.055	
Disposal due to the sale of subsidiaries	--	--	--	--	--	--	--	--	--	(4.365)	(4.365)	
Increase due to subsidiary additions	--	--	--	--	--	--	460	--	460	--	460	
Dividends paid	--	--	--	--	--	--	--	--	--	(10.530)	(10.530)	
Transfers	--	--	71.417	--	--	--	(77.145)	5.728	--	--	--	
Total transactions with owners	--	--	73.553	--	--	--	(77.665)	5.728	1.616	(14.036)	(12.421)	
Balances at 31 December 2019	210.761	3.388	611.516	(1.551)	58.819	(286.634)	638.147	293.470	1.527.916	107.409	1.635.325	

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

Çalık Holding Anonim Şirketi and its Subsidiaries
Consolidated Statement of Cash Flows
For the Year Ended 31 December 2019
(Amounts expressed in thousands of USD unless otherwise stated.)

		Reclassified (Note 2.f)
	Current period	Previous period
	Audited	Audited
Notes	2019	2018
A. CASH FLOWS (USED IN) / FROM OPERATING ACTIVITIES	916.523	661.676
Profit for the period	302.849	2.196
Adjustments to reconcile cash flow generated from operating activities:	24.104	(373.178)
Adjustments for depreciation and amortisation	17,18,19 80.293	75.771
(Gain)/loss on sale of derivative financial instruments	33 (27.474)	(32.435)
Adjustments for fair value (gains) / loss of financial investments	(52.227)	(22.771)
Adjustments for provision for doubtful receivables	11,13 8.737	9.857
Adjustments for fair value (gain) / loss of investment property	20 (14.428)	14.294
Adjustments for inventory impairment, net	14 702	1.180
Adjustments for provision for employee benefits	26 6.696	4.290
Adjustments for provisions (cancellation) reserved for possible risks	12 41.783	30.714
Adjustment for non-cash items	9	21
Adjustments for provisions, net	26 1.418	(235)
Adjustments for provision for litigation	26 4.780	665
Adjustments for share of (profit)/ loss of equity accounted investees	16 (43.342)	(25.992)
Adjustments for interest income and expenses	(46.340)	(17.347)
Adjustment for fair value (gain) / loss of other items	10 (10.457)	(29.510)
Rediscount interest (gain) / losses, net	32 1.555	411
Unrealized foreign currency (income) / loss	62.315	(405.188)
Adjustments for tax expense	28 39.459	37.635
Adjustment for business acquisition	(29.684)	(15.551)
Adjustments for the gains and losses on sales of property, plant and equipment, net	33 309	1.013
Changes in working capital	443.505	873.020
Adjustments for change in inventories	20.787	9.003
Adjustments for change in trade receivables	106.856	285.100
Adjustments for change in payables related to employee benefits	(1.106)	2.242
Adjustments for change in other receivables, other current assets and other non-current assets related with operating activities	39.784	(478.272)
Change in financial assets related to concession agreements	80.367	(11.113)
Changes in contract assets and liabilities	15.667	(12.344)
Adjustments for change in assets held for sale	5.819	(15.665)
Adjustments for change in liabilities held for sale	1.742	4.613
Adjustments for change in receivables from finance sector operations	(10.873)	(294.179)
Adjustments for change in payables from finance sector operations	328.109	1.544.874
Change in restricted cash and cash equivalents	(44.180)	(28.921)
Adjustments for change in trade payables	(184.493)	(26.707)
Adjustments for change in prepayments	58.210	11.485
Adjustments for change in deferred income	(23.430)	(137.510)
Adjustments for change in other payables and other liabilities related with operating activities	50.246	20.414

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

Çalık Holding Anonim Şirketi and its Subsidiaries
Consolidated Statement of Cash Flows (*continued*)
For the Year Ended 31 December 2019
(Amounts expressed in thousands of USD unless otherwise stated.)

		Current period	Previous period
	Notes	2019	2018
Cash flows from operating activities		146.065	159.638
Employee termination indemnity paid	26	(2.402)	(2.074)
Other inflows (outflows) of cash	12	26.522	23.128
Interest received		411.364	382.136
Interest paid		(231.745)	(200.408)
Collection from doubtful receivables	11	6.142	7.377
Taxes paid	28	(63.816)	(50.521)
B. CASH FLOWS USED IN INVESTING ACTIVITIES		(407.436)	(377.162)
Proceeds from sales of property and equipment and intangible assets		39.139	69.841
Proceeds from disposal of held to maturity financial investments / financial assets at amortised costs	9	129.343	19.066
Formation and capital contribution of share capital of equity accounted investees	16	(3.717)	(3.118)
Acquisition of non-controlling interests in entities under common control		--	3
Proceeds from formation and capital increase of subsidiaries without change in control		3.055	(15.838)
Acquisition of subsidiary		460	--
Proceeds from / (repayment of) derivative financial instruments		31.018	27.202
Other cash paid		(1.746)	--
Change in non-controlling interest in subsidiaries without change in control		706	--
Acquisition of investment property	20	(4.163)	(5.011)
Proceeds from available for sale financial investments / financial assets at FVTOCI	9	522.984	694.016
Acquisition of held to maturity financial investments / financial assets at amortised costs	9	(44.488)	(41.675)
Acquisition of available for sale financial investments / financial assets at FVTOCI	9	(942.389)	(892.765)
Acquisition of property, plant and equipment	17	(103.151)	(210.007)
Acquisition of intangible assets	18	(34.487)	(18.876)
C. CASH FLOWS FROM FINANCING ACTIVITIES		397.058	241.524
Proceeds from/ (payments of) the funding of related parties		(124.278)	165.602
Dividend payment		(10.530)	(6.957)
Proceeds from / (repayment of) loans and borrowings, net		665.144	247.261
Interest paid		(133.278)	(164.382)
NET (DECREASE) / INCREASE IN CASH AND CASH EQUIVALENTS (A+B+C)		906.145	526.038
D. CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD		739.534	213.496
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD (A+B+C+D)	8	1.645.679	739.534

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

Çalık Holding Anonim Şirketi and its Subsidiaries

Notes to the Consolidated Financial Statements

As at and for the Year Ended 31 December 2019

(Amounts expressed in thousands of USD unless otherwise stated.)

Notes to Consolidated Financial Statements

<u>Notes</u>	<u>Description</u>	<u>Pages</u>
1	Reporting entity	11-30
2	Basis of preparation	30-37
3	Significant accounting policies	38-60
4	Acquisition and disposals of subsidiary and non-controlling interest	61-62
5	Disposal group held for sale	63
6	Operating segments	64-66
7	Related party disclosures	66-69
8	Cash and cash equivalents	69-70
9	Financial investments	70-72
10	Financial assets related to concession agreements	72-73
11	Trade receivables and payables	73-75
12	Receivables and payables related to finance sector operations	75-77
13	Other receivables and payables	77-79
14	Inventories	79
15	Prepayments and deferred revenue	79-80
16	Investments in equity-accounted investees	80-86
17	Property, plant and equipment	87-88
18	Intangible assets	89
19	Right of use assets	90
20	Investment properties	90-91
21	Other assets and liabilities	91
22	Due from/due to customers for contract work	92
23	Loans and borrowings	92-94
24	Derivatives	94
25	Payables related to employee benefits	95
26	Provisions	95-97
27	Commitments and contingencies	97-98
28	Taxation	98-104
29	Capital and reserves	104-105
30	Revenue and cost of sales	106
	General and administrative expenses, selling marketing and distribution expenses,	106-108
31	research and development expenses and expense by nature	
32	Other income and expense from operating activities	108
33	Gain and loss from investing activities	109
34	Finance income and finance cost	109
35	Disclosure of interests in other entities	110-111
36	Financial instruments – Fair values and risk management	112-142
37	Group enterprises	143-147
38	Subsequent events	147

Çalık Holding Anonim Şirketi and its Subsidiaries

Notes to the Consolidated Financial Statements

As at and for the Year Ended 31 December 2019

(Amounts expressed in thousands of 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 2019, Çalık Holding has 133 (31 December 2018: 115) subsidiaries (“the Subsidiaries”), 11 (31 December 2018:30) joint ventures (“the Joint Ventures”), and 16 (31 December 2018: 16) 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 2019, the number of employees of the Group is 18.134 (31 December 2018: 19.321).

As explained in more detail in Note 6, the Group operates mainly under six segments:

- Energy
- Construction
- Textile
- Marketing
- Telecommunication
- Banking and finance

As 31 December 2019, ownership interests of the Group's Subsidiaries, Joint Ventures and Associates are as follows:

Company Name	Type of partnership	Country	Sector
Dome Zero Inc	Associate	USA	Other
Uztur Investment and Development	Subsidiary	Uzbekistan	Energy
ÇL Enerji Üretim ve İnşaat A.Ş.	Joint venture	Turkey	Energy
Akyarlar Enerji İnşaat Tarım Hayvancılık İthalat İhracat A.Ş.	Subsidiary	Turkey	Other
Banka Kombëtare Tregtare Kosovë JSC	Subsidiary	Kosovo	Bank
Kadıkalesi Enerji İnşaat Tarım Hayvancılık İthalat İhracat A.Ş.	Subsidiary	Turkey	Other
Secom Aktif Elektronik Güvenlik Çözümleri A.Ş.	Joint venture	Turkey	Other
Nouvelle Frontier SARL	Subsidiary	D.Kongo	Other
Passo Spor Oyunları Kulübü Yazılım Ve Pazarlama A.Ş.	Subsidiary	Turkey	Other
Secom Aktif Güvenlik Yatırım Anonim Şirketi	Joint venture	Turkey	Other
Yalıkavak Enerji İnşaat Tarım Hayvancılık İthalat İhracat Ltd. Şti.	Subsidiary	Turkey	Other

Çalık Holding Anonim Şirketi and its Subsidiaries

Notes to the Consolidated Financial Statements

As at and for the Year Ended 31 December 2019

(Amounts expressed in thousands of 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
Akılcı Bilişim Hizmetleri ve Danışmanlık Anonim Şirketi (*)	Subsidiary	Turkey
Ant Enerji Sanayi ve Ticaret Limited Şirketi	Subsidiary	Turkey
Atayurt İnşaat Anonim Şirketi	Subsidiary	Turkey
Başak Yönetim Sistemleri Anonim Şirketi	Subsidiary	Turkey
Çalık Elektrik Dağıtım Anonim Şirketi	Subsidiary	Turkey
Çalık Enerji Dubai FZE	Subsidiary	UAE-Dubai
Çalık Enerji Sanayi ve Ticaret Anonim Şirketi	Subsidiary	Turkey
Çalık Enerji Swiss AG	Subsidiary	Switzerland
Çalık Georgia LLC (*)	Subsidiary	Georgia
Çalık Güneş Enerji Üretim Anonim Şirketi	Subsidiary	Turkey
Çalık Limak Adi Ortaklığı	Joint venture	Turkey
Çalık NTF Elektrik Üretim ve Madencilik Anonim Şirketi	Subsidiary	Turkey
Çalık Rüzgar Enerjisi Elektrik Üretim Limited Şirketi	Subsidiary	Turkey
Çalık Solar Enerji Anonim Şirketi	Subsidiary	Turkey
Çalık Yenilenebilir Enerji Anonim Şirketi	Subsidiary	Turkey
Çedaş Elektrik Dağıtım Yatırımları Anonim Şirketi (ÇED)	Subsidiary	Turkey
ÇL Enerji Üretim ve İnşaat A.Ş. (***)	Joint venture	Turkey
Demircili Rüzgar Enerjisi Elektrik Üretim Anonim Şirketi	Subsidiary	Turkey
Doğu Aras Enerji Yatırımları Anonim Şirketi	Joint venture	Turkey
Enerji Sabz Arman Pars Anonim Şirketi (*)	Subsidiary	Iran
Enerji Sabz Pouya Pars Anonim Şirketi (*)	Subsidiary	Iran
Gap Elektrik Dağıtım Sanayi ve Ticaret Anonim Şirketi	Subsidiary	Turkey
Hamerz Green Energy (*)	Subsidiary	Iran
Irmak Yönetim Sistemleri Anonim Şirketi	Subsidiary	Turkey
İkideniz Petrol ve Gaz Sanayi ve Ticaret Anonim Şirketi	Subsidiary	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
Mayestan Clean Energy (*)	Subsidiary	Iran
Momentum Enerji Elektrik Üretim Sanayi ve Ticaret Anonim Şirketi	Subsidiary	Turkey
Onyx Trading Innovation FZE	Subsidiary	UAE-Dubai
Petrotrans Enerji Anonim Şirketi	Subsidiary	Turkey
Sembol Enerji Anonim Şirketi	Subsidiary	Turkey
Taşkent Merkez Park Gayrimenkul Yatırım A.Ş.(**)	Subsidiary	Iran
TCB İnşaat Yatırım Anonim Şirketi	Subsidiary	Turkey
Technological Energy N.V.	Subsidiary	Netherlands
Technovision Mühendislik Danışmanlık ve Dış Ticaret Limited Şirketi	Subsidiary	Turkey
Türkmen'in Altın Asrı Elektrik Enerjisi Toptan Satış Anonim Şirketi	Subsidiary	Turkey
Uztur Investment and Development (*) (***)	Subsidiary	Uzbekistan
Yeşilçay Enerji Elektrik Üretim Sanayi ve Ticaret Anonim Şirketi	Subsidiary	Turkey
Yeşilirmak Elektrik Dağıtım Anonim Şirketi	Subsidiary	Turkey
Yeşilirmak Elektrik Perakende Satış Anonim Şirketi	Subsidiary	Turkey

(*) Akılcı Bilişim Hizmetleri ve Danışmanlık Anonim Şirketi, Çalık Georgia LLC, Calik Enerji Swiss AG, Enerji Sabz Pouya Pars A.Ş. Hamerz Green Energy, Mayestan Green Energy ve Uztur Investment and Development, subsidiaries of the Group are non operating entities which in start up phase or inactive and are not consolidated due to the insignificance of their financial impact on the condensed consolidated financial statements at the year ended 31 December 2019.

(**) In 2019, the shareholder structure of the company changed and changed from a joint ventures to a subsidiary.

(***) The company joined the Group in 2019.

Çalık Holding Anonim Şirketi and its Subsidiaries

Notes to the Consolidated Financial Statements

As at and for the Year Ended 31 December 2019

(Amounts expressed in thousands of 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.

Akılcı Bilişim

Akılcı Bilişim, was established on 2 May 2017 in Istanbul. As of the reporting date, the Company is non-operating.

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.

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”.

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.

Çalık Enerji Dubai FZE (“Çalık Enerji Dubai”)

Çalık Enerji Dubai was incorporated in Jebel Ali Free Zone, Dubai and has a branch in Turkmenistan.

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 Güneş Enerji Üretim Anonim Şirketi (“Çalık Güneş”)

Çep Petrol Dağıtım Sanayi ve Ticaret Anonim Şirketi was established in 2008 for the export, import, distribution, operation and production of the necessary facilities for the production of crude oil. The Company's title was changed to “Çalık Güneş Enerji Üretim Anonim Şirketi” on 27 November 2018.

Çalık Holding Anonim Şirketi and its Subsidiaries

Notes to the Consolidated Financial Statements

As at and for the Year Ended 31 December 2019

(Amounts expressed in thousands of USD unless otherwise stated.)

1 Reporting entity (continued)

1.1 Entities in energy segment (continued)

Çalık Limak Adi Ortaklığı

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.

Çalık NTF Elektrik Üretim ve Madencilik Anonim Şirketi ("Çalık NTF")

Çalık NTF was established in 2006, in Istanbul for the purpose of establishing, operating and renting power generation plants.

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.

Çalık Solar Enerji Anonim Şirketi ("Çalık Solar")

Aktif Doğalgaz Ticaret Anonim Şirketi was established in Istanbul in 1999 for the purpose of gas distribution and trade. The Company's title was changed to "Çalık Solar" on 28 November 2018.

Çalık Yenilenebilir Enerji Anonim Şirketi ("Çalık Yenilenebilir Enerji")

Çalık Diamond Solar Energy Corporation was established in 2012 and its main activity is the development and construction of all kinds of solar power plant projects. The Company's title was changed to "Çalık Yenilenebilir Enerji" on 27 November 2018.

ÇED

ÇED was founded in accordance with the energy market regulations 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, to provide consultancy services on technical, financial, information processing and human resources management issues and to make industrial and commercial investments through these companies.

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.

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.

Çalık Holding Anonim Şirketi and its Subsidiaries

Notes to the Consolidated Financial Statements

As at and for the Year Ended 31 December 2019

(Amounts expressed in thousands of USD unless otherwise stated.)

1 Reporting entity (continued)

1.1 Entities in energy segment (continued)

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, Erzurum, Ağrı, Bayburt and Erzurum, within the privatisation.

Enerji Sabz Arman Pars Anonim Şirketi (“Enerji Sabz Arman Pars”)

Energy Sabz Arman Pars was established in 2017 in Iran. It has been established in order to carry out commercial and economic activities, import and export such as the exchange of all authorized commercial products, raw materials, industrial parts and tools.

Enerji Sabz Pouya Pars Anonim Şirketi (“Enerji Sabz Pouya Pars”)

Enerji Sabz Pouya Pars was established in 2017 in Iran for the purpose of conducting commercial and economic activities including marketing, exporting and importing authorised trading goods such as raw materials, industrial parts and tools.

Gap Elektrik Dağıtım Sanayi ve Ticaret Anonim Şirketi (“Gap Elektrik”)

Gap Elektrik was established in 1998 and has a 30-year license to operate electrical distribution systems in the cities of Malatya, Elazığ, Tunceli and Bingöl. As of the reporting date, Gap Elektrik is a non-operating.

Hamerz Green Energy (“Hamerz”)

Hamerz was established in Iran in 2016. The company has been established in order to carry out commercial and economic activities such as exporting and importing of all authorised products such as raw materials, industrial parts and tools. As of reporting date, Hamerz is non-operating.

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. As of the reporting date, İkideniz Petrol is non operating.

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.

Çalık Holding Anonim Şirketi and its Subsidiaries

Notes to the Consolidated Financial Statements

As at and for the Year Ended 31 December 2019

(Amounts expressed in thousands of USD unless otherwise stated.)

1 Reporting entity (continued)

1.1 Entities in energy segment (continued)

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 8 May 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.

Mayestan Clean Energy (“Mayestan Clean Energy”)

Mayestan Clean Energy was established in Iran in 2016. The company has been established in order to carry out trade and economic activities such as import, export and import of all authorized commercial products such as raw materials, industrial parts and tools. As of reporting date, Mayestan Clean Energy is non-operating.

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”)

Onyx Trading was established in Dubai in 2016.

Petrotrans Enerji

Petrotrans Enerji was established in 2010 to operate necessary power plants for the purpose of importing, exporting and trade of crude oil, natural gas and derivatives of these products and distribution, purchasing and selling of natural gas, crude oil and products of natural gas and oil.

Sembol Enerji

Sembol Enerji was established in 2010, in Istanbul for the purpose of building, renting and setting electricity production facilities into operation, producing electricity and selling produced electricity and/or electricity capacity to the customers.

Taşkent Merkez Park

Taşkent Merkez Park was established in 2018 and its main activity is the construction of residential buildings.

Çalık Holding Anonim Şirketi and its Subsidiaries

Notes to the Consolidated Financial Statements

As at and for the Year Ended 31 December 2019

(Amounts expressed in thousands of USD unless otherwise stated.)

1 Reporting entity (continued)

1.1 Entities in energy segment (continued)

TCB İnşaat Yatırım Anonim Şirketi (“TCB İnşaat”)

Atagas Doğalgaz Ticaret Anonim Şirketi is a joint venture to be established for Iran's natural gas to be purchased from Turkmenistan and Turkey is a joint venture established for wholesale and / or export purposes based on the joint venture agreement signed between Aktif Doğalgaz and ASL Enerji Sanayi ve Ticaret Anonim Şirketi (“ASL Enerji”) under the capital to 50 percent equal participation by imports from Iran's natural gas in 2014. On November 15, 2017, the Group purchased the remaining 50 percent share and increased its ownership rate to 100 percent. The title of the company was changed to TCB İnşaat on 16 August 2018.

Technological Energy N.V. (“Technological Energy”)

Technological Energy was established in The Netherlands in 2016.

Technovision Mühendislik Danışmanlık ve Dış Ticaret Limited Şirketi

Technovision was established in 1994, in Ankara to provide machinery and civil engineering and consulting services. 90 percent of the Technovision's shares were acquired by Çalık Enerji in 2015 for the purpose of providing engineering and consultancy services to entities.

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.

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.

Çalık Holding Anonim Şirketi and its Subsidiaries

Notes to the Consolidated Financial Statements

As at and for the Year Ended 31 December 2019

(Amounts expressed in thousands of USD unless otherwise stated.)

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 Dubai FZE	Subsidiary	UAE
Gap İnşaat Ukraine Ltd. (“Gap İnşaat Ukrayna”)	Subsidiary	Ukraine
Gap İnşaat Yatırım ve Dış Ticaret Anonim Lirketi (“Gap İnşaat”)	Subsidiary	Turkey
Gapyapı İnşaat Anonim Şirketi (“Gapyapı”)	Subsidiary	Turkey
Innovative Construction Technologies Trading FZE (“Innovative Construction”)	Subsidiary	UAE
Kentsel Dönüşüm İnşaat Anonim Şirketi	Subsidiary	Turkey
White Construction N.V.	Subsidiary	The Netherlands

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 which are established to conduct several construction projects.

Gap İnşaat Sudan, Gap İnşaat Saudi Arabia Ltd, Gap Libya, Kentsel Dönüşüm, Çalık İnşaat, Gap İnşaat Katar, Gap İnşaat Dubai FZE, Gap İnşaat Ukrayna, White Construction ve Innovative Construction.

Subsidiaries of Gap İnşaat namely, Gap İnşaat Saudi Arabia Ltd, Kentsel Dönüşüm, Gap Libya, Çalık İnşaat, Gap İnşaat Cons, Gap Qatar, Gap İnşaat Dubai FZE, Gap İnşaat Ukraine, White Construction and Innovative Construction were established for the purpose of engaging in construction projects in the countries where they operate.

Gapyapı

Gapyapı was founded in 2007 for the purpose of operating in construction, decoration businesses in Turkey and abroad, making research, feasibility, project designing, city planning, development planning, consultancy activities related with these businesses and also collaborating with other domestic, foreign companies dealing with same businesses whether domestic or foreign and private or governmental.

Çalık Holding Anonim Şirketi and its Subsidiaries

Notes to the Consolidated Financial Statements

As at and for the Year Ended 31 December 2019

(Amounts expressed in thousands of USD unless otherwise stated.)

1 Reporting entity (continued)

1.3 Entities in textile segment

Company names	Type of partnership	Country
Balkan Dokuma TGPJ (“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-Türkmenbaşy Jeans Kompleksi (“TJK”)	Associate	Turkmenistan
Malatya Boya ve Emprime Anonim Şirketi (“Malatya Boya”)	Subsidiary	Turkey
Serdar Pamuk Egrigi Fabrigi ÇJB (“Serdar Pamuk”)	Associate	Turkmenistan
Türkmenbaşy 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.

Çalık Holding Anonim Şirketi and its Subsidiaries

Notes to the Consolidated Financial Statements

As at and for the Year Ended 31 December 2019

(Amounts expressed in thousands of USD unless otherwise stated.)

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 – Dubai
Gappa Textile Inc.	Subsidiary	USA
Synchron Global Trading FZE	Subsidiary	UAE – Dubai
Tura Moda Mağazacılık ve Elektronik Tic. A.Ş.	Subsidiary	Turkey

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.

Synchron

Synchron Global was established in 2017 in UAE for the purpose of importing and exporting of trading goods.

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.

Çalık Holding Anonim Şirketi and its Subsidiaries

Notes to the Consolidated Financial Statements

As at and for the Year Ended 31 December 2019

(Amounts expressed in thousands of USD unless otherwise stated.)

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
Albania Leasing Company (“Albania Leasing”)	Associate	Albania
Banka Kombëtare Tregtare Kosovë JSC (*)	Subsidiary	Kosovo
Banka Kombetare Tregtare Sh.a	Subsidiary	Albania
Çalık Finansal Hizmetler Anonim Şirketi (“Çalık Finansal Hizmetler”)	Subsidiary	Turkey
Euro-Mediterranean Investment Company Limited (“Euro-Mediterranean”)	Associate	TRNC
Euroasian Leasing Company (“ELC”)	Associate	Tatarstan-Russia
Haliç Finansal Kiralama Anonim Şirketi (“Haliç Leasing”)	Associate	Turkey
Kazakhstan Ijara Company KIC Leasing (“Kazakhstan Ijara”)	Associate	Kazakhstan
Mükafat Portföy Yönetimi Anonim Şirketi (“Mükafat Portföy”)	Subsidiary	Turkey
Sigortayeri Sigorta ve Reasürans Brokerliği Anonim Şirketi (“Sigortayeri”)	Subsidiary	Turkey

(*) The company joined the Group in 2019.

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.

Albania Leasing

Main activity of Albania Leasing is financial leasing. As of the reporting date, Albania Leasing is non-operating.

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.

Çalık Finansal Hizmetler

Çalık Finansal Hizmetler was established in 2003 as Aktifbank’s cooperation with Şekerbank T. Anonim Şirketi and Çalık Holding for their projects of investing in domestic and foreign banks. In 2008, Çalık Holding acquired shares held by Şekerbank T. Anonim Şirketi.

Euro-Mediterranean

Euro-Mediterranean was established in 2015 for the purpose of portfolio management in Northern Cyprus Turkish Republic.

ELC

Euroasian Leasing Company was established in Tatarstan-Russia to provide leasing solutions to the SME sector in accordance with the Islamic principles.

Haliç Leasing

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.

Kazakhstan Ijara

Kazakhstan Ijara Company KIC Leasing was established in 2013, in Kazakhstan for the purpose of operating in financial leasing sector.

Mükafat Portföy

Mükafat Portföy is established to operate in the field of portfolio management in 2016.

Çalık Holding Anonim Şirketi and its Subsidiaries

Notes to the Consolidated Financial Statements

As at and for the Year Ended 31 December 2019

(Amounts expressed in thousands of USD unless otherwise stated.)

1 Reporting Entity (continued)

1.6 Entities in banking and finance segment (continued)

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.

1.7 Entities in other segments

Company name	Type of partnership	Country
Aktif Yatırım Bankası Sukuk Varlık Kiralama Anonim Şirketi	Associate	Turkey
Akuamarin Solar Enerji Üretim Anonim Şirketi (***)	Subsidiary	Turkey
Akyarlar Enerji İnşaat Tarım Hayvancılık İthalat İhracat A.Ş. (*)	Subsidiary	Turkey
Albatros Solar Enerji Üretim Anonim Şirketi	Subsidiary	Turkey
Amethyst Holding N.V.	Subsidiary	The Netherlands
Ametist Solar Enerji Üretim Anonim Şirketi (***)	Subsidiary	Turkey
Artmin Madencilik Sanayi ve Ticaret Anonim Şirketi	Subsidiary	Turkey
Attivo Bilişim Anonim Şirketi	Subsidiary	Turkey
Aytaşı Solar Enerji Üretim Anonim Şirketi (***)	Subsidiary	Turkey
Cydev Investment Ltd.	Associate	TRNC
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
Çiğdem Solar Enerji Üretim Anonim Şirketi (***)	Subsidiary	Turkey
Çöl Yıldızı Solar Enerji Üretim Anonim Şirketi	Subsidiary	Turkey
Defne Solar Enerji Üretim Anonim Şirketi (***)	Subsidiary	Turkey
Deniz Güneş Enerjisi Üretimi Anonim Şirketi	Subsidiary	Turkey
Deniz Yıldızı Solar Enerji Üretim 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
Gelincik Solar Enerji Üretim Anonim Şirketi. (***)	Subsidiary	Turkey
Gök Safır Solar Enerji Üretim Anonim Şirketi	Subsidiary	Turkey
Güneştaşı Solar Enerji Üretim Anonim Şirketi (***)	Subsidiary	Turkey
Halk Yenilenebilir Enerji Anonim Şirketi	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
Kadıkalesi Enerji İnşaat Tarım Hayvancılık İthalat İhracat A.Ş. (*)	Subsidiary	Turkey
Kamelya Solar Enerji Üretim Anonim Şirketi	Subsidiary	Turkey
Kaplan Gözü Solar Enerji Üretim Anonim Şirketi (***)	Subsidiary	Turkey
Kartaltepe Madencilik Sanayi ve Ticaret Anonim Şirketi	Joint venture	Turkey
Kasımpatı Solar Enerji Üretim Anonim Şirketi	Subsidiary	Turkey
Kıbrıs Besicilik ve Çiftçilik Teşebbüsleri Limited	Associate	TRNC
Kırlangıç Solar Enerji Üretim Anonim Şirketi	Subsidiary	Turkey
Kızılyıldız Solar Enerji Üretim Anonim Şirketi	Subsidiary	Turkey

Çalık Holding Anonim Şirketi and its Subsidiaries

Notes to the Consolidated Financial Statements

As at and for the Year Ended 31 December 2019

(Amounts expressed in thousands of USD unless otherwise stated.)

1 Reporting entity (continued)

1.7. Entities in other segments (continued)

Company name	Type of partnership	Country
Kuvars Solar Enerji Üretim Anonim Şirketi (***)	Subsidiary	Turkey
Kuzey Yıldızı Solar Enerji Üretim Anonim Şirketi	Subsidiary	Turkey
Lapis Solar Enerji Üretim Anonim Şirketi (***)	Subsidiary	Turkey
Leylak Solar Enerji Üretim Anonim Şirketi (***)	Subsidiary	Turkey
Lidya Madencilik Sanayi ve Ticaret 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
Nilüfer Solar Enerji Üretim Anonim Şirketi	Subsidiary	Turkey
N-Kolay Ödeme Kuruluşu Anonim Şirketi	Subsidiary	Turkey
Nouvelle Frontiere SARL (**)	Subsidiary	Kongo
Olimpos Solar Enerji Üretim Anonim Şirketi	Subsidiary	Turkey
Olivin Solar Enerji Üretim 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
Pasifik 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
Polimetal Madencilik Sanayi ve Ticaret Anonim Şirketi	Joint venture	Turkey
Polimetal Mineral Madencilik Sanayi ve Ticaret Anonim Şirketi	Subsidiary	Turkey
Secom Aktif Elektronik Güvenlik Çözümleri A.Ş. (**)	Joint venture	Turkey
Secom Aktif Güvenlik Yatırım Anonim Şirketi (**)	Joint venture	Turkey
Sedef Solar Enerji Üretim Anonim Şirketi (***)	Subsidiary	Turkey
Seher Güneş Enerjisi Üretim Anonim Şirketi	Subsidiary	Turkey
Seher Yıldızı Solar Enerji Üretim Anonim Şirketi	Subsidiary	Turkey
Silent Valley Partnership	Associate	TRNC
Tanyeri Güneş Enerjisi Üretim Anonim Şirketi	Subsidiary	Turkey
Tunçpınar Madencilik Sanayi ve Ticaret Anonim Şirketi	Joint venture	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
Yakut Solar Enerji Üretim Anonim Şirketi	Subsidiary	Turkey
Yalıkavak Enerji İnşaat Tarım Hayvancılık İthalat İhracat Ltd. Şti. (*)	Subsidiary	Turkey
Zirkon Solar Enerji Üretim Anonim Şirketi (***)	Subsidiary	Turkey

(*) The company joined the Group in 2019.

(**) The company was established in 2019.

(***) In 2019, the shareholder structure of the company changed and changed from a joint ventures to a subsidiary.

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.

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.

Çalık Holding Anonim Şirketi and its Subsidiaries

Notes to the Consolidated Financial Statements

As at and for the Year Ended 31 December 2019

(Amounts expressed in thousands of USD unless otherwise stated.)

1 Reporting entity (continued)

1.7 Entities in other segments (continued)

Akyarlar Enerji İnşaat Tarım Hayvancılık İthalat İhracat A.Ş. (“Akyarlar”)

Akyarlar was established in 2015 for the purpose of engaging in energy and commitment activities.

Albatros Solar Enerji Üretim Anonim Şirketi (“Albatros”)

Albatros, was established in 2018 in Istanbul for the purpose of providing solar energy services. The power plant operates in Aktepe Village in Ankara.

Amethyst Holding N.V. (“Amethyst”)

Amethyst was established in 2017 in the Netherlands for purpose of carrying out holding activities.

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.

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.

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.

Cydev Investment Ltd. (“CYDEV Investment”)

Cydev Investment was established in TRNC in 2016 and invests in the construction sector.

Çalık Dijital ve Bilişim Hizmetleri 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 Hizmetleri Anonim Şirketi (“Çalık Dijital”)

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 Holding Anonim Şirketi and its Subsidiaries

Notes to the Consolidated Financial Statements

As at and for the Year Ended 31 December 2019

(Amounts expressed in thousands of USD unless otherwise stated.)

1 Reporting entity (continued)

1.7 Entities in other segments (continued)

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.

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.

Çöl Yıldızı Solar Enerji Üretim Anonim Şirketi (“Çöl Yıldızı”)

Çöl Yıldızı, was established in 2018 in Istanbul for the purpose of providing solar energy services. The power plant operates in Aktepe Village in Ankara.

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.

Deniz Yıldızı Solar Enerji Üretim Anonim Şirketi (“Deniz Yıldızı”)

Deniz Yıldızı, was established in 2018 in Istanbul for the purpose of providing solar energy services. The power plant operates in Aktepe Village in Ankara.

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 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.

Çalık Holding Anonim Şirketi and its Subsidiaries

Notes to the Consolidated Financial Statements

As at and for the Year Ended 31 December 2019

(Amounts expressed in thousands of USD unless otherwise stated.)

1 Reporting entity (continued)

1.7 Entities in other segments (continued)

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

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

Gök Safir Solar Enerji Üretim Anonim Şirketi (“Gök Safir”)

Gök Safir was established in 2018 in Istanbul for the purpose of providing solar energy services. The power plant operates in Emet in Kütahya.

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.

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.

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.

Kadıkalesi Enerji İnşaat Tarım Hayvancılık İthalat İhracat A.Ş. (“Kadıkalesi”)

Kadıkalesi was established in 2015 for the purpose of engaging in energy and commitment activities.

Kamelya Solar Enerji Üretim Anonim Şirketi (“Kamelya”)

Kamelya was established in 2018 in Istanbul for the purpose of providing solar energy services. The power plant operates in Karahamzalı Village in Ankara.

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.

Çalık Holding Anonim Şirketi and its Subsidiaries

Notes to the Consolidated Financial Statements

As at and for the Year Ended 31 December 2019

(Amounts expressed in thousands of USD unless otherwise stated.)

1 Reporting entity (continued)

1.7 Entities in other segments (continued)

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.

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.

Kıbrıs Besicilik ve Çiftçilik Teşebbüsleri Limited (“Kıbrıs Besicilik”)

Kıbrıs Besicilik was established and operates in livestock and agriculture in TRNC in 2018.

Kırlangıç Solar Enerji Üretim Anonim Şirketi (“Kırlangıç”)

Kırlangıç, was established in 2018 in Istanbul for the purpose of providing solar energy services. The power plant operates in Karahamzalı Village in Ankara.

Kızılyıldız Solar Enerji Üretim Anonim Şirketi (“Kızılyıldız”)

Kızılyıldız, was established in 2018 in Istanbul for the purpose of providing solar energy services. The power plant operates in Emet in Kütahya.

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.

Kuzey Yıldız Solar Enerji Üretim Anonim Şirketi (“Kuzey Yıldız”)

Kuzey Yıldız was established in 2018 in Istanbul for the purpose of providing solar energy services. The power plant operates in Emet in Kütahya.

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.

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.

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.

Çalık Holding Anonim Şirketi and its Subsidiaries

Notes to the Consolidated Financial Statements

As at and for the Year Ended 31 December 2019

(Amounts expressed in thousands of USD unless otherwise stated.)

1 Reporting entity (continued)

1.7 Entities in other segments (continued)

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.

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.

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.

Olimpos Solar Enerji Üretim Anonim Şirketi (“Olimpos”)

Olimpos, was established in 2018 in Istanbul for the purpose of providing solar energy services. The power plant operates in Yıldızlı Village in Ankara.

Olivin Solar Enerji Üretim Anonim Şirketi (“Olivin”)

Olivin, established in 2018 in Istanbul for the purpose of providing solar energy services. The power plant operates in Değişören in Eskişehir.

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.

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.

Pasifik Solar Enerji Üretim Anonim Şirketi (“Pasifik”)

Pasifik, was established in 2018 in Istanbul for the purpose of providing solar energy services. The power plant operates in Yıldızlı Village in Ankara.

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.

Çalık Holding Anonim Şirketi and its Subsidiaries

Notes to the Consolidated Financial Statements

As at and for the Year Ended 31 December 2019

(Amounts expressed in thousands of USD unless otherwise stated.)

1 Reporting entity (continued)

1.7 Entities in other segments (continued)

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.

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. As at reporting date, Polimetal is a joint venture of Lidya Maden and YAMAS with an ownership structure of 50 percent and 50 percent, respectively.

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.

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.

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.

Sedef Solar Enerji Üretim Anonim Şirketi (“Sedef”)

Sedef was established in 2018 in Istanbul for the purpose of providing solar energy services. The power plant operates in Değişören in Eskişehir.

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.

Seher Yıldızı Solar Enerji Üretim Anonim Şirketi (“Seher Yıldızı”)

Seher Yıldızı, was established in 2018 in Istanbul for the purpose of providing solar energy services. The power plant operates in Emet in Kütahya.

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.

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.

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.

Çalık Holding Anonim Şirketi and its Subsidiaries

Notes to the Consolidated Financial Statements

As at and for the Year Ended 31 December 2019

(Amounts expressed in thousands of USD unless otherwise stated.)

1 Reporting entity (continued)

1.7 Entities in other segments (continued)

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.

Yakut Solar Enerji Üretim Anonim Şirketi (“Yakut”)

Yakut, was established in 2018 in Istanbul for the purpose of providing solar energy services. The power plant operates in Emet in Kütahya.

Yalıkavak Enerji İnşaat Tarım Hayvancılık İthalat İhracat Ltd. Şti. (“Yalıkavak”)

Yalıkavak was established in 2015 for the purpose of engaging in energy and commitment activities.

Zirkon Solar Enerji Üretim Anonim Şirketi (“Zirkon”)

Zirkon was established in 2018 in Istanbul for the purpose of providing solar energy services. The power plant operates in Değişören in Eskişehir.

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 Standards (“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) Preparation of financial statements

The consolidated financial statements were approved by the Group management on 31 March 2020. Çalık Holding’s General Assembly and the other regulatory bodies have the power to amend the consolidated financial statements which after their issue.

Çalık Holding Anonim Şirketi and its Subsidiaries

Notes to the Consolidated Financial Statements

As at and for the Year Ended 31 December 2019

(Amounts expressed in thousands of 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 36.

(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.

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 9 – Financial investments
- Note 11– Trade receivables and payables
- Note 15 – Prepayments and deferred revenue
- Note 20 – Investment property
- Note 24 – Derivatives
- Note 26 – Provisions
- Note 28 – Taxation
- Note 36 – Financial instruments – Fair values and risk management (including fair value explanations)

Çalık Holding Anonim Şirketi and its Subsidiaries

Notes to the Consolidated Financial Statements

As at and for the Year Ended 31 December 2019

(Amounts expressed in thousands of 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 statement of financial position as at and for the year ended 31 December 2018, the Group reclassified 221.144 USD contract assets, which was recognized in trade receivables, to the contract assets in the consolidated statement of financial position.

In the consolidated statement of financial position as at and for the year ended 31 December 2018, the Group reclassified the contract liabilities of 232.477 USD, which was recognized in deferred income, to the contract liability in the consolidated statement of financial position.

In order to present with current year, the effect of receivables from service concession agreements amounting to 329.395 USD previously shown as "Short-term trade receivables" and "Long-term trade receivables", is classified as "Short-term service concession receivables" and "Long-term service concession receivables". This classification items from the Çedaş subsidiary.

In the consolidated statement of profit and loss, as at and for the year ended 31 December 2018, the Group reclassified the decrease in fair value of investment properties of 14.294 USD, which is accounted for among other operating expenses, to expenses from investment activities.

In the consolidated statement of profit and loss, which ended on 31 December 2018, the Group reclassified interest income of 7.555 USD, which was accounted for among other income from operating activities, to finance income.

In order to present it in comparison with the current period, interest income amounting to 81.867 USD, previously shown as "Other income from operating activities", is classified as "Revenue". This classification stems from the Çedaş subsidiary.

g) *The new standards, amendments and interpretations*

The accounting policies adopted in preparation of the consolidated financial statements as at December 31, 2019 are consistent with those of the previous financial year, except for the adoption of new and amended IFRS and IFRIC interpretations effective as of January 1, 2019. The effects of these standards and interpretations on the Group's financial position and performance have been disclosed in the related paragraphs.

Çalık Holding Anonim Şirketi and its Subsidiaries

Notes to the Consolidated Financial Statements

As at and for the Year Ended 31 December 2019

(Amounts expressed in thousands of 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, 2019 are as follows:

IFRS 16 Leases

The IASB has published a new standard, IFRS 16 'Leases'. The new standard brings most leases on-balance sheet for lessees under a single model, eliminating the distinction between operating and finance leases. Lessor accounting however remains largely unchanged and the distinction between operating and finance leases is retained. IFRS 16 supersedes IAS 17 'Leases' and related interpretations and is effective for periods beginning on or after January 1, 2019.

Lessees have recognition exemptions to applying this standard in case of short-term leases (i.e., leases with a lease term of 12 months or less) and leases of 'low-value' assets (e.g., personal computers, office equipment, etc.). At the commencement date of a lease, a lessee measures the lease liability at the present value of the lease payments that are not paid at that date (i.e., the lease liability), at the same date recognises an asset representing the right to use the underlying asset (i.e., the right-of-use asset) and depreciates it during the lease term. The lease payments shall be discounted using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, the lessee shall use the lessee's incremental borrowing rate. Lessees are required to recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset separately.

Lessees are required to remeasure the lease liability upon the occurrence of certain events (e.g. a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). Under these circumstances, the lessee recognises the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset.

Transition to IFRS 16:

The Group adopted IFRS 16 using the modified retrospective approach. The Group elected to apply the standard to contracts that were previously identified as leases applying IAS 17 and IFRIC 4. The Group therefore did not apply the standard to contracts that were not previously identified as containing a lease applying IAS 17 and IFRIC 4.

The Group elected to use the exemptions applicable to the standard on lease contracts for which the lease terms ends within 12 months as of the date of initial application and lease contracts for which the underlying asset is of low value. The Group has leases of certain office equipment (i.e., personal computers, printing and photocopying machines) that are considered of low value.

Impact on the consolidated statement of financial position (increase/(decrease)) as at 1 January 2019:

	1 January 2019
Assets	
Property, plant and equipment (right-of-use)	17.676
Liabilities	
Lease Liabilities	17.676

The standard is applied for annual periods beginning on or after 1 January 2019. The Group disclosed the impact of the standard on financial position or performance of the Group in Note 19.

Çalık Holding Anonim Şirketi and its Subsidiaries

Notes to Consolidated Financial Statements

As at and for the Year Ended 31 December 2019

(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, 2019 are as follows (continued)

Set out below are the new accounting policies of the Group upon adoption of IFRS 16:

Right-of-use assets

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. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. 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.

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. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the the Group and payments of penalties for terminating a lease, if the lease term reflects the 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.

Short-term leases and leases of low-value assets

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.

Significant estimates and judgement in option to extend and terminate the lease obligations

The lease obligation is determined by considering the extension and early termination options in the contracts. Most of the extension and early termination options in the contracts consist of options that can be applied jointly by the Group and the lessor. The Group determines the lease period by including the extension and early termination options at the discretion of the Group according to the relevant contract and if the options are reasonably accurate, it is included in the lease period. If there is a significant change in conditions, the assessment is reviewed by the Group.

Çalık Holding Anonim Şirketi and its Subsidiaries

Notes to Consolidated Financial Statements

As at and for the Year Ended 31 December 2019

(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, 2019 are as follows (continued)

Amendments to IAS 28 “Investments in Associates and Joint Ventures” (Amendments)

In October 2017, the IASB issued amendments to IAS 28 Investments in Associates and Joint Ventures. The amendments clarify that a company applies IFRS 9 Financial Instruments to long-term interests in an associate or joint venture that form part of the net investment in the associate or joint venture.

IFRS 9 Financial Instruments excludes interests in associates and joint ventures accounted for in accordance with IAS 28 Investments in Associates and Joint Ventures. In this amendment, IASB clarified that the exclusion in IFRS 9 applies only to interests a company accounts for using the equity method. A company applies IFRS 9 to other interests in associates and joint ventures, including long-term interests to which the equity method is not applied and that, in substance, form part of the net investment in those associates and joint ventures.

These amendments are applied for annual periods beginning on or after 1 January 2019. The amendments did not have a significant impact on the financial position or performance of the Group.

IFRIC 23 Uncertainty over Income Tax Treatments

The interpretation clarifies how to apply the recognition and measurement requirements in “TAS 12 Income Taxes” when there is uncertainty over income tax treatments.

When there is uncertainty over income tax treatments, the interpretation addresses:

- (a) whether an entity considers uncertain tax treatments separately;
- (b) the assumptions an entity makes about the examination of tax treatments by taxation authorities;
- (c) how an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates; and
- (d) how an entity considers changes in facts and circumstances.

The interpretation is effective for annual reporting periods beginning on or after 1 January 2019. The interpretation did not have a significant impact on the financial position or performance of the Group.

Annual Improvements – 2015–2017 Cycle

In December 2017, the IASB issued Annual Improvements to IFRS Standards 2015–2017 Cycle, amending the following standards:

- IFRS 3 Business Combinations and IFRS 11 Joint Arrangements — The amendments to IFRS 3 clarify that when an entity obtains control of a business that is a joint operation, it remeasures previously held interests in that business. The amendments to IFRS 11 clarify that when an entity obtains joint control of a business that is a joint operation, the entity does not remeasure previously held interests in that business.
- IAS 12 Income Taxes — The amendments clarify that all income tax consequences of dividends (i.e. distribution of profits) should be recognised in profit or loss, regardless of how the tax arises.
- IAS 23 Borrowing Costs — The amendments clarify that if any specific borrowing remains outstanding after the related asset is ready for its intended use or sale, that borrowing becomes part of the funds that an entity borrows generally when calculating the capitalisation rate on general borrowings.

The amendments are effective from annual periods beginning on or after 1 January 2019. The amendments did not have a significant impact on the financial position or performance of the Group.

Çalık Holding Anonim Şirketi and its Subsidiaries

Notes to Consolidated Financial Statements

As at and for the Year Ended 31 December 2019

(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, 2019 are as follows (continued)

Plan Amendment, Curtailment or Settlement" (Amendments to IAS 19)

On 7 February 2018, the IASB published Amendments to IAS 19 "Plan Amendment, Curtailment or Settlement". The amendments require entities to use updated actuarial assumptions to determine current service cost and net interest for the remainder of the annual reporting period after a plan amendment, curtailment or settlement occurs. These amendments are applied for annual periods beginning on or after 1 January 2019. The amendments are not applicable for the Group and did not have an impact on the financial position or performance of the Group.

Prepayment Features with Negative Compensation (Amendments to IFRS 9)

The IASB issued minor amendments to IFRS 9 Financial Instruments to enable companies to measure some prepayable financial assets at amortised cost.

Applying IFRS 9, a company would measure a financial asset with so-called negative compensation at fair value through profit or loss. Applying the amendments, if a specific condition is met, entities will be able to measure at amortised cost some prepayable financial assets with so-called negative compensation.

These amendments are applied for annual periods beginning on or after 1 January 2019. The amendments did not have a significant impact on the financial position or performance of the Group.

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.

IFRS 10 and IAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments)

In December 2015, the IASB 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.

IFRS 17 - The new Standard for insurance contracts

The ISB issued IFRS 17, a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. IFRS 17 model combines a current balance sheet measurement of insurance contract liabilities with the recognition of profit over the period that services are provided. IFRS 17 will become effective for annual reporting periods beginning on or after 1 January 2021; 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.

Çalık Holding Anonim Şirketi and its Subsidiaries

Notes to Consolidated Financial Statements

As at and for the Year Ended 31 December 2019

(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)

ii) Standards issued but not yet effective and not early adopted (continued)

Definition of a Business (Amendments to IFRS 3)

In October 2018, the IASB issued amendments to the definition of a business in IFRS 3 Business Combinations. The amendments are intended to assist entities to determine whether a transaction should be accounted for as a business combination or as an asset acquisition.

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 IFRS 3 are effective for annual reporting periods beginning on or after 1 January 2020 and apply prospectively. Earlier application is permitted.

The Group is in the process of assessing the impact of the amendments on financial position or performance of the Group.

Definition of Material (Amendments to IAS 1 and IAS 8)

In October 2018, the IASB issued amendments to IAS 1 Presentation of Financial Statements and IAS 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 IAS 1 and IAS 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.

The Group is in the process of assessing the impact of the amendments on financial position or performance of the the Group.

Amendments to IFRS 9, IAS 39 and IFRS 7- Interest Rate Benchmark Reform

The amendments issued to IFRS 9 and IAS 39 which are effective for periods beginning on or after 1 January 2020 provide certain reliefs for 4 fundamental matters in connection with interest rate benchmark reform. These reliefs are related to hedge accounting as follows:

- Highly probable requirement
- Prospective Assessments
- Retrospective Assessments
- Separately identifiable risk components

Reliefs used as a result of amendments in IFRS 9 and IAS 39 is aimed to be disclosed in financial statements based on the amendments made in IFRS 7.

Çalık Holding Anonim Şirketi and its Subsidiaries

Notes to Consolidated Financial Statements

As at and for the Year Ended 31 December 2019

(Amounts expressed in thousands of United States Dollar ("USD") unless otherwise stated.)

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.

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.

Çalık Holding Anonim Şirketi and its Subsidiaries

Notes to Consolidated Financial Statements

As at and for the Year Ended 31 December 2019

(Amounts expressed in thousands of United States Dollar ("USD") unless otherwise stated.)

3 Significant accounting policies (continued)

a) Basis of consolidation (continued)

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.

When the Group's share of losses exceeds its interest in an 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.

Çalık Holding Anonim Şirketi and its Subsidiaries

Notes to Consolidated Financial Statements

As at and for the Year Ended 31 December 2019

(Amounts expressed in thousands of United States Dollar ("USD") unless otherwise stated.)

3 Significant accounting policies (continued)

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 (2018: 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.

The following significant foreign exchange rates are applied as at 31 December 2019 and 31 December 2018 are as follows:

	<u>31 December 2019</u>	<u>31 December 2018</u>
Euro / TL	6,6506	6,0280
USD / TL	5,9402	5,2609
Euro / USD	1,1196	1,1458
TL / USD	0,1683	0,1901

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.

Çalık Holding Anonim Şirketi and its Subsidiaries

Notes to Consolidated Financial Statements

As at and for the Year Ended 31 December 2019

(Amounts expressed in thousands of United States Dollar ("USD") unless otherwise stated.)

3 Significant accounting policies (continued)

c) Financial instruments

i) Recognition and initial measurement

The Group initially recognises loans and receivables on the date that they are originated. All other financial assets are recognised initially on the trade date at which the Group becomes a party to the contractual provisions of the instrument.

The Group derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in such transferred financial assets that is created or retained by the Group is recognised as a separate asset or liability.

ii) Classification and subsequent measurement

Financial assets – Policy applicable from 1 January 2018

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

On initial recognition of an equity investment that is not held for trading, the Group may irrevocably elect to present subsequent changes in the investment's fair value in OCI. This election is made on an investment-by-investment basis.

All financial assets not classified as measured at amortised cost or FVOCI as described above are measured at FVTPL. This includes all derivative financial assets. On initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

The Group makes an assessment of the objective of the business model in which a financial asset is held at a portfolio level, because this best reflects the way the business is managed, and information is provided to management. The information considered includes:

- the stated policies and objectives for the portfolio and the operation of those policies in practice. These include whether management's strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of any related liabilities or expected cash outflows or realising cash flows through the sale of the assets;
- how the performance of the portfolio is evaluated and reported to the Group's management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- how managers of the business are compensated – e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
- the frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and expectations about future sales activity.

Çalık Holding Anonim Şirketi and its Subsidiaries

Notes to Consolidated Financial Statements

As at and for the Year Ended 31 December 2019

(Amounts expressed in thousands of United States Dollar (“USD”) unless otherwise stated.)

3 Significant accounting policies (continued)

c) Financial instruments (continued)

ii) Classification and subsequent measurement (continued)

Transfers of financial assets to third parties in transactions that do not qualify for derecognition are not considered sales for this purpose, consistent with the Group’s continuing recognition of the assets.

Financial assets that are held for trading or are managed and whose performance is evaluated on a fair value basis are measured at FVTPL.

Financial assets – Assessment whether contractual cash flows are solely payments of principal and interest: Policy applicable from 1 January 2018

For the purposes of this assessment, ‘principal’ is defined as the fair value of the financial asset on initial recognition. ‘Interest’ is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as a profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Group considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making this assessment, the Group considers:

- Contingent events that would change the amount or timing of cash flows;
- Terms that may adjust the contractual coupon rate, including variable-rate features;
- Prepayment and extension features; and
- Terms that limit the Group’s claim to cash flows from specified assets (e.g. non-recourse features).

A prepayment feature is consistent with the solely payments of principal and interest criterion if the prepayment amount substantially represents unpaid amounts of principal and interest on the principal amount outstanding, which may include reasonable additional compensation for early termination of the contract.

Additionally, for a financial asset acquired at a discount or premium to its contractual par amount, a feature that permits or requires prepayment at an amount that substantially represents the contractual par amount plus accrued (but unpaid) contractual interest (which may also include reasonable additional compensation for early termination) is treated as consistent with this criterion if the fair value of the prepayment feature is insignificant at initial recognition.

Çalık Holding Anonim Şirketi and its Subsidiaries

Notes to Consolidated Financial Statements

As at and for the Year Ended 31 December 2019

(Amounts expressed in thousands of United States Dollar ("USD") unless otherwise stated.)

3 Significant accounting policies (continued)

c) Financial instruments (continued)

ii) Classification and subsequent measurement (continued)

Financial assets – Subsequent measurement and gains and losses: Policy applicable from 1 January 2018

Financial assets at FVTPL These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in profit or loss.

Financial assets at amortised cost These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.

Debt investments at FVOCI These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognised in profit or loss. Other net gains and losses are recognised in OCI. On derecognition, gains and losses accumulated in OCI are reclassified to profit or loss.

Equity investments at FVOCI These assets are subsequently measured at fair value. Dividends are recognised 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 recognised in OCI and are never reclassified to profit or loss.

iii) Derivative financial instruments

Cash and cash equivalents

Cash and cash equivalents comprise cash balances, bank deposits and other liquid assets with original maturities of three months or less from the acquisition date that are subject to an insignificant risk of changes in their fair value.

Service concession arrangements

According to the "Transfer of Operating Rights Agreement" ("TORA") signed between Turkey Elektrik Dağıtım Anonim Şirketi ("TEDAŞ") and YEDAŞ on 24 July 2006, the operating rights on the distribution installations and other items related thereto were transferred to YEDAŞ for a consideration of USD 68,420. TORA consideration has been amortized by adding to revenue cap during the first tariff period (2006-2010). As of December 31, 2019, the aforementioned TORA consideration amount has been fully amortized.

TORA term is 30 years starting from 24 July 2006. At the end of this period, operational period may be extended by TEDAŞ in accordance with the related regulations which will be in force in the same period.

Under the terms of this agreement within in the scope of IFRIC 12, the Group acts as an electricity distributor and constructs or upgrades infrastructure used to provide a public service and operates and maintains that infrastructure for a specified period of time. There have been no changes in the structure of the agreement in the current year.

The Group recognises a financial asset arising from a service concession arrangement when it has an unconditional contractual right to receive cash or another financial asset from or at the discretion of the grantor for the construction or upgrade of the services provided.

Çalık Holding Anonim Şirketi and its Subsidiaries

Notes to Consolidated Financial Statements

As at and for the Year Ended 31 December 2019

(Amounts expressed in thousands of United States Dollar ("USD") unless otherwise stated.)

3 Significant accounting policies (continued)

c) Financial instruments (continued)

iii) Derivative financial instruments (continued)

Service concession arrangements (continued)

The Group initially measures receivables resulting from its investments of which repayments are granted through tariffs under "Due from service concession agreements" item under trade receivables at fairvalue in accordance with "Financial Instruments: Recognition and Measurement" standard. Subsequent to the initial recognitions, such financial assets are measured at amortised costs.

Parameters related to operating rights resulting from "Distribution and Retail Sales License" which YEDAŞ owns via TORA are updated by EMRA committee decisions during the five year implementation periods. As of 31 December 2016, YEDAŞ fulfilled its obligations related to the license for services which was privatised at 24 July 2006, including the first implementation period between 2006 and 2010 and the second implementation period which covers the years 2011 and 2015.

Rights related to second implementation period were announced by EMRA Committee Decision (Decision No: 2991) at 28 December 2010. Rights which will be applicable for the third implementation period between 2016 and 2021 were announced by EMRA with its committee decision dated 30 December 2015 and numbered 6033-1.

YEDAŞ's revenues and costs are subject to EMRA regulations. Income requirements of YEDAŞ are determined by EMRA and adjusted if necessary for the differences of revenue items approved by EMRA. In case of income items remain below or above the income requirement determined by EMRA, such differences may or may not be subject to adjustment, depending on the nature of the income. Currently adjusted revenue requirement for 5 years periods; The operating expenses required by YEDAŞ, the amortisation of its investment expenditures Alternative investment costs for not amortisation investment amounts, includes taxes deducted or added to income to compensate for periodical deviations resulting from tax applications. Over the years, revenue requirements and adjustment are calculated by updating with the Energy Market Index ("EMI").

YEDAŞ recognises and measures its revenue in accordance with IAS 11 "Construction Contracts" and IAS 18 "Revenue" for the services provided.

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.

Çalık Holding Anonim Şirketi and its Subsidiaries

Notes to Consolidated Financial Statements

As at and for the Year Ended 31 December 2019

(Amounts expressed in thousands of United States Dollar ("USD") unless otherwise stated.)

3 Significant accounting policies (continued)

d) *Repurchase transactions (continued)*

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".

(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.

Çalık Holding Anonim Şirketi and its Subsidiaries

Notes to Consolidated Financial Statements

As at and for the Year Ended 31 December 2019

(Amounts expressed in thousands of United States Dollar ("USD") unless otherwise stated.)

3 Significant accounting policies (continued)

(e) **Property, plant and equipment** (continued)

iv) **Depreciation** (continued)

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.

The estimated useful lives of property, plant and equipment for current and comparative periods are as follows:

Description	Year
Buildings	5-50
Machinery and equipments	5-40
Vehicles	5-10
Furniture and fixtures	3-15
Other tangible assets	5-15
Leasehold improvements	2-10

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.

Çalık Holding Anonim Şirketi and its Subsidiaries

Notes to Consolidated Financial Statements

As at and for the Year Ended 31 December 2019

(Amounts expressed in thousands of United States Dollar ("USD") unless otherwise stated.)

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.

Çalık Holding Anonim Şirketi and its Subsidiaries

Notes to Consolidated Financial Statements

As at and for the Year Ended 31 December 2019

(Amounts expressed in thousands of United States Dollar ("USD") unless otherwise stated.)

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.

Çalık Holding Anonim Şirketi and its Subsidiaries

Notes to Consolidated Financial Statements

As at and for the Year Ended 31 December 2019

(Amounts expressed in thousands of United States Dollar ("USD") unless otherwise stated.)

3 Significant accounting policies (continued)

j) *Impairment (continued)*

i) *Non-derivative financial assets (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.

Çalık Holding Anonim Şirketi and its Subsidiaries

Notes to Consolidated Financial Statements

As at and for the Year Ended 31 December 2019

(Amounts expressed in thousands of United States Dollar ("USD") unless otherwise stated.)

3 Significant accounting policies (continued)

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.

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 1,07 and USD 1,03 (equivalent to TL 6,38 and TL 5,43 respectively) at 31 December 2019 and 2018, 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 1.941 (31 December 2018: USD 1.074) had no effect on the Group's consolidated financial statements since the same amount will be compensated by the Government as a 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.

Çalık Holding Anonim Şirketi and its Subsidiaries

Notes to Consolidated Financial Statements

As at and for the Year Ended 31 December 2019

(Amounts expressed in thousands of United States Dollar ("USD") unless otherwise stated.)

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.

Çalık Holding Anonim Şirketi and its Subsidiaries

Notes to Consolidated Financial Statements

As at and for the Year Ended 31 December 2019

(Amounts expressed in thousands of United States Dollar ("USD") unless otherwise stated.)

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.

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.

Çalık Holding Anonim Şirketi and its Subsidiaries

Notes to Consolidated Financial Statements

As at and for the Year Ended 31 December 2019

(Amounts expressed in thousands of United States Dollar (“USD”) unless otherwise stated.)

3 Significant accounting policies (continued)

n) Revenue (continued)

Step 5: Recognition of revenue (continued)

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.

ii) Energy business

Electricity sales

Due to the fact that the electricity could not be stored, the purchase and sales realises at the same time and accordingly revenue and cost of revenue are recognised at the transaction time. Monthly invoicing is made at the month ends, when the Group prepares invoices for rendering services rendered to its customers during one-month period. The Group management monitors closely at period ends that 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.

Retail electricity sales service income

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.

Çalık Holding Anonim Şirketi and its Subsidiaries

Notes to Consolidated Financial Statements

As at and for the Year Ended 31 December 2019

(Amounts expressed in thousands of United States Dollar (“USD”) unless otherwise stated.)

3 Significant accounting policies (continued)

n) Revenue (continued)

ii) Energy business (continued)

Transmission system utilisation

The transmission tariff is prepared by the Turkey Elektrik İletim Anonim Şirketi (“TEİAŞ”) and includes prices, terms and conditions for the provision of transmission service to all users benefiting from the transmission of generated, imported or exported electricity over the transmission facilities, which will be employed based on non-discriminatory conduct principle in accordance with the Electricity Market Law Article 13. Grid investments made by TEİAŞ and transmission surcharges are included in the transmission tariff. Transmission system utilisation fees charged to the customers are the unit prices allocated by the entities holding electricity distribution license to compensate the transmission tariff charges invoiced by TEİAŞ to those entities.

Distribution system utilisation

Distribution activities covers establishing, operating and maintaining distribution facilities to transport the electricity through 36 kilowatt (“kW”) or lower lines.

The distribution tariff includes prices, terms and conditions for the distribution service to all real persons and legal entities benefiting from the distribution of electricity through distribution facilities, which will be employed on the basis of non-discriminatory conduct principle in accordance with the Electricity Market Law Article 13. Distribution fee including distribution system utilisation price is calculated based on the costs of capital expenditures related to the distribution system, operating and maintenance expenses and collected from each distribution system users. Distribution fee does not include costs of energy, electricity retail sale service, meter reading and transmission.

Electricity dissipation and theft

Electricity dissipation and theft cost is calculated using electricity dissipation and theft ratio applied to the projected electricity transfer quantity based on each distribution region and charged to each electricity consumers including the industrial plants connected to the electricity network as electricity dissipation and theft income.

Price balancing

A price balancing mechanism is applied by EMRA to protect the consumers purchasing electricity over the regulated tariffs from the price differences partially or wholly due to the cost differences among the distribution regions. The amount to be provided to or collected from the entities holding electricity distribution license is calculated in accordance with a formula determined by EMRA for each distribution region and informed to the parties. These amounts are recognised in profit or loss.

iii) 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.

Çalık Holding Anonim Şirketi and its Subsidiaries

Notes to Consolidated Financial Statements

As at and for the Year Ended 31 December 2019

(Amounts expressed in thousands of United States Dollar ("USD") unless otherwise stated.)

3 Significant accounting policies (continued)

n) Revenue (continued)

iii) Banking and finance business (continued)

Interest income / expense (continued)

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.

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 relates 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.

iv) 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.

Çalık Holding Anonim Şirketi and its Subsidiaries

Notes to Consolidated Financial Statements

As at and for the Year Ended 31 December 2019

(Amounts expressed in thousands of United States Dollar ("USD") unless otherwise stated.)

3 Significant accounting policies (continued)

n) **Revenue** (continued)

v) *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.

vi) *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.

Çalık Holding Anonim Şirketi and its Subsidiaries

Notes to Consolidated Financial Statements

As at and for the Year Ended 31 December 2019

(Amounts expressed in thousands of United States Dollar ("USD") unless otherwise stated.)

3 Significant accounting policies (continued)

r) *Leases (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.

Çalık Holding Anonim Şirketi and its Subsidiaries

Notes to Consolidated Financial Statements

As at and for the Year Ended 31 December 2019

(Amounts expressed in thousands of United States Dollar ("USD") unless otherwise stated.)

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 to 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.

Çalık Holding Anonim Şirketi and its Subsidiaries

Notes to Consolidated Financial Statements

As at and for the Year Ended 31 December 2019

(Amounts expressed in thousands of United States Dollar (“USD”) unless otherwise stated.)

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.

Çalık Holding Anonim Şirketi and its Subsidiaries

Notes to Consolidated Financial Statements

As at and for the Year Ended 31 December 2019

(Amounts expressed in thousands of United States Dollar ("USD") unless otherwise stated.)

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.

Çalık Holding Anonim Şirketi and its Subsidiaries

Notes to Consolidated Financial Statements

As at and for the Year Ended 31 December 2019

(Amounts expressed in thousands of United States Dollar ("USD") unless otherwise stated.)

4 Acquisition and disposals of subsidiary and non-controlling interest

4.1 Acquisitions of non-controlling interests without change in control during 2019

Çalık Gaz ve Petrol

On 20 May 2019, one of the Group's companies, Çalık Gaz ve Petrol A.Ş., merged under Çalık Holding with the simplified merger method as of 31 December 2018.

Çalık Emlak ve Gayrimenkul

As of 31 May 2019, 100% of the paid-in capital of Çalık Emlak ve Gayrimenkul Yatırımları A.Ş. in accordance with the provisions of the merger with the Company. As a result of this transaction Çalık Holding A.Ş.'s ownership interest decreased to 98,90 % from 99,46 % in GAP İnşaat A.Ş.

Çalık Güneş Enerji

In General Assembly Meetings of Çalık Gaz ve Petrol A.Ş. held on 20 May 2019, Çalık Gaz ve Petrol A.Ş. decided to merged with Çalık Holding A.Ş. As a result of this transaction Çalık Holding A.Ş.'s ownership interest increased to 0,25 % from 99,75% in Çalık Güneş Enerji Üretim A.Ş. As a result of the general assembly held on 2 December 2019, Çalık Holding A.Ş. has transferred its shares corresponding to 99,75% to Momentum Enerji Elektrik Üretim Sanayi ve Ticaret A.Ş.

Çalık Enerji Elektrik

Çalık Enerji Elektrik Üretim ve Madencilik A.Ş., one of the Group companies, merged with Çalık Enerji on 31 October 2019, based on its balance sheets dated 31 October 2019, with a facilitated merger method.

Doğu Akdeniz

On 11 October 2019, Doğu Akdeniz Petrokimya ve Rafineri Sanayi ve Ticaret A.Ş., one of the Group companies, merged within Çalık Holding on the basis of its balance sheets dated 11 October 2019, with a facilitated merger method.

Çalık Solar Enerji

As a result of the general assembly held by Çalık Gaz ve Petrol A.Ş. on May 20, 2019, it was decided to merge Çalık Gaz ve Petrol A.Ş. with Çalık Holding A.Ş.. As a result of this transaction, Çalık Holding A.Ş. increased its share in Çalık Solar Enerji A.Ş. from 1,00 percent to 97,50 percent.

Olimpos Solar

As a result of the general assembly held by Olimpos Solar Enerji Üretim A.Ş. on December 3, 2019, Emlak Girişim Danışmanlığı A.Ş. transferred all shares corresponding to 73,42% of the company's shares to Momentum Enerji Elektrik Üretim Sanayi ve Ticaret A.Ş.

Pasifik Solar

As a result of the general assembly held by Pasifik Solar Enerji Üretim A.Ş. on December 3, 2019, Emlak Girişim Danışmanlığı A.Ş. transferred all shares corresponding to 73,13% of the company's shares to Momentum Enerji Elektrik Üretim Sanayi ve Ticaret A.Ş.

Çalık Holding Anonim Şirketi and its Subsidiaries

Notes to Consolidated Financial Statements

As at and for the Year Ended 31 December 2019

(Amounts expressed in thousands of United States Dollar ("USD") unless otherwise stated.)

4 Acquisition and disposals of subsidiary and non-controlling interest (continued)

4.2 Acquisitions of non-controlling interests with change in control during 2019

Çalık Petrol

On September 2, 2019, all shares corresponding to 80% of the company's shares were sold to third parties and the company was out of the group.

Aktif Halk Enerji

On June 21, 2019, all shares corresponding to 50% of the company's shares were sold to Halk Enerji Yatırımları Üretim İnşaat Taahhüt Ticaret ve Sanayi Anonim Şirketi.

IFM

On January 3, 2019, all shares corresponding to 5% of the company's shares were sold to Akdeniz İnşaat ve Eğitim Hizmetleri Anonim Şirketi.

Kumtaşı Solar

On December 25, 2019, all of the company's shares were sold to Mükafat Portföy Yönetimi Anonim Şirketi Yaprak Yenilenebilir Enerji Girişim Sermayesi Yatırım Fonu.

Synergy Marketing, Granite Holding, TAPCO

Synergy Marketing, Granite Holding and TAPCO companies were liquidated on 30 November, 31 October and 12 November respectively.

4.3 Acquisitions of non-controlling interests without change in control during 2018

Technovision

In General Assembly Meetings of Technovision held on 31 May 2018, Çalık Enerji participated in capital increase amounting to USD 2.119 with USD 2.108 (TL equivalents are 9.500 and 9.450 respectively). As a result of this transaction Group's ownership interest increased to 95,47 percent from 85,87 percent in Technovision.

Ant Enerji

On 3 January 2018, 50 percent of the shares of Ant Enerji which belongs to other shareholders were transferred to Çalık Enerji free of charge and the Group's ownership interest increased to 95,42 percent from 47,71 percent in Ant Enerji.

Gap Pazarlama

As a result of the general assembly meeting of Gap Pazarlama held on 26 December 2018, Çalık Holding joined the capital increase amounting to USD 17.724 with USD 16.698 based on the receivables of Çalık Holding (TL equivalents are 94.000 and 88.555 respectively). As a result of this transaction, the Group increased its share in Gap Pazarlama from 95.00 percent to 99.42 percent.

4.4 Acquisitions of non-controlling interests with change in control during 2018

Çalık Pamuk

On 4 June 2018, Çalık Holding individually participated in capital increase amounting to USD 41.483 (TL equivalent is 190.500) of Çalık Pamuk, which was a subsidiary of the group before it was sold to outside of the Group, whereas the other shareholders of Çalık Pamuk did not use their right of preferences. As a result of this transaction the controlling shares of Çalık Pamuk was transferred to the Group with 86,39 percent.

Çalık Holding Anonim Şirketi and its Subsidiaries

Notes to Consolidated Financial Statements

As at and for the Year Ended 31 December 2019

(Amounts expressed in thousands of United States Dollar ("USD") unless otherwise stated.).

5 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 2019, assets and liabilities including those of discontinued operations are USD 55.607 and USD 8.352 (31 December 2018: USD 61.426 and USD 6.610), respectively, and details are as follows:

Assets held for sale	31 December 2019	31 December 2018
Property, plant and equipment (*)	50.926	57.738
Inventories	4.177	3.444
Intangible assets	30	11
Other assets	474	233
	55.607	61.426
Liabilities held for sale	31 December 2019	31 December 2018
Trade payables	8.352	6.610
	8.352	6.610

(*) Property, plant and equipment consists of properties classified as held for sale of the subsidiaries in textile sector amounting to USD 9.059 (31 December 2018: USD 8.987), land and buildings with a carrying value of USD 679 (31 December 2018: USD 679) obtained against the doubtful receivables in marketing sector and properties amounting to USD 41.188 (31 December 2018: USD 48.072) which were acquired as a result of legal proceedings of uncollectable loans and receivables of banking sector operations.

Çalık Holding Anonim Şirketi and its Subsidiaries

Notes to Consolidated Financial Statements

As at and for the Year Ended 31 December 2019

(Amounts expressed in thousands of United States Dollar ("USD") unless otherwise stated.)

6 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 supplies goods used in the production and the domestic or foreign projects carried out mainly by the Group entities.

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 electronic fee collection, organisation, mining, transportation energy licence procurement and various services.

Çalık Holding Anonim Şirketi and its Subsidiaries

Notes to Consolidated Financial Statements

As at and for the Year Ended 31 December 2019

(Amounts expressed in thousands of United States Dollar ("USD") unless otherwise stated.).

6 Operating segments (continued)

The following information was prepared according to the accounting policies applied for subsidiaries, associates, joint ventures and joint operations.

	2019								
	Energy	Construction	Textile	Marketing	Tele-communication	Banking and finance	Others	Eliminations	Total
Revenue	747.639	218.998	196.488	63.855	71.577	626.027	37.521	(164.864)	1.797.241
Gross profit	246.850	36.736	48.013	7.438	27.492	280.624	28.915	(50.023)	626.045
Other income/(costs), net	(66.496)	(7.840)	(23.089)	(8.120)	(22.775)	(182.698)	(17.247)	14.966	(313.299)
Results from operating activities	180.354	28.896	24.924	(682)	4.717	97.926	11.668	(35.057)	312.746
Gain /(loss) from investing activities	5.705	10.091	(84)	13	(269)	57.423	268.216	(230.781)	110.314
Share of the after tax to profit/(loss) of equity accounted	40.845	--	--	--	--	(1.709)	4.209	(3)	43.342
Interest expense	(11.885)	(5.988)	(26.060)	(4.604)	(9.214)	(2.533)	(86.382)	13.388	(133.278)
Other finance income/(cost), net	(6.021)	39	(17.490)	458	403	8.070	24.467	(742)	9.184
Consolidated profit / (loss) before tax	208.998	33.038	(18.710)	(4.815)	(4.363)	159.177	222.178	(253.195)	342.308
Income tax benefit / (expense)	(11.643)	(2.781)	6.201	291	(823)	(29.282)	(5.610)	4.188	(39.459)
Net profit/(loss) for the year	197.355	30.257	(12.509)	(4.524)	(5.186)	129.895	216.568	(249.007)	302.849

	Energy	Construction	Textile	Marketing	Tele-communication	Banking and finance	Other	Eliminations	Total
Segment assets	1.184.560	1.094.123	350.469	135.889	240.217	7.451.321	1.351.354	(1.890.550)	9.917.383
Segment liabilities	(577.704)	(756.235)	(298.715)	(92.972)	(192.037)	(6.575.153)	(805.004)	1.015.761	(8.282.059)
Capital expenditure	19.317	4.293	30.000	20	20.618	56.874	14.378	(3.699)	141.801
Depreciation and amortisation	(18.661)	(11.345)	(10.485)	(186)	(13.402)	(16.437)	(2.611)	(382)	(73.509)

Çalık Holding Anonim Şirketi and its Subsidiaries

Notes to Consolidated Financial Statements

As at and for the Year Ended 31 December 2019

(Amounts expressed in thousands of United States Dollar ("USD") unless otherwise stated.).

6 Operating segments (continued)

	2018								
	Energy	Construction	Textile	Marketing	Tele-communication	Banking and finance	Others	Eliminations	Total
Revenue	1.108.723	409.767	191.378	54.055	75.305	584.388	97.072	(107.180)	2.413.508
Gross profit	325.195	(115.493)	69.956	6.712	26.998	276.440	37.189	2.757	629.754
Other income/(costs), net	(80.514)	(13.116)	(60.982)	(1.066)	(26.824)	(141.839)	(42.197)	(20.387)	(386.925)
Results from operating activities	244.681	(128.609)	8.974	5.646	174	134.601	(5.008)	(17.630)	242.829
Gain /(loss) from investing activities	(108)	(12.775)	56	(2)	(2.037)	42.724	202.910	(184.298)	46.470
Share of the after tax to profit/(loss) of equity accounted	28.779	--	--	--	--	(1.243)	(1.059)	(290)	26.187
Interest expense	(19.047)	(13.036)	(19.585)	(5.352)	(9.683)	(5.311)	(96.815)	4.447	(164.382)
Other finance income/(expenses), net	(14.932)	(971)	(36.500)	(4.131)	9.529	(18.495)	(60.764)	14.991	(111.273)
Consolidated profit / (loss) before tax	239.373	(155.391)	(47.055)	(3.839)	(2.017)	152.276	39.264	(182.780)	39.831
Income tax benefit / (expense)	(25.775)	9.826	13.458	41	(39)	(32.173)	(2.142)	(831)	(37.635)
Net profit/(loss) for the year	213.598	(145.565)	(33.597)	(3.798)	(2.056)	120.103	37.122	(183.611)	2.196

	Energy	Construction	Textile	Marketing	Tele-communication	Banking and finance	Other	Eliminations	Total
Segment assets	1.382.321	1.110.580	317.951	111.158	215.732	6.623.360	1.417.453	(2.172.201)	9.006.354
Segment liabilities	(722.101)	(865.030)	(245.187)	(64.924)	(161.999)	(5.867.418)	(980.490)	1.270.818	(7.636.331)
Capital expenditure	20.459	5.467	69.175	25	5.601	127.091	18.258	(12.182)	233.894
Depreciation and amortisation	(21.549)	(11.975)	(9.012)	(195)	(15.608)	(14.129)	(3.302)	(1)	(75.771)

Çalık Holding Anonim Şirketi and its Subsidiaries

Notes to Consolidated Financial Statements

As at and for the Year Ended 31 December 2019

(Amounts expressed in thousands of United States Dollar ("USD") unless otherwise stated.).

6 Operating segments (continued)

Distribution of the non-current assets and revenue balances by geographic divisions where the Group operates in, are as follows:

	2019	2018
<u>Revenue</u>		
Turkey	1.139.014	1.337.038
Turkmenistan	118.983	421.162
Albania	234.735	247.571
Other	304.509	407.737
	1.797.241	2.413.508
<u>Non-current Assets</u>		
Albania	2.225.759	2.175.323
Turkey	1.925.971	1.541.307
Turkmenistan	26.776	201.278
Other	369.680	422.740
	4.548.186	4.340.648

7 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:

	2019				
	Shareholders	Associates	Joint ventures	Other	Total
Trade receivables (***)	--	21.912	1.496	25.799	49.207
Other receivables (**)	320.266	149	1.535	44.590	366.540
Receivables related to finance sector operations	--	108	--	2.953	3.061
Prepaid expenses	--	2.549	--	6.385	8.934
Borrowings	--	(123.133)	--	(268)	(123.401)
Trade payables	--	(2.033)	(823)	(900)	(3.756)
Payables related to finance sector operations	(86)	(10)	(141)	(695)	(932)
Deferred revenue	--	(1)	(29)	(10.372)	(10.402)
Other payables (*)	(24.381)	--	(25)	(3.413)	(27.819)
Total	295.799	(100.459)	2.013	64.079	261.432

Çalık Holding Anonim Şirketi and its Subsidiaries

Notes to Consolidated Financial Statements

As at and for the Year Ended 31 December 2019

(Amounts expressed in thousands of United States Dollar ("USD") unless otherwise stated.)

7 Related party disclosures (continued)

	2018				
	Shareholders	Associates	Joint ventures	Other	Total
Trade receivables (***)	--	4.624	122	150.078	154.824
Other receivables (**)	320.660	14	3.051	2.016	325.741
Receivables related to finance sector operations	--	143	30.487	4.806	35.436
Borrowings	--	(70.377)	--	(172)	(70.549)
Trade payables	--	(1.509)	(994)	(2)	(2.505)
Payables related to finance sector operations	(43)	(7)	(836)	(1.916)	(2.802)
Deferred revenue	--	(2)	(52)	(62.641)	(62.695)
Other payables (*)	(152.023)	--	(25)	(50)	(152.098)
Total	168.594	(67.114)	31.753	92.119	225.352

(*) As of 31 December 2019, USD 24.381 (31 December 2018: USD 152.011) portion of the other payables to shareholders is comprised of the debt of GAP İnşaat Dubai FZE to shareholders.

(**) As of 31 December 2019, USD 320.000 (31 December 2018: 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.

(***) As of 31 December 2019, USD 22.131 (31 December 2018: USD 150.053) of the trade receivables is composed of the receivables of Çalık Enerji, which consists of the receivables arising from subcontractor activities in Iraq and Uzbekistan for Mitsubishi Corporation

No impairment losses have been recognised against balances outstanding as at 31 December 2019 (31 December 2018: 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:

	2019				
	Shareholders	Associates	Joint ventures	Other	Total
Revenue*	23	24.080	3.024	217.488	244.615
Cost of sales	--	(30.627)	(132)	(26.001)	(56.760)
General and administrative expenses	(40)	(44)	(231)	(181)	(496)
Sales, marketing and distribution expenses	--	--	--	(3)	(3)
Other Income/(expense) from operating activities	7	(160)	694	(490)	51
Income/(expense) from financing activities	1.124	(83)	1.307	(159)	2.189
Total	1.114	(6.834)	4.662	190.654	189.596

	2018				
	Shareholders	Associates	Joint ventures	Other	Total
Revenue*	198	75.700	6.182	338.679	420.759
Cost of sales	--	(35.355)	(345)	(3.303)	(39.003)
General and administrative expenses	(448)	(32)	(193)	(154)	(827)
Sales, marketing and distribution expenses	--	--	--	(11)	(11)
Gain from investing activities	--	(9)	1	217	209
Other Income/(expense) from operating activities	--	3	2.790	40	2.833
Income/(expense) from financing activities	5.039	2	22	332	5.395
Total	4.789	40.309	8.457	335.800	389.355

(*) (*) As of 31 December 2019, USD 206.301 (31 December 2018: USD 309.030) of the revenue is composed of the operations of Çalık Enerji, which consists of the arising from subcontractor activities in Iraq and Uzbekistan for Mitsubishi Corporation.

Çalık Holding Anonim Şirketi and its Subsidiaries

Notes to Consolidated Financial Statements

As at and for the Year Ended 31 December 2019

(Amounts expressed in thousands of United States Dollar ("USD") unless otherwise stated.)

7 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 2019 amounted to USD 24.671 (2018: USD 20.585).

8 Cash and cash equivalents

At 31 December, cash and cash equivalents comprised the following:

2019	Finance^(*)	Non-finance^(**)	Total
Cash on hand	82.141	504	82.645
Cash at banks	1.168.286	260.438	1.428.724
-Time deposits	635.383	160.766	796.149
-Demand deposits	532.903	99.672	632.575
Balances at central bank (excluding statutory reserve)	10.579	--	10.579
Other cash and cash equivalents ^(***)	232.108	121	232.229
Cash and cash equivalents	1.493.114	261.063	1.754.177
Restricted amounts	(44.307)	(64.191)	(108.498)
Cash and cash equivalents in the consolidated statement of cash flows	1.448.807	196.872	1.645.679

2018	Finance^(*)	Non-finance^(**)	Total
Cash on hand	68.761	195	68.956
Cash at banks	628.931	91.333	720.264
-Time deposits	275.812	45.095	320.907
-Demand deposits	353.119	46.238	399.357
Balances at central bank (excluding statutory reserve)	7.779	--	7.779
Other cash and cash equivalents ^(***)	6.733	120	6.853
Cash and cash equivalents	712.204	91.648	803.852
Restricted amounts	(37.074)	(27.244)	(64.318)
Cash and cash equivalents in the consolidated statement of cash flows	675.130	64.404	739.534

^(*) 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 receivables reverse repo transaction amounting to USD 227.648 (31 December 2018: None), money market amounting to USD 3.459 (31 December 2018: USD 5.878), money in transit amounting to USD 110 (31 December 2018: USD 115) and credit card receivables amounting to USD 1.012 (31 December 2018: USD 860).

As at 31 December 2019, restricted cash in cash equivalents amounting to USD 108.498 (31 December 2018: USD 64.318) is not available in the Group's day-to-day operations. Amount of USD 639 of the restricted amounts (31 December 2018: USD 638) is related to the mandatory bank deposits at a bank in Georgia for a maintenance contract and amount of USD 59.756 are held in domestic banks as security for the outstanding bank loans (31 December 2018: 23.516). The remaining restricted cash balance of USD 3.774 (31 December 2018: USD 1.425) mainly comprised of cash security given to İstanbul Takas ve Saklama Bankası Anonim Şirketi for the electricity purchases from Market Financial Settlement Center ("PMUM"). The amount of USD 22 comprises of the court-restricted amount on expropriation cases (31 December 2018: 24).

Çalık Holding Anonim Şirketi and its Subsidiaries

Notes to Consolidated Financial Statements

As at and for the Year Ended 31 December 2019

(Amounts expressed in thousands of United States Dollar ("USD") unless otherwise stated.)

8 Cash and cash equivalents (continued)

The balances are not in this year but in the year ending 31 December 2018 are as follows: USD 1.061 of the restricted amount mainly comprised of security held in banks, USD 46 of the restricted amounts are related to the mandatory bank deposits at banks in Turkey for engineering, procurement and construction projects ("EPC") in accordance with the relevant agreements, USD 534 of the restricted amounts is related to the mandatory bank deposits at a bank in Uzbekistan.

The mandatory restricted account amounting to USD 44.307 (31 December 2018: USD 37.074). These amounts arising from the Group's banking activities in Albania and Turkey.

9 Financial investments

At 31 December, financial investments comprised the following:

2019			
	Current	Non-current	Total
Financial assets at FVTOCI	996.683	1.072.655	2.069.338
Financial assets at FVTPL	197.600	30.506	228.106
Financial assets at amortised costs (*)	88.881	61.871	150.752
	1.283.164	1.165.032	2.448.196

2018			
	Current	Non-current	Total
Financial assets at FVTOCI	725.565	925.239	1.650.804
Financial assets at FVTPL	180.200	21.536	201.736
Financial assets at amortised costs (*)	117.663	141.759	259.422
	1.023.428	1.088.534	2.111.962

(*) As at 31 December 2019 and 2018, 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 2019, an increase in fair value for this investment amounting to USD 17.090 (31 December 2018: USD 19.242) 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 2.609 / USD 4.817 (31 December 2018: USD 11.981 / USD 10.674), respectively.

Çalık Holding Anonim Şirketi and its Subsidiaries

Notes to Consolidated Financial Statements

As at and for the Year Ended 31 December 2019

(Amounts expressed in thousands of United States Dollar ("USD") unless otherwise stated.).

9 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:

	2019	2018
	<u>Carrying Amount</u>	<u>Carrying amount</u>
Financial investments of finance sector companies' entities		
Public sector bonds, notes and bills	1.584.906	1.276.287
Private sector bonds, notes and bills	259.694	199.604
Asset backed securities and lease certificates	140.226	94.099
Investment funds	68.256	69.080
Equity securities – listed	15.400	8.760
Equity securities – non-listed		
Anagold Madencilik Sanayi ve Ticaret Anonim Şirketi	197.600	180.200
Bursagaz Bursa Şehiriçi		
Doğal Gaz Dağıtım Ticaret ve Taahhüt Anonim Şirketi	18.990	15.397
Kayserigaz Kayseri Doğalgaz		
Dağıtım Pazarlama Ticaret Anonim Şirketi	11.516	6.140
Other	856	2.975
Balance at 31 December	2.297.444	1.852.542

Financial assets measured at cost that are not traded in an active market

As at 31 December 2019, investments in equity securities amounting to USD 856 (31 December 2018: USD 2.975) 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.

Held to maturity financial investments

At 31 December, held to maturity financial investments comprised the following:

	2019	2018
	<u>Carrying Amount</u>	<u>Carrying Amount</u>
Financial investments of finance sector companies' entities		
Asset backed securities and lease certificates	46.855	128.364
Public sector bonds, notes and bills	45.413	64.622
Private sector bonds, notes and bills	44.793	59.470
Other (*)	13.691	6.963
Total	150.752	259.419

Çalık Holding Anonim Şirketi and its Subsidiaries

Notes to Consolidated Financial Statements

As at and for the Year Ended 31 December 2019

(Amounts expressed in thousands of United States Dollar ("USD") unless otherwise stated.)

9 Financial investments (continued)

The movements in financial investments during the year ended 31 December 2019 were as follows:

	<i>Financial assets at FVTOCI</i>	<i>Financial assets at amortised costs</i>	<i>Financial assets at FVTPL</i>
At 1 January 2019	1.650.804	259.422	201.736
Additions through purchases	942.389	44.488	--
Fair value gains/ (losses)	71.082	1.711	22.753
Disposals (sale and redemption)	(522.984)	(129.343)	--
Impairment	(4.397)	(189)	--
Foreign currency translation differences	(67.556)	(25.337)	3.617
At 31 December 2019	2.069.338	150.752	228.106

The movements in financial investments during the year ended 31 December 2018 were as follows:

	<i>Financial assets at FVTOCI</i>	<i>Financial assets at amortised costs</i>	<i>Financial assets at FVTPL</i>
At 1 January 2018	1.455.401	241.947	190.800
IFRS 9 effects as at January 1, 2018	(435)	(136)	22.189
Additions through purchases	892.765	41.675	--
Fair value gains/ (losses)	32.225	2.214	19.242
Transfers	(6.715)	--	6.715
Transfers to investments in equity-accounted investees	(1.676)	--	--
Disposals (sale and redemption)	(694.016)	(19.066)	--
Foreign currency translation differences	(26.745)	(7.212)	(37.210)
At 31 December 2019	1.650.804	259.422	201.736

The Group's exposure to credit, currency and interest rate risks related to investment securities are disclosed in Note 36.

10 Financial assets related to concession agreements

As at 31 December, Financial assets related to concession agreements comprised the following:

	2019	2018
Current financial assets related to concession agreements	48.974	70.140
Non-current financial assets related to concession agreements	242.083	259.255
	291.057	329.395

Çalık Holding Anonim Şirketi and its Subsidiaries

Notes to Consolidated Financial Statements

As at and for the Year Ended 31 December 2019

(Amounts expressed in thousands of United States Dollar ("USD") unless otherwise stated.)

10 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.Ara.19	31.Ara.18
Financial asset at the beginning of the period	329.395	361.160
Investments during the year	24.896	55.073
Collections	(69.209)	(62.513)
Principal collections	(40.176)	(35.306)
Financial income collections	(29.033)	(27.207)
Financial income	33.155	54.666
Fair value difference and other corrections	10.457	29.510
Foreign currency translation differences	37.637	108.501
End of Period Financial asset	291.057	329.395

As at 31 December 2019, the maturity breakdown of the financial assets related to concession agreements:

	31.Ara.19	31.Ara.18
Up to 1 year	48.974	70.140
Up to 1 - 3 years	73.117	72.292
Up to 3 - 5 years	100.081	101.252
Over 5 years	68.885	85.711
Total	291.057	329.395

11 Trade receivables and payables

Trade receivables

Short-term trade receivables

As at 31 December, short-term trade receivables comprised the following:

	2019	2018
Due from related parties	46.927	107.082
Due from third parties	283.399	251.217
	330.326	358.299

Çalık Holding Anonim Şirketi and its Subsidiaries

Notes to Consolidated Financial Statements

As at and for the Year Ended 31 December 2019

(Amounts expressed in thousands of United States Dollar ("USD") unless otherwise stated.)

11 Trade receivables and payables (continued)

Trade receivables (continued)

Short-term trade receivables (continued)

As at 31 December, short-term trade receivables comprised the following:

	2019	2018
Accounts receivables	286.571	316.495
Doubtful receivables	54.238	53.599
Notes receivables (*)	40.242	36.194
Postdated cheques received	2.597	3.449
Other trade receivables	944	3.148
	384.592	412.885
Allowances for doubtful trade receivables (-)	(54.238)	(53.599)
Discount on trade receivables (-)	(28)	(987)
Total	330.326	358.299

(*) As of December 31, 2019, USD 30.580 of notes receivable consists of notes received from Çalık Denim's commercial activities (31 December 2018: USD 27.105).

Movements of allowance for doubtful receivables for the year ended at 31 December were as follows:

	2019	2018
Balance at 1 January	53.599	57.640
IFRS 9 effects as at January 1, 2019	--	3.214
Allowance for the period	8.376	8.322
Recoveries of amounts previously impaired (-)	(6.142)	(7.377)
Additions through acquisitions of subsidiaries	--	470
Foreign currency translation difference	(1.595)	(8.670)
Total	54.238	53.599

Long-term trade receivables

As at 31 December, long-term trade receivables comprised the following:

	2019	2018
Accounts receivables	98.629	192.047
Total	98.629	192.047
Discount on trade receivables (-)	(12)	(11)
Total	98.617	192.036

Çalık Holding Anonim Şirketi and its Subsidiaries

Notes to Consolidated Financial Statements

As at and for the Year Ended 31 December 2019

(Amounts expressed in thousands of United States Dollar ("USD") unless otherwise stated.).

11 Trade receivables and trade payables (continued)

Trade payables

Short-term trade payables

	2019	2018
Due to related parties	3.756	2.505
Due to third parties	252.575	433.457
Total	256.331	435.962

	2019	2018
Accounts payables(*)	222.514	408.345
Notes payable	23.326	21.649
Other trade payable	10.491	5.968
Total	256.331	435.962

(*) 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:

	2019	2018
Accounts payables	8.959	13.508
Total	8.959	13.508

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 36.

12 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	2019	2018
Due from related parties	3.061	35.357
Due from third parties	641.646	916.238
Total	644.707	951.595

Receivables related to finance sector operations	2019	2018
Loans and receivables from customers	571.109	793.850
Loans and receivables from banks	60.608	141.986
Non-performing loans and receivables	53.289	51.439
Subtotal	685.006	987.275
Provision for impairment in value of loans and receivables	(40.299)	(35.680)
Total	644.707	951.595

Çalık Holding Anonim Şirketi and its Subsidiaries

Notes to Consolidated Financial Statements

As at and for the Year Ended 31 December 2019

(Amounts expressed in thousands of United States Dollar ("USD") unless otherwise stated.)

12 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	2019	2018
Due from related parties	--	79
Due from third parties	1.478.473	1.240.307
Total	1.478.473	1.240.386

Receivables related to finance sector operations	2019	2018
Loans and receivables from customers	1.467.915	1.245.568
Loans and receivables from banks	68.705	53.691
Subtotal	1.536.620	1.299.259
Provision for impairment in value of loans and receivables	(58.147)	(58.873)
Total	1.478.473	1.240.386

Movements of provision for impairment in value of loans and receivables for the years ended 31 December were as follows:

	2019	2018
Specific allowances for impairment		
Balance on 1 January	84.172	71.442
IFRS 9 effects as at January 1, 2018	--	8.277
Impairment loss for the year	14.431	10.199
- Charge for the year	37.086	26.585
- Recoveries	(22.655)	(16.386)
Translation difference	(10.144)	(5.746)
Balance on 31 December	88.459	84.172
Collective allowances for impairment		
Balance on 1 January	10.381	12.952
IFRS 9 effects as at January 1, 2018	--	5.045
Impairment loss for the year	830	(2.613)
- Charge for the year	4.697	4.129
- Recoveries	(3.867)	(6.742)
Translation difference	(1.224)	(5.003)
Balance on 31 December	9.987	10.381
Total allowances for impairment	98.446	94.553

Çalık Holding Anonim Şirketi and its Subsidiaries

Notes to Consolidated Financial Statements

As at and for the Year Ended 31 December 2019

(Amounts expressed in thousands of United States Dollar ("USD") unless otherwise stated.)

12 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	2019	2018
Due to related parties	932	2.802
Due to third parties	3.964.030	3.697.726
Total	3.964.962	3.700.528

As at 31 December, short-term payables to third parties comprised the following:

Short term payables related to finance sector operations	2019	2018
Due to banks	35.972	34.710
Time deposits	27.420	33.314
Current accounts	8.552	1.396
Due to customers	2.960.754	2.744.646
Individual	2.360.156	2.204.293
Private enterprises	461.697	409.971
Public institutions	87.965	58.198
Other	50.936	72.184
Customer accounts (*)	311.044	399.731
Funds from repo transactions	657.192	521.441
Total	3.964.962	3.700.528

(*) 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 2019, this account does not include any deposit amount (31 December 2018: None).

As at 31 December, long-term payables related to finance sector operations comprised the following:

Long term payables related to finance sector operations	2019	2018
Payables from finance sector activities to third parties	448.111	384.435
Total	448.111	384.435

Long term payables related to finance sector operations	2019	2018
Due to customers		
Individual	407.022	356.703
Private enterprises	23.590	25.963
Public institutions	16.492	--
Other	1.007	1.769
Total	448.111	384.435

Other short-term receivables

As at 31 December, other short-term receivables comprised the following:

	2019	2018
Due from related parties	46.540	5.741
Due from third parties	182.756	69.924
	229.296	75.665

Çalık Holding Anonim Şirketi and its Subsidiaries

Notes to Consolidated Financial Statements

As at and for the Year Ended 31 December 2019

(Amounts expressed in thousands of United States Dollar ("USD") unless otherwise stated.)

13 Other receivables and other payables

As at 31 December, short-term other receivables from third parties comprised the following:

	2019	2018
Deposits and guarantees given	117.094	1.834
Receivables from tax authorities	4.760	5.580
Due from joint ventures	1.535	3.051
Due from shareholders	266	660
Due from associates	149	14
Receivables from personnel	14	37
Other receivables	108.823	67.876
	232.641	79.052
Allowance for other doubtful receivables (-)	(3.345)	(3.387)
Total	229.296	75.665

Other long-term receivables

As at 31 December, other long-term receivables comprised the following:

	2019	2018
Due from shareholders	320.000	320.000
Deposits and guarantees given	3.456	112.168
Other receivables	3.488	865
Receivables from personnel	227	270
Total	327.171	433.303

Other short-term payables

As at 31 December, other short-term payables comprised the following:

	2019	2018
Due to related parties	27.819	152.098
Due to third parties	35.098	34.761
Total	62.917	186.859

As at 31 December, other short-term payables comprised the following:

	2019	2018
Due to shareholders	24.381	152.023
Deposits and guarantees received (*)	20.814	23.087
Other payables	17.722	11.749
Total	62.917	186.859

Other long-term payables

As at 31 December, other long-term payables comprised the following:

	2019	2018
Due to third parties	48.254	42.869
	48.254	42.869

Çalık Holding Anonim Şirketi and its Subsidiaries

Notes to Consolidated Financial Statements

As at and for the Year Ended 31 December 2019

(Amounts expressed in thousands of United States Dollar ("USD") unless otherwise stated.)

13 Other receivables and other payables (continued)

As at 31 December, other long-term payables to third parties comprised the following:

	2019	2018
Deposits and guarantees received (*)	41.917	42.869
Other	6.337	--
Total	48.254	42.869

(*) 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.

14 Inventories

As at 31 December, inventories comprised the following:

	2019	2018
Trading properties (*)	107.496	130.546
Raw materials	60.313	69.306
Trading goods	30.727	26.475
Finished goods	23.611	18.373
Semi finished goods in production	11.285	10.088
Other inventories	1.179	612
Allowance for impairment of inventories (-)	(5.229)	(4.679)
Total	229.382	250.721

(*) Trading properties comprise residential and office buildings under development in various areas of Istanbul for selling.

Movements of provision for inventories for the year ended at 31 December were as follows:

	2019	2018
Beginning balance	4.679	3.919
Current year provision	702	1.180
Translation difference	(152)	(420)
	5.229	4.679

As at 31 December 2019, the Group capitalised borrowing costs amounting to USD 48.035 (accumulated) on trading properties under development (31 December 2018: USD 41.736 (accumulated)).

15 Prepayments and deferred revenue

Current prepayments

As at 31 December, current portion of prepayments comprised the following:

	2019	2018
Advances given (*)	32.810	70.875
Other	14.115	19.297
Total	46.925	90.172

(*) Advances given mainly consists of advances given to suppliers and service providers for ongoing EPC projects.

Çalık Holding Anonim Şirketi and its Subsidiaries

Notes to Consolidated Financial Statements

As at and for the Year Ended 31 December 2019

(Amounts expressed in thousands of United States Dollar ("USD") unless otherwise stated.)

15 Prepayments and deferred revenue (continued)

Non-current prepayments

As at 31 December, non-current prepayments comprised the following:

	2019	2018
Advances given for property, plant and equipment acquisitions	1.856	9.257
Other (*)	25.783	33.345
Total	27.639	42.602

(*) The other non-current prepayments mainly consist of the payment made to football clubs and Turkish Football Federation ("TFF") amounting to USD 14.107 (31 December 2018: USD 25.547) according to respective agreement.

Short term deferred revenue

As at 31 December, short-term portion of deferred revenue comprised the following:

	2019	2018
Short term deferred revenue		
Advances received (*)	35.763	107.357
Short term deferred income	41.661	5.841
Total	77.424	113.198

As at 31 December, long term deferred revenue comprised the following:

	2019	2018
Long term deferred revenue		
Long term deferred income (**)	91.735	79.392
Total	91.735	79.392

(*) Advances received are composed of the contract advances received from Türkmen Energo Guruluşuk State Company within the scope of the MRC project undertaken by the Group in Turkmenistan, General Electricity Company of Libya within the scope of the KMS project undertaken by the Group in Libya and from Mitsubishi Corporation within the scope of the NAV2 and TRC projects undertaken by the Group in Uzbekistan also BSR project undertaken by the Group in Iraq.

(**) As at 31 December, USD 91.079 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 2018: USD 75.026).

16 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 Distribuium 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.

Çalık Holding Anonim Şirketi and its Subsidiaries

Notes to Consolidated Financial Statements

As at and for the Year Ended 31 December 2019

(Amounts expressed in thousands of United States Dollar (“USD”) unless otherwise stated.)

16 Investments in equity-accounted investees (continued)

i) Joint ventures (continued)

KÇLE

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.

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 Erzinan 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.

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. As at reporting date, Polimetal is a joint venture of Lidya Maden and YAMAS with an ownership structure of 50 percent and 50 percent, respectively.

Çalık Holding Anonim Şirketi and its Subsidiaries

Notes to Consolidated Financial Statements

As at and for the Year Ended 31 December 2019

(Amounts expressed in thousands of United States Dollar ("USD") unless otherwise stated.)

16 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:

Joint ventures	31 December 2019		31 December 2018	
	<u>Carrying value</u>	<u>% of ownership</u>	<u>Carrying value</u>	<u>% of ownership</u>
<u>Assets</u>				
KÇLE	100.831	50,00	87.628	50,00
Doğu Aras	68.570	50,00	36.484	50,00
Polimetal	9.176	50,00	8.727	50,00
Tunçpınar	7.880	50,00	1.688	50,00
Kartaltepe	1.450	50,00	4.620	50,00
Çalık Limak Adı Ortaklığı	524	50,00	1.063	50,00
LC Electricity	10	50,00	4	50,00
	188.441		140.214	

For the years ended 31 December, the movements in net investments in joint ventures were as follows:

	2019	2018
Balance at 1 January	140.214	126.999
Share of profit of equity accounted investees	45.053	27.720
Translation difference	1.945	(17.613)
Share capital increases	1.229	3.108
Balance at 31 December	188.441	140.214

Çalık Holding Anonim Şirketi and its Subsidiaries

Notes to Consolidated Financial Statements

As at and for the Year Ended 31 December 2019

(Amounts expressed in thousands of United States Dollar ("USD") unless otherwise stated.)

16 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 2019		31 December 2018	
	<u>Carrying</u>	<u>% of</u>	<u>Carrying</u>	<u>% of</u>
Associates	value	ownership	value	ownership
<u>Assets</u>				
Kazakhstan Ijara				
Company KIC Leasing	2.689	14,32	2.411	14,32
Halk Yenilenebilir Enerji (*)	1.884	50,00	2.105	50,00
Idea Farm	1.363	30,00	1.539	30,00
Haliç Leasing	1.100	32,00	1.382	32,00
Albania Leasing	904	29,99	1.373	29,99
Euro-Mediterranean	1.182	25,57	1.226	25,57
Eurasian Leasing Company	1.077	36,71	964	36,70
Secom Aktif Güvenlik Yatırım A.Ş.	806	50,00		
Dome zero inch.	139	1,98		
Oniki Teknoloji A.Ş.	--	--	10	100,00
Aktif VKŞ (**)	--	--	--	100,00
Aktif Halk Enerji (*)	--	--	--	50,00
Subtotal	11.144		11.010	
<u>Liabilities</u>				
TAPCO	(39)	--	(41)	50
Subtotal	(39)		(41)	
Total	11.105		10.969	

(*) Aktif Halk Enerji and Halk Yenilenebilir Enerji are established in 2017, in Ankara for establishing and providing maintenance-repair services to power generation plants.

(**) Aktif VKŞ engages issuance of Sukuk. According to IFRS 10, a company shall have the major effect on the financial statements of the parent company. On the other hand, Aktif VKŞ does not have the major effect on the founder of the parent company's financial statements required to be consolidated power, variable power and variable returns to affect returns to considered in the consolidation. Aktif VKŞ does not meet with consolidation requirements of IFRS 10. Thus, it has not been consolidated in the Group's consolidated financial statements as at 31 December 2019 and 2018.

For the years ended 31 December, the movements in investments in associates were as follows:

	2019	2018
Balance at 1 January	10.969	13.934
Acquisition of shares in associates	--	10
Share of gain of equity accounted associates	(1.711)	(1.728)
Effect of control change in investments classified as available-for-sale financial assets	--	1.676
Impairment	--	(21)
Disposal	(9)	--
Capital contribution to share increase in associates	2.488	--
Translation difference	(632)	(2.902)
Balance at 31 December	11.105	10.969

Çalık Holding Anonim Şirketi and its Subsidiaries

Notes to Consolidated Financial Statements

As at and for the Year Ended 31 December 2019

(Amounts expressed in thousands of United States Dollar (“USD”) unless otherwise stated.)

16 Investments in equity-accounted investees (continued)

Summary financial information for equity-accounted associates were presented below:

31 December 2019													
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 Ijara Company Jsc.	31 December	14,32	3.770	19.061	22.831	3.796	--	3.796	19.035	1.503	2.726	2.689	215
Eurasian Leasing Company	31 December	36,71	2.986	405	3.391	275	182	457	2.934	73	1.077	1.077	26
Euro Mediterranean	31 December	25,57	9.239	1.478	10.717	5.824	--	5.824	4.893	391	1.251	1.182	100
Haliç Finansal Kiralama	31 December	32	5.778	69	5.847	2.466	--	2.466	3.381	(405)	1.082	1.100	(130)
Halk Yenilenebilir Enerji	31 December	50	868	--	868	618	--	618	250	40	125	1.884	20
Idea Farm	31 December	30	1.363	--	1.363	--	--	--	1.363	--	409	1.363	--
Albania Leasing Company	31 December	29,99	952	7.270	8.222	278	4.342	4.620	3.602	1	1.080	904	(440)
Secom Aktif Güvenlik Yatırım A.Ş.	31 December	50	2.058	13.621	15.679	1.842	12.131	13.973	1.706	(2.999)	853	806	(1.500)
Dome Zero	31 December	1,98	138	--	138	--	--	--	138	--	3	138	--
TAPCO	31 December	--	--	--	--	--	--	--	--	(4)	--	(38)	(2)
Total												11.105	(1.711)

Summary financial information for equity-accounted joint ventures were presented below:

31 December 2019													
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)
KÇLE	31 December	50	78.394	154.190	232.584	49.775	9.193	58.968	173.616	5.508	86.808	100.831	2.754
Doğu Aras	31 December	50	118.721	--	118.721	4.798	--	4.798	113.923	75.956	56.962	68.570	37.978
Çalık Limak Adı Ortaklığı	31 December	50	3.312	--	3.312	3.309	--	3.309	3	224	2	524	112
Polimetel	31 December	50	916	11.938	12.854	1.702	119	1.821	11.033	(1.946)	5.517	7.880	(973)
Tuncpınar	31 December	50	77	--	77	10	--	10	67	(190)	34	1.450	(95)
Kartaltepe	31 December	50	16.090	804	16.894	4.741	--	4.741	12.153	10.552	6.077	9.176	5.276
LC Electricity	31 December	50	--	--	--	--	--	--	--	--	--	10	--
Total												188.441	45.052

Çalık Holding Anonim Şirketi and its Subsidiaries

Notes to Consolidated Financial Statements

As at and for the Year Ended 31 December 2019

(Amounts expressed in thousands of United States Dollar (“USD”) unless otherwise stated.)

16 Investments in equity-accounted investees (continued)

Summary financial information for equity-accounted associates were presented below:

31 December 2018													
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 Ijara Company Jsc.	31 December	14,31	1.301	18.986	20.287	2.950	--	2.950	17.337	1.996	2.481	2.411	286
Eurasian Leasing Company	31 December	36,71	109	2.962	3.071	446	--	446	2.625	2	964	964	1
Euro Mediterranean	31 December	25,57	8.655	803	9.458	4.912	--	4.912	4.547	30	1.163	1.226	8
Haliç Finansal Kiralama	31 December	32	6.942	64	7.005	2.750	--	2.750	4.255	389	1.362	1.382	124
Aktif Halk Enerji	31 December	50	27.006	2.378	29.384	28.128	--	28.128	1.255	(3.780)	628	--	(1.890)
Halk Yenilenebilir Enerji	31 December	50	1.649	18	1.667	1.308	--	1.308	358	67	179	2.105	33
Idea Farm	31 December	30	1.539	--	1.539	--	--	--	1.539	--	462	1.539	--
Albania Leasing Company	31 December	29,99	--	--	--	--	--	--	--	--	--	1.373	--
E-Post Dış Ticaret	31 December	100	10	--	10	--	--	--	10	--	10	10	--
TAPCO	31 December	50	160	--	160	(14)	--	(14)	174	(581)	87	(41)	(290)
Total												10.969	(1.728)

Summary financial information for equity-accounted joint ventures were presented below:

31 December 2018													
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)
KÇLE	31 December	50	75.907	147.070	222.977	44.877	2.843	47.720	175.257	12.019	87.629	87.628	6.010
Doğu Aras	31 December	50	85.038	172.016	257.054	96.462	76.646	173.108	83.946	44.387	41.973	36.484	22.194
Çalık Limak Adı Ortaklığı	31 December	50	3.562	--	3.562	3.558	--	3.558	4	1.151	2	1.063	576
Polimetal	31 December	50	1.226	11.950	13.176	1.063	105	1.167	12.009	615	6.005	8.727	308
Tuncpınar	31 December	50	191	--	192	13	--	13	178	(79)	89	1.688	(40)
Kartaltepe	31 December	50	3.533	4.152	7.685	5.340	--	5.340	2.346	(2.655)	1.173	4.620	(1.328)
LC Electricity	31 December	50	51	12	63	37	--	37	26	--	13	4	--
Total												140.214	27.720

Çalık Holding Anonim Şirketi and its Subsidiaries

Notes to Consolidated Financial Statements

As at and for the Year Ended 31 December 2019

(Amounts expressed in thousands of United States Dollar (“USD”) unless otherwise stated.)

16 Investments in equity-accounted investees (continued)

The following table summarises cash and cash equivalents, depreciation and amortisation expenses, interest income and interest expenses of significant joint ventures before consolidation eliminations and adjustments:

<u>Company name</u>	31 December 2019			
	<u>Cash and cash equivalents</u>	<u>Depreciation and amortisation</u>	<u>Interest income</u>	<u>Interest expense</u>
KÇLE	18.822	15.119	12	(775)
Doğu Aras	24.743	7.660	--	--
Çalık Limak Adi Ortaklığı	1.112	--	--	(5)
Kartaltepe	15.119	1.737	36	(298)
Polimetal	485	56	31	(14)
Tunçpınar	76	--	--	--

<u>Company name</u>	31 December 2018			
	<u>Cash and cash equivalents</u>	<u>Depreciation and amortisation</u>	<u>Interest income</u>	<u>Interest expense</u>
KÇLE	11.462	15.346	--	(1.713)
Doğu Aras	5.554	14.364	2.580	(11.470)
Çalık Limak Adi Ortaklığı	688	2	--	(6)
Kartaltepe	428	(38)	43	(434)
Polimetal	126	(248)	(115)	--
Tunçpınar	191	--	--	--
LC Electricity	2	--	--	--

Çalık Holding Anonim Şirketi and its Subsidiaries

Notes to Consolidated Financial Statements

As at and for the Year Ended 31 December 2019

(Amounts expressed in thousands of United States Dollar (“USD”) unless otherwise stated.)

17 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 2018	235.589	516.381	19.609	95.306	24.721	54.596	17.892	964.094
Additions	17.914	26.418	7.628	13.602	3.186	140.441	818	210.007
Transfers	7.452	55.409	--	2.479	--	(65.508)	(732)	(900)
Foreign currency translation differences	(22.434)	(62.285)	(382)	(10.926)	(960)	(17.350)	(4.892)	(119.229)
Addition and disposal of business acquisition	564	76	292	304	1	9.100	537	10.874
Disposals	(18.009)	(4.148)	(2.616)	(1.813)	(737)	(55.474)	(208)	(83.005)
Balance at 31 December 2018	221.076	531.851	24.531	98.952	26.211	65.805	13.415	981.841
Balance at 1 January 2019	221.076	531.851	24.531	98.952	26.211	65.805	13.415	981.841
Additions	5.779	9.940	8.314	7.388	5.168	66.132	430	103.151
Transfers	14.109	21.866	291	1.148	--	(37.473)	35	(24)
Transfers to investment properties	(571)	--	--	--	--	--	--	(571)
Foreign currency translation differences	(4.786)	(30.814)	284	(2.688)	(586)	(6.714)	(529)	(45.833)
Addition and disposal of business acquisition	582	22.428	(44)	(473)	(3)	3	--	22.493
Disposals	(11.725)	(3.138)	(1.425)	(7.362)	(2.122)	(33.562)	(12)	(59.346)
Balance at 31 December 2019	224.464	552.133	31.951	96.965	28.668	54.191	13.339	1.001.711

(*) The construction in progress mainly consists of the construction in progress and textile sector investments.

As at 31 December 2019, total insurance coverage on property, plant and equipment is USD 398.651 (31 December 2018: USD 387.402).

At 31 December 2019, there are mortgages on property, plant and equipment amounting to USD 100.000 (31 December 2018: USD 100.000).

Çalık Holding Anonim Şirketi and its Subsidiaries

Notes to Consolidated Financial Statements

As at and for the Year Ended 31 December 2019

(Amounts expressed in thousands of United States Dollar (“USD”) unless otherwise stated.)

17 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 2018	(58.291)	(194.389)	(14.331)	(51.037)	(9.650)	--	(5.613)	(333.311)
Current year depreciation	(6.173)	(36.631)	(3.385)	(11.383)	(1.605)	--	(3.304)	(62.481)
Transfers	180	(31)	--	(87)	--	--	576	638
Foreign currency translation differences	2.414	20.565	2.106	4.185	(2.168)	--	1.474	28.576
Addition and disposal of business acquisition	--	(24)	(41)	(190)	(1)	--	(247)	(503)
Disposal	6.119	2.197	1.628	1.466	613	--	128	12.151
Balance at 31 December 2018	(55.751)	(208.313)	(14.023)	(57.046)	(12.811)	--	(6.986)	(354.930)
Balance at 1 January 2019	(55.751)	(208.313)	(14.023)	(57.046)	(12.811)	--	(6.986)	(354.930)
Current year depreciation	(6.746)	(33.091)	(4.382)	(10.742)	(2.157)	--	(1.144)	(58.262)
Foreign currency translation differences	(2.268)	8.993	(398)	2.314	(515)	--	(21)	8.105
Addition and disposal of business acquisition	19	(1.096)	10	70	1	--	--	(996)
Disposal	8.627	2.221	1.273	6.218	1.516	--	81	19.936
Balance at 31 December 2019	(56.119)	(231.286)	(17.520)	(59.186)	(13.966)	--	(8.070)	(386.147)
Net carrying value at 1 January 2018	177.298	321.992	5.278	44.269	15.071	54.596	12.279	630.783
Net carrying value at 31 December 2018	165.325	323.538	10.508	41.906	13.400	65.805	6.429	626.911
Net carrying value at 31 December 2019	168.345	320.847	14.431	37.779	14.702	54.191	5.269	615.564

Çalık Holding Anonim Şirketi and its Subsidiaries

Notes to Consolidated Financial Statements

As at and for the Year Ended 31 December 2019

(Amounts expressed in thousands of United States Dollar ("USD") unless otherwise stated.)

18 Intangible assets

Movements of intangible assets and related accumulated amortisation during the years ended 31 December 2019 and 2018 were as follows

Cost	Goodwill	Licences & software	Electricity distribution rights	Brand names	Other intangibles	Total
Balance at 1 January 2018	1.006	104.047	132.313	3.036	32.928	273.330
Additions	--	383	15.501	3	2.989	18.876
Transfers	--	900	--	--	--	900
Foreign currency translation differences	(284)	(21.784)	(38.718)	(860)	(5.917)	(67.563)
Addition of business acquisition	--	5.180	--	--	--	5.180
Disposals	--	(1.266)	--	--	(38)	(1.304)
Balance at 31 December 2018	722	87.460	109.096	2.179	29.962	229.419
Balance at 1 January 2019	722	87.460	109.096	2.179	29.962	229.419
Additions*	7.503	19.844	--	--	7.140	34.487
Transfers	--	24	--	--	--	24
Foreign currency translation differences	(423)	(6.878)	(12.856)	(249)	511	(19.895)
Addition of business acquisition	--	--	8.384	--	(297)	8.087
Disposals	--	(2)	--	--	(35)	(37)
Balance at 31 December 2019	7.802	100.448	104.624	1.930	37.281	252.085
Accumulated Amortization						
Balance at 1 January 2018	--	(61.305)	(35.650)	(5)	(12.743)	(109.703)
Current year amortisation	--	(7.217)	(4.085)	(5)	(1.984)	(13.291)
Transfers	--	(732)	--	--	94	(638)
Foreign currency translation differences	--	14.650	10.424	1	979	26.054
Disposals	--	1.266	--	--	38	1.304
Balance at 31 December 2018	--	(53.338)	(29.311)	(9)	(13.616)	(96.274)
Balance at 1 January 2019	--	(53.338)	(29.311)	(9)	(13.616)	(96.274)
Current year amortisation	--	(7.745)	(5.250)	--	(2.252)	(15.247)
Foreign currency translation differences	--	3.533	3.614	--	(1.775)	5.372
Addition of business acquisition	--	--	--	--	64	64
Corrections	--	--	--	--	35	35
Disposals	--	(1)	--	--	--	(1)
Balance at 31 December 2019	--	(57.551)	(30.947)	(9)	(17.544)	(106.051)
Net carrying value at 1 January 2018	1.006	42.742	96.663	3.031	20.185	163.627
Net book value at 31 December 2018	722	34.122	79.785	2.170	16.346	133.145
Net book value at 31 December 2019	7.802	42.897	73.677	1.921	19.737	146.034

(*) According to share transfer agreements dated 15 February 2019, Emlak Girişim Danışmanlığı A.Ş. decided to purchase 100% of shares of solar energy SPVs for a total consideration of USD 7.291. On 30 June 2019, share transfers were finalised and Emlak Girişim Danışmanlığı A.Ş. obtained control by acquiring 100% of shares and voting rights in SPVs. The values of the assets and liabilities purchased in this transaction are USD 212 and were determined on the basis of the applicable IFRSs immediately before acquisition, and a total of USD 7.503 was recognized as goodwill in the consolidated financial statements.

Çalık Holding Anonim Şirketi and its Subsidiaries

Notes to Consolidated Financial Statements

As at and for the Year Ended 31 December 2019

(Amounts expressed in thousands of United States Dollar ("USD") unless otherwise stated.)

19 Right of Use Assets

For the years ended 31 December, movements in right of use assets were as follows:

Right of Use Assets	Balance at 1 January 2019	Additions	Disposal	Foreign currency translation differences	Balance at 1 January 2019
Right of Use Assets	17.676	30.226	(128)	(361)	47.413
Depreciation of Right of Use Assets	--	(6.784)	82	(302)	(7.004)
Net book value	17.676	23.442	(46)	(663)	40.409

20 Investment property

As at 31 December, investment property comprised the following:

	2019	2018
Investment property under development	123.565	89.799
Investment property	29.474	44.116
	153.039	133.915

For the years ended 31 December, movements in investment property were as follows:

	2019	2018
Balance at 1 January	133.915	171.924
Additions	4.163	5.011
Changes in fair value (Note 33)	14.428	(14.294)
Transfers from property	571	--
Foreign currency translation differences	(38)	(28.726)
Total	153.039	133.915

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:

2019	Level 1	Level 2	Level 3	Total
Investment property	--	--	153.039	153.039
Total	--	--	153.039	153.039

2018	Level 1	Level 2	Level 3	Total
Investment property	--	--	133.915	133.915
Total	--	--	133.915	133.915

As at 31 December, fair value of the investment properties is calculated as comparison method by independent appraisal.

Çalık Holding Anonim Şirketi and its Subsidiaries

Notes to Consolidated Financial Statements

As at and for the Year Ended 31 December 2019

(Amounts expressed in thousands of United States Dollar ("USD") unless otherwise stated.)

20 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 2019, the Group have mortgages amounting to USD 200.002 on investment properties (31 December 2018: 200.000).

21 Other assets and liabilities

Other current assets

As at 31 December, other current assets comprised the following:

	2019	2018
Reserve Deposits at Central Banks (*)	586.343	605.615
Value Added Tax ("VAT") receivables	31.883	53.992
Other income accruals	3.038	3.466
Personnel advances	924	1.005
Other current assets	9.732	74.188
	631.920	738.266

(*) As at 31 December 2019 and 2018, 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:

	2019	2018
Taxes and funds payable	27.856	21.507
Blockage on corporate collection account	23.286	11.395
Turkish Football Federations' share on collection of card sales	2.489	2.134
VAT payable	404	234
Other current liabilities	75.803	66.392
	129.838	101.662

Çalık Holding Anonim Şirketi and its Subsidiaries

Notes to Consolidated Financial Statements

As at and for the Year Ended 31 December 2019

(Amounts expressed in thousands of United States Dollar (“USD”) unless otherwise stated.)

22 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:

	31 December 2019	31 December 2018
Current amounts due from customers for contract work	101.621	221.144
Current liabilities due to customers for contract work	(93.134)	(211.765)
Non-current liabilities due to customers for contract work	(35.487)	(20.712)
Total	(27.000)	(11.333)

As at 31 December, the details of uncompleted contracts were as follows:

	2019	2018
Total costs incurred on uncompleted contracts	4.165.459	3.915.690
Estimated earnings	997.985	867.937
Total estimated revenue on uncompleted contracts	5.163.444	4.783.627
Less: Billings to date	(5.190.444)	(4.794.960)
Net amounts due from customers for contract work	(27.000)	(11.333)

23 Borrowings

As at 31 December, loans and borrowings comprised the following:

Short term loans and borrowings	2019	2018
Securities issued	1.019.645	731.230
Funds borrowed by the Group’s banking subsidiaries	787.836	566.740
Current portion of long-term bank loans	233.768	228.560
Bank loans	332.965	166.977
Issued bonds	1.890	30.000
Factoring payables	6.578	14.325
Lease obligations	16.323	9.054
Total	2.399.005	1.746.886
Long term loans and borrowings	2019	2018
Bank loans	422.903	325.453
Securities issued	7.141	98.611
Subordinated liabilities	28.021	28.617
Lease obligations	42.233	12.060
Funds borrowed by the Group’s banking subsidiaries	24.927	2.593
Total	525.225	467.334

Çalık Holding Anonim Şirketi and its Subsidiaries

Notes to Consolidated Financial Statements

As at and for the Year Ended 31 December 2019

(Amounts expressed in thousands of United States Dollar (“USD”) unless otherwise stated.)

23 Borrowings (continued)

As at 31 December 2019, the terms and conditions of outstanding loans and borrowings including factoring payables comprised the following:

2019					
	Currency	Nominal interest rate (%)	Year of maturity	Nominal value	Carrying amount
Secured bank borrowings	TL	14-27	2020-2024	240.806	255.620
Secured bank borrowings	USD	2,64-8,64	2020-2029	329.225	328.518
Secured bank borrowings	USD	Libor +4	2020	13.554	13.212
Secured bank borrowings	EUR	0,65-7,75	2020-2035	57.933	57.781
Secured bank borrowings	ALL	4,50-5,50	2020-2029	2.139	2.139
Unsecured bank borrowings	TL	Revolving	2020	4.609	4.317
Unsecured bank borrowings	TL	9-29	2020-2029	320.589	318.329
Unsecured bank borrowings	USD	Revolving	2020	4.764	4.763
Unsecured bank borrowings	USD	1-8,64	2020-2021	297.094	298.600
Unsecured bank borrowings	EUR	0,01-7,90	2020-2025	520.597	521.814
Unsecured bank borrowings	GBP	1,45	2020	3.940	3.943
Unsecured bank borrowings	AUD	3,75	2020	1.643	1.698
Unsecured bank borrowings	XAU	2,76	2020	15.202	15.555
Unsecured bank borrowings	CHF	0,4	2020	4.123	4.130
Debt securities issued	TL	8,5–28,65	2020-2021	862.439	862.439
Debt securities issued	USD	2–7,5	2020-2022	68.212	68.212
Debt securities issued	USD	Libor+5	2020	1.136	1.890
Debt securities issued	EUR	0,5-2	2020	96.135	96.135
Factoring payables	TL	12,7 – 21,29	2020	776	776
Factoring payables	USD	8-8,25	2020	2.350	2.350
Factoring payables	EUR	3,45–3,55	2020	3.452	3.452
Lease payables	EUR	3,00–5,00	2020-2024	15.835	15.152
Lease payables	TL		2020-2025	8.225	6.937
Lease payables	USD		2020-2028	409	409
Lease payables	EUR		2020-2049	27.314	27.340
Lease payables	ALL		2020-2049	8.605	8.605
Lease payables	JPY		2020-2022	114	114
				2.911.220	2.924.230

Çalık Holding Anonim Şirketi and its Subsidiaries

Notes to Consolidated Financial Statements

As at and for the Year Ended 31 December 2019

(Amounts expressed in thousands of United States Dollar (“USD”) unless otherwise stated.)

23 Borrowings (continued)

At 31 December 2018, the terms and conditions of outstanding loans and borrowings including factoring payables were as follows:

2018					
	Currency	Nominal interest rate (%)	Year of maturity	Nominal value	Carrying amount
Secured bank borrowings	TL	15,27-39	2019-2024	332.284	237.692
Secured bank borrowings	USD	3,17-9	2019-2024	275.783	264.674
Secured bank borrowings	USD	Spot	2019	15.425	15.178
Secured bank borrowings	EUR	0,54-7,65	2019-2031	61.294	20.197
Secured bank borrowings	ALL	6	2021	3.467	2.564
Unsecured bank borrowings	EUR	0,05-8,5	2019-2025	452.113	450.088
Unsecured bank borrowings	TL	16,20-37	2019-2023	129.549	142.464
Unsecured bank borrowings	TL	Revolving	2019-2020	5.739	4.861
Unsecured bank borrowings	USD	0,95-9	2019-2020	116.433	119.552
Unsecured bank borrowings	USD	Revolving	2019-2023	47.644	47.288
Unsecured bank borrowings	GBP	1,25	2019	11.485	11.495
Unsecured bank borrowings	UZS	14	2019	2.929	2.887
Debt securities issued	TL	15,15-34,5	2019-2020	925.255	773.497
Debt securities issued	USD	4-8	2021	67.949	69.756
Debt securities issued	EUR	2,6 - 4,75	2019	15.960	16.587
Factoring payables	TL	11-39,5	2019	14.324	14.325
Lease payables	EUR	2,01-4,52	2019-2022	21.115	21.115
				2.498.748	2.214.220

As at 31 December 2019, the Group has mortgages on administrative building amounting to USD 100.000 (31 December 2018: USD 100.000) and investment properties under construction amounting to USD 200.000 (31 December 2018: USD 200.000) respectively, against the bank borrowings used.

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.

24 Derivatives

The carrying values of derivative instruments held at 31 December, were as follows:

	2019		2018	
	Assets	Liabilities	Assets	Liabilities
Forward transactions	286	(280)	5.146	(1.958)
Swap transactions	3.543	(1.336)	4.595	(2.161)
Currency options	1.114	(1.251)	255	(256)
	4.943	(2.867)	9.996	(4.375)

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 36.

Çalık Holding Anonim Şirketi and its Subsidiaries

Notes to Consolidated Financial Statements

As at and for the Year Ended 31 December 2019

(Amounts expressed in thousands of United States Dollar (“USD”) unless otherwise stated.)

25 Payables related to employee benefits

As at 31 December, payables related to employee benefits comprised the following:

	2019	2018
Due to personnel	6.470	7.706
Social security premiums payable	2.945	2.815
	9.415	10.521

26 Provisions

As at 31 December, provisions comprised the following items:

	2019	2018
<u>Short term provisions</u>		
Short term employee benefits	17.913	16.440
Other short-term provisions	19.816	15.943
Total short-term provisions	37.729	32.383
<u>Long term provisions</u>		
Long term employee benefits	11.208	8.279
Other long-term provisions	904	--
Total long-term provisions	12.112	8.279
Total provisions	49.841	40.662

As at 31 December, short-term and long-term employee benefits comprised the following items:

	2019	2018
<u>Short-term</u>		
Bonus provisions	13.433	11.868
Vacation pay liability	4.480	4.572
	17.913	16.440
<u>Long term</u>		
Employee termination benefits	11.208	8.279
	11.208	8.279

As at 31 December, other provisions comprised the following items:

	2019	2018
<u>Short-term</u>		
Provision for litigations	16.350	12.596
Provisions for expenses	1.200	1.153
Other current provisions	3.170	2.194
	20.720	15.943

Çalık Holding Anonim Şirketi and its Subsidiaries

Notes to Consolidated Financial Statements

As at and for the Year Ended 31 December 2019

(Amounts expressed in thousands of United States Dollar (“USD”) unless otherwise stated.)

26 Provisions (continued)

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.

For the years ended 31 December, the movements in the reserve for employee severance indemnity were as follows:

	2019	2018
Balance at the beginning of the year	8.279	11.300
Interest cost	2.270	589
Cost of services	1.431	991
Paid during the year	(2.402)	(2.074)
Actuarial difference	1.988	687
Translation difference	(358)	(3.214)
Balance at the end of the year	11.208	8.279

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:

	2019	2018
	%	%
Discount rate	3,60	4,72
Interest rate	12,1	14,50
Expected rate of salary/limit increase	9,20	10,00
The range of turnover rate to estimate the probability retirement	1,00-6,00	1,00-6,00

The computation of the liability is predicated upon retirement pay ceiling announced by the Government. As at 31 December 2019, the ceiling amount was USD 1,07 (31 December 2018: USD 1,03).

For the years ended 31 December, the movements in the provisions were as follows:

	1 January 2019	Provision for the reserve	Reversal	Currency translation differences	31 December 2019
Provision for litigations	12.596	5.882	(1.102)	(1.026)	16.350
Bonus provisions	11.868	11.107	(8.259)	(1.283)	13.433
Vacation pay liability	4.572	498	(351)	(239)	4.480
Other expense provisions	3.347	1.422	(4)	(395)	4.370
Total	32.383	18.909	(9.716)	(2.943)	38.633

Çalık Holding Anonim Şirketi and its Subsidiaries

Notes to Consolidated Financial Statements

As at and for the Year Ended 31 December 2019

(Amounts expressed in thousands of United States Dollar ("USD") unless otherwise stated.)

26 Provisions (continued)

	1 January 2018	Provision for the reserve	Reversal	Currency translation differences	31 December 2018
Provision for litigations	15.515	4.014	(3.349)	(3.584)	12.596
Bonus provisions	12.639	10.328	(7.845)	(3.254)	11.868
Vacation pay liability	5.879	420	(194)	(1.533)	4.572
Other expense provisions	4.760	44	(279)	(1.178)	3.347
Total	38.793	14.806	(11.667)	(9.549)	32.383

27 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 2019 are as follows:

31 December 2019	Original currency (USD equivalent)			
	USD	TL	Others	Total
A Total amount of GPMs given in the name of its own legal personality	508.736	87.562	86.302	682.600
B Total amount of GPMs given in the name of the consolidated subsidiaries and joint ventures	--	134.375	--	134.375
- Total amount of GPMs given in the name of the consolidated subsidiaries	--	134.375	--	134.375
C Total amount of GPMs given to be able to conduct ordinary business transactions to secure payables of third parties	--	--	--	--
D Other GPMs given(*)	1.970	31.922	--	33.892
Total	510.706	253.859	86.302	850.867

GPMs in respect of commitment and contingencies realised in the ordinary course of business were given as at 31 December 2018 are as follows:

31 December 2018	Original currency (USD equivalent)			
	USD	TL	Others	Total
A Total amount of GPMs given in the name of its own legal personality	489.261	71.084	32.826	593.171
B Total amount of GPMs given in the name of the consolidated subsidiaries and joint ventures	--	151.726	--	151.726
- Total amount of GPMs given in the name of the consolidated subsidiaries	--	151.726	--	151.726
C Total amount of GPMs given to be able to conduct ordinary business transactions to secure payables of third parties	--	--	--	--
D Other GPMs given(*)	--	35.352	--	35.352
Total	489.261	258.162	32.826	780.249

(*) As at 31 December 2019, the ratio of other GPMs given to total equity is 2,1 percent (31 December 2018: 2,6 percent).

Çalık Holding Anonim Şirketi and its Subsidiaries

Notes to Consolidated Financial Statements

As at and for the Year Ended 31 December 2019

(Amounts expressed in thousands of United States Dollar ("USD") unless otherwise stated.)

27 Commitments and contingencies (continued)

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:

	2019	2018
Given for ongoing EPC projects	250.062	438.124
Pledge on shares	134.375	151.726
TETAŞ and TEİAŞ	21.461	28.790
Given to banks	166.101	89.309
Given to EMRA	41	319
Given to other suppliers and government agencies	278.827	71.981
Total contingent liabilities	850.867	780.249

Litigation and claims

As at 31 December 2019, the expected cash outflow amount for the pending claims filed against to the Group is USD 16.350 (31 December 2018: USD 12.596). As at 31 December 2019, 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.

28 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.

In Turkey, corporate tax rate is 22 percent as at 31 December 2019 (2018: 22 percent). According to the Article 91 of the Law numbered 7061 "Legislation on Amendment of Certain Tax Legislation and Other Certain Legislation" which was published on the Official Gazette numbered 30261 on 5 December 2018 and according to the provisional clause 10 added to the Corporate Tax Law numbered 5520; corporate tax rate for the taxation periods of 2018, 2019 and 2020 is amended to 22 percent, which would later be applied as 20 percent after 2020. During these periods, Council of Ministers is entitled to decrease the corporate tax rate of 22 percent to 20 percent. The tax legislation provides for a temporary tax of 22 percent (2018: 22 percent) to be calculated and paid based on earnings generated for each quarter for the period ended 31 December 2019. The amounts thus calculated and paid are offset against the final corporate tax liability for the year.

75 percent of the income derived by entities from the sale of participation shares, immovable property, preferential rights, founders' shares and redeemed shares which are carried in assets at least for two years is exempt from corporate tax as at 31 December 2019. However, according to the amendments by Law numbered 7061, this rate is reduced from 75 percent to 50 percent and tax declarations starting from 2019 will be calculated using 50 percent for the properties held. In order to be able to benefit from the exemption, the relevant income should be kept under a fund account in the liabilities and should not be withdrawn from the enterprise for 5 years. The sales amount should be collected by the end of the second calendar year following the year of sale. However, companies engaged in developing and selling or rental of properties are not entitled to this exemption.

Çalık Holding Anonim Şirketi and its Subsidiaries

Notes to Consolidated Financial Statements

As at and for the Year Ended 31 December 2019

(Amounts expressed in thousands of United States Dollar ("USD") unless otherwise stated.)

28 Taxation (continued)

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.

There is also a withholding tax on the dividends paid and is accrued only at the time of such payments. According to the amendments in the tax legislations, which became effective from 24 April 2003, dividends that are paid to the shareholders from the profits of the years between 1999 and 2002 are immune from the withholding tax, if such profits are exempted from corporation tax bases of the companies. As per the decision no.2006/10731 of the Council of Ministers published in the Official Gazette no.26237 dated 23 July 2006, certain duty rates included in the articles no.15 and 30 of the new Corporate Tax Law no:5520 revised.

Accordingly, the withholding tax rate on the dividend payments other than the ones paid to the non-resident institutions generating income in Turkey through their operations or permanent representatives and the resident institutions was increased from 10 percent to 15 percent. In applying the withholding tax rates on dividend payments to the non-resident institutions and the individuals the withholding tax rates covered in the related Double Tax Treaty Agreements are taken into account.

In Turkey, the tax legislation does not permit a parent company and its subsidiaries to file a consolidated tax return. Therefore, provision for taxes shown in the consolidated financial statements reflects the total amount of taxes calculated on each entity that are included in the consolidation.

Under the Turkish taxation system, tax losses can be carried forward to be offset against future taxable income for up to five years. Tax losses cannot be carried back.

In Turkey, there is no procedure for a final and definitive agreement on tax assessments. Companies file their tax returns within four months following the close of the accounting year to which they relate. Tax returns are open for five years from the beginning of the year that follows the date of filing during which time the tax authorities have the right to audit tax returns, and the related accounting records on which they are based, and may issue reassessments based on their findings.

Transfer pricing regulations

In Turkey, the transfer pricing provisions have been stated under the Article 13 of Corporate Tax Law with the heading of "disguised profit distribution via transfer pricing". The General Communiqué on disguised profit distribution via Transfer Pricing, dated 18 November 2007 sets details about implementation.

If a tax payer enters into transactions regarding sale or purchase of goods and services with related parties, where the prices are not set in accordance with arm's length principle, then related profits are considered to be distributed in a disguised manner through transfer pricing. Such disguised profit distributions through transfer pricing are not accepted as tax deductible for corporate income tax purposes.

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 2018:15 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.

Çalık Holding Anonim Şirketi and its Subsidiaries

Notes to Consolidated Financial Statements

As at and for the Year Ended 31 December 2019

(Amounts expressed in thousands of United States Dollar ("USD") unless otherwise stated.)

28 Taxation

Republic of Kosovo

The applicable corporate tax rate in Republic of Kosovo is 10 percent (31 December 2018: 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.

Republic of Iraq

As at 31 December 2019, the applicable corporate tax rate for the subsidiaries and branches operating in Iraq is 15 percent (31 December 2018: 15 percent). Tax losses can be carried forward to be offset against future taxable income for up to five years to the extent of the half of the current year profit when the financial profit is reported. As at 31 December 2019 and 2018, profit generated from Group's operations in Iraq is not subject to corporate tax.

Arab Republic of Egypt

The applicable corporate tax rate for the subsidiaries operating in Egypt is 22.5 percent (31 December 2018: 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 2019, 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 2019 and 2018, 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 2018: 15-35 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 2018: 15 percent).

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 2018: 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 2018: 15 percent).

Çalık Holding Anonim Şirketi and its Subsidiaries

Notes to Consolidated Financial Statements

As at and for the Year Ended 31 December 2019

(Amounts expressed in thousands of United States Dollar ("USD") unless otherwise stated.)

28 Taxation (continued)

Uzbekistan

The applicable corporate tax rate in Uzbekistan is 17, 20 percent (31 December 2018: 17,20 percent). As at 31 December 2019, the Group's operation in Uzbekistan aren't subject to corporate tax due to dispensation.

The Netherlands

Corporate income tax is levied at the rate of 25 percent (31 December 2018: 25 percent) on the worldwide income of resident companies, which is determined by modifying accounting income for certain exclusions and allowances for tax purposes. A unilateral decree for the avoidance of double taxation provides relief for resident companies from Dutch tax on income, such as foreign business profits derived through a permanent establishment abroad, if no tax treaty applies. There is an additional dividend tax of 5 percent computed only on the amounts of dividend distribution at the time of such payments.

Malawi

Under the Dutch taxation system, tax losses can be carried forward to be offset against future taxable income for nine years. Tax losses can be carried back to offset profits up to one year. Companies must file their tax returns within six months following the close of the tax year to which they relate, unless the company applies for an extension (normally an additional nine months). Tax returns are open for five years from the date of final assessment of the tax return during which time the tax authorities have the right to audit tax returns, and the related accounting records on which they are based and may issue reassessments based on their findings.

In Malawi, the applicable corporate tax rate is for local company and foreign 30 percent and 35 percent, respectively. As at 31 December 2019, the Group is not subject to corporate tax due to exemption for income from the activities at abroad in Malawi.

Switzerland

The corporate tax in Switzerland is a combination of Cantonal and Federal income taxes. The cantonal tax is calculated over the net profit of the relevant period with an effective rate of 23.36 percent (2018: 23.36 percent) and the equity of the period with an effective rate of 0.401 percent (2018: 0.401 percent). Federal income tax is calculated on the net profit of the relevant period at the rate of 8.50 percent (2018: 8.50 percent). Since tax expenses are tax deductible, the effective interest rate is 24 percent (2018: 24 percent). In addition to cantonal and federal taxes, a tax called professional tax is calculated over the last two years of gross income, rental expenses and the number of staff at various effective rates.

According to the tax legislation in Switzerland, financial losses can be carried out for seven years to be deducted from future corporate income. If companies have not requested extension, they must submit their tax returns within the first four months of the tax year closing. The authorities authorized for tax inspection can examine the tax returns and the accounting records that are the basis of them for five years, starting from the beginning of the year following the submission of the declaration, and rethink the results.

Qatar

As of 31 December 2019, 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.

Sweden

The applicable corporate tax rate in Sweden is 22 percent.

Iran

The applicable corporate tax rate in Iran is 25 percent.

Çalık Holding Anonim Şirketi and its Subsidiaries

Notes to Consolidated Financial Statements

As at and for the Year Ended 31 December 2019

(Amounts expressed in thousands of United States Dollar ("USD") unless otherwise stated.)

28 Taxation (continued)

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>	
	2019	2018	2019	2018	2019	2018
Current corporation and income taxes	59.550	48.698	--	--	59.550	48.698
Deferred tax expense / (benefit)	(20.091)	(11.063)	--	--	(20.091)	(11.063)
Total income tax expense / (benefit)	39.459	37.635	--	--	39.459	37.635

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:

	2019		2018	
	Amount	%	Amount	%
Reported profit before taxation	342.308		39.831	--
Taxes on reported profit per statutory tax rate of the Company	(75.308)	(22,00)	(8.763)	(22,00)
Permanent differences:				
Disallowable expenses	(1.751)	(0,51)	(110.380)	(277,12)
Tax exempt income	118.489	34,61	132.135	331,73
Effect of different tax rates in foreign jurisdictions	4.912	1,44	(146)	(0,37)
Investment incentives effect	6.886	2,01	15.309	38,43
Effect of tax rate changes	4	--	4.892	12,28
Effect of tax base increase	--	--	(1.219)	(3,06)
Unrecorded deferred tax assets	62	0,02	2.445	6,14
Temporary differences which no deferred tax asset is recognised	(6.295)	(1,84)	--	--
Recognition of previously unrecognized temporary differences	(47)	(0,01)	1.345	3,38
Effect of share of profit of equity-accounted investees and other consolidated adjustments	(89.981)	(26,29)	(36.304)	(91,14)
Utilisation of previously unrecognised tax losses	3.198	0,93	(34.457)	(86,51)
Current-year amortisation expense of electricity distribution rights for which no deferred tax asset is recognised	(745)	(0,22)	(874)	(2,20)
Others, net	1.117	0,33	(1.618)	(4,06)
Tax expense	(39.459)	(12)	(37.635)	(94,49)

Current tax assets/liabilities

As at 31 December, current tax assets and liabilities comprised the following:

	2019	2018
Taxes on income	59.550	48.698
Less: Deferred tax expense/ (benefit)	(63.816)	(50.521)
Foreign currency translation difference	192	150
Current tax liabilities/(assets), net	(4.074)	(1.673)

Çalık Holding Anonim Şirketi and its Subsidiaries

Notes to Consolidated Financial Statements

As at and for the Year Ended 31 December 2019

(Amounts expressed in thousands of United States Dollar ("USD") unless otherwise stated.)

28 Taxation (continued)

Reconciliation of effective tax rate (continued)

Current tax assets/liabilities (continued)

As at 31 December 2019, current tax liabilities on income amounting to USD 4.082 (31 December 2018: USD 9.329) is not offset with prepaid taxes amounting to USD 8.156 (31 December 2018: USD 11.002) 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 2019, deferred tax assets amounting to USD 56.974 have not been recognised with respect to the statutory tax losses carried forward as at 31 December 2019 (31 December 2018: USD 59.278). 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:

	2019	2018
2019	--	11.568
2020	7.522	17.079
2021	24.358	48.055
2022	16.034	28.480
2023	198.109	188.344
2024	38.093	--
	284.116	293.526

Çalık Holding Anonim Şirketi and its Subsidiaries

Notes to Consolidated Financial Statements

As at and for the Year Ended 31 December 2019

(Amounts expressed in thousands of United States Dollar ("USD") unless otherwise stated.)

28 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:

	2019		2018	
	<u>Asset</u>	<u>Liability</u>	<u>Asset</u>	<u>Liability</u>
Vacation pay liability	468	--	2.449	--
Employee severance indemnity	1.116	--	1.120	(1)
Loans and receivables impairment provision	--	--	112	(931)
Financial assets at fair value through profit or loss	--	--	561	(1.651)
Available for sale investment securities	(385)	(483)	--	--
Financial assets at FVTPL	355	(10.222)	--	(2.596)
Trade and other receivables (including rediscount)	85	--	--	--
Provisions	2.739	--	1.942	(2.587)
Inventories	196	(10.857)	--	(11.512)
IAS 39 effect on loans and borrowings	658	(636)	2.374	(213)
Investment property	--	(14.581)	--	(34.787)
Property, plant and equipment and intangible assets	49.539	(7.713)	54.488	(6.248)
Construction in progress	--	--	10.844	(1.029)
Investment incentives	28.493	--	25.090	--
Tax losses carried forward	5.043	--	13.828	--
Effect of percentage of completion method	--	--	513	--
Service concession receivables	--	(61.554)	--	(81.063)
Allowance for doubtful receivables	1.704	--	1.423	219
Security deposits	3.001	--	2.994	--
IFRS 9, 15 and IFRIC 22 effects as at January 1, 2019	59	--	(1.564)	--
Other temporary differences	10.176	(7.539)	5.119	(44)
Total deferred tax assets/(liabilities)	103.247	(113.585)	121.293	(142.443)
Set off of tax	(50.186)	50.186	(82.760)	82.760
Deferred tax assets/(liabilities), net	53.061	(63.399)	38.533	(59.683)

According to the Tax Procedural Law in Turkey, statutory losses can be carried forward maximum for five years. Consequently, 2024 is the latest year for recovering the deferred tax assets arising from such tax losses carried forward.

29 Capital and reserves

Paid in capital

At 31 December 2019, the Group's statutory nominal value of authorised and paid-in share capital is USD 210.761 (31 December 2018: USD 210.761) (comprising of 400.000.000 registered shares (31 December 2018: 400.000.000) having par value of TL 1 at full terms (31 December 2018: TL 1 at full terms) each).

Çalık Holding Anonim Şirketi and its Subsidiaries

Notes to Consolidated Financial Statements

As at and for the Year Ended 31 December 2019

(Amounts expressed in thousands of United States Dollar ("USD") unless otherwise stated.)

29 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:

	2019		2018	
	<i>Thousands of s shares</i>	<i>%</i>	<i>Thousands of shares</i>	<i>%</i>
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 2019, 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 159.568 (31 December 2018: USD 133.494).

In the accompanying consolidated financial statements, the total legal restricted reserves excluding the non-controlling interest portion amounted to USD 611.839 as at 31 December 2019 (31 December 2018: USD 537.963).

Non-controlling interests

For the years ended 31 December, movements of the non-controlling interest were as follows:

	2019	2018
Non controlling interest at the beginning of the year	102.048	107.197
Net profit for the year attributable to non controlling interests	9.379	7.924
Foreign currency translation differences	10.018	12.327
Acquisition of control power in enterprises subject to common control	(2.249)	--
Effect on accounting policy changes and other adjustments	--	820
Effect of the acquisition/(disposal) of non-controlling interests	53	4.423
Merger effect	--	(23.689)
Contribution to the capital increase by the non-controlling interests	3.055	3
Disposal due to the sale of subsidiaries	(4.365)	--
Dividend distribution	(10.530)	(6.957)
Balance at the end of the year	107.409	102.048

Translation reserve

The translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations.

Çalık Holding Anonim Şirketi and its Subsidiaries

Notes to Consolidated Financial Statements

As at and for the Year Ended 31 December 2019

(Amounts expressed in thousands of United States Dollar ("USD") unless otherwise stated.)

30 Revenue and cost of sales

For the years ended 31 December, revenue and cost of sales comprised the following:

	2019	2018
Domestic sales	857.749	1.058.726
Export sales	487.687	932.336
Other sales	10.597	8.552
Sales discounts (-)	(12.938)	(18.148)
Subtotal	1.343.095	1.981.466
Cost of sales (-)	(961.341)	(1.593.742)
Gross profit from non-finance operations	381.754	387.724
Revenue from finance sector operations	454.146	432.042
Cost of revenues from finance sector operations (-)	(209.855)	(190.012)
Gross profit from finance sector activities	244.291	242.030
Gross profit	626.045	629.754

The depreciation and amortization expense of USD 53.402 was recognised in the cost of sales (2018: USD 53.425).

31 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:

	2019	2018
Personnel expenses	92.232	92.680
Depreciation and amortisation expenses	22.615	20.151
Maintenance and repair expenses	14.126	15.815
Insurance expenses	11.538	10.459
Taxes, duties and fees other than on income	8.806	8.558
Outsourced services	8.417	8.628
Consulting expenses	6.727	7.883
Travel and accommodation expenses	5.788	5.567
Telecommunication expenses	4.513	3.657
Representation expenses	4.331	4.998
Rent expense	3.464	11.040
Office expenses	1.001	1.213
Other	23.423	20.398
Total	206.981	211.047

Çalık Holding Anonim Şirketi and its Subsidiaries

Notes to Consolidated Financial Statements

As at and for the Year Ended 31 December 2019

(Amounts expressed in thousands of United States Dollar ("USD") unless otherwise stated.)

31 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:

	2019	2018
Personnel expenses	19.296	19.370
Advertising and promotion expenses	14.143	20.718
Commission expense	3.203	4.004
Transportation expenses	2.877	2.935
Depreciation and amortisation expenses	2.775	1.218
Maintenance and repair expenses	2.058	2.903
Rent expense	1.920	4.380
Consulting expenses	1.523	1.732
Travel and accommodation expenses	1.315	1.333
Taxes, duties and fees other than on income	1.155	1.024
Telecommunication expenses	176	212
Other	5.349	6.208
Total	55.790	66.037

For the year ended 31 December, research and development expenses comprised the following:

	2019	2018
Consulting expenses	4.205	729
Personnel expenses	3.968	3.065
Field research expenses (*)	3.175	3.901
Depreciation and amortization expenses	1.500	977
Travel and accommodation expenses	1.123	1.134
Rent expense	389	74
Representation expenses	267	166
Other	1.478	1.218
Total	16.105	11.264

(*) 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.

	2019	2018
<u>Personnel expenses</u>		
Cost of sales (-)	120.986	164.129
General and administrative expenses	92.232	92.680
Selling, marketing and distribution expenses	19.296	19.370
Research and development expenses	3.968	3.065
Total	236.482	279.244

Çalık Holding Anonim Şirketi and its Subsidiaries

Notes to Consolidated Financial Statements

As at and for the Year Ended 31 December 2019

(Amounts expressed in thousands of United States Dollar ("USD") unless otherwise stated.)

31 General and administrative expenses, selling, marketing and distribution expenses, and research and development expenses and expenses by nature (continued)

	2019	2018
<u>Depreciation and amortization expenses</u>		
Cost of sales (-)	53.403	53.425
General and administrative expenses	22.615	20.151
Selling, marketing and distribution expenses	2.775	1.218
Research and development expenses	1.500	977
Total	80.293	75.771

32 Other income and expense from operating activities

For the years ended 31 December, other income from operating activities comprised the following:

	2019	2018
Provision cancellation / recycling	33.769	34.133
Foreign exchange income	17.105	30.778
Asset-backed security sales revenues	6.341	7.104
Advertising revenues	1.428	1.462
Other	14.958	20.451
Total	73.601	93.928

For the year ended 31 December, other expense from operating activities comprised the following:

	2019	2018
Provision expense for receivables from financial sector activities	41.783	30.714
Exchange difference expense	22.257	77.612
Other provision expenses	8.927	7.553
Doubtful receivable provision expenses	8.737	9.857
Commission expenses	3.219	2.499
Rediscount expenses	1.555	411
Loss on withdrawal (*)	--	54.997
Other	21.546	8.862
Total	108.024	192.505

(*) The receivable from the Anateks Anadolu Tekstil Fabrikalari Anonim Şirketi, which is amount of USD 54.997 has been renounced.

Çalık Holding Anonim Şirketi and its Subsidiaries

Notes to Consolidated Financial Statements

As at and for the Year Ended 31 December 2019

(Amounts expressed in thousands of United States Dollar ("USD") unless otherwise stated.)

33 Gain and loss from investing activities

For the years ended 31 December, gains from investing activities comprised the following:

	2019	2018
Gain on sale of associate (subsidiary)	42.801	--
Gain from sale of derivative financial instruments	27.474	32.435
Gain on financial assets at fair value through profit or loss	22.753	20.720
Fair value gain on investment properties	14.428	--
Gain on sale of property, plant and equipment	817	1.560
Dividend income from equity securities held	36	2.108
Other	5.079	11.659
Total	113.388	68.482

For the years ended 31 December, losses from investing activities comprised the following:

	2019	2018
Loss on sale of subsidiary	1.290	--
Loss on sale of property, plant and equipment	1.126	2.573
Loss on financial assets at fair value through profit or loss	--	1.478
Fair value loss on investment properties	--	14.294
Foreign exchange loss	--	43
Other ^(*)	658	3.624
Total	3.074	22.012

^(*) Other expenses from the investment activities for the year ended 31 December 2019 consist mainly of revocation of Doğu Akdeniz's investments for USD 3.555.

34 Finance income and finance cost

For the years ended 31 December, finance income comprised the following:

	2019	2018
Foreign exchange gains on borrowings	34.565	18.271
Interest income	5.674	7.554
Total	40.239	25.825

For the years ended 31 December, finance cost comprised the following:

	2019	2018
Interest expense on borrowings	133.278	164.382
Foreign exchange losses on borrowings	20.510	127.489
Bank commission expenses	7.280	4.122
Letters of guarantees commission expenses	3.239	4.646
Other charges and commission expenses	26	841
Total	164.333	301.480

Çalık Holding Anonim Şirketi and its Subsidiaries

Notes to Consolidated Financial Statements

As at and for the Year Ended 31 December 2019

(Amounts expressed in thousands of United States Dollar ("USD") unless otherwise stated.)

35 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 2019	19,73	(948)	8.562	--
31 December 2018	19,73	(346)	10.800	--
<u>Calık Enerji</u>				
31 December 2019	4,58	9.039	27.649	(10.530)
31 December 2018	4,58	9.909	40.038	(6.957)

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 2019	31 December 2018
Cash and cash equivalents	881	1.519
Trade receivables	7.567	7.813
Other current assets	5.279	7.393
Non-current assets	225.849	198.357
Total assets	239.576	215.082
Short-term borrowings	8.260	3.851
Other short term liabilities	38.962	55.348
Long-term liabilities	143.013	101.250
Total liabilities	190.235	160.449
Total equity	49.341	54.633
Total equity and liabilities	239.576	215.082

Summary of Albtelecom's statement of profit or loss	2019	2018
Revenue	71.577	75.305
Cost of sales	(44.085)	(48.307)
Other expenses from operating activities	(22.769)	(26.814)
Loss from investing activities	(269)	(2.037)
Finance income / (cost)	(8.435)	139
Tax expenses	(823)	(38)
Profit/(loss) for the period	(4.804)	(1.752)

Çalık Holding Anonim Şirketi and its Subsidiaries

Notes to Consolidated Financial Statements

As at and for the Year Ended 31 December 2019

(Amounts expressed in thousands of United States Dollar ("USD") unless otherwise stated.)

35 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 2019	31 December 2018
Cash and cash equivalents	154.200	63.042
Trade receivables	176.799	339.206
Other current assets	125.381	130.639
Non-current assets	728.180	849.434
Total assets	1.184.560	1.382.321
Short-term borrowings	108.088	32.436
Short term portion of long-term loans and borrowings	91.020	91.825
Other short-term liabilities	219.185	355.996
Long-term liabilities	159.411	241.845
Total liabilities	577.704	722.102
Total equity	606.856	660.219
Total equity and liabilities	1.184.560	1.382.321
Summary of Çalık Enerji's statement of profit or loss	2019	2018
Revenue	747.639	1.108.723
Cost of sales	(500.789)	(783.528)
Other income from operating activities	(66.495)	(80.514)
(Loss) / gain from investing activities	46.550	28.670
Finance cost	(17.907)	(33.979)
Tax expenses	(11.643)	(25.776)
Profit/(loss) for the period	197.355	213.596

Çalık Holding Anonim Şirketi and its Subsidiaries

Notes to Consolidated Financial Statements

As at and for the Year Ended 31 December 2019

(Amounts expressed in thousands of United States Dollar (“USD”) unless otherwise stated.)

36 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.

Çalık Holding Anonim Şirketi and its Subsidiaries

Notes to Consolidated Financial Statements

As at and for the Year Ended 31 December 2019

(Amounts expressed in thousands of United States Dollar (“USD”) unless otherwise stated.)

36 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.

Çalık Holding Anonim Şirketi and its Subsidiaries

Notes to Consolidated Financial Statements

As at and for the Year Ended 31 December 2019

(Amounts expressed in thousands of United States Dollar ("USD") unless otherwise stated.)

36 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:

31 December 2019	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)	49.207	379.736	366.540	189.927	1.660.953	2.135.578	2.123.180	4.943
Portion of maximum risk covered by guarantees	--	12.942	--	--	--	--	--	--
A. Carrying value of financial assets that are neither past due nor impaired	49.207	352.226	366.540	189.927	1.660.953	2.135.578	2.020.452	4.943
B. Carrying value of financial assets that are past due but not impaired	--	27.510	--	--	--	--	--	--
C. Carrying value of impaired assets	--	--	--	--	--	--	102.728	--
Past due (gross carrying amount)	--	54.238	--	3.345	--	--	201.175	--
- Impairment (-)	--	(54.238)	--	(3.345)	--	--	(98.447)	--
- 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.

Çalık Holding Anonim Şirketi and its Subsidiaries

Notes to Consolidated Financial Statements

As at and for the Year Ended 31 December 2019

(Amounts expressed in thousands of United States Dollar ("USD") unless otherwise stated.)

36 Financial instruments – Fair values and risk management (continued)

Credit risk (continued):

Exposure to credit risk (continued):

31 December 2018	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)	154.824	350.281	325.741	183.227	727.117	1.829.412	2.191.981	9.996
Portion of maximum risk covered by guarantees	--	11.137	--	--	--	--	--	--
A. Carrying value of financial assets that are neither past due nor impaired	154.824	301.969	325.741	183.227	727.117	1.829.412	1.949.105	9.996
B .Carrying value of financial assets that are past due but not impaired	--	48.312	--	--	--	--	181.742	--
C. Carrying value of impaired assets	--	--	--	--	--	--	61.134	--
Past due (gross carrying amount)	--	47.470	--	3.387	--	--	155.687	--
- Impairment (-)	--	(47.470)	--	(3.387)	--	--	(94.553)	--
- 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.

Çalık Holding Anonim Şirketi and its Subsidiaries

Notes to Consolidated Financial Statements

As at and for the Year Ended 31 December 2019

(Amounts expressed in thousands of United States Dollar ("USD") unless otherwise stated.)

36 Financial instruments – Fair values and risk management (continued)

Credit risk (continued):

Impairment losses

As of 31 December 2019 and 2018, 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 2019			
Past due 0-30 days	10.680	--	--
Past due 1-3 months	3.693	--	--
Past due 3-12 months	5.997	--	--
Past due 1-5 years	7.140	--	--
More than five years	--	--	--
Total	27.510	--	--
Part of secured with guarantee etc.	--	--	--

	Receivables		Receivables from financial sector operations
	Trade Receivables	Other Receivables	
31 December 2018			
Past due 0-30 days	18.841	--	95.428
Past due 1-3 months	8.554	--	30.016
Past due 3-12 months	3.175	--	16.947
Past due 1-5 years	23.980	--	32.726
More than five years	--	--	6.625
Total	54.550	--	181.742
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.

Çalık Holding Anonim Şirketi and its Subsidiaries

Notes to Consolidated Financial Statements

As at and for the Year Ended 31 December 2019

(Amounts expressed in thousands of United States Dollar ("USD") unless otherwise stated.)

36 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:

31 December 2019	Carrying amount	Contractual cash flows	3 months or less	3-12 months	1-5 years	More than 5 year
Contractual maturities						
Non-derivative financial liabilities						
Payables related to finance sector operations	(4.413.073)	(4.413.966)	(2.879.362)	(1.086.096)	(415.921)	(32.587)
Loans and borrowings	(2.924.230)	(3.055.012)	(1.872.590)	(559.908)	(545.423)	(77.091)
	(7.337.303)	(7.468.978)	(4.751.952)	(1.646.004)	(961.344)	(109.678)
Expected maturities						
Non-derivative financial liabilities						
Trade payables	(265.290)	(265.799)	(119.297)	(137.543)	(8.959)	--
Other payable	(111.171)	(111.171)	(25.074)	(37.843)	(48.254)	--
Payable related to employee benefits	(9.415)	(9.415)	(7.755)	(1.660)	--	--
	(385.876)	(386.385)	(152.126)	(177.046)	(57.213)	
Derivative financial instruments						
Inflow	4.943	683.449	407.629	123.440	152.380	--
Outflow	(2.867)	(682.628)	(407.203)	(123.781)	(151.644)	--

Çalık Holding Anonim Şirketi and its Subsidiaries

Notes to Consolidated Financial Statements

As at and for the Year Ended 31 December 2019

(Amounts expressed in thousands of United States Dollar ("USD") unless otherwise stated.)

36 Financial instruments – Fair values and risk management (*continued*)

Liquidity risk (*continued*)

31 December 2018	Carrying amount	Contractual cash flows	3 months or less	3-12 months	1-5 years	More than 5 year
Contractual maturities						
<i>Non-derivative financial liabilities</i>						
Payables related to finance sector operations	(4.084.963)	(4.087.355)	(2.580.343)	(1.120.185)	(364.633)	(22.194)
Loans and borrowings	(2.214.220)	(2.372.396)	(1.067.952)	(975.997)	(286.072)	(42.375)
	(6.299.183)	(6.459.751)	(3.648.295)	(2.096.182)	(650.705)	(64.569)
Expected maturities						
<i>Non-derivative financial liabilities</i>						
Trade payables	(449.470)	(450.036)	(114.650)	(321.312)	(14.074)	--
Other payable	(229.728)	(229.728)	(151.682)	(35.177)	(42.869)	--
Payable related to employee benefits	(10.521)	(10.520)	(8.798)	(1.722)	--	--
	(689.719)	(690.284)	(275.130)	(358.211)	(56.943)	--
<i>Derivative financial instruments</i>						
Inflow	9.996	412.753	187.328	142.006	83.419	--
Outflow	(4.375)	(409.950)	(184.910)	(142.579)	(82.461)	--
	5.621	2.803	2.418	(573)	958	--

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.

Çalık Holding Anonim Şirketi and its Subsidiaries

Notes to Consolidated Financial Statements

As at and for the Year Ended 31 December 2019

(Amounts expressed in thousands of United States Dollar ("USD") unless otherwise stated.)

36 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:

	<u>2019</u>	<u>2018</u>
Fixed rate instruments		
Financial assets	1.933.296	1.284.519
Financial liabilities	6.971.734	5.946.643
Variable rate instruments		
Financial assets	2.920.839	2.828.350
Financial liabilities	365.568	352.540

As of 31 December 2019, 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 310.262. 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 309.317. This analysis assumes that all other variables remain constant (31 December 2018: USD 3.030, USD 2.080 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.

Çalık Holding Anonim Şirketi and its Subsidiaries

Notes to Consolidated Financial Statements

As at and for the Year Ended 31 December 2019

(Amounts expressed in thousands of United States Dollar ("USD") unless otherwise stated.)

36 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 2018: 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 2019, the currency risk exposures of the Group in USD equivalents are as follows:

CURRENCY POSITION STATEMENT	31 DECEMBER 2019			
	USD equivalent	TL	EURO	OTHER ^(*)
1. Trade Receivables	99.661	65.455	34.655	49.843
2a. Monetary financial assets	2.341.155	118.381	1.348.862	811.050
2b. Non-monetary financial assets	--	--	--	--
3. Other	229.969	66.703	179.942	17.278
4. Current assets (1+2+3)	2.670.785	250.539	1.563.459	878.171
5. Trade Receivables	2.280	13.544	--	--
6a. Monetary financial assets	1.113.667	58.042	604.429	427.182
6b. Non-monetary financial assets	--	--	--	--
7. Other	4.088	23	2.586	1.189
8. Non-current assets (5+6+7)	1.120.035	71.609	607.015	428.371
9. Total Assets (4+8)	3.790.820	322.148	2.170.474	1.306.542
10. Trade payables	(1.701.683)	(110.652)	(1.485.234)	(20.200)
11. Financial liabilities	(1.280.605)	(811.299)	(490.905)	(594.414)
12a. Other monetary liabilities	(685.774)	(27.744)	(205.739)	(450.759)
12b. Other non-monetary liabilities	(1.754)	--	(149)	(1.588)
13. Short term liabilities (10+11+12)	(3.669.816)	(949.695)	(2.182.027)	(1.066.961)
14. Trade payables	(253.178)	--	(203.901)	(24.891)
15. Financial liabilities	(408.431)	(1.139.543)	(153.136)	(45.145)
16a. Other monetary liabilities	(3.310)	--	(1.762)	(1.338)
16b. Other non-monetary liabilities	--	--	--	--
17. Long term liabilities (14+15+16)	(664.919)	(1.139.543)	(358.799)	(71.374)
18. Total liabilities (13+17)	(4.334.735)	(2.089.238)	(2.540.826)	(1.138.335)
19. Outside of the financial statements derivatives instruments net assets / (liability) position (19a+19b)	25.684	(142.385)	27.932	18.382
19a. Hedged portion of assets amount	519.754	--	184.656	313.015
19b. Hedged portion of liabilities amount	(494.070)	(142.385)	(156.724)	(294.633)
20. Net foreign currencies assets / (liability) position (9+18+19)	(518.231)	(1.909.475)	(342.420)	186.589
21. Monetary items Net foreign currencies assets / (liability) position (IFRS 7.b23)(=1+2a+5+6a+10+11+12a+14+15+16a)	(776.218)	(1.833.816)	(552.731)	(151.328)

(*) USD equivalents are given.

Çalık Holding Anonim Şirketi and its Subsidiaries

Notes to Consolidated Financial Statements

As at and for the Year Ended 31 December 2019

(Amounts expressed in thousands of United States Dollar ("USD") unless otherwise stated.)

36 Financial instruments – Fair values and risk management (continued)

Currency risk (continued)

At 31 December 2018, the currency risk exposures of the Group in USD equivalents are as follows:

CURRENCY POSITION STATEMENT		31 DECEMBER 2018			
	USD equivalent	TL	EURO	OTHER ^(*)	
1. Trade Receivables	122.968	72.195	42.832	60.168	
2a. Monetary financial assets	2.000.840	66.513	1.099.840	727.988	
2b. Non-monetary financial assets	--	--	--	--	
3. Other	183.575	9.313	145.095	15.552	
4. Current assets (1+2+3)	2.307.383	148.021	1.287.767	803.708	
5. Trade Receivables	2	12	--	--	
6a. Monetary financial assets	920.415	--	484.976	364.724	
6b. Non-monetary financial assets	--	--	--	--	
7. Other	9.212	461	3.223	5.431	
8. Non-current assets (5+6+7)	929.629	473	488.199	370.155	
9. Total Assets (4+8)	3.237.012	148.494	1.775.966	1.173.863	
10. Trade payables	(1.554.247)	(100.818)	(1.286.802)	(60.651)	
11. Financial liabilities	(1.054.068)	(552.844)	(354.853)	(542.388)	
12a. Other monetary liabilities	(630.186)	(157.555)	(215.696)	(353.090)	
12b. Other non-monetary liabilities	(1.086)	--	(134)	(933)	
13. Short term liabilities (10+11+12)	(3.239.587)	(811.217)	(1.857.485)	(957.062)	
14. Trade payables	(208.333)	--	(163.523)	(20.966)	
15. Financial liabilities	(143.811)	(288.354)	(57.437)	(23.187)	
16a. Other monetary liabilities	(924)	--	--	(924)	
16b. Other non-monetary liabilities	--	--	--	--	
17. Long term liabilities (14+15+16)	(353.068)	(288.354)	(220.960)	(45.077)	
18. Total liabilities (13+17)	(3.592.655)	(1.099.571)	(2.078.445)	(1.002.139)	
19. Outside of the financial statements derivatives instruments net assets / (liability) position (19a+19b)	(8.137)	--	(20.893)	15.803	
19a. Hedged portion of assets amount	273.605	--	66.828	197.033	
19b. Hedged portion of liabilities amount	(281.742)	--	(87.721)	(181.230)	
20. Net foreign currencies assets / (liability) position (9+18+19)	(363.780)	(951.077)	(323.372)	187.527	
21. Monetary items Net foreign currencies assets / (liability) position (IFRS 7.b23) (=1+2a+5+6a+10+11+12a+14+15+16a)	(547.344)	(960.851)	(450.663)	151.674	

(*) USD equivalents are given.

Çalık Holding Anonim Şirketi and its Subsidiaries

Notes to Consolidated Financial Statements

As at and for the Year Ended 31 December 2019

(Amounts expressed in thousands of United States Dollar ("USD") unless otherwise stated.)

36 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:

31 December 2019	Profit / (Loss)		Equity	
	Strengthening of USD	Weakening of USD	Strengthening of USD	Weakening of USD
Increase/(decrease) 10 percent of TL parity				
1-TL net asset / liability	32.145	(32.145)	--	--
2-Hedged portion of TL amounts(-)	--	--	--	--
3-Net effect of TL (1+2)	32.145	(32.145)	--	--
Increase/(decrease) 10 percent of EUR parity				
4-EUR net asset / liability	38.337	(38.337)	--	--
5-Hedged portion of EUR amounts(-)	-	-	--	--
6-Net effect of EUR (4+5)	38.337	(38.337)	--	--
Increase/(decrease) 10 percent of other parities				
7-Other foreign currency net asset / liability	(18.659)	18.659	--	--
8-Hedged portion of other foreign currency amounts(-)	-	-	--	--
9-Net effect of other foreign currencies (7+8)	(18.659)	18.659	--	--
TOTAL (3+6+9)	51.823	(51.823)	--	--

Çalık Holding Anonim Şirketi and its Subsidiaries

Notes to Consolidated Financial Statements

As at and for the Year Ended 31 December 2019

(Amounts expressed in thousands of United States Dollar ("USD") unless otherwise stated.)

36 Financial instruments – Fair values and risk management (continued)

Currency risk (continued)

31 December 2018	Profit / (Loss)		Equity	
	Strengthening of USD	Weakening of USD	Strengthening of USD	Weakening of USD
Increase/(decrease) 10 percent of TL parity				
1-TL net asset / liability	18.078	(18.078)	--	--
2-Hedged portion of TL amounts(-)	--	--	--	--
3-Net effect of TL (1+2)	18.078	(18.078)	--	--
Increase/(decrease) 10 percent of EUR parity				
4-EUR net asset / liability	37.052	(37.052)	--	--
5-Hedged portion of EUR amounts(-)	--	--	--	--
6-Net effect of EUR (4+5)	37.052	(37.052)	--	--
Increase/(decrease) 10 percent of other parities				
7-Other foreign currency net asset / liability	(18.753)	18.753	--	--
8-Hedged portion of other foreign currency amounts(-)	--	--	--	--
9-Net effect of other foreign currencies (7+8)	(18.753)	18.753	--	--
TOTAL (3+6+9)	36.377	(36.377)	--	--

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.

Çalık Holding Anonim Şirketi and its Subsidiaries

Notes to Consolidated Financial Statements

As at and for the Year Ended 31 December 2019

(Amounts expressed in thousands of United States Dollar (“USD”) unless otherwise stated.)

36 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 2019, the Aktifbank’s capital adequacy ratio is 14,85 percent (31 December 2018: 12,87 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 18,62 percent as at 31 December 2019 (31 December 2018: 17,53 percent).

In December 2018, BKT has reported Regulatory Capital Ratio, Tier 1 Capital Ratio and Common Equity Tier 1 Ratio as 18,62 percent, 17,37 percent and 17,37 percent, respectively. (31 December 2018: 17,53 percent, 16,19 percent and 16,19 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.

Çalık Holding Anonim Şirketi and its Subsidiaries

Notes to Consolidated Financial Statements

As at and for the Year Ended 31 December 2019

(Amounts expressed in thousands of United States Dollar (“USD”) unless otherwise stated.)

36 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.

Çalık Holding Anonim Şirketi and its Subsidiaries

Notes to Consolidated Financial Statements

As at and for the Year Ended 31 December 2019

(Amounts expressed in thousands of United States Dollar ("USD") unless otherwise stated.)

36 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 2019	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	150.752	228.106	2.068.482	2.447.340	1.630.319	588.914	228.106	2.447.339
Derivatives	--	4.943	--	4.943	--	4.943	--	4.943
Financial assets not measured at fair value								
Financial investments	--	856	--	856	--	--	856	856
Trade receivables	428.943	--	--	428.943	--	--	--	--
Other receivables	556.467	--	--	556.467	--	--	--	--
Cash and cash equivalents	1.754.177	--	--	1.754.177	--	--	--	--
Receivables related to finance sector operations	2.123.180	--	--	2.123.180	--	--	--	--
Total	5.013.519	233.905	2.068.482	7.315.906	1.630.319	593.857	228.962	2.453.138
Financial liabilities measured at fair value								
Derivatives	--	2.867	--	2.867	--	2.867	--	2.867
Financial liabilities not measured at fair value								
Loans and borrowings	2.924.230	--	--	2.924.230	--	--	2.924.229	2.924.229
Trade payables	265.290	--	--	265.290	--	--	--	--
Payables related to finance sector operations	4.413.073	--	--	4.413.073	--	--	--	--
Other payables ^(*)	48.440	--	--	48.440	--	--	--	--
Total	7.651.033	2.867	--	7.653.900	--	2.867	2.924.229	2.927.096

^(*) Deposits and guarantees given are excluded from other liabilities.

Çalık Holding Anonim Şirketi and its Subsidiaries

Notes to Consolidated Financial Statements

As at and for the Year Ended 31 December 2019

(Amounts expressed in thousands of United States Dollar ("USD") unless otherwise stated.)

36 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 2018	Amortised costs	Measured at fair value through profit or loss	Measured at fair value through other comprehensive income	Total	Level 1	Level 2	Level 3	Total
Financial assets measured at fair value								
Financial investments	259.422	201.736	1.647.829	2.108.987	1.340.909	566.342	201.736	2.108.987
Derivatives	--	9.996	--	9.996	--	9.996	--	9.996
Financial assets not measured at fair value								
Financial investments	--	2.975	--	2.975	--	--	2.975	2.975
Trade receivables	1.100.873	--	--	1.100.873	--	--	--	--
Other receivables	508.968	--	--	508.968	--	--	--	--
Cash and cash equivalents	803.852	--	--	803.852	--	--	--	--
Receivables related to finance sector operations	2.191.981	--	--	2.191.981	--	--	--	--
Total	4.865.096	214.707	1.647.829	6.727.632	1.340.909	576.338	204.711	2.121.958
Financial liabilities measured at fair value								
Derivatives	-	4.375	--	4.375	--	4.375	--	4.375
Financial liabilities not measured at fair value								
Loans and borrowings	2.214.220	--	--	2.214.220	--	--	2.214.220	2.214.220
Trade payables	449.470	--	--	449.470	--	--	--	--
Payables related to finance sector operations	4.084.963	--	--	4.084.963	--	--	--	--
Other payables (*)	163.772	--	--	163.772	--	--	--	--
Total	6.912.425	4.375	--	6.916.800	--	4.375	2.214.220	2.218.595

(*) Deposits and guarantees given are excluded from other liabilities.

Çalık Holding Anonim Şirketi and its Subsidiaries

Notes to Consolidated Financial Statements

As at and for the Year Ended 31 December 2019

(Amounts expressed in thousands of United States Dollar (“USD”) unless otherwise stated.)

36 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 2019. Discounted cash flow method was used as valuation method and the fair value of this investment was assessed USD 228.106 (31 December 2018: USD 221.736).

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.

Çalık Holding Anonim Şirketi and its Subsidiaries

Notes to Consolidated Financial Statements

As at and for the Year Ended 31 December 2019

(Amounts expressed in thousands of United States Dollar (“USD”) unless otherwise stated.)

36 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.

Çalık Holding Anonim Şirketi and its Subsidiaries

Notes to Consolidated Financial Statements

As at and for the Year Ended 31 December 2019

(Amounts expressed in thousands of United States Dollar (“USD”) unless otherwise stated.)

37 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	
	2019	2018	2019	2018
Adacami Enerji (1)	99,95	99,95	95,38	95,38
Akılcı Bilişim (1)	70,00	70,00	66,76	66,76
Aktifbank	99,43	99,87	99,87	99,87
Akuamarin(6)	100,00	50,00	99,87	49,93
Akyarlar (6)	100,00	--	99,87	--
Albatros(6)	100,00	100,00	99,87	99,86
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	50,00	99,87	49,93
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	99,75	95,20	95,20
Attivo (6)	90,00	90,00	89,88	89,88
Aytaşı(6)	100,00	50,00	99,87	49,93
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
Çalık Denim B.V. (3)	100,00	100,00	99,72	99,72
Cetel Telekom	93,16	93,16	93,16	93,16
Çalık Alexandria(3)	94,00	100,00	99,72	99,72
Çalık Denim	99,72	99,72	99,72	99,72
Çalık Dijital	100,00	100,00	100,00	100,00
ÇEDAŞ(1)	99,90	99,95	95,38	95,38
Çalık Emlak	--	98,06	--	98,06
Çalık Enerji Dubai(1)	100,00	100,00	95,42	95,42
Çalık Elektrik(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	100,00	100,00
Çalık Gaz	--	99,89	--	99,89
Çalık Georgia(1)	100,00	100,00	95,42	95,42
Çalık Güneş (1)	100,00	99,75	95,42	99,64
Çalık Hava	100,00	100,00	100,00	100,00
Çalık İnşaat(2)	99,95	99,75	98,90	99,24
Çalık NTF(1)	100,00	100,00	95,42	95,42
Çalık Pamuk	86,39	86,39	86,39	86,39
Çalık Petrol	--	80,00	--	79,91
Çalık Rüzgar(1)	95,00	95,00	90,65	90,65
Çalık Solar	97,50	97,50	97,50	97,40
Çalık Tarım(9)	100,00	100,00	86,39	86,39
Çalık Yenilenebilir(1)	100,00	100,00	95,42	95,42
ÇEDYAŞ(1)	100,00	100,00	95,42	95,42
Çiğdem (6)	100,00	50,00	99,87	49,93
Çöl Yıldızı(6)	100,00	100,00	99,87	99,87

Çalık Holding Anonim Şirketi and its Subsidiaries

Notes to Consolidated Financial Statements

As at and for the Year Ended 31 December 2019

(Amounts expressed in thousands of United States Dollar (“USD”) unless otherwise stated.)

37

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	
	2019	2018	2019	2018
Defne ⁽⁶⁾	100,00	50,00	99,87	49,93
Demircili ⁽¹⁾	85,00	85,00	81,11	81,11
Deniz Güneş Enerjisi ⁽⁶⁾	100,00	100,00	99,87	99,87
Deniz Yıldızı ⁽⁶⁾	100,00	100,00	99,87	99,87
Doğu Akdeniz Petrokimya	--	99,40	--	99,40
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
Energy Sabz Arman ⁽¹⁾	100,00	100,00	95,42	95,42
Energy Sabz Pouya ⁽¹⁾	100,00	100,00	95,42	95,42
E-Post ⁽⁶⁾	99,86	100,00	99,87	99,87
Esen ⁽⁶⁾	100,00	100,00	99,87	99,87
Gap Construction Co. ⁽²⁾	100,00	100,00	98,91	98,67
Gap İnşaat Katar ⁽²⁾	100,00	100,00	98,91	99,48
Gap Elektrik	89,96	89,96	99,93	99,93
Gap İnşaat Sudan ⁽²⁾	80,00	100,00	98,22	99,48
Gap İnşaat Dubai ⁽²⁾	100,00	100,00	98,91	99,48
Gap İnşaat Saudi Arabia Ltd ⁽²⁾	--	100,00	--	99,48
Gap İnşaat Ukraine ⁽²⁾	99,00	99,00	97,92	98,49
Gap İnşaat	98,90	99,48	98,91	99,48
Gap Pazarlama	99,43	99,43	99,43	99,43
Gap Pazarlama FZE ⁽⁴⁾	100,00	100,00	99,43	99,43
Gappa ⁽⁴⁾	100,00	100,00	99,43	99,43
Gap Yapı	98,90	99,75	98,91	99,75
Gelincik ⁽⁶⁾	100,00	50,00	99,87	49,93
Gök Safir ⁽⁶⁾	100,00	100,00	99,87	99,87
Güneştaşı ⁽⁶⁾	100,00	50,00	99,87	49,93
Granite Holding N.V. ⁽¹⁾	--	100,00	--	95,42
Hamerz Green Energy ⁽¹⁾	98,00	100,00	95,42	95,42
Innovative Construction ⁽²⁾	100,00	100,00	98,91	99,48
Irmak Yönetim	100,00	100,00	100,00	100,00
İkideniz Petrol	99,99	99,99	99,99	99,89
İnovaban İnovasyon ⁽⁶⁾	67,00	67,00	66,91	66,91
İpek ⁽⁶⁾	100,00	100,00	99,87	99,87
JSC Georgia ⁽¹⁾	85,00	85,00	81,11	81,11
Kadıkalesi ⁽⁶⁾	100,00	--	99,87	--
Kamelya ⁽⁶⁾	100,00	100,00	99,87	99,87
Kaplan Gözü ⁽⁶⁾	100,00	50,00	99,87	49,93
Kasımpatı ⁽⁶⁾	100,00	100,00	99,87	99,87
Kentsel Dönüşüm ⁽²⁾	99,00	99,75	98,67	99,24
Kırlangıç ⁽⁶⁾	100,00	100,00	99,87	99,87
Kızılırmak ⁽¹⁾	99,30	99,40	94,86	94,86
Kızılyıldızı ⁽⁶⁾	100,00	100,00	99,87	99,87
Kuvars ⁽⁶⁾	100,00	50,00	99,87	49,93
Kuzey Yıldızı ⁽⁶⁾	100,00	100,00	99,87	99,87

Çalık Holding Anonim Şirketi and its Subsidiaries

Notes to Consolidated Financial Statements

As at and for the Year Ended 31 December 2019

(Amounts expressed in thousands of United States Dollar (“USD”) unless otherwise stated.)

37 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	
	2019	2018	2019	2018
Lapis ⁽⁶⁾	100,00	50,00	99,87	49,93
Leylak ⁽⁶⁾	100,00	50,00	99,87	49,93
Lidya Maden	99,28	99,29	99,29	99,29
Lilyum ⁽⁶⁾	100,00	50,00	99,87	49,93
Malatya Boya ⁽³⁾	100,00	100,00	99,72	99,72
Martı ⁽⁶⁾	100,00	100,00	99,87	99,87
Mayestan Clean Energy ⁽¹⁾	100,00	100,00	95,42	95,42
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	100,00	89,92	99,87
Nouvelle Frontiere ⁽⁸⁾	100,00	--	99,29	--
Olimpos ⁽⁶⁾	73,42	100,00	96,60	99,87
Olivin ⁽⁶⁾	100,00	50,00	99,87	49,93
Oniki Teknoloji ⁽⁶⁾	100,00	100,00	99,87	99,86
Oniks ⁽⁶⁾	100,00	50,00	99,87	49,93
Onyx ⁽¹⁾	100,00	100,00	95,42	95,42
Opal ⁽⁶⁾	100,00	50,00	99,87	49,93
Pasifik ⁽⁶⁾	73,13	100,00	96,62	99,87
Passo Spor ⁽⁶⁾	100,00	--	99,87	--
Pavo ⁽⁶⁾	100,00	80,00	99,87	79,89
Petrotrans Enerji	99,92	99,92	99,92	99,92
Polimetal Mineral ⁽⁸⁾	100,00	100,00	99,29	99,29
Sedef ⁽⁶⁾	100,00	50,00	99,87	49,93
Seher ⁽⁶⁾	100,00	100,00	99,87	99,87
Seher Yıldızı ⁽⁶⁾	100,00	100,00	99,87	99,87
Sembol Enerji	100,00	100,00	100,00	99,89
Sigortayeri ⁽⁶⁾	100,00	100,00	99,87	99,87
Synchron ⁽⁴⁾	100,00	100,00	99,43	99,43
Synergy Marketin N.V. ⁽⁴⁾	--	100,00	--	99,43
Tanyeri ⁽⁶⁾	100,00	100,00	99,87	99,87
Taşkent Merkez ⁽¹⁾	100,00	50,00	95,42	47,71
TCB İnşaat	100,00	100,00	97,50	97,40
Technological Energy ⁽¹⁾	100,00	100,00	95,42	95,42
Technovision ⁽¹⁾	99,99	99,00	95,42	94,47
Tura Moda ⁽⁴⁾	100,00	100,00	99,43	99,43
Turkuvaz ⁽⁶⁾	100,00	50,00	99,87	49,93
Türkmen Elektrik ⁽¹⁾	95,50	97,00	92,63	92,63
Ufuk ⁽⁶⁾	100,00	100,00	99,87	99,87
UPT ⁽⁶⁾	100,00	100,00	99,87	99,86
Uztur ⁽¹⁾	100,00	--	95,42	--
White Construction N.V. ⁽²⁾	100,00	100,00	98,91	99,48
Yakamoz ⁽⁶⁾	100,00	100,00	99,87	99,87
Yakut ⁽⁶⁾	100,00	100,00	99,87	99,87
Yalıkavak ⁽⁶⁾	100,00	--	99,87	--
Yeşilçay Enerji ⁽¹⁾	100,00	100,00	95,42	95,42

Çalık Holding Anonim Şirketi and its Subsidiaries

Notes to Consolidated Financial Statements

As at and for the Year Ended 31 December 2019

(Amounts expressed in thousands of United States Dollar (“USD”) unless otherwise stated.)

37 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	
	2019	2018	2019	2018
YEDAŞ ⁽¹⁾	100,00	100,00	95,38	95,38
YEPAŞ ⁽¹⁾	100,00	100,00	95,38	95,38
Zirkon ⁽⁶⁾	100,00	50,00	99,87	49,93

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 Cetel Çalık, 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	
	2019	2018	2019	2018
Aktif Halk Enerji	--	50,00	--	49,93
Çalık Limak Adi Ortaklığı	50,00	50,00	47,69	47,69
ÇL Enerji	50,00	--	47,71	--
Doğu Aras	50,00	50,00	47,71	47,71
Halk Yenilenebilir	50,00	50,00	49,93	49,93
Kartaltepe	50,00	50,00	49,64	49,64
KÇLE	50,00	50,00	47,71	47,71
Kumtaşı	--	50,00	--	49,93
LC Electricity	50,00	50,00	46,31	46,31
Polimetal	50,00	50,00	49,64	49,64
Secom Aktif Güvenlik	100,00	--	49,93	--
Secom Aktif Yatırım	50,00	--	49,93	--
TAPCO	--	50,00	--	49,96
Tunçpınar	50,00	50,00	49,64	49,64

Çalık Holding Anonim Şirketi and its Subsidiaries

Notes to Consolidated Financial Statements

As at and for the Year Ended 31 December 2019

(Amounts expressed in thousands of United States Dollar (“USD”) unless otherwise stated.)

37 Group enterprises (continued)

Associates

The table below sets out the associates and their shareholding structure at 31 December:

	<i>Direct controlling interest of Çalık Holding and its subsidiaries</i>		<i>Effective ownership interest of Çalık Holding and its Subsidiaries</i>	
	2019	2018	2019	2018
Şirket adı	2019	2018	2019	2018
Aktif VKŞ	100,00	100,00	99,87	99,87
Albania Leasing	29,99	29,99	29,99	29,99
Balkan Dokuma	31,00	31,00	31,00	31,00
CYDEV Investment	99,99	99,99	25,53	25,50
Dome Zero	1,98	--	1,98	--
Emyap Development	51,00	51,00	13,02	13,01
ELC	36,71	36,70	36,66	36,65
Euro-Mediterranean	25,57	25,57	25,54	25,50
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
IFM	--	5,00	--	4,99
Kazakhstan Ijara Company KIC Leasing	14,32	14,32	14,30	14,30
Kıbrıs Besicilik	99,99	99,99	25,53	25,50
Serdar Pamuk	10,00	10,00	10,00	10,00
Silent Valley	51,00	51,00	13,02	13,00

36 Subsequent events

The recent outbreak of Coronavirus, a virus causing potentially deadly respiratory tract infections originating in China and spreading in various jurisdictions, may negatively affect economic conditions regionally as well as globally, disrupt operations situated in countries particularly exposed to the contagion. The ultimate severity of the Coronavirus outbreak is uncertain at this time and therefore the Group cannot reasonably estimate the impact on Group's operations.