

Çalık Holding Anonim Şirketi and its Subsidiaries

**Consolidated Financial Statements
As at and for the Year Ended 31 December 2022
With Independent Auditor's Report**

7 June 2023

This report includes 4 pages of independent auditor's report and 146 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

**EY****Building a better
working world**

Güney Bağımsız Denetim ve SMMM A.Ş.
Maslak Mah. Eski Büyükdere Cad.
Orjin Maslak İş Merkezi No: 27
Daire: 57 34485 Sarıyer
İstanbul - Türkiye

Tel: +90 212 315 3000
Fax: +90 212 230 8291
ey.com
Ticaret Sicil No : 479920
Mersis No: 0-4350-3032-6000017

Independent auditor's report

To the General Assembly of Çalık Holding Anonim Şirketi

Report on the audit of the consolidated financial statements**Opinion**

We have audited the consolidated financial statements of Çalık Holding Anonim Şirketi ("the Company") and its subsidiaries ("the Group"), which comprise the consolidated statement of financial position as at December 31, 2021, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2021, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Turkish Financial Reporting Standards ("TFRSs").

Basis for opinion

We conducted our audit in accordance with Independent Auditing Standards ("InAS") which are part of the Turkish Auditing Standards as issued by the Public Oversight Accounting and Auditing Standards Authority of Turkey ("POA"). 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 Code of Ethics for Independent Auditors ("Code of Ethics") as issued by the POA, and we have fulfilled our other ethical responsibilities in accordance with the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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.



**Building a better
working world**

Key audit matters	How key audit matter addressed in the auditor's response
<p>Revenue recognition on construction contracts</p> <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 Türkiye and abroad. The revenue from the construction contracts of the companies in energy and construction sector amounting to USD 927.632 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 TFRS 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.

Other Matter

We have expressed an unqualified opinion in our auditor's report dated May 12, 2023 on the consolidated financial statements of the Group for the period of 1/1/2022-31/12/2022, which are prepared in accordance with Turkish Accounting Standards and presented in Turkish Lira ("TL"). The consolidated financial statements are reissued with a presentation currency of US Dollar ("USD"), which are measured in accordance with Note 2.d.

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 TFRSs, 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.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

- 1) In accordance with paragraph 4 of Article 402 of the TCC, no significant matter has come to our attention that causes us to believe that the Company's bookkeeping activities for the period 1 January - 31 December 2022 and financial statements are not in compliance with law and provisions of the Company's articles of association in relation to financial reporting.
- 2) In accordance with paragraph 4 of Article 402 of the TCC, the Board of Directors submitted to us the necessary explanations and provided required documents within the context of audit.

The name of the engagement partner who supervised and concluded this audit is Kaan Birdal.

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



Kaan Birdal, SMMM
Partner

June 7, 2023
Istanbul, Türkiye

Çalık Holding Anonim Şirketi and its Subsidiaries

As at 31 December 2022

Consolidated Statement of Financial Position

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

			Reclassified (Note 2.f)	Reclassified (Note 2.f)
		Current Period	Previous Period	Previous Period
		Audited	Audited	Audited
Assets	Notes	31 December 2022	31 December 2021	31 December 2020
Current assets				
Cash and cash equivalents	9	1.043.602	1.271.777	897.487
Financial investments	10	1.581.909	1.237.348	1.427.561
Financial assets related to concession agreements	11	61.989	43.447	60.150
Trade receivables	12	387.332	458.158	394.769
<i>Due from related parties</i>	8	161.382	151.174	76.624
<i>Due from third parties</i>		225.950	306.984	318.145
Receivables related to finance sector operations	13	902.290	761.144	648.345
<i>Due from related parties</i>	8	7.890	2.147	3.480
<i>Due from third parties</i>		894.400	758.997	644.865
Other receivables	14	161.264	100.290	228.612
<i>Due from related parties</i>	8	62.721	18.101	49.873
<i>Due from third parties</i>		98.543	82.189	178.739
Contract assets	23	275.544	130.164	71.291
<i>Contract assets arising from ongoing construction and contracting works</i>		275.544	130.164	71.291
Inventories	15	289.605	251.568	228.774
Derivatives	25	14.192	27.610	13.332
Prepayments	16	159.455	89.652	117.951
Current tax assets	29	22.327	8.929	2.413
Other current assets	22	783.590	720.169	710.821
Subtotal		5.683.099	5.100.256	4.801.506
Assets held for sale	6	41.684	59.949	60.678
Total current assets		5.724.783	5.160.205	4.862.184
Non- current assets				
Trade receivables	12	32.232	55.745	35.406
<i>Due from related parties</i>	8	1.660	545	1.846
<i>Due from third parties</i>		30.572	55.200	33.560
Receivables related to finance sector operations	13	1.498.944	1.560.379	1.964.341
<i>Due from related parties</i>	8	--	--	4
<i>Due from third parties</i>		1.498.944	1.560.379	1.964.337
Other receivables	14	363.542	338.857	326.000
<i>Due from related parties</i>	8	320.000	320.003	320.005
<i>Due from third parties</i>		43.542	18.854	5.995
Financial investments	10	2.465.071	2.204.832	1.876.437
Financial assets related to concession agreements	11	190.745	130.034	194.309
Investments in equity-accounted investees	17	193.570	177.617	222.031
Investment property	21	86.250	81.584	130.338
Property, plant and equipment	18	390.848	460.790	564.814
Intangible assets	19	131.533	158.378	153.718
<i>Goodwill</i>		1.387	1.945	3.532
<i>Other intangible assets</i>		130.146	156.433	150.186
Right of use assets	20	20.543	47.073	45.805
Prepayments	16	18.965	37.856	78.448
Deferred tax assets	29	174.744	52.599	51.349
Other non-current assets		450	783	533
Total non-current assets		5.567.437	5.306.527	5.643.529
Total assets		11.292.220	10.466.732	10.505.713

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

Çalık Holding Anonim Şirketi and its Subsidiaries
As at 31 December 2022
Consolidated Statement of Financial Position (*continued*)
(Amounts expressed in thousands of USD unless otherwise stated.)

			<i>Reclassified (Note 2.f)</i>	<i>Reclassified (Note 2.f)</i>
		Current Period	Previous	Previous
		Audited	Period	Period
		31 December	31 December	31 December
Liabilities	Notes	2022	2021	2020
Short term liabilities				
Short term loans and borrowings	24	1.160.914	1.460.030	1.699.259
Short term portion of long-term loans and borrowings	24	196.737	158.545	175.796
Derivatives	25	4.907	4.112	19.557
Trade payables	12	295.479	284.649	270.160
<i>Due to related parties</i>	8	<i>4.631</i>	<i>3.221</i>	<i>12.695</i>
<i>Due to third parties</i>		<i>290.848</i>	<i>281.428</i>	<i>257.465</i>
Payables related to finance sector operations	13	5.108.257	4.827.725	4.778.821
<i>Due to related parties</i>	8	<i>26.384</i>	<i>18.308</i>	<i>30.286</i>
<i>Due to third parties</i>		<i>5.081.873</i>	<i>4.809.417</i>	<i>4.748.535</i>
Payables related to employee benefits	26	10.212	8.266	7.763
Other payables	14	61.023	60.052	53.794
<i>Due to related parties</i>	8	<i>10</i>	<i>1</i>	<i>23.798</i>
<i>Due to third parties</i>		<i>61.013</i>	<i>60.051</i>	<i>29.996</i>
Contract liabilities	23	261.683	200.574	42.534
<i>Contract liabilities arising from ongoing construction and contracting works</i>		<i>80.677</i>	<i>53.292</i>	<i>42.534</i>
<i>Other Contract liabilities</i>		<i>181.006</i>	<i>147.282</i>	<i>--</i>
Deferred revenue	16	109.695	53.233	124.678
Current tax liabilities	29	38.177	20.107	7.767
Short term provisions	27	38.808	31.481	42.204
<i>Short term employee provisions</i>	27	<i>18.677</i>	<i>14.221</i>	<i>18.208</i>
<i>Other short-term provisions</i>	27	<i>20.131</i>	<i>17.260</i>	<i>23.996</i>
Other short-term liabilities	22	92.728	73.299	81.478
Subtotal		7.378.620	7.182.073	7.303.811
Liabilities held for sale	6	--	739	11.896
Total short-term liabilities		7.378.620	7.182.812	7.315.707
Long term liabilities				
Long term loans and borrowings	24	415.537	450.999	502.266
Trade payables	12	--	4	4.886
<i>Due to third parties</i>		<i>--</i>	<i>4</i>	<i>4.886</i>
Payables related to finance sector operations	13	793.781	661.127	500.758
<i>Due to third parties</i>		<i>793.781</i>	<i>661.127</i>	<i>500.758</i>
Other payables	14	21.162	15.773	52.554
<i>Due to third parties</i>		<i>21.162</i>	<i>15.773</i>	<i>52.554</i>
Contract liabilities	23	80.869	30.689	46.595
<i>Contract liabilities arising from ongoing construction and contracting works</i>		<i>80.869</i>	<i>30.689</i>	<i>46.595</i>
Deferred revenue	16	93.542	94.472	93.083
Long term provisions	27	15.803	11.837	13.102
<i>Long-term employee provisions</i>	27	<i>15.766</i>	<i>10.770</i>	<i>11.847</i>
<i>Other long-term provisions</i>	27	<i>37</i>	<i>1.067</i>	<i>1.255</i>
Deferred tax liabilities	29	26.354	32.654	39.529
Other long-term liabilities		--	--	385
Total long-term liabilities		1.447.048	1.297.555	1.253.158
Total liabilities		8.825.668	8.480.367	8.568.865

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

Çalık Holding Anonim Şirketi and its Subsidiaries
As at 31 December 2022
Consolidated Statement of Financial Position (*continued*)
(Amounts expressed in thousands of USD unless otherwise stated.)

			<i>Reclassified (Note 2.f)</i>	<i>Reclassified (Note 2.f)</i>
		Current Period	Previous Period	Previous Period
		Audited	Audited	Audited
Equity	Notes	31 December 2022	31 December 2021	31 December 2020
Equity attributable to the owners of the Company				
Share capital	30	210.761	210.761	210.761
Adjustment to share capital		3.388	3.388	3.388
Other comprehensive income that is or will not be reclassified to profit or loss		(9.187)	(5.153)	(2.545)
<i>Accumulated re-measurements loss of defined benefit plans</i>		(9.187)	(5.153)	(2.356)
<i>Revaluation fund</i>		--	--	(189)
Other comprehensive income that is or may be reclassified to profit or loss		(1.214.886)	(834.107)	(323.327)
<i>Translation differences</i>		(1.129.954)	(850.861)	(391.576)
<i>Fair value reserve of financial assets available-for-sale</i>		(84.932)	16.754	68.249
Restricted reserves	30	768.993	720.867	699.203
Retained earnings		1.679.111	1.204.195	928.775
Profit for the year		840.497	523.066	297.014
Total equity attributable to the owners of the Company		2.278.677	1.823.017	1.813.269
Total non-controlling interests	30	187.875	163.348	123.579
Total equity		2.466.552	1.986.365	1.936.848
Total equity and liabilities		11.292.220	10.466.732	10.505.713

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 2022

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

		<i>Reclassified (Note 2.f)</i>	
		Current period	Previous Period
		Audited	Audited
Profit or loss	Notes	31 December 2022	31 December 2021
Continuing operations			
Revenue	31	2.004.460	1.720.175
Revenue from finance sector operations	31	574.568	526.312
Total revenue	31	2.579.028	2.246.487
Cost of sales (-)	31	(1.508.431)	(1.258.966)
Cost of revenues from finance sector operations (-)	31	(211.801)	(217.369)
Total cost	31	(1.720.232)	(1.476.335)
Gross profit	31	858.796	770.152
General and administrative expenses (-)	32	(228.657)	(218.754)
Selling, marketing and distribution expenses (-)	32	(43.795)	(38.973)
Research and development expenses (-)	32	(14.825)	(13.917)
Other income from operating activities	33	185.421	137.715
Other expenses from operating activities (-)	33	(155.607)	(148.221)
Operating profit		601.333	488.002
Gain from investing activities	34	306.962	177.645
Loss from investing activities (-)	34	(70.684)	(58.275)
Loss and gain from share of profit of equity accounted investees	17	25.287	(4.903)
Operating profit before finance costs		862.898	602.469
Finance income	35	146.985	191.774
Finance costs (-)	35	(178.113)	(208.293)
Net finance costs		(31.128)	(16.519)
Profit before tax from continuing operations		831.770	585.950
Current tax expense (-)	29	(103.368)	(79.979)
Deferred tax benefit	29	132.387	31.723
Total tax expense		29.019	(48.256)
Profit for the year from continuing operations		860.789	537.694

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 2022 *(continued)*
(Amounts expressed in thousands of USD unless otherwise stated.)

			<i>Reclassified (Note 2,f)</i>
		Current Period	Previous Period
		Audited	Audited
Other comprehensive income	Notes	31 December 2022	31 December 2021
Profit for the year from continuing operations		860.789	537.694
Items that are or may be reclassified to profit or loss			
Foreign currency translation differences for foreign operations and reporting currency translation differences		(246.588)	(445.355)
Change in fair value of available-for-sale financial assets	10	(135.542)	(68.698)
Deferred tax benefit/(expense)	29	33.885	17.175
Total		(348.245)	(496.878)
Items that are or will not be reclassified to profit or loss			
Actuarial losses	27	(5.255)	(3.869)
Deferred tax income		1.313	1.024
Total		(3.942)	(2.845)
Total other comprehensive loss		(352.187)	(499.723)
Total comprehensive income		508.602	37.971
Net profit attributable to:			
Equity holders of the parent		840.498	523.066
Non-controlling interests		20.291	14.628
Net profit for the year		860.789	537.694
Total comprehensive income attributable to:			
Equity holders of the parent		481.333	9.489
Non-controlling interests		27.269	28.482
Total other comprehensive income		508.602	37.971

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 2022

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

USD	Attributable to owners of the Company											
			Restricted reserves	Accumulated other comprehensive income/(expense) that may be reclassified to profit or loss		Accumulative other comprehensive income / (expense) that are or may be reclassified to profit or loss		Retained earnings				
	Paid-in Capital	Adjustment to share capital	Legal Reserves	Revaluation fund	Accumulated re-measurements loss of defined benefit plans	Fair value of debt financial assets at fair value	Translation reserve	Retained earnings	Profit / for the period	Total	Non-controlling interests	Total equity
Balances at 31 December 2021 (previously reported)	210.761	3.388	720.867	--	(5.211)	16.754	(863.365)	1.179.643	511.975	1.774.812	156.056	1.930.868
Effect of restatement (Note 2.f)	--	--	--	--	58	--	12.504	24.552	11.091	48.205	7.292	55.497
Balances at 1 January 2022 (restated)	210.761	3.388	720.867	--	(5.153)	16.754	(850.861)	1.204.195	523.066	1.823.017	163.348	1.986.365
Total comprehensive income for the period												
Profit for the period	--	--	--	--	--	--	--	--	840.498	840.498	20.291	860.789
Other comprehensive income												
Net fair value change in financial assets available-for-sale	--	--	--	--	--	(101.686)	--	--	--	(101.686)	29	(101.657)
Actuarial gains	--	--	--	--	(4.034)	--	--	--	--	(4.034)	92	(3.942)
Foreign currency translation differences for foreign operations and reporting currency translation differences	--	--	--	--	--	--	(253.445)	--	--	(253.445)	6.857	(246.588)
Other comprehensive income	--	--	--	--	(4.034)	(101.686)	(253.445)	--	--	(359.165)	6.978	(352.187)
Total comprehensive income for the period	--	--	--	--	(4.034)	(101.686)	(253.445)	--	840.498	481.333	27.269	508.602
Transactions with owners, recorded directly in equity												
Participation by non-controlling shareholders in subsidiaries' capital increases	--	--	--	--	--	--	--	--	--	--	4.102	4.102
Increase due to other changes	--	--	--	--	--	--	--	1.904	--	1.904	255	2.159
Acquisition/Disposal of subsidiaries	--	--	--	--	--	--	(25.648)	6.087	--	(19.561)	(6.415)	(25.976)
Change in non-controlling interest in consolidated subsidiaries without change in control	--	--	--	--	--	--	--	(8.016)	--	(8.016)	3.186	(4.830)
Dividends paid	--	--	--	--	--	--	--	--	--	--	(3.870)	(3.870)
Transfers	--	--	48.126	--	--	--	--	474.941	(523.067)	--	--	--
Total transactions with owners	--	--	48.126	--	--	--	(25.648)	474.916	(523.067)	(25.673)	(2.742)	(28.415)
Balances at 31 December 2022	210.761	3.388	768.993	--	(9.187)	(84.932)	(1.129.954)	1.679.111	840.497	2.278.677	187.875	2.466.552

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 2022

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

	Attributable to owners of the Company											
			Restricted reserves	Accumulated other comprehensive income/(expense) that may be reclassified to profit or loss		Accumulative other comprehensive income / (expense) that are or may be reclassified to profit or loss		Retained earnings				
USD	Paid-in Capital	Adjustment to share capital	Legal Reserves	Revaluation fund	Accumulated re-measurements loss of defined benefit plans	Fair value of debt financial assets at fair value	Translation reserve	Retained earnings	Profit / for the period	Total	Non-controlling interests	Total equity
Balances at 31 December 2020 (previously reported)	210.761	3.388	699.203	(189)	(2.415)	68.249	(405.280)	842.023	359.209	1.774.949	118.478	1.893.427
Effect of restatement (Note 2.f)	--	--	--	--	59	--	13.704	86.752	(62.195)	38.320	5.101	43.421
Balances at 1 January 2021 (restated)	210.761	3.388	699.203	(189)	(2.356)	68.249	(391.576)	928.775	297.014	1.813.269	123.579	1.936.848
Total comprehensive income for the period												
Profit for the period	--	--	--	--	--	--	--	--	523.066	523.066	14.628	537.694
Other comprehensive income												
Net fair value change in financial assets available-for-sale	--	--	--	--	--	(51.495)	--	--	--	(51.495)	(28)	(51.523)
Actuarial gains	--	--	--	--	(2.797)	--	--	--	--	(2.797)	(48)	(2.845)
Foreign currency translation differences for foreign operations and reporting currency translation differences	--	--	--	--	--	--	(459.285)	(62.190)	62.190	(459.285)	13.930	(445.355)
Other comprehensive income	--	--	--	--	(2.797)	(51.495)	(459.285)	(62.190)	62.190	(513.577)	13.854	(499.723)
Total comprehensive income for the period	--	--	--	--	(2.797)	(51.495)	(459.285)	(62.190)	585.256	9.489	28.482	37.971
Transactions with owners, recorded directly in equity												
Increase in capital	--	--	--	--	--	--	--	--	--	--	11.765	11.765
Change in non-controlling interest in consolidated subsidiaries without change in control	--	--	--	--	--	--	--	(2.285)	--	(2.285)	2.285	--
Participation by non-controlling shareholders in subsidiaries' capital increases	--	--	--	--	--	--	--	--	--	--	370	370
Dividends paid	--	--	--	--	--	--	--	--	--	--	(6.868)	(6.868)
Increase due to other changes	--	--	--	--	--	--	--	2.544	--	2.544	3.735	6.279
Transfers	--	--	21.664	189	--	--	--	337.351	(359.204)	--	--	--
Total transactions with owners	--	--	21.664	189	--	--	--	337.610	(359.204)	259	11.287	11.546
Balances at 31 December 2021	210.761	3.388	720.867	--	(5.153)	16.754	(850.861)	1.204.195	523.066	1.823.017	163.348	1.986.365

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 2022
(Amounts expressed in thousands of USD unless otherwise stated.)

		<i>Reclassified (Note 2.f)</i>	
		Current period	Previous period
		Audited	Audited
	Notes	31 December 2022	31 December 2021
A.CASH FLOWS FROM OPERATING / (USED IN) ACTIVITIES		95.589	1.496.184
Profit for the period		860.789	537.694
Adjustments to reconcile cash flow generated from operating activities:		(972.016)	213.705
Adjustments for depreciation and amortisation	18-19-20	55.717	70.320
Loss/(gain) on sale of derivative financial instruments	34	618	(32.518)
Adjustments for fair value gains/(losses) of financial investments	10	(859.198)	21.599
Adjustments for dividends	34	(47.111)	(60.037)
Adjustments for provision for doubtful receivables	12	677	8.795
Adjustments for inventory impairment, net	15	1.047	120
Adjustments for impairment (reversal) of other financial assets or investments	10	9.232	9.594
Adjustments for provision for long term employee benefits	27	12.528	6.321
Adjustments for provisions (cancellation) reserved for possible risks	13	44.513	28.721
Adjustments for fair value (gain) / loss of investment property	21	(31.818)	43.544
Adjustment for business acquisition	34	(139.645)	(55.239)
Adjustments for gains(losses) on acquisitions or sale of associates, joint ventures and other financial investments	34	2.734	(6.643)
Adjustments for provisions for litigation	34	20.412	--
Adjustments for provisions for litigation	27	1.636	1.486
Adjustments for other provisions	27	1.967	947
Adjustments for share of (profit)/ loss of equity accounted investees	17	(25.287)	4.903
Adjustments for interest income, expenses and interest rediscount		(147.634)	(99.701)
Deferred financial expenses on forward purchases		(4.310)	491
Adjustments for tax expense	29	(29.019)	48.256
Adjustments for the gains and losses on sales of property, plant and equipment, net	34	(17.748)	405
Unrealized foreign currency loss/(income)		184.421	222.341
Other adjustments related to profit and loss reconciliation	13	(5.748)	--
Changes in working capital		62.719	563.726
Adjustments for change in inventories		(40.582)	(22.247)
Adjustments for change in trade receivables		83.296	(80.444)
Adjustments for change in payables related to employee benefits		2.583	503
Adjustments for change in other receivables, other current assets		(149.419)	105.866
Adjustments for change in contract assets and contract liabilities		112.990	(64.021)
Adjustments for change in financial assets related to concession		(145.683)	(50.098)
Adjustments for change in assets held for sale		18.265	729
Adjustments for change in liabilities held for sale		(739)	(11.157)
Adjustments for change in receivables from finance sector		(123.308)	320.436
Adjustments for change in payables from finance sector operations		413.186	209.273
Change in restricted cash and cash equivalents		(21.851)	14.454
Adjustments for change in trade payables		29.888	9.607
Adjustments for change in prepayments		(52.908)	68.891
Adjustments for change in deferred income (except liabilities arising from consumer contracts)		(89.504)	77.226
Adjustments for change in other payables and other liabilities related with operating activities		26.505	(15.292)

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 2022
(Amounts expressed in thousands of USD unless otherwise stated.)

		<i>Reclassified (Note 2.f)</i>	
		Current period	Previous period
	Notes	31 December 2022	31 December 2021
Cash flows from operating activities		144.097	181.059
Employee termination indemnity paid	27	(2.518)	(1.387)
Financial sector activities receivables	13	9.245	18.811
Interest received		403.055	444.900
Interest paid		(180.910)	(218.613)
Collection from doubtful receivables	12	702	535
Taxes paid	29	(85.477)	(63.187)
B. CASH FLOWS USED IN INVESTING ACTIVITIES		(101.558)	(630.226)
Proceeds from sales of property, plant and equipment and intangible assets		19.464	44.945
Acquisition of property, plant and equipment	18	(153.659)	(95.877)
Acquisition of intangible assets	19	(30.142)	(12.365)
Proceeds from sales of investment property	21, 34	44.563	--
Acquisition of investment property	21	--	(812)
Cash outflows due to share purchase or capital increase in affiliates and/or joint ventures	17	(2.421)	(4.644)
Cash inflows due to share sale or capital reduction of affiliates and/or joint ventures	17	2.254	19.217
Received dividend	17	3.674	14.644
Cash outflows on purchases to obtain control of subsidiaries		(26.320)	--
Increase/decrease due to share ratio changes that do not result in loss of control of subsidiaries		(3.555)	6.559
Proceeds from / (repayment of) derivative financial instruments		13.595	2.795
Proceeds from redemption of financial assets at amortized cost	10	234.154	22.570
Proceeds from sales of financial assets at FVTOCI	10	2.068.300	375.171
Proceeds from the sale of investments in financial assets at FVTPL	10	804.705	18.841
Acquisition of financial assets at amortised costs	10	(774.762)	(89.786)
Acquisition of financial assets at FVTOCI	10	(1.240.413)	(851.685)
Acquisitions of financial assets at FVTPL	10	(1.072.857)	(108.282)
Capital increase in non-controlling shares	30	4.101	11.765
Other cash inflows/outflows	5	7.761	16.718
C. CASH FLOWS FROM FINANCING ACTIVITIES		(244.057)	(477.212)
Proceeds from the funding of related parties		32.263	(23.797)
Dividend payment	30	(3.870)	(6.868)
Proceeds from / (repayment of) loans and borrowings, net		(197.940)	(319.961)
Interest paid		(74.510)	(126.586)
NET INCREASE IN CASH AND CASH EQUIVALENTS (A+B+C)		(250.026)	388.746
D. CASH AND CASH EQUIVALENTS AT THE BEGINING OF THE PERIOD		1.233.722	844.978
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD (A+B+C+D)	9	983.696	1.233.724

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

Çalık Holding Anonim Şirketi and its Subsidiaries

Notes to Consolidated Financial Statements

As at and for the Year Ended 31 December 2022

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

Notes to Consolidated Financial Statements

Notes	Description	Pages
1	Reporting entity	15-32
2	Basis of preparation	32-41
3	Significant accounting policies	41-66
4	Acquisition and disposals of subsidiary and non-controlling interest	67-69
5	Business acquisitions	70
6	Disposal group held for sale	71
7	Operating segments	72-75
8	Related party disclosures	75-77
9	Cash and cash equivalents	77-78
10	Financial investments	78-80
11	Financial assets related to concession agreements	80-81
12	Trade receivables and payables	81-83
13	Receivables and payables related to finance sector operations	83-85
14	Other receivables and payables	86-87
15	Inventories	87-88
16	Prepayments and deferred revenue	88
17	Investments in equity-accounted investees	91-93
18	Property, plant and equipment	94-95
19	Intangible assets	96
20	Right of use assets	97
21	Investment properties	97-98
22	Other assets and liabilities	98
23	Due from/due to customers for contract work	99
24	Loans and borrowings	99-100
25	Derivatives	100
26	Payables related to employee benefits	101
27	Provisions	101-102
28	Commitments and contingencies	103-104
29	Taxation	104-109
30	Capital and reserves	109-110
31	Revenue and cost of sales	111
32	General and administrative expenses, selling marketing and distribution expenses, research and development expenses and expense by nature	111-113
33	Other income and expense from operating activities	113
34	Gain and loss from investing activities	114
35	Finance income and finance cost	114
36	Disclosure of interests in other entities	115-116
37	Financial instruments – Fair values and risk management	117-134
38	Group enterprises	135-139
39	Independent Auditor's Fee	139
40	Subsequent events	140

Çalık Holding Anonim Şirketi and its Subsidiaries

Notes to Consolidated Financial Statements

As at and for the Year Ended 31 December 2022

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

1 Reporting entity

Çalık Holding Anonim Şirketi (“Çalık Holding” or “the Company”) was established in 1997 and the Company’s main operations are to manage and coordinate the activities of its subsidiaries operating in different industries, including textile, energy, telecommunication, construction, real estate, investment, marketing, banking and finance, and to make investments in these industries.

Çalık Holding was established at its registered office address, Büyükdere Caddesi No:163 Zincirlikuyu İstanbul/Türkiye, on 20 March 1997.

As at 31 December 2022, Çalık Holding has 111 (31 December 2021: 112) subsidiaries (“the Subsidiaries”), 10 (31 December 2021: 10) joint ventures (“the Joint Ventures”) and 20 (31 December 2021: 22) 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 2022, the number of employees of the Group is 12.813 (31 December 2021: 12.146). The fully consolidated companies have been included in the number of employees.

As explained in more detail in Note 7, the Group operates mainly under six segments:

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

As of 31 December 2022, the Subsidiaries recently included in the Group are as follows:

Company Name	Type of Partnership	Country	Sector
Aktiftech Teknoloji Anonim Şirketi	Subsidiary	Türkiye	Banking and Finance
Anateks Anadolu Tekstil Fabrikaları	Subsidiary	Türkiye	Marketing
Ce Solar Dooel Skopje	Subsidiary	Albania	Energy
Çalık Albania Wind Sh.P.K./Llc	Subsidiary	Albania	Energy
Lidya Mali SA	Subsidiary	Mali	Mining
Machinego Teknoloji Danışmanlık ve İş Makinaları Anonim Şirketi	Subsidiary	Türkiye	Energy

Çalık Holding Anonim Şirketi and its Subsidiaries

Notes to Consolidated Financial Statements

As at and for the Year Ended 31 December 2022

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

1 Reporting entity (continued)

1.1 Entities in energy segment

Company Name	Type of partnership	Country
Adacami Enerji Elektrik Üretim Sanayi ve Ticaret Anonim Şirketi	Subsidiary	Türkiye
Ant Enerji Sanayi ve Ticaret Limited Şirketi	Subsidiary	Türkiye
Atayurt İnşaat Anonim Şirketi	Subsidiary	Türkiye
CE SOLAIRE 1 SAS	Subsidiary	Kongo
CE SOLAIRE 2 SAS	Subsidiary	Kongo
Ce Solar Dooel Skopje (*)(**)	Subsidiary	Albania
CYK Enerji Adi Ortaklığı	Joint venture	Türkiye
Çalık Albania Wind Sh.P.K./Llc (*)(**)	Subsidiary	Albania
Çalık Elektrik Dağıtım Anonim Şirketi	Subsidiary	Türkiye
Çalık Enerji Japan G.K. (*)	Subsidiary	Japan
Çalık Enerji Sanayi ve Ticaret Anonim Şirketi	Subsidiary	Türkiye
Çalık Enerji Swiss AG	Subsidiary	Switzerland
Çalık Georgia LLC (*)	Subsidiary	Georgia
Çalık Limak Adi Ortaklığı	Joint venture	Türkiye
Çalık Proje Mühendislik A.Ş.	Subsidiary	Türkiye
Çalık Rüzgar Enerjisi Elektrik Üretim Limited Şirketi	Subsidiary	Türkiye
ÇL Enerji Üretim ve İnşaat A.Ş. (*)	Subsidiary	Türkiye
Demircili Rüzgar Enerjisi Elektrik Üretim Anonim Şirketi	Subsidiary	Türkiye
Doğu Aras Enerji Yatırımları Anonim Şirketi	Joint venture	Türkiye
Dtm Enerji Yatırımları Adi Ortaklığı (*)	Joint venture	Türkiye
Eurokos Dd L.L.C. (*)	Subsidiary	Kosovo
Jasper Trading (*)	Subsidiary	Poland
JSC Calik Georgia Wind	Subsidiary	Georgia
Kızılırmak Enerji Elektrik Anonim Şirketi	Subsidiary	Türkiye
Kosova Çalık Limak Energy Sh.A.	Joint venture	Kosovo
LC Electricity Supply and Trading d.o.o.	Joint venture	Serbia
Machinego Teknoloji Danışmanlık ve İş Makinaları Anonim Şirketi (**)	Joint venture	Türkiye
Momentum Enerji Elektrik Üretim Sanayi ve Ticaret Anonim Şirketi	Subsidiary	Türkiye
Onyx Trading Innovation FZE	Subsidiary	UAE
Pkn Enerji Hizmetleri Adi Ortaklığı (*)	Joint venture	Türkiye
Saudi Jalik Energy Company (*)	Subsidiary	Saudi Arabia
Taşkent Merkez Park Gayrimenkul Yatırım A.Ş.	Subsidiary	Türkiye
TCB İnşaat Yatırım Anonim Şirketi	Subsidiary	Türkiye
Technological Energy N.V.	Subsidiary	Holland
Türkmen’in Altın Asrı Elektrik Enerjisi Toptan Satış Anonim Şirketi	Subsidiary	Türkiye
UZTUR Investment and Development	Subsidiary	Uzbekistan
Workindo Teknoloji ve İnsan Kaynakları Danışmanlık A.Ş. (*)	Subsidiary	Türkiye
Yeşilçay Enerji Elektrik Üretim Sanayi ve Ticaret Anonim Şirketi	Subsidiary	Türkiye
Yeşilirmak Elektrik Dağıtım Anonim Şirketi	Subsidiary	Türkiye
Yeşilirmak Elektrik Perakende Satış AŞ	Subsidiary	Türkiye

(*) The subsidiaries of the Group, Çalık Georgia LLC, ÇL Enerji Üretim ve İnşaat A.Ş., Saudi Jalik Energy Company, Workindo Technology and Human Resources Consultancy Inc., Jasper Trading, DTM Energy Investments Ordinary Partnership, PKN Energy Investments Ordinary Partnership, Çalık Enerji Japan G.K and Eurokos D.d L.L.C are in start up phase or non operating and are not consolidated due to the insignificance of their financial impact on the consolidated financial statements as at and for the period ended 31 December 2022..

(**) The company was established in 2022.

1.1 Entities in energy segment (continued)

Adacami Enerji Elektrik Üretim Sanayi ve Ticaret A.Ş (“Adacami Enerji”)

Adacami Enerji was established in December 2009, for the purpose of renting and operating electricity facility and selling electricity.

Ant Enerji Sanayi ve Ticaret Limited Şirketi (“Ant Enerji”)

Ant Enerji was established in 2006, in Istanbul for the purpose of marketing, selling and distribution of energy.

Çalık Holding Anonim Şirketi and its Subsidiaries

Notes to Consolidated Financial Statements

As at and for the Year Ended 31 December 2022

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

1 Reporting entity (continued)

1.1 Entities in energy segment (continued)

Atayurt İnşaat A.Ş. (“Atayurt İnşaat”)

Atayurt İnşaat was established in 2009 for the purpose of building and operating energy power plants and providing operational and maintenance services to power plants. Atayurt İnşaat has opened a branch in Tripoli, Libya in 2014.

CE Solaire 1 SAS (“CE Solaire 1”)

CE Solaire 1 was established in the Democratic Republic of Congo in 2020 for electrical power plant construction and operation, electricity generation, electricity sales and marketing.

CE Solaire 2 SAS (“CE Solaire 2”)

CE Solaire 2 was established in the Democratic Republic of Congo in 2020 for electrical power plant construction and operation, electricity generation, electricity sales and marketing.

Ce Solar Dooel Skopje (“Ce Solar”)

Ce Solar Dooel Skopje was established in Albania in 2022 for the construction and operation of electric power plant, electricity generation, sales and marketing.

CYK Enerji Adi Ortaklığı (“CYK Enerji”)

CYK Enerji Adi Ortaklığı was established in 29 April 2021 in Samsun for supply of goods and services related to electricity distribution business.

Çalık Albania Wind Sh.P.K./Llc (“Çalık Albania”)

Çalık Albania Wind Sh.P.K./Llc was established in Albania in 2022 for power plant construction and operation, electricity generation, electricity sales and marketing, engineering activities.

Çalık Elektrik Dağıtım A.Ş. (“ÇEDAS”)

ÇEDAS 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 Japan G.K. (“Çalık Japan”)

Çalık Enerji Japan G.K. was established in 25 February 2021 in Japan. The company is inactive as of the reporting date.

Çalık Enerji Sanayi ve Ticaret Anonim Şirketi (“Çalık Enerji”)

Çalık Enerji Sanayi ve Ticaret Anonim Şirketi was established in 1987 in Turkey for the purpose of engaging in the operation, exploration and production of natural gas and petroleum resources, shipment and selling of such resources to the international markets, production, distribution and retail sale of electricity energy or investing in the entities engaging in such operations. Çalık Enerji has fifteen branches, namely, Çalık Enerji Turkmenistan, Çalık Enerji Georgia, Çalık Enerji Uzbekistan, Çalık Enerji Libya, Çalık Enerji Iraq, Çalık Enerji Uzbekistan (TRC), Çalık Enerji Erbil Branch, Çalık Enerji Malawi, Kızılırmak Enerji Elektrik, Çalık Enerji Uzbekistan Taşkent PE, Çalık Enerji Afghanistan Branch, Çalık Enerji Romania Branch, Kızılırmak Enerji Erbil Branch, Çalık Enerji Senegal Branch and Çalık Enerji DM Branch.

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 Holding Anonim Şirketi and its Subsidiaries

Notes to Consolidated Financial Statements

As at and for the Year Ended 31 December 2022

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

1 Reporting entity (continued)

1.1 Entities in energy segment (continued)

Çalık Georgia LLC ("Çalık Georgia")

Çalık Georgia was established in 2015 in Tbilisi for the purpose of engineering, procurement, constructing ("EPC") of the hydroelectric power plant and trading the electricity produced in Georgia. As of reporting date, Çalık Georgia is non-operating.

Çalık Limak Adi Ortaklığı ("Çalık Limak")

Çalık Limak Adi Ortaklığı was established in 2013 as a joint venture of ÇEDAŞ and Limak Yatırım Enerji Üretim İşletme Hizmetleri ve İnşaat Anonim Şirketi ("Limak Yatırım"), in Istanbul for the purpose of supplying all kind of technical equipments to Kosovo Electricity Distribution and Supply Company ISC fully owned by Kosovo Çalık Limak Energy which is also a joint venture of Çalık Enerji and Limak Yatırım.

Çalık Proje Mühendislik A.Ş. ("Çalık Mühendislik")

Çalık Proje Mühendislik A.Ş. was established in 1994, in Ankara to provide machinery and civil engineering and consulting services. 90,00 percent of the Company's shares were acquired by Çalık Enerji in 2015 for the purpose of providing engineering and consultancy services to Group entities.

The title of Technovision was changed to Çalık Proje Mühendislik A.Ş.

Çalık Rüzgâr Enerjisi Elektrik Üretim Limited Şirketi ("Çalık Rüzgâr")

Çalık Rüzgar was established in 1994 for the purpose of building and operating of electricity power plants, production, selling and marketing of electricity.

ÇL Enerji Üretim ve İnşaat A.Ş. ("ÇL Enerji")

ÇL Enerji was established in Turkey in 2019 for the purpose of operating electricity facility and selling electricity.

Demircili Rüzgâr Enerjisi Elektrik Üretim A.Ş. ("Demircili Rüzgâr")

Demircili Rüzgar was established on February 23, 2018 in Istanbul, for the purpose of establishing electric production facility, operating, renting it and producing electric energy and / or selling it to customers.

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 of ÇED and Kiler Alışveriş Hizmetleri Gıda Sanayi Ticaret A.Ş. ("Kiler Alışveriş") on May 5, 2013 with the participation of these two companies by 50% and 50%, 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 share of Aras Elektrik Dağıtım A.Ş. ("EDAŞ") and Aras Elektrik Perakende Satış A.Ş. ("EPAŞ") which were state owned companies operating in electricity distribution and procurement in cities Kars, Ardahan, Iğdır, Erzurum, Ağrı, Bayburt and Erzurum within the privatization.

On November 4, 5 2021, the public offering of Doğu Aras shares was carried out using the "Fixed Price Bookkeeping" method. In the public offering, the unit price is TL 110, and the shares with a nominal value of TL 13.400.000 offered to the public were sold. Accordingly, the size of the public offering was realized as TL 1.474.000.000. After the mentioned public offering, Çalık Enerji's ownership rate in Doğu Aras became 40%.

DTM Enerji Yatırımları Adi Ortaklığı ("DTM Enerji")

Çalık-Biskon Adi Ortaklığı was established 23 January 2020 for the purpose of providing goods and supplies. Çalık-Biskon belongs to Çalık Enerji ve Biskon Yapı A.Ş. companies.

The title of Çalık Biskon was changed to DTM Enerji Yatırımları Adi Ortaklığı.

Çalık Holding Anonim Şirketi and its Subsidiaries

Notes to Consolidated Financial Statements

As at and for the Year Ended 31 December 2022

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

1 Reporting entity (continued)

1.1 Entities in energy segment (continued)

Eurokos Dd. L.L.C. (“Eurokos”)

Eurokos Dd L.L.C. was established in the Republic of Kosovo in 2021 for electrical power plant construction and operation, electricity generation, electricity sales and marketing.

Jasper Trading (“Jasper Trading”)

Jasper Trading was established on 30 November 2021 in the Poland. As at the reporting date, the Company is nonoperating.

JSC Calik Georgia Wind (“JSC Georgia”)

JSC Georgia was established in 2015 in Tbilisi for the purpose of developing energy infrastructure and sponsoring of development of solar and wind power plant projects through finance, construction and long term operating of power plants.

Kızılırmak Enerji Elektrik Anonim Şirketi (“Kızılırmak”)

Kızılırmak was established in 2005 in Istanbul for the purpose of importing, exporting, distributing and operating all kinds of natural gas, crude oil and derivatives of these products.

Kosova Çalık Limak Energy Sh.A. (“KÇLE”)

KÇLE was established as a joint venture with a joint agreement of Çalık Enerji, ÇEDAŞ and Limak Yatırım on September 17, 2012 with the participation these three companies by 25%, 25% and 50%, respectively, in the share capital of KÇLE. In 2015, shares of KÇLE representing 25% of all shares, held by ÇEDAŞ, are transferred to Çalık Enerji.

On May 8, 2013, KÇLE purchased all shares of state-owned enterprise namely “Kompania Per Distribuium Dhe Fumizim Me Energji Elektrike SH.A” (“KEDS”) which is operating in electricity distribution and sales 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.

Machinego Teknoloji Danışmanlık Ve İş Makinaları A.Ş. (“Machinego Teknoloji”)

By carrying out the activities of leasing and selling, buying, intermediary in buying and selling of all kinds of agricultural and construction machinery, tractors, harvesters and equipment through the web portal, creating and developing a publication, database, providing it as a service to customers, receiving advertisements and advertisements, was established in 2022 to provide services, to carry out electronic commercial activities such as database exchange by establishing partnerships with domestic and foreign companies, and to perform all services and transactions.

Momentum Enerji Elektrik Üretim Sanayi ve Ticaret Anonim Şirketi (“Momentum Enerji”)

Momentum Enerji was established in 2008 for the purpose of building and operating of electricity power plant, producing, selling and marketing of electricity.

Onyx Trading Innovation FZE (“Onyx Trading Innovation FZE”)

Onyx Trading was established in Dubai in 2016.

PKN Enerji Hizmetleri Adi Ortaklığı (“PKN Enerji”)

Denge Çalık NTF Adi Ortaklığı was established 23 january 2020 for the purpose of providing goods and supplies. Denge Çalık NTF belongs to Çalık Enerji ve Denge Reklam San. Ve Tic. Ltd companies.

The title of Denge-Çalık NTF was changed to PKN Enerji Hizmetleri Adi Ortaklığı.

Çalık Holding Anonim Şirketi and its Subsidiaries

Notes to Consolidated Financial Statements

As at and for the Year Ended 31 December 2022

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

1 Reporting entity (continued)

1.1 Entities in energy segment (continued)

Saudi Jalik Energy Company (“Saudi Jalik”)

Saudi Jalik Energy Company was established in 2019 to operate building and construction projects. As of the reporting date, the Company is non-operating.

Taşkent Merkez Park Gayrimenkul Yatırım A.Ş. (“Taşkent Merkez”)

Taşkent Merkez Park Gayrimenkul Yatırım A.Ş. was established in 2019 and its main operation subject is building residence.

TCB İnşaat Yatırım Anonim Şirketi (“TCB İnşaat”)

TCB İnşaat Yatırım Anonim Şirketi was established in 2014 and its main activity is to do construction, contracting and decoration works in domestic and abroad.

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

Technological N.V. was established on June 8, 2016 in the Netherlands. The company is the owner of Onyx Trading Innovation FZE and Calık Swiss.

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.

UZZUR Investment and Development (“Uzzur”)

The company was established in 2018 in Uzbekistan to maintain construction projects.

Workindo Teknoloji ve İnsan Kaynakları Danışmanlık A.Ş. (“Workindo Teknoloji”)

Workindo was established in 2019 in Turkey for the purpose of the showing business activity in human resources, domestically and internationally to give workers supply employment services and carry out these services.

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.

Yeşilirmak Elektrik Dağıtım A.Ş. (“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.

Yeşilirmak Elektrik Perakende Satış A.Ş. (“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 Consolidated Financial Statements

As at and for the Year Ended 31 December 2022

(Amounts expressed in thousands of United States Dollar ("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	Türkiye
Deutsche Tiefbau Gesellschaft für Infrastrukturentwicklung mbH ("Deutsche Tiefbau")	Subsidiary	Germany
Gap Construction Co. ("Gap İnşaat Libya")	Subsidiary	Libya
Gap Construction Investment and Foreign Trade LLC-Qatar ("Gap İnşaat Katar")	Subsidiary	Katar
Gap İnşaat Construction and Investment Co. Ltd. ("Gap İnşaat Sudan")	Subsidiary	Sudan
Gap İnşaat Dubai FZE ("Gap İnşaat Dubai")	Subsidiary	UAE
Gap İnşaat Ukraine Ltd. ("Gap İnşaat Ukrayna")	Subsidiary	Ukraine
Gap İnşaat Yatırım ve Dış Ticaret Anonim Lirketi ("Gap İnşaat")	Subsidiary	Türkiye
Innovative Construction Technologies Trading FZE ("Innovative Construction")	Subsidiary	UAE
Kentsel Dönüşüm İnşaat Anonim Şirketi ("Kentsel Dönüşüm")	Subsidiary	Türkiye
OOO Gap İnşaat ("Gap İnşaat Rusya")	Subsidiary	Russia
White Construction N.V. ("White Construction")	Subsidiary	Holland

Gap İnşaat

Gap İnşaat was established in 1996 in Istanbul, Türkiye in order to provide construction, contracting and decoration businesses both within Türkiye 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 one branch each in Turkmenistan, Qatar and Russia to carry out various construction projects.

Gap İnşaat Sudan, Gap Libya, Kentsel Dönüşüm, Çalık İnşaat, Gap İnşaat Qatar, Gap İnşaat Ukraine, White Construction and Innovative Construction, OOO Gap İnşaat and Deutsche Tiefbau.

As subsidiaries of Gap İnşaat; Gap İnşaat Sudan, Gap İnşaat Libya, Kentsel Dönüşüm, Çalık İnşaat, Gap İnşaat Qatar, Gap İnşaat Ukraine, White Construction and Innovative Construction, OOO Gap İnşaat and Deutsche Tiefbau were established for the purpose of engaging in construction projects in the countries where they operate.

Çalık Holding Anonim Şirketi and its Subsidiaries

Notes to Consolidated Financial Statements

As at and for the Year Ended 31 December 2022

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

1 Reporting entity (continued)

1.3 Entities in textile segment

Company names	Type of partnership	Country
Balkan Dokuma TGPJ	Associate	Turkmenistan
Calik Denim B.V.	Subsidiary	Holland
Çalık Denim Tekstil Sanayi ve Ticaret Anonim Şirketi (“Çalık Denim”)	Subsidiary	Turkiye
Gap Türkmen-Türkmenbaşı Jeans Kompleksi	Associate	Turkmenistan
Malatya Boya ve Emprime Anonim Şirketi (“Malatya Boya”)	Subsidiary	Turkiye
Serdar Pamuk Egrigi Fabriği ÇJB	Associate	Turkmenistan
Türkmenbaşı Tekstil Kompleksi	Associate	Turkmenistan

Balkan Dokuma TGPJ

Balkan Dokuma was established in 2000 in Turkmenistan for the purpose of manufacturing and marketing yarn.

Çalık Denim

Çalık Denim, formerly known as Gap Güneydoğu Tekstil Sanayi ve Ticaret Anonim Şirketi, was established in 1987, in Türkiye 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.

Çalık Denim B.V.

Çalık Denim B.V has been established in February 2018 in Amsterdam, for the purpose of expanding in the European Zone by making marketing activities.

Gap Türkmen -Türkmenbaşı Jeans Kompleksi (“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, Türkiye. The Company maintains fabric dyeing process since 2007. The company is acquired by Çalık Denim on 31 August 2018 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 Consolidated Financial Statements

As at and for the Year Ended 31 December 2022

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

1 Reporting entity (continued)

1.4 Entities in marketing segment

Company name	Type of partnership	Country
Anateks Anadolu Tekstil Fabrikaları	Subsidiary	Turkiye
Çalık Alexandria For Readymade Garments	Subsidiary	Egypt
Gap Pazarlama Anonim Şirketi	Subsidiary	Turkiye
Gap Pazarlama FZE Jebel Ali Free Zone	Subsidiary	UAE
Gappa Textile Inc. (*)	Subsidiary	USA
Tura Moda Mağazacılık ve Elektronik Tic. A.Ş.	Subsidiary	Turkiye

(*) As of the reporting date, the company is non-operating.

Anateks

Anateks was established in 1984, with the commercial center of Malatya. The purpose of the company is to manufacture all kinds of natural, industrial and synthetic fiber yarns and all kinds of textile products made from these fibers and yarns, including the weaving, dyeing, finishing and finishing processes, and to manufacture raw materials, raw materials, intermediate goods, tools and machines used in the textile branch. The production of components is domestic and foreign trade.

On December 1, 2022, all of Fatime Zuhul Kolukısa's shares, amounting to TL 160.699.107,68, registered in the share book and documents of Anateks Anadolu Tekstil Fabrikaları A.Ş., were taken over by Gap Pazarlama A.Ş.

Çalık Alexandria

Çalık Alexandria was established in Egypt in 2006 and operates in the production and marketing of yarn, weaving and ready-made clothing. The Group has classified its assets and liabilities related to Çalık Alexandria, which continues its activities in the textile sector on a limited basis, as "disposal group" as of 31 December 2021. The Group fully consolidated Çalık Alexandria in 2022.

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 Jebel Ali Free Zone

Gap Pazarlama FZE was established in 2004 in United Arab Emirates ("UAE") for the purpose of importing and exporting of trading goods.

Gappa Textile

Gappa Textile Inc. was established to operate in the international markets for selling of the home textiles and ready-to-wear garments. As of the reporting date, the company is non-operating.

Tura Moda Mağazacılık

Tura Moda Mağazacılık ve Elektronik Ticaret Anonim Şirketi imports and exports textiles and textile products.

Çalık Holding Anonim Şirketi and its Subsidiaries

Notes to Consolidated Financial Statements

As at and for the Year Ended 31 December 2022

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

1 Reporting entity (continued)

1.5 Entities in banking and finance segment

Company name	Type of partnership	Country
Aktif Bank Sukuk Varlık Kiralama Anonim Şirketi	Associate	Türkiye
Aktif Fortis Enerji Anonim Şirketi ("Aktif Fortis")	Associate	Türkiye
Aktif Portföy Yönetimi Anonim Şirketi ("Mükafat Portföy Yönetimi")	Subsidiary	Türkiye
Aktif Yatırım Bankası Anonim Şirketi ("Aktif Bank")	Subsidiary	Türkiye
Aktiftech Teknoloji Anonim Şirketi (*)	Subsidiary	Türkiye
Akuamarin Solar Enerji Üretim Anonim Şirketi	Subsidiary	Türkiye
Albania Leasing Company (**)	Associate	Albania
Ametist Solar Enerji Üretim Anonim Şirketi	Subsidiary	Türkiye
Attivo Bilişim Anonim Şirketi	Subsidiary	Türkiye
Aytaşı Solar Enerji Üretim Anonim Şirketi	Subsidiary	Türkiye
Banka Kombëtare Tregtare Kosovë JSC	Subsidiary	Kosovo
Banka Kombetare Tregtare Sh.a	Subsidiary	Albania
Cydev Investment Ltd.	Associate	TRNC
Çiğdem Solar Enerji Üretim Anonim Şirketi	Subsidiary	Türkiye
Defne Solar Enerji Üretim Anonim Şirketi	Subsidiary	Türkiye
Deniz Güneş Enerjisi Üretimi Anonim Şirketi	Subsidiary	Türkiye
Dome Zero Inc.	Associate	USA
Duru Güneş Enerjisi Üretimi Anonim Şirketi	Subsidiary	Türkiye
E-Kent Geçiş Sistemleri ve Biletleme Teknolojileri Anonim Şirketi	Subsidiary	Türkiye
Eko Biokütle Enerji Üretim Anonim Şirketi	Subsidiary	Türkiye
Emlak Girişim Danışmanlığı Anonim Şirketi	Subsidiary	Türkiye
Emyap Development Limited	Associate	TRNC
E-post Elektronik Perakende Otomasyon Satış Ticaret Anonim Şirketi	Subsidiary	Türkiye
Esen Güneş Enerjisi Üretim Anonim Şirketi	Subsidiary	Türkiye
Euro-Mediterranean Investment Company Limited	Associate	TRNC
Gelincik Solar Enerji Üretim Anonim Şirketi.	Subsidiary	Türkiye
Güneştaşı Solar Enerji Üretim Anonim Şirketi	Subsidiary	Türkiye
Halk Yenilenebilir Enerji Anonim Şirketi	Associate	Türkiye
HMC Digital	Joint venture	Türkiye
Idea Farm Ventures Limited	Associate	UAE
İnovaban İnovasyon ve Finansal Danışmanlık Anonim Şirketi	Subsidiary	Türkiye
İpek Güneş Enerjisi Üretim Anonim Şirketi	Subsidiary	Türkiye
Kaplan Gözü Solar Enerji Üretim Anonim Şirketi	Subsidiary	Türkiye
Kasımpaşı Solar Enerji Üretim Anonim Şirketi	Subsidiary	Türkiye
Kazakhstan İjara Company KIC Leasing	Associate	Kazakhstan
Kuvars Solar Enerji Üretim Anonim Şirketi	Subsidiary	Türkiye
Lapis Solar Enerji Üretim Anonim Şirketi	Subsidiary	Türkiye
Leylak Solar Enerji Üretim Anonim Şirketi	Subsidiary	Türkiye
Lilyum Solar Enerji Üretim Anonim Şirketi	Subsidiary	Türkiye
Martı Solar Enerji Üretim Anonim Şirketi	Subsidiary	Türkiye
Mehtap Güneş Enerjisi Üretim Anonim Şirketi	Subsidiary	Türkiye
N Kolay Ödeme ve Elektronik Para Kuruluşu A.Ş. ("N-Kolay Ödeme Kuruluşu A.Ş.")	Subsidiary	Türkiye
Nilüfer Solar Enerji Üretim Anonim Şirketi	Subsidiary	Türkiye
Oniks Solar Enerji Üretim Anonim Şirketi	Subsidiary	Türkiye
Opal Solar Enerji Üretim Anonim Şirketi	Subsidiary	Türkiye
Passo Spor Oyunları Kulübü Yazılım Ve Pazarlama A.Ş.	Subsidiary	Türkiye
Pavo Finansal Teknoloji Çözümleri A.Ş. ("Pavo Teknik Servis Elektrik ve Elektronik Sanayi Ticaret A.Ş.")	Subsidiary	Türkiye
Secom Aktif Elektronik Güvenlik Çözümleri A.Ş.	Associate	Türkiye
Secom Aktif Güvenlik Yatırım Anonim Şirketi	Associate	Türkiye
Seher Güneş Enerjisi Üretim Anonim Şirketi	Subsidiary	Türkiye
Sigortayeri Sigorta ve Reasürans Brokerliği A.Ş.	Subsidiary	Türkiye
Silent Valley Partnership	Associate	TRNC
Tanyeri Güneş Enerjisi Üretim Anonim Şirketi	Subsidiary	Türkiye
Tasfiye Halinde Haliç Finansal Kiralama Anonim Şirketi	Associate	Türkiye
Turkuvaz Solar Enerji Üretim Anonim Şirketi	Subsidiary	Türkiye
Ufuk Güneş Enerjisi Üretim Anonim Şirketi	Subsidiary	Türkiye
UPT Ödeme Hizmetleri ve Elektronik Para A.Ş.	Subsidiary	Türkiye
Yakamoz Güneş Enerjisi Üretim Anonim Şirketi	Subsidiary	Türkiye

(*) The company was established in 2022.

(**) As of the reporting date, the Company is non-operating.

Çalık Holding Anonim Şirketi and its Subsidiaries

Notes to Consolidated Financial Statements

As at and for the Year Ended 31 December 2022

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

1 Reporting entity (continued)

1.5 Entities in banking and finance segment (continued)

Aktifbank

Aktifbank was founded as an investment and development bank in 1999 for the purpose of providing all kind of transactions related with investment, project finance and marketable securities and also to provide all kinds of investment banking services. However, Aktifbank is not authorised to accept deposits.

Name of Aktifbank was changed to “Aktif Yatırım Bankası Anonim Şirketi” from “Çalık Yatırım Bankası Anonim Şirketi” on 1 August 2008.

Aktif Bank 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 Türkiye.

Aktif Fortis Enerji Anonim Şirketi (“Aktif Fortis”)

Aktif Fortis was established in Istanbul in 2021 to provide electricity generation services from biomass or gas obtained from biomass.

Aktif Portföy (Mükafat Portföy)

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

Aktiftech Teknoloji Anonim Şirketi (“Aktiftech”)

It was established in December 2021 in Istanbul as a FinTech startup founder. It creates personalized solutions by designing new financial technology products and introducing them to users and evaluating financial technology needs and opportunities in local markets.

Akuamarin Solar Enerji Üretim Anonim Şirketi (“Akuamarin”)

Akuamarin was established in Istanbul in 2018 to provide solar power generation service. The power plant operates in Doğalar Village in Kütahya.

Albania Leasing

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

Ametist Solar Enerji Üretim Anonim Şirketi (“Ametist Solar”)

Ametist Solar was established in 2018 in Istanbul in order to provide solar energy production services. The power plant operates in Çifteler Village in Eskişehir.

Attivo Bilişim Anonim Şirketi (“Attivo”)

Attivo, was established in in 2018 in Istanbul for the purpose of trading crypto-currencies.

Aytaşı Solar Enerji Üretim Anonim Şirketi (“Aytaşı”)

Aytaşı, was established in 2018 in Istanbul in order to provide solar energy production services. The power plant operates in Doğalar Village in Kütahya.

BKT

BKT was founded in 1998 by obtaining banking license and engages in banking activities in Albania.

Çalık Holding Anonim Şirketi and its Subsidiaries

Notes to Consolidated Financial Statements

As at and for the Year Ended 31 December 2022

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

1 Reporting entity (continued)

1.5 Entities in banking and finance segment (continued)

BKT Kosovo

BKT Kosovo was opened in 2007 as a branch of BKT in Pristina. As of January 1, 2019, it has been transformed into a separate subsidiary.

Cydev Investment Ltd. (“CYDEV Investment”)

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

Çiğdem Solar Enerji Üretim Anonim Şirketi (“Çiğdem”)

Çiğdem, was established in 2017 in Istanbul in order to provide solar energy production services. The power plant operates in Karaalan Village in Eskişehir.

Defne Solar Enerji Üretim Anonim Şirketi (“Defne”)

Defne, was established in 2017 in Istanbul for the purpose of providing solar energy services. The power plant operates in Doğalar Village in Kütahya.

Deniz Güneş Enerjisi Üretimi Anonim Şirketi (“Deniz Güneş Enerjisi”)

Deniz Güneş Enerjisi, was established in 2018 in Ankara for the purpose of providing solar energy services. The power plant operates in Çalkışla Village in Erzincan.

Dome Zero Inc (“Dome Zero”)

Dome Zero was established in the United States on December 7, 2016 and operates in industrial production.

Duru Güneş Enerjisi Üretimi Anonim Şirketi (“Duru”)

Duru, was established in 2018 in Ankara for the purpose of providing solar energy services. The power plant operates in Çalkışla Village in Erzincan.

E-Kent Geçiş Sistemleri ve Biletleme Teknolojileri Anonim Şirketi (“E-Kent”)

E-Kent was established in 2002 and its main activity is modernisation of public transportation and suggesting new electronic solutions about electronic ticket and prosecution system. E-Kent merged with Asset Aktif Sportif ve Sanatsal Etkinlik Hizmetleri Ticaret Anonim Şirketi under E-Kent on 29 December 2017.

Eko Biokütle Enerji Üretim Anonim Şirketi (“Eko Biokütle”)

Eko Biokütle, was established to operate in the field of bio energy in Istanbul in 2018. Feasibility and permit works are in progress for the establishment of the plant.

Emlak Girişim Danışmanlığı Anonim Şirketi (“Emlak Girişim”)

Emlak Girişim engages in real estate projects, structures and systems, and in this regard makes active counseling and guidance.

Emyap Development Limited (“Emyap Development”)

Emyap Development was established and operates in the construction sector in the TRNC in 2018.

E-Post Elektronik Perakende Otomasyon Satış ve Ticaret Anonim Şirketi (“E-Post”)

E-Post was established in order to provide personalized postcard design services via internet in Istanbul in 2009.

Çalık Holding Anonim Şirketi and its Subsidiaries

Notes to Consolidated Financial Statements

As at and for the Year Ended 31 December 2022

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

1 Reporting Entity (continued)

1.5 Entities in banking and finance segment (continued)

Esen Güneş Enerjisi Üretim Anonim Şirketi (“Esen”)

Esen, was established in 2018 in Ankara for the purpose of providing solar energy services. The power plant operates in Çalkışla Village in Erzincan.

Euroasian Leasing Company (“ELC”)

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

Euro-Mediterranean

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

Gelincik Solar Enerji Üretim Anonim Şirketi (“Gelincik”)

Gelincik was established in order to provide solar power production service in Istanbul in 2017. The power plant operates in Karaalan Village in Eskişehir.

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.

HMC Digital

HMC Digital is a joint venture signed between Kırmızı Elmas Enerji Ve Alt Yapı Yat. A.Ş. (Mitsubishi Corp.), Emlak Girişim and Hitachi Europe Ltd. It was established in Istanbul on August 13, 2020 and operates in the field of biometric recognition and identity verification technologies, crypto signing and cyber security solutions.

Idea Farm Ventures Limited (“Idea Farm”)

Idea Farm was founded in 2016 in the UAE and operates in investment activities.

İnovaban İnovasyon ve Finansal Danışmanlık Anonim Şirketi (“İnovaban İnovasyon”)

İnovaban İnovasyon, was established in 2018 in Istanbul for the purpose of providing financial consulting and developing projects in R&D fields.

İpek Güneş Enerjisi Üretim Anonim Şirketi (“İpek”)

İpek, was established in 2018 in Ankara for the purpose of providing solar energy services. The power plant operates in Çalkışla Village in Erzincan.

Kaplan Gözü Solar Enerji Üretim Anonim Şirketi (“Kaplan Gözü”)

Kaplangözü was established in 2018 in Istanbul for the purpose of providing solar energy services. The power plant operates in Doğalar Village in Kütahya.

Kasımpatı Solar Enerji Üretim Anonim Şirketi (“Kasımpatı”)

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

Çalık Holding Anonim Şirketi and its Subsidiaries

Notes to Consolidated Financial Statements

As at and for the Year Ended 31 December 2022

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

1 Reporting Entity (continued)

1.5 Entities in banking and finance segment (continued)

Kazakhstan Ijara

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

Kuvars Solar Enerji Üretim Anonim Şirketi (“Kuvars”)

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

Lapis Solar Enerji Üretim Anonim Şirketi (“Lapis”)

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

Leylak Solar Enerji Üretim Anonim Şirketi (“Leylak”)

Leylak, established in 2017 in Istanbul for the purpose of providing solar energy services. The power plant operates in Karaalan in Eskişehir.

Lilyum Solar Enerji Üretim Anonim Şirketi (“Lilyum”)

Lilyum, established in 2017 in Istanbul for the purpose of providing solar energy services. The power plant operates in Karaalan in Eskişehir.

Martı Solar Enerji Üretim Anonim Şirketi (“Martı”)

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

Mehtap Güneş Enerjisi Üretim Anonim Şirketi (“Mehtap”)

Mehtap, was established in 2018 in Ankara for the purpose of providing solar energy services. The power plant operates in Çalkışla Village in Erzincan.

N Kolay Ödeme ve Elektronik Para Kuruluşu A.Ş.

N-Kolay was established in 2014 in Istanbul for the purpose of providing bill payment point service to its customers.

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.

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.

Çalık Holding Anonim Şirketi and its Subsidiaries

Notes to Consolidated Financial Statements

As at and for the Year Ended 31 December 2022

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

1 Reporting Entity (continued)

1.5 Entities in banking and finance segment (continued)

Passo Spor Oyunları Kulübü Yazılım ve Pazarlama A.Ş. ("Passo Spor")

Passo Spor was established in 2019 within the body of E-Kent Geçiş Sistemleri ve Biletleme Teknolojileri Anonim Şirketi in order to engage in software development and marketing activities.

Pavo Finansal Teknoloji Çözümleri A.Ş.

Pavo operates in the area of new generation payment recorders import, manufacture, sales and technical services.

Secom Aktif Elektronik Güvenlik Çözümleri A.Ş. ("Secom Aktif Güvenlik")

Secom Aktif Güvenlik, whose previous title was Kent Güvenlik Sistemleri Elektronik İnşaat Sanayi ve Ticaret A.Ş. has been purchased by Secom Aktif Güvenlik Yatırım A.Ş. on March 31, 2019.

Secom Aktif Güvenlik Yatırım Anonim Şirketi ("Secom Aktif Yatırım")

Secom Aktif Yatırım was established on February 28, 2019 in order to engage in electronic security solutions.

Seher Güneş Enerjisi Üretim Anonim Şirketi ("Seher")

Seher, was established in 2018 in Ankara for the purpose of providing solar energy services. The power plant operates in Çalkışla Village in Erzincan.

Sigorta Yeri ve Reasürans Brokerliği

Sigortayeri provides insurance products through the virtual and physical multi-channel structure that are shaped according to the needs of potential policyholders in order to operate insurance brokerage.

Silent Valley Partnership ("Silent Valley")

Silent Valley was established and operates in the construction sector in the TRNC in 2016.

Tanyeri Güneş Enerjisi Üretim Anonim Şirketi ("Tanyeri")

Tanyeri, was established in 2018 in Ankara for the purpose of providing solar energy services. The power plant operates in Çalkışla Village in Erzincan.

Tasfiye Halinde Haliç Finansal Kiralama Anonim Şirketi ("Haliç")

Haliç Leasing was established in 2004, in Türkiye 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.

Turkuvaz Solar Enerji Üretim Anonim Şirketi ("Turkuvaz")

Turkuvaz, was established in 2018 in İstanbul for the purpose of providing solar energy services. The power plant operates in Doğalar in Kütahya.

Ufuk Games 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 ve Elektronik Para A.Ş.

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.

Çalık Holding Anonim Şirketi and its Subsidiaries

Notes to Consolidated Financial Statements

As at and for the Year Ended 31 December 2022

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

1 Reporting entity (continued)

1.6 Entities in mining segment

Company name	Type of partnership	Country
Artmin Madencilik Sanayi ve Ticaret Anonim Şirketi	Subsidiary	Turkiye
Bakırtepe Madencilik San. ve Tic. A.Ş.	Joint venture	Turkiye
Kartaltepe Madencilik Sanayi ve Ticaret Anonim Şirketi	Joint venture	Turkiye
Lidya Aurasia	Subsidiary	Uzbekistan
Lidya Madencilik Sanayi ve Ticaret Anonim Şirketi	Subsidiary	Turkiye
Lidya Mali SA (*)	Subsidiary	Mali
Lor Dafrique Sarlu	Subsidiary	Guinea
Polimetal Madencilik Sanayi ve Ticaret Anonim Şirketi	Subsidiary	Turkiye
Tunçpınar Madencilik Sanayi ve Ticaret Anonim Şirketi	Subsidiary	Turkiye

(*) The company joined the Group in 2022.

Artmin Madencilik Sanayi ve Ticaret Anonim Şirketi (“Artmin Madencilik”)

Artmin Madencilik (formerly known as AMG mineral Madencilik Anonim Şirketi) was established by AMG Mineral Inc in 2011 in Ankara for prospection and buying business licence, buying and selling mine site, managing and participating the mine tender. In 2015, the Group started to control the Artmin Madencilik by acquiring shares by 70 percent.

Bakırtepe Madencilik Sanayi ve Ticaret Anonim Şirketi (“Bakırtepe”)

Bakırtepe Madencilik San. ve Tic. A.Ş. It was established in 2021. Headquartered in Ankara, the company operates in the Gümüşhane region. As of the reporting date, the ownership rates in Bakırtepe, a joint venture of Lidya Maden and Alacer, are 30 percent and 70 percent, respectively (31 December 2021: Lidya Maden: 50 percent, Alacer: 50 percent).

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, Türkiye 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 20 percent and 80 percent, respectively. (2021: Lidya Maden: 50 percent, Alacer: 50 percent).

Lidya Aurasia

Lidya Aurasia was registered in 2019 with the aim of directly or indirectly conducting geological research studies, operating various mines and producing concentrate. The headquarters of the company is in Uzbekistan.

Çalık Holding Anonim Şirketi and its Subsidiaries

Notes to Consolidated Financial Statements

As at and for the Year Ended 31 December 2022

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

1 Reporting entity (continued)

1.6 Entities in mining segments (continued)

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.

Lidya Mali SA

Lidya Mali SA was registered in 2022 to directly or indirectly conduct geological surveys, operate various mines and produce concentrates. Lidya Mali SA is headquartered in the Republic of Mali.

Lor Dafrique Sarlu (“Lor Dafrique”)

Lor Dafrique Sarlu was registered in 2021 with the aim of directly or indirectly conducting geological research studies, operating various mines and producing concentrates. The company is headquartered in Guinea.

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, Türkiye and is engaged in the development and operation of mining assets. The parties discussed the purchase of the remaining 50% shares of Polimetal Madencilik Sanayi ve Ticaret Anonim Şirketi, one of the joint ventures in which the Company has 50% share, from Alacer Gold Madencilik AŞ, and a share transfer agreement was signed with the Board of Directors decision on 3 January 2020.

Tunçpınar Madencilik Sanayi ve Ticaret Anonim Şirketi (“Tunçpınar”)

Tunçpınar was established in 2011 as a wholly owned subsidiary of Alacer. Tunçpınar is registered in Ankara, Turkey and is engaged in the operation of mining in Tunceli region. As of December 21, 2021, it has been decided that Tunçpınar Madencilik Sanayi ve Ticaret A.Ş., of which SSR Group has a 50- 50 shareholding, will be transformed into a new partnership structure with 70 percent Lidya and 30 percent SSR, and Lidya to be the operator in 2022. On the other hand, it has been decided that the Kazıkbeli license, which is under the responsibility of Polimetal, will be transferred to Bakırtepe Madencilik Sanayi ve Ticaret A.Ş. with 70 percent SSR and 30 percent Lidya, and SSR will become the operator.

1.7 Entities in other segment

Company name	Type of partnership	Country
Başak Yönetim Sistemleri Anonim Şirketi	Subsidiary	Türkiye
Cetel Telekom İletişim Sanayi ve Ticaret Anonim Şirketi (“Cetel Telekom”)	Subsidiary	Türkiye
Çalık Dijital ve Bilişim Hizmetleri Anonim Şirketi	Subsidiary	Türkiye
Çalık Hava Taşımacılık Turizm Sanayi ve Ticaret Anonim Şirketi	Subsidiary	Türkiye
Çalık Pamuk Doğal ve Sentetik Elyaf Ticaret Anonim Şirketi	Subsidiary	Türkiye
Çalık Petrol Arama Üretim Sanayi ve Ticaret A.Ş.	Subsidiary	Türkiye
Çalık Tarım Ürünleri Lisanlı Depoculuk Anonim Şirketi	Subsidiary	Türkiye
İrmak Yönetim Sistemleri Anonim Şirketi	Subsidiary	Türkiye
İkideniz Petrol ve Gaz Sanayi ve Ticaret Anonim Şirketi	Subsidiary	Türkiye

Başak Yönetim Sistemleri Anonim Şirketi (“Başak Yönetim”)

Başak Yönetim was established in 2008 for the purpose of building and operating of electricity production facility and producing, selling and marketing of electricity with the name “Başak Enerji Elektrik Üretim Sanayi ve Ticaret Anonim Şirketi”. The former name of company, was changed on 11 April 2013 as “Başak Yönetim Sistemleri Anonim Şirketi”.

Çalık Holding Anonim Şirketi and its Subsidiaries

Notes to Consolidated Financial Statements

As at and for the Year Ended 31 December 2022

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

1 Reporting entity (continued)

1.7 Entities in other segment (continued)

Cetel Telekom

Cetel Telekom was established in 2007 in Istanbul. The principal activities are telecommunication, multimedia, internet and data transportation.

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 activity, 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 Türkiye 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 Petrol Arama Üretim Sanayi ve Ticaret A.Ş. (“Çalık Petrol”)

Çalık Petrol was founded in 2012 and the company was sold to family members in 2019. The company was purchased from family members on 31 December 2021. The company is registered in Ankara and is engaged in natural gas and oil, exploration, production, distribution, sale, transmission and trade. As of the reporting period, Çalık Petrol is 80 percent subsidiary of Çalık Holding A.Ş.

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.

İrmak Yönetim Sistemleri Anonim Şirketi (“İrmak Yönetim”)

İrmak Yönetim, formerly known as “İrmak 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 “İrmak 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

Çalık Holding Anonim Şirketi and its Subsidiaries

Notes to Consolidated Financial Statements

As at and for the Year Ended 31 December 2022

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

2 Basis of preparation

(a) Statement of compliance

The consolidated financial statements of the Group are in accordance with the provisions of the "Communiqué on Principles of Financial Reporting in the Capital Markets" (Communiqué Serial II, No. 14.1) published in the Official Gazette dated 13 June 2013 and numbered 28676, Public Oversight, Accounting and Audit. It has been prepared on the basis of Turkish Financial Reporting Standards ("TFRS") and related annexes and comments, in line with international standards published by the Public Oversight Accounting and Auditing Standards Authority ("POA"). TFRS is updated through communiqués to ensure parallelism with the changes in Turkish Financial Reporting Standards ("TFRS").

Financial statements and footnotes have been presented in accordance with the "2019 TAS Taxonomy" announced by the POA with its resolution dated 7 June 2019.

Consolidated financial statements have been approved by the Company's Board of Directors on 7 June 2023 for publication.

Going concern

Consolidated financial statements have been prepared on the basis of going concern, assuming that the Company and its subsidiaries included in consolidation will benefit from its assets and fulfill its obligations in the natural flow of its activities in the next year.

b) Adjustment of the consolidated financial statements in high inflation periods

TAS 29 Financial Reporting in Hyperinflation Economies requires entities whose functional currency is that of an hyperinflationary economy to prepare their financial statements in terms of the measuring unit current at the end of the reporting period. TAS 29 describes characteristics that may indicate that an economy is hyperinflationary and it recommends all entities that report in the currency of the same hyperinflationary economy apply this Standard from the same date. In the announcement published by the Public Oversight Accounting and Auditing Standards Authority (POB) on January 20, 2022, it is stated that TAS 29 Financial Reporting in Hyperinflationary Economies does not apply to the TFRS financial statements as of December 31, 2021. Nevertheless, the Authority has not published any announcement on whether the entities would restate their financial statements for the accounting period ending on 31 December 2022 in accordance with TAS 29. In this context, since there is no consensus on the application of inflation accounting in TFRS financial statements throughout the country, financial statements as of December 31, 2022 are not adjusted for inflation in accordance with TAS 29 in order to ensure comparability.

Çalık Holding Anonim Şirketi and its Subsidiaries

Notes to Consolidated Financial Statements

As at and for the Year Ended 31 December 2022

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

2 Basis of preparation (continued)

c) Basis of Measurements

The consolidated financial statements have been prepared on the historical cost basis and for the Turkish entities as adjusted for the effects of inflation that lasted by 31 December 2004, except for the following:

- derivative financial instruments are measured at fair value,
- non-derivative financial assets at fair value OCI are measured at fair value
- assets and liabilities held for sale are measured at the lower of their carrying amount and fair value less costs to sell,
- non-derivative financial assets at fair value through profit or loss are measured at fair value,
- investment property is measured at fair value.

The methods used to measure the fair values are discussed further in Note 37.

(d) Functional and presentation currency

Çalık Holding determined its functional currency is Turkish Lira (“TL”) as at 30 June 2018 and earlier. As of 1 July 2018, The Group’s subsidiaries mainly operating in Energy and Construction sectors that are comprised significant part of Group’s revenue has almost completed their projects in Türkiye and focused on foreign projects. In addition, the main operation of the Company concentrated abroad where potential dividend income also can be obtained. In accordance with IAS 21 “The Effects of Changes in Foreign Exchange Rates” The Group management decided to change functional currency from TL to USD and it will be appropriate to apply as at 1 July 2018. The Company changed its functional currency into USD in accordance with IAS 21 “The Effects of Changes in Foreign Exchange Rates” due to intensification of the activities of the Group companies abroad and the changes in the dividend policies as of 1 July 2018.

The accompanying consolidated financial statements are presented in United States Dollar (“USD”) except as otherwise indicated, financial information presented in USD has been rounded to the nearest thousand.

Financial statements prepared in US Dollars which is the current currency, have been translated into the reporting currency “TL” as described below;

As of 31 December 2022, balance sheet accounts have been issued by T.C. The Central Bank (TCMB), has been converted into TL with the US Dollar buying rate of 1 USD = 18,6983 TL (31 December 2021: 1 USD = 13,329 TL).

Profit or loss and other comprehensive income statements for the period ended 31 December 2022 have been converted to TL with an annual average of 1 USD = 16,5659 (31 December 2021: 1 USD = 8,8719 TL)

The translation differences resulting from the above translations are shown in the “foreign currency translation differences” account under the Comprehensive Income and Reclassified to Profit or Loss account group.

Çalık Holding Anonim Şirketi and its Subsidiaries

Notes to Consolidated Financial Statements

As at and for the Year Ended 31 December 2022

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

2 Basis of preparation (*continued*)

e) *Use of estimates and judgements*

The preparation of the consolidated financial statements in conformity with TFRSs requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

Information about significant areas at estimation uncertainty and critical judgment in applying accounting policies that have the most significant effect on the amounts recognised in the consolidated financial statements are described in the following notes:

- Note 3 (e) and (f) – Useful lives of property and equipment and intangible assets including goodwill
- Note 10 – Financial investments
- Note 12 – Trade receivables and payables
- Note 16 – Prepayments and deferred revenue
- Note 21 – Investment property
- Note 25 – Derivatives
- Note 27 – Provisions
- Note 29 – Taxation
- Note 37 – Financial instruments – Fair values and risk management (*including fair value explanations*)

Çalık Holding Anonim Şirketi and its Subsidiaries

Notes to Consolidated Financial Statements

As at and for the Year Ended 31 December 2022

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

2 Basis of preparation (continued)

f) Comparative information and adjustment of prior period financial statements

Significant changes or material errors in accounting policies are adjusted retrospectively by rearranging the financial statements of the previous period. The effect of changes in accounting estimates affecting the current period has been recognized in the current period; The effects of changes in accounting estimates that affect current and future periods are recognized in the current and future periods.

The financial statements of the Group are prepared comparatively with the previous period in order to allow the determination of financial status and performance changes. Comparative information is reclassified when necessary and important differences are explained in order to comply with the presentation of the current period financial statements. The Group has made some classifications in the financial statements of the previous period in the current period. The nature and amounts of the classifications are described below.

In the consolidated financial statements for the year ended December 31, 2021 and 2020, the following classifications have been made in order to comply with the presentation of the current period;

31 December 2021			
	<i>Previously Reported</i>	<i>Restated</i>	<i>Adjustments</i>
Inventories	249.758	251.568	1.810
Investments in equity-accounted investees	179.053	177.618	(1.435)
Property, plant and equipment	443.242	460.790	17.548
Intangible assets	114.991	158.378	43.387
Short term liabilities	1.460.175	1.460.031	(144)
Short term portion of long-term loans and borrowings	158.546	158.545	(1)
Long term liabilities	451.132	450.999	(133)
Deferred tax liabilities	26.563	32.654	6.091
Items that are or will not be reclassified to profit or loss	(5.211)	(5.153)	58
Items that are or may be reclassified to profit or loss	(846.610)	(834.106)	12.504
Retained earnings	1.179.643	1.204.195	24.552
Net profit for the period	511.975	523.067	11.092
Non-controlling interests	156.056	163.347	7.291

31 December 2020			
	<i>Previously Reported</i>	<i>Restated</i>	<i>Adjustments</i>
Inventories	228.773	228.774	1
Financial investments - long term	1.874.350	1.876.437	2.087
Investments in equity-accounted investees	222.015	222.031	16
Property, plant and equipment	562.406	564.814	2.408
Intangible assets	128.008	153.718	25.710
Short term liabilities	1.663.719	1.699.259	35.540
Short term portion of long-term loans and borrowings	177.312	175.796	(1.516)
Long term liabilities	536.264	502.266	(33.998)
Deferred tax liabilities	52.753	39.529	(13.224)
Items that are or will not be reclassified to profit or loss	(2.604)	(2.545)	59
Items that are or may be reclassified to profit or loss	(337.031)	(323.327)	13.704
Retained earnings	842.023	928.775	86.752
Net profit for the period	359.209	297.014	(62.195)
Non-controlling interests	118.480	123.580	5.100

Çalık Holding Anonim Şirketi and its Subsidiaries

Notes to Consolidated Financial Statements

As at and for the Year Ended 31 December 2022

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

2 Basis of preparation (continued)

f) Comparative information and adjustment of prior period financial statements (continued)

As of 31 December 2021, the following adjustments have been made in the profit or loss statement in order to comply with the current period;

	31 December 2021		
	<i>Previously Reported</i>	<i>Restated</i>	<i>Adjustments</i>
General and administrative expenses	(236.511)	(218.754)	17.757
Research and development expenses	(12.500)	(13.917)	(1.417)
After-tax share of profits/(losses) on investments accounted for using the equity method	(3.423)	(4.903)	(1.480)
Other income from main operations	125.314	137.715	12.401
Other operating expenses	(138.257)	(148.221)	(9.964)
Income from investment activities	168.434	177.645	9.211
Expenses from investment activities	(58.275)	(58.275)	--
Financing revenues	193.844	191.774	(2.070)
Financing expenses	(222.235)	(208.293)	13.942
Deferred tax income / (expense)	43.895	31.723	(12.172)
Total other comprehensive income	804.141	832.611	28.470
Total comprehensive income	1.330.990	1.370.306	39.316

As of 31 December 2021, the following adjustments have been made in the cash flow statement to ensure compliance with the current period;

	31 December 2021		
	<i>Previously Reported</i>	<i>Restated</i>	<i>Adjustments</i>
A. Cash flows from operating activities	181.059	181.060	1
B. Cash flows from investing activities	(619.639)	(630.226)	(10.587)
C. Cash flows from financial activities	(476.908)	(477.212)	(304)

Çalık Holding Anonim Şirketi and its Subsidiaries

Notes to Consolidated Financial Statements

As at and for the Year Ended 31 December 2022

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

2 Basis of preparation (continued)

f) Comperative information and adjustment of prior period financial statements (continued)

As of December 31, 2021, the Group has reviewed the consolidated financial statements of the previous period and restated them. The major effects of restatement are as follows:

- a) Gold is a financial asset traded all over the world. Gold prices are determined in ounces. 1 ounce equals 31.1 grams. While the price of gold bar is determined in the London Metal Exchange with the fixing method, Gold Futures Contracts, which are preferred more by institutional investors, are traded mainly in New York COMEX. Among the most important economic developments and data affecting gold prices are the US Federal Reserve ("FED") statements, FOMC meeting minutes, relatively high-importance data from China, the US, and the Eurozone (growth rate, non-farm employment, unemployment rate, retail sales, housing price indices, factory orders, manufacturing sector data) and physical demand from countries such as India should be considered. In addition to these, factors such as economic growth in the world, oil prices, prices of other precious metals and commodities, gold production in gold mines, purchases, and sales of central banks for reserve purposes, in flation also affect the gold price.

In line with the explanations above, it is known that the Company's subsidiaries and joint ventures mainly operate in the "gold and silver mining" sector, all of their sales are consist of gold and silver sales, and the equivalent of sales and billing currency are US dollars. Polimetal Madencilik Sanayi ve Ticaret A.Ş. started its sales in November 2021 and continued its mining investment until this date. In the period when mining investments continue, most of the investments consist of expenditures of analysis, drilling, consultancy, etc. are US Dollar. Also, the borrowing currencies belonging to the "Payables to Shareholders", which funds these expenditures, are also US dollar. Foreign origin equipment used in the investment period was purchased in US dollar. While the payments for equipment and other construction works procured from Turkey are mostly made in Turkish lira, the prices of related investment materials are determined by the international prices of commodities such as iron and steel, oil prices and the US dollar exchange rate. In line with the explanations mentioned above, the functional currency of the subsidiaries of Group which are Artmin Madencilik Sanayi ve Ticaret A.Ş. and Polimetal Madencilik Sanayi ve Ticaret A.Ş., which was previously determined as Turkish lira, Group management has evaluated that the functional currency should be US dollar since its establishment and retrospective non-monetary items (capital, inventory, development costs and other fixed assets) with their investment historical costs and restated consolidated financial statements with US dollar as the functional currency.

- b) The Group has re-evaluated the deferred tax calculation of "Financial instruments at fair value through profit or loss" and recalculated the deferred tax liability, which was previously calculated on the whole, retrospectively, using 75 percent profit exemption.
- c) As of December 31, 2021 and 2020, the Group has reviewed the maturities of financial liabilities and the classifications of related party balances and reclassified.
- d) Çalık Holding purchased 80 percent of Çalık Petrol Arama Üretim Sanayi ve Ticaret A.Ş. on December 31, 2021 and provisionally accounted for it in the consolidated financial statements of Çalık Holding on December 31, 2021, using the acquisition method in accordance with TFRS 3 Business Combinations Standard. As a result of the distribution of the purchase price and the reduction of the purchase price on 31 December 2022, the net assets of the Company were recalculated and recorded as a final result.

Çalık Holding Anonim Şirketi and its Subsidiaries

Notes to Consolidated Financial Statements

As at and for the Year Ended 31 December 2022

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

2 Basis of preparation (continued)

g) The new standards, amendments and interpretations

The accounting policies adopted in preparation of the consolidated financial statements as at December 31, 2022 are consistent with those of the previous financial year, except for the adoption of new and amended TFRS and IFRIC interpretations effective as of 1 January 2022 and thereafter. The effects of these standards and interpretations on the Group’s financial position and performance have been disclosed in the related paragraphs.

i) The new standards, amendments and interpretations which are effective as at January 1, 2022 are as follows:

Amendments to TFRS 3 – Reference to the Conceptual Framework

In July 2020, POA issued amendments to TFRS 3 Business combinations. The amendments are intended to replace to a reference to a previous version of the Conceptual Framework (the 1989 Framework) with a reference to the current version issued in March 2018 (the Conceptual Framework) without significantly changing requirements of TFRS 3. At the same time, the amendments add a new paragraph to TFRS 3 to clarify that contingent assets do not qualify for recognition at the acquisition date. The amendments must be applied prospectively.

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

Amendments to TAS 16 – Proceeds before intended use

In July 2020, POA issued amendments to TAS 16 Property, plant and equipment. The amendment prohibits entities from deducting from the cost of an item of property, plant and equipment (PP&E), any proceeds of the sale of items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognizes the proceeds from selling such items, and costs of producing those items, in profit or loss. The amendments must be applied retrospectively only to items of PP&E made available for use on or after beginning of the earliest period presented when the entity first applies the amendment.

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

Amendments to TAS 37 – Onerous contracts – Costs of Fulfilling a Contract

In July 2020, POA issued amendments to TAS 37 Provisions, Contingent Liabilities and Contingent assets. The amendments specify which costs an entity needs to include when assessing whether a contract is onerous or loss-making and also apply a “directly related cost approach”. Amendments must be applied prospectively to contracts for which an entity has not fulfilled all of its obligations at the beginning of the annual reporting period in which it first applies the amendments (the date of initial application).

The Group is in the process of assessing the impact of the amendments on 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 2022

(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)

Annual Improvements – 2018–2020 Cycle

In July 2020, POA issued Annual Improvements to TFRS Standards 2018–2020 Cycle, amending the followings:

- *TFRS 1 First-time Adoption of Turkish Financial Reporting Standards – Subsidiary as a first-time adopter:* The amendment permits a subsidiary to measure cumulative translation differences using the amounts reported by the parent. The amendment is also applied to an associate or joint venture.
- *TFRS 9 Financial Instruments – Fees in the “10 per cent test” for derecognition of financial liabilities:* The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either borrower or lender on the other’s behalf.
- *TAS 41 Agriculture – Taxation in fair value measurements:* The amendment removes the requirement in paragraph 22 of TAS 41 that entities exclude cash flows for taxation when measuring fair value of assets within the scope of TAS 41.

The Group is in the process of assessing the impact of the amendments on 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.

Amendments to TFRS 10 and TAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

In December 2017, POA postponed the effective date of this amendment indefinitely pending the outcome of its research project on the equity method of accounting. Early application of the amendments is still permitted.

The Group will wait until the final amendment to assess the impacts of the changes.

Çalık Holding Anonim Şirketi and its Subsidiaries

Notes to Consolidated Financial Statements

As at and for the Year Ended 31 December 2022

(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)

TFRS 17 - The new Standard for insurance contracts

POA issued TFRS 17 in February 2019, a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. TFRS 17 model combines a current balance sheet measurement of insurance contract liabilities with the recognition of profit over the period that services are provided. TFRS 17 will become effective for annual reporting periods beginning on or after 1 January 2023; early application is permitted.

The standard is not applicable for the Group and will not have an impact on the financial position or performance of the Group.

Amendments to TAS 1- Classification of Liabilities as Current and Non-Current Liabilities

In January 2020 and January 2023, POA issued amendments to TAS 1 to specify the requirements for classifying liabilities as current or non-current. According to the amendments made in January 2023 if an entity's right to defer settlement of a liability is subject to the entity complying with the required covenants at a date subsequent to the reporting period (“future covenants”), the entity has a right to defer settlement of the liability even if it does not comply with those covenants at the end of the reporting period. In addition, January 2023 amendments require an entity to provide disclosure when a liability arising from a loan agreement is classified as non-current and the entity's right to defer settlement is contingent on compliance with future covenants within twelve months. This disclosure must include information about the covenants and the related liabilities. The amendments clarified that the classification of a liability is unaffected by the likelihood that the entity will exercise its right to defer settlement of the liability for at least twelve months after the reporting period. The amendments are effective for periods beginning on or after 1 January 2024. The amendments must be applied retrospectively in accordance with TAS 8. Early application is permitted. However, an entity that applies the 2020 amendments early is also required to apply the 2023 amendments, and vice versa.

Overall, the Group expects no significant impact on its balance sheet and equity. The Group is in the process of assessing the impact of the amendments on financial position or performance of the Group.

Amendments to TAS 8 - Definition of Accounting Estimates

In August 2021, POA issued amendments to TAS 8, in which it introduces a new definition of ‘accounting estimates. The amendments issued to TAS 8 are effective for annual periods beginning on or after 1 January 2023. The amendments clarify the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors. Also, the amended standard clarifies that the effects on an accounting estimate of a change in an input or a change in a measurement technique are changes in accounting estimates if they do not result from the correction of prior period errors. The previous definition of a change in accounting estimate specified that changes in accounting estimates may result from new information or new developments. Therefore, such changes are not corrections of errors. This aspect of the definition was retained by the POA. The amendments apply to changes in accounting policies and changes in accounting estimates that occur on or after the start of the effective date. Earlier application is permitted.

Overall, the Group expects no significant impact on its balance sheet and equity. The Group is in the process of assessing the impact of the amendments on 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 2022

(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)

Amendments to TAS 1 - Disclosure of Accounting Policies

In August 2021, POA issued amendments to TAS 1, in which it provides guidance and examples to help entities apply materiality judgements to accounting policy disclosures. The amendments issued to TAS 1 are effective for annual periods beginning on or after 1 January 2023. In the absence of a definition of the term 'significant' in TFRS, the POA decided to replace it with 'material' in the context of disclosing accounting policy information. 'Material' is a defined term in TFRS and is widely understood by the users of financial statements, according to the POA. In assessing the materiality of accounting policy information, entities need to consider both the size of the transactions, other events or conditions and the nature of them. Examples of circumstances in which an entity is likely to consider accounting policy information to be material have been added.

Overall, the Group expects no significant impact on its balance sheet and equity.

Amendments to TAS 12 – Deferred Tax related to Assets and Liabilities arising from a Single Transaction

In August 2021, POA issued amendments to TAS 12, which narrow the scope of the initial recognition exception under TAS 12, so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences. The amendments issued to TAS 12 are effective for annual periods beginning on or after 1 January 2023. The amendments clarify that where payments that settle a liability are deductible for tax purposes, it is a matter of judgement (having considered the applicable tax law) whether such deductions are attributable for tax purposes to the liability recognised in the financial statements (and interest expense) or to the related asset component (and interest expense). This judgement is important in determining whether any temporary differences exist on initial recognition of the asset and liability. The amendments apply to transactions that occur on or after the beginning of the earliest comparative period presented. In addition, at the beginning of the earliest comparative period presented, a deferred tax asset (provided that sufficient taxable profit is available) and a deferred tax liability for all deductible and taxable temporary differences associated with leases and decommissioning obligations should be recognized.

Overall, the Group expects no significant impact on its balance sheet and equity.

Çalık Holding Anonim Şirketi and its Subsidiaries

Notes to Consolidated Financial Statements

As at and for the Year Ended 31 December 2022

(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)

Amendments to TFRS 16 - Lease Liability in a Sale and Leaseback

In January 2023, POA issued amendments to TFRS 16. The amendments specify the requirements that a seller-lessee uses in measuring the lease liability arising in a sale and leaseback transaction, to ensure the seller-lessee does not recognise any amount of the gain or loss that relates to the right of use it retains. In applying requirements of TFRS 16 under “Subsequent measurement of the lease liability” heading after the commencement date in a sale and leaseback transaction, the seller lessee determines ‘lease payments’ or ‘revised lease payments’ in such a way that the seller-lessee would not recognise any amount of the gain or loss that relates to the right of use retained by the seller-lessee. The amendments do not prescribe specific measurement requirements for lease liabilities arising from a leaseback. The initial measurement of the lease liability arising from a leaseback may result in a seller-lessee determining ‘lease payments’ that are different from the general definition of lease payments in TFRS 16. The seller-lessee will need to develop and apply an accounting policy that results in information that is relevant and reliable in accordance with TAS 8. A seller-lessee applies the amendments to annual reporting periods beginning on or after 1 January 2024. Earlier application is permitted. A seller-lessee applies the amendments retrospectively in accordance with TAS 8 to sale and leaseback transactions entered into after the date of initial application of TFRS 16.

Overall, the Group expects no significant impact on its balance sheet and equity.

Çalık Holding Anonim Şirketi and its Subsidiaries

Notes to Consolidated Financial Statements

As at and for the Year Ended 31 December 2022

(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.

Çalık Holding Anonim Şirketi and its Subsidiaries

Notes to Consolidated Financial Statements

As at and for the Year Ended 31 December 2022

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

3 Significant accounting policies (continued)

a) Basis of consolidation (continued)

iii) Subsidiaries

Subsidiaries are entities controlled by the Group. The Group ‘controls’ an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases.

iv) Loss of control

When the Group loses control over a subsidiary, it derecognises the assets and liabilities of the subsidiary, and any related NCI and other components of equity. Any resulting gain or loss is recognised in profit or loss. Any interest retained in the former subsidiary is measured at fair value when control is lost.

v) Acquisitions from entities under common control

Business combinations arising from transfers of interests in entities that are under the control of the shareholder that controls the Group are accounted for as if the acquisition had occurred at the beginning of the earliest comparative year presented or, if later, at the date that common control was established. The assets and liabilities acquired are recognised at the carrying amounts recognised previously in the Group controlling shareholder’s consolidated financial statements. The components of equity of the acquired entities are added to the same components within the Group equity and any gain/loss arising is recognised directly in equity.

vi) Associates (Equity-accounted investees)

The Group’s interests in equity-accounted investees comprise interests in associates and a joint venture. Associates are those entities in which the Group has significant influence, but not control or joint control, over the financial and operating policies. A joint venture is an arrangement in which the Group has joint control, whereby the Group has rights to the net assets of the arrangement, rather than rights to its assets and obligations for its liabilities.

Interests in associates and the joint venture are accounted for using the equity method. They are initially recognised at cost, which includes transaction costs. Subsequent to initial recognition, the consolidated financial statements include the Group’s share of the profit or loss and OCI of equity-accounted investees, until the date on which significant influence or joint control ceases.

vii) Joint arrangements

Joint arrangements are arrangements of which the Group has joint control, established by contracts requiring unanimous consent for decisions about the activities that significantly affect the arrangements’ returns. They are classified and accounted for as follows:

- Joint operation – when the Group has rights to the assets, and obligations for the liabilities, relating to an arrangement, it accounts for each of its assets, liabilities and transactions, including its share of those held or incurred jointly, in relation to the joint operation.
- Joint venture (equity-accounted investees) – when the Group has rights only to the net assets of the arrangements, it accounts for its interest using the equity method.

The accompanying consolidated financial statements include the Group’s share of the profit or loss and other comprehensive income of joint ventures, after adjustments to align the accounting policies with those of the Group, from the date that joint control commences until the date that joint control ceases.

Çalık Holding Anonim Şirketi and its Subsidiaries

Notes to Consolidated Financial Statements

As at and for the Year Ended 31 December 2022

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

3 Significant accounting policies (continued)

a) Basis of consolidation (continued)

When the Group's share of losses exceeds its interest in a joint venture, the carrying amount of the investment, including any long-term interests that form part thereof, is reduced to zero, and the recognition of further losses is discontinued except to the extent that the Group has an obligation or has made payments on behalf of the investee.

viii) Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated. Unrealised gains arising from transactions with equity-accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

In consolidation of operating results and financial positions of subsidiaries whose functional currency is other than USD, main consolidation transactions are made such as elimination of related party balances and transactions. But, a monetary asset (or liability) of related parties regardless of short-term or long-term (except for monetary items which are part of net investment of the Group in its subsidiaries whose functional currency is different than USD) can not be eliminated with related party liability (or related party asset) without presenting results of fluctuation of foreign currencies in consolidated financial statements. Because, a monetary item provides obligation of translation of any currency to other currency and makes the Group exposed to gain or losses arising from fluctuation of foreign currencies. Correspondingly, these kind of foreign exchange differences are recognized in profit or loss of consolidated financial statements of the Group.

b) Foreign currency

i) Foreign currency transactions

Transactions in foreign currencies are translated into the respective functional currencies of Group companies at the exchange rates at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the exchange rate at the reporting date. Non-monetary assets and liabilities that are measured at fair value in a foreign currency are translated into the functional currency at the exchange rate when the fair value was determined. Non-monetary items that are measured based on historical cost in a foreign currency are translated at the exchange rate at the date of the transaction. Foreign currency differences are generally recognised in profit or loss and presented within finance costs.

However, foreign currency differences arising from the translation of the following items are recognised in OCI:

- an investment in equity securities designated as at FVOCI (2020: available-for-sale equity investments (except on impairment, in which case foreign currency differences that have been recognised in OCI are reclassified to profit or loss)
- a financial liability designated as a hedge of the net investment in a foreign operation to the extent that the hedge is effective
- qualifying cash flow hedges to the extent that the hedges are effective.

Çalık Holding Anonim Şirketi and its Subsidiaries

Notes to Consolidated Financial Statements

As at and for the Year Ended 31 December 2022

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

3 Significant accounting policies (continued)

b) Foreign currency (continued)

The following significant foreign exchange rates are applied as at 31 December 2022 and 31 December 2021 are as follows:

<u>End of month</u>	<u>31 December 2022</u>	<u>31 December 2021</u>
EUR / TL	19,9349	15,0867
USD / TL	18,6983	13,3290
EUR / USD	1,0661	1,1319
 <u>Cumulative average</u>		
EUR / TL	17,3775	10,4572
USD / TL	16,5659	8,8719
EUR / USD	1,0490	1,1787

ii) Foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated into euro at the exchange rates at the reporting date. The income and expenses of foreign operations are translated into euro at the exchange rates at the dates of the transactions.

Foreign currency differences are recognised in OCI and accumulated in the translation reserve, except to the extent that the translation difference is allocated to NCI.

When the use of a property changes from owner-occupied to investment property, the property is remeasured to fair value and reclassified accordingly. Any gain arising on this remeasurement is recognised in profit or loss to the extent that it reverses a previous impairment loss on the specific property, with any remaining gain recognised in OCI and presented in the revaluation reserve. Any loss is recognised in profit or loss. However, to the extent that an amount is included in the revaluation surplus for that property, the loss is recognised in other comprehensive income and reduces the revaluation surplus within equity.

c) Financial instruments

Initial Recognition and measurement

At initial recognition Group classifies its financial assets in three categories as; financial assets measured at amortised cost, financial assets measured at fair value through other comprehensive income and financial assets measured at fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient, the Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs.

Subsequent measurement and classification

Financial assets are not reclassified subsequent to their initial recognition unless the Group changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

a. Financial assets measured at amortized cost

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at fair value through profit or loss:

Çalık Holding Anonim Şirketi and its Subsidiaries

Notes to Consolidated Financial Statements

As at and for the Year Ended 31 December 2022

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

3 Significant accounting policies (continued)

c) Financial instruments (continued)

Subsequent measurement and classification (continued)

a. Financial assets measured at amortized cost (continued)

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

Financial assets at amortised cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

The Group's financial assets at amortised cost includes cash and cash equivalents, trade receivables and other receivables.

b. Financial assets measured at fair value through other comprehensive income

A financial asset is measured at fair value through other comprehensive income if both of the following conditions are met:

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

The Group's debt instruments measured at fair value through other comprehensive income include investments in listed instruments.

In the initial recognition of an equity investment that is not held for trading, the Group may irrevocably choose to present subsequent changes in fair value in other comprehensive income. This selection is made separately for each investment.

The accounting policies below apply to gains and losses from subsequent measurements:

Debt instruments measured at fair value through other comprehensive income	These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognized in profit or loss. Other net gains and losses are recognized in other comprehensive income. On derecognition, gains and losses accumulated in other comprehensive income are reclassified to profit or loss.
Equity instruments measured at fair value through other comprehensive income	These assets are subsequently measured at fair value. Dividends are recognized as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognized in other comprehensive income and are never reclassified to profit or loss.

Çalık Holding Anonim Şirketi and its Subsidiaries

Notes to Consolidated Financial Statements

As at and for the Year Ended 31 December 2022

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

3 Significant accounting policies (continued)

c) Financial instruments (continued)

c. Financial assets at fair value through profit or loss

All financial assets not classified as measured at amortised cost or fair value through other comprehensive income as described above are measured at fair value through profit or loss.

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's consolidated statement of financial position) when:

- The contractual rights to receive cash flows from the asset have expired, or
- The Group has transferred its contractual rights to receive cash flows from the asset, or retains the contractual rights to receive the cash flows of the financial asset but has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group transfers a financial asset, it evaluates the extent to which it retains the risks and rewards of ownership of the financial asset. When the Group has transferred its contractual rights to receive cash flows from an asset and neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of its continuing involvement.

Impairment

The Group recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss.

ECLs are recognised in two stages:

- 12-month ECL: For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months,
- Lifetime ECL: For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure.

For trade receivables, other receivables and contract assets, the Group applies a simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The expected credit losses were calculated based on a provision matrix that is based on the Group's historical credit loss experience, considering for forward-looking factors.

Çalık Holding Anonim Şirketi and its Subsidiaries

Notes to Consolidated Financial Statements

As at and for the Year Ended 31 December 2022

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

3 Significant accounting policies (continued)

c) Financial instruments (continued)

c. Financial assets at fair value through profit or loss (continued)

i) Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of borrowings and payables, net of directly attributable transaction costs.

The Group's financial liabilities include trade and other payables, borrowings and derivative financial instruments.

Subsequent measurement

For purposes of subsequent measurement, financial liabilities are classified in two categories:

- **Financial liabilities at fair value through profit or loss**

This category also includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by TFRS 9. Gains and losses are recognised in the statement of profit or loss.

- **Financial liabilities at amortised cost**

After initial recognition, borrowings and trade and other payables are subsequently measured at amortised cost using the effective interest rate method. Gains and losses are recognised in the statement of profit or loss.

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability.

ii) Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

Derivative financial instruments and hedging activities

Derivative financial instruments are initially recognised at the acquisition cost reflecting the fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. The derivative instruments of the Group mainly consist of foreign exchange forward contracts and currency/interest rate swap instruments. These derivative transactions, even though providing effective economic hedges under the Group risk management position, do not generally qualify for hedge accounting under the specific rules and are therefore treated as derivatives held for trading in the consolidated financial statements. The fair value changes for these derivatives are recognised in the consolidated income statement.

Çalık Holding Anonim Şirketi and its Subsidiaries

Notes to Consolidated Financial Statements

As at and for the Year Ended 31 December 2022

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

3 Significant accounting policies (continued)

c) Financial instruments (continued)

Service concession arrangements

Service concession arrangements are defined within scope of TFRIC 12 as those whereby a government or other body grants contracts for the supply of public services – operations such as roads, energy distribution, prisons or hospitals –to private operators. The Group’s electricity distribution and meter reading service businesses are in the scope of service concession agreements.

Considering the Group’s terms in the service concession arrangements, a financial asset model where the Group recognises a financial asset to the extent that it has an unconditional contractual right to receive cash or another financial asset from or at the direction of the grantor has been applied, since the right to receive cash for the distribution and meter reading services are constituted through actual billing to subscribers where the distribution and meter reading service components of the billing are already specified or determinable through the regulated tariffs by EMRA.

The Group has measured the financial asset at fair value, with the effective interest method which is calculated by discounting estimated future cash receipts with regards to the compensation of TOR and the initial and annual capital expenditures made by the Group, through the expected life of the arrangement and set “Financial Asset Related to Concession Agreements” on the balance sheet and recognizes the revenue on an effective interest method as “Finance Income from Service Concession Arrangements”

Security deposit

According to the Article 26 of Electricity Market Customer Services Regulation, legal entities which have retail electricity sale licenses, can demand security deposits from their subscribers in order to deduct customers’ debts in case of possible inability to pay energy consumption fee due to address change and/or cease of retail sale agreements or termination of retail sale agreements.

Security deposits received from current subscribers are recognised in the “payables to third parties” item at the adjusted values based on inflation applicable to reporting dates using Consumer Price Index (“CPI”) rates. Security deposits valuation expenses and realised security deposit expenses are recognised as finance cost in profit or loss.

d) Repurchase transactions

The Group enters into purchases/sales of investments under agreements to resell/repurchase substantially identical investments at a certain date in the future at a fixed price. Investments purchased subject to commitments to resell them at future dates are not recognised. The amounts paid are recognised as “Receivables related to finance sector operations” in the accompanying consolidated financial statements. The receivables are shown as collateralized by the underlying security.

Investments sold under repurchase agreements continue to be recognised in the consolidated statement of financial position and are measured in accordance with the accounting policy for either assets held for trading, held to maturity or available-for-sale as appropriate. The proceeds from the sale of the investments are reported as funds from repo transactions presented under “Payables related to finance sector operations”.

Çalık Holding Anonim Şirketi and its Subsidiaries

Notes to Consolidated Financial Statements

As at and for the Year Ended 31 December 2022

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

3 Significant accounting policies (continued)

(e) Property, plant and equipment

i) Recognition and measurement

Items of property, plant and equipment are measured at cost, which includes capitalised borrowing costs, less accumulated depreciation and any accumulated impairment losses.

If significant parts of an item of property, plant and equipment have different useful lives, then they are accounted for as separate items (major components) of property, plant and equipment.

Any gain or loss on disposal of an item of property, plant and equipment is recognised in profit or loss.

Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the following:

- cost of materials and direct labor;
- any other costs directly attributable to bringing the asset to a working condition for its intended use;
- when the Group has an obligation to remove the assets or restore the site, an estimate of the costs of dismantling and removing the items and restoring the site on which they are located; and
- capitalised borrowing costs.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of an item of property, plant and equipment (calculated as the difference between the net proceeds from disposal and the carrying amount of the asset) is recognised in "Gain from investing activities" or "Loss from investing activities" under profit or loss.

ii) Reclassification to investment property

When the use of a property changes from owner-occupied to investment property, the property is remeasured to fair value and reclassified accordingly. Any gain arising on this remeasurement is recognised in profit or loss to the extent that it reverses a previous impairment loss on the specific property, with any remaining gain recognised in OCI and presented in the revaluation reserve. Any loss is recognised in profit or loss. However, to the extent that an amount is included in the revaluation surplus for that property, the loss is recognised in other comprehensive income and reduces the revaluation surplus within equity.

iii) Subsequent costs

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands, is recognised in profit or loss as incurred.

iv) Depreciation

Items of property, plant and equipment are depreciated from the date that they are available for use or, in respect of self-constructed assets, from the date that the asset is completed and ready for use.

Depreciation is calculated to write off the cost of items of property, plant and equipment less their estimated residual values using the straight-line method over their estimated useful lives, and is generally recognised in profit or loss.

Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Group will obtain ownership by the end of the lease term. Land is not depreciated.

Çalık Holding Anonim Şirketi and its Subsidiaries

Notes to Consolidated Financial Statements

As at and for the Year Ended 31 December 2022

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

3 Significant accounting policies (continued)

(e) Property, plant and equipment (continued)

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

<u>Description</u>	<u>Year</u>
Buildings	50
Machinery and equipments	1-40
Vehicles	5-10
Furniture and fixtures	3-15
Other tangible assets	5-15
Leasehold improvements	2-50

Leasehold improvements are depreciated on a straight-line basis over the shorter of the lease terms or their useful lives.

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 TFRS 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 2022

(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 2022

(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 TFRS 15. According to TFRS 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 TFRS 15. According to TFRS 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 2022

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

3 Significant accounting policies (continued)

j) *Impairment (continued)*

The Group considers a financial asset to be in default when:

- the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or
- the financial asset is more than past due.

The Group considers a debt security to have low credit risk when its credit risk rating is equivalent to the globally understood definition of 'investment grade

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument.

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Group expects to receive).

ECLs are discounted at the effective interest rate of the financial asset.

Credit-impaired financial assets

At each reporting date, the Group assesses whether financial assets carried at amortised cost and debt securities at FVOCI are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or being more than 730 days past due;
- the restructuring of a loan or advance by the Group on terms that the Group would not consider otherwise;
- it is probable that the borrower will enter bankruptcy or other financial reorganisation; or the disappearance of an active market for a security because of financial difficulties.

Presentation of allowance for ECL in the statement of financial position

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets.

For debt securities at FVOCI, the loss allowance is charged to profit or loss and is recognised in OCI.

Write-off

The gross carrying amount of a financial asset is written off when the Group has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. For individual customers, the Group has a policy of writing off the gross carrying amount when the financial asset is 730 days past due based on historical experience of recoveries of similar assets. For corporate customers, the Group individually makes an assessment with respect to the timing and amount of write-off based on whether there is a reasonable expectation of recovery. The Group expects no significant recovery from the amount written off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's procedures for recovery of amounts due.

k) *Assets held for sale or distribution*

Non-current assets, or disposal groups comprising assets and liabilities, are classified as held-for-sale if it is highly probable that they will be recovered primarily through sale rather than through continuing use.

Çalık Holding Anonim Şirketi and its Subsidiaries

Notes to Consolidated Financial Statements

As at and for the Year Ended 31 December 2022

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

3 Significant accounting policies (continued)

k) *Assets held for sale or distribution (continued)*

Non-current assets, or disposal groups comprising assets and liabilities, are classified as held-for-sale if it is highly probable that they will be recovered primarily through sale rather than through continuing use.

Such assets, or disposal groups, are generally measured at the lower of their carrying amount and fair value less costs to sell. Any impairment loss on a disposal group is allocated first to goodwill, and then to the remaining assets and liabilities on a pro rata basis, except that no loss is allocated to inventories, financial assets, deferred tax assets, employee benefit assets, investment property or biological assets, which continue to be measured in accordance with the Group's other accounting policies. Impairment

losses on initial classification as held-for-sale or held-for-distribution and subsequent gains and losses on remeasurement are recognised in profit or loss.

Once classified as held-for-sale, intangible assets and property, plant and equipment are no longer amortised or depreciated, and any equity-accounted investee is no longer equity accounted.

l) *Employee benefits*

i) *Reserve for employee severance indemnity*

Reserve for employee severance indemnity represents the present value of the estimated future probable obligation of the Group arising from the retirement of the employees of the Group's entities operating in Türkiye 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 1.069 and USD 814 (equivalent to TL 19.982,83 and TL 10.848,59 respectively) at 1 January 2023 and 2022, respectively.

TFRSs 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 919 (31 December 2021: USD 1.078) had no effect on the Group's consolidated financial statements since the same amount will be compensated by the Government as an adjusting item in the following income ceiling calculation.

Actuarial gains/losses are comprised of adjustment of difference between actuarial assumptions and results and change in actuarial assumptions. Because of the adoption of IAS 19 (2011), all actuarial differences have to be recognised in other comprehensive income. However due to insignificance of the balances, the Group has recognised any actuarial differences on reserve for employee severance indemnity profit or loss.

Reserve for employee severance indemnity is not subject to any statutory funding.

Obligations for contributions to defined contribution pension plans are recognised as an expense in profit or loss when they are due. The Group's banking subsidiary in Albania makes compulsory social security contributions that provide pension benefits for employees upon retirement. The local authorities are responsible for providing the legally set minimum threshold for pensions in Albania under a defined contribution pension plan.

Çalık Holding Anonim Şirketi and its Subsidiaries

Notes to Consolidated Financial Statements

As at and for the Year Ended 31 December 2022

(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 2022

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

3 Significant accounting policies (continued)

n) Revenue

General model for revenue recognition

TFRS 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.

Çalık Holding Anonim Şirketi and its Subsidiaries

Notes to Consolidated Financial Statements

As at and for the Year Ended 31 December 2022

(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

The Group recognises revenue over-time if any of the following conditions is met:

- Customer simultaneously receives and consumes the benefits as the entity performs, or
- The customer controls the asset as the entity creates or enhances it, or
- Group's performance does not create an asset for which the entity has an use; and alternative there is a right to payment for performance to date.

For each performance obligation that is satisfied over time, an entity selects a single measure of progress, which depicts the transfer of control of the goods or services to the customer. The Group uses a method that measures the work performed reliably. The Group uses cost incurred to measure the progress towards to completion of the project where the input method is used and uses units transferred to measure the progress towards to completion of the project where the output method is used. If a performance obligation is not satisfied over time, then the Group recognises revenue at the point in time at which it transfers control of the good or service to the customer.

The Group recognises a provision in accordance with IAS 37 "Provisions, Contingent Liabilities and Contingent Assets" when the unavoidable costs of meeting the obligations under a contract exceed the economic benefits.

Rental income

Rental income from investment property is recognised as revenue on a straight-line basis over the term of the lease. Lease incentives granted are recognised as an integral part of the total rental income, over the term of the lease. Rental income from investment property is recognised as other income from operating activities.

Sale of trading properties

Revenue from the sale of trading properties during ordinary activities is measured at the fair value of the consideration received or receivable, net of discounts. Revenue is recognised when persuasive evidence exists, usually in the form of an executed sales agreement, that the significant risks and rewards of ownership have been transferred to the buyer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, and there is no continuing management involvement with the goods and the amount of revenue can be measured reliably. If it is probable that discounts will be granted, and the amount can be measured reliably, then the discount is recognised as a reduction of revenue as the sale is recognised.

Transfers of risks and rewards vary depending on the terms of the sale contract. For the sale of trading properties, transfer occurs when the property has been delivered to and registered in the name of the buyer officially.

i) Energy business

The Group recognizes revenue when the goods or services is transferred to the customer and when performance obligation is fulfilled. Goods is counted to be transferred when the control belongs to the customer.

The entity recognizes revenue based on the following main principles:

- Identification of customer contracts
- Identification of performance obligations
- Determination of transaction price in the contract
- Allocation of price to performance obligations
- Recognition of revenue when the performance obligations are fulfilled

Çalık Holding Anonim Şirketi and its Subsidiaries

Notes to Consolidated Financial Statements

As at and for the Year Ended 31 December 2022

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

3 Significant accounting policies (continued)

n) Revenue (continued)

The Group recognizes revenue from its customers only when all of the following criteria are met:

- The parties to the contract have approved the contract (in writing, orally or in accordance with other customary business practices) and are committed to perform their respective obligations,
- The entity can identify each party's rights regarding the goods or services to be transferred,
- The entity can identify the payment terms for the goods or services to be transferred;
- The contract has commercial substance,
- It is probable that the Group will collect the consideration to which it will be entitled in exchange for the goods or services that will be transferred to the customer. In evaluating whether collectability of an amount of consideration is probable, an entity shall consider only the customer's ability and intention to pay that amount of consideration when it is due.

At the contract inception date, the Group evaluates the goods and services committed to be provided to the customer based on the contract and identifies each commitment as a separate performance obligation. In addition to that, the Group determines whether it satisfies the performance obligation over time or satisfies the performance obligation at a point in time.

When another party is involved in providing goods or services to a customer, the group determines whether the nature of its promise is a performance obligation to provide the specified goods or services itself or to arrange for the other party to provide those goods or services. The Group is a principal if it controls a promised good or service before the group transfers the good or service to a customer. When a group that is a principal satisfies a performance obligation, it recognizes as revenue the gross amount of consideration which it expects to be entitled to in exchange for those goods or services. The Group is an agent if its performance obligation is to arrange for the provision of goods or services by another party and in such a position, the Group does not recognize the revenue of the consideration at gross amount.

The Group determines the transaction price in accordance with contract terms and customs of trade. Transaction price is the amount of consideration which is expected to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties. The Group allocates the transaction price to each performance obligation (or distinct goods or services), by reference to the consideration is considered to be deserved in return of the goods and services transferred to the customer. In this allocation, the Group allocates the transaction price determined in the contract to the standalone independent sales prices of these goods and services, where the Group identifies the prices of goods and services committed to be provided in the contract at the date of the inception of the contract and allocates the transaction price on these independent relative prices proportionally.

If the aggregate independent sales prices of the goods and services undertaken in the contract exceeds the transaction price in the contract, the customer has received discount on the purchase of goods or services. The Group allocates the discount to the all performance obligations retained in the contract proportionally except for the circumstances where there are observable inputs indicating that, the discount is provided for some but not all of the performance obligations.

Distribution part of the revenue is composed of distribution, meter reading services, transmission and theft and loss components. Distribution and meter reading service components are considered within the content of service concession arrangements due to the regulations of Energy Market Regulatory Authority ("EMRA"). Additionally, according to the Electricity Market Law, the Electricity Market Tariffs Communiqué and other related regulations, the Group's distribution, transmission and meter reading services are subject to revenue caps which cover operating expenses and investment requirements related to distribution and meter reading services. Moreover, transmission revenue is a complete pass-through of transmission costs as charged by Türkiye Elektrik İletim A.Ş. ("TEİAŞ"). These regulations guarantee revenue to the Group during the transition period regardless of the consumption level. The underbillings or overbillings made by the Group are adjusted by EMRA in the tariffs to be effective in two years.

Çalık Holding Anonim Şirketi and its Subsidiaries

Notes to Consolidated Financial Statements

As at and for the Year Ended 31 December 2022

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

3 Significant accounting policies (continued)

n) **Revenue** (continued)

i) **Energy business** (continued)

Revenue, (excluding the distribution business) is recognized upon delivery of electricity or upon fulfilment of services. Delivery is deemed complete when the risk and rewards associated with ownership has been transferred to the buyer as contractually agreed, compensation has been contractually established and collection of the resulting receivable is probable. The Group recognizes retail revenue only from illumination customers due to the regulations of the EMRA announced after the legal unbundling. Revenue from the sale and delivery of electricity is measured at the fair value of the consideration received or receivable. The estimated value of the electricity supplied but not invoiced to the customers is considered for the measurement of revenue.

Distribution of electricity revenue

Invoices of the subscribers other than residential and commercial companies are issued monthly at the end of each month by the retail companies whereas the invoices of the residential subscribers are issued continuously during each month due to the high number of subscribers in this group. Commercial group subscribers are also issued continuously during the month due to the high number of customers in this group although the subscribers with high consumption level are billed at the end of the month. As a result, the estimated value of the electricity distributed including the theft and loss, but not invoiced to subscribers by the retail companies is considered for the measured revenue.

Due to the fact that the electricity could not be stored, the purchase and sales realizes simultaneously and accordingly revenue and cost of revenue are recognized at the transaction time. Monthly invoicing is made at the month ends and the Group management monitors closely at period ends and the delays of 5-10 days in electricity usage count do not have a significant impact on the accompanying financial statements. Revenue from the sale of electricity to subscribers is stated, net of returns. Revenue is recognised when the significant risks and rewards of ownership have been transferred to the subscribers. Transfer of risk and rewards depends on the consumption of electricity by subscribers.

Service Concession Arrangements

Service concession arrangements are defined within scope of TFRIC 12 as those whereby a government or other body grants contracts for the supply of public services – operations such as roads, energy distribution, prisons or hospitals – to private operators. The Group's electricity distribution and meter reading service businesses are in the scope of service concession agreements.

Considering the Group's terms in the service concession arrangements, a financial asset model where the Group recognises a financial asset to the extent that it has an unconditional contractual right to receive cash or another financial asset from or at the direction of the grantor has been applied, since the right to receive cash for the distribution and meter reading services are constituted through actual billing to subscribers where the distribution and meter reading service components of the billing are already specified or determinable through the regulated tariffs by EMRA.

The Group has measured the financial asset at fair value, with the effective interest method which is calculated by discounting estimated future cash receipts with regards to the compensation of TOR and the initial and annual capital expenditures made by the Group, through the expected life of the arrangement and set "Financial Asset Related to Concession Agreements" on the balance sheet and recognizes the revenue on an effective interest method as "Finance Income from Service Concession Arrangements".

Çalık Holding Anonim Şirketi and its Subsidiaries

Notes to Consolidated Financial Statements

As at and for the Year Ended 31 December 2022

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

3 Significant accounting policies (continued)

n) **Revenue** (continued)

i) **Energy business** (continued)

Investment Income

Under the terms of contractual agreements covered by TFRS Comment 12, the Company acts as a service provider. It builds or renovates the infrastructure used to deliver a public service (construction or renovation services) and operates and maintains the infrastructure for a specified period (Operating services). The Company recognizes its revenue by TFRS 15, "Revenue from Contracts with Customers", for the services it performs. The company calculates the profit margin between the construction phase and active concession contracts by considering the difference between the cost of a base price and the actual cost by EMRA.

Interest revenue

Interest revenue is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

Interest income related to service concession arrangements are recognized in accordance with Service Concession Arrangements ("TFRIC 12"). Interest income on receivable from concession arrangement is recognised on a time-proportion basis using the effective interest method.

Electricity retail revenue

Invoices of the subscribers other than residential and commercial companies are issued monthly at the end of each month by the retail companies whereas the invoices of the residential subscribers are issued continuously during each month due to the high number of subscribers in this group. Commercial group subscribers are also issued continuously during the month due to the high number of customers in this group although the subscribers with high consumption level are billed at the end of the month. As a result, the estimated value of the electricity distributed including the theft and loss, but not invoiced to subscribers by the retail companies is considered for the measured revenue.

In accordance with the relevant provisions of EMRA's regulation, electricity retail sale service is defined in Electricity Market Law and Electricity Market License Communiqué promulgated by EMRA as other services such as invoicing or collection provided to the customers excluding the sale of electricity and/or capacity, the services provided by companies holding retail sale licenses to consumers. Electricity retail sale service fee included in the invoices issued by the Group contains invoicing costs, consumer services costs, capital expenditures relevant to the electricity retail sale services. Electricity retail sale service fee is applied to all customers who purchase energy from the Group.

ii) **Banking and finance business**

Interest income / expense

Interest income and expense are recognised in profit or loss using the effective interest method. The effective interest rate is the rate that exactly discounts the estimated future cash payments and receipts through the expected life of the financial asset or liability (or, where appropriate, a shorter period) to the carrying amount of the financial asset or liability. The effective interest rate is established on initial recognition of the financial asset and liability and is not revised subsequently.

The calculation of the effective interest rate includes all fees and commissions paid or received transaction costs, and discounts or premiums that are integral part of the effective interest rate. Interest income and expense on all trading assets and liabilities are considered to be incidental to the Group's trading operations and are presented together with all other changes in the fair value of trading assets and liabilities in "Revenue from finance sector operations" item in profit or loss.

Interest income and expense presented in profit or loss include the interest income on financial assets and liabilities at amortised cost on an effective interest rate basis.

Çalık Holding Anonim Şirketi and its Subsidiaries

Notes to Consolidated Financial Statements

As at and for the Year Ended 31 December 2022

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

3 Significant accounting policies (continued)

n) Revenue (continued)

ii) Banking and finance business (continued)

Fees and commission

Fees and commission income and expense that are integral to the effective interest rate on a financial asset or liability are included in the measurement of the effective interest rate. Other fees and commission income are recognised as the related services are provided. Other fees and commission expense relate mainly to transaction and service fees, which are expensed as the services are received.

Net trading income

Net trading income comprises gains less loss related to trading assets and liabilities, and includes all realised and unrealised fair value changes and foreign exchange differences.

iii) Telecommunication business

Revenues are recognised to the extent that it is probable that economic benefits will flow to the Group and their amount can be measured reliably. Revenues are stated net of discounts, allowances, and returns.

Services rendered

Revenues from services rendered are recognized in the profit or loss according to the stage of completion of the service and only when the outcome of the service rendered can be estimated reliably.

Monthly subscription fee

Revenue related to the monthly service fees is recognised in the month that the telecommunication service is provided.

Usage charges and value-added services fees

Call fees consist of fees based on airtime and traffic generated by the caller, the destination of the call and the service utilised. Usage charges are based on traffic, usage of airtime or volume of data transmitted for value added services, such as short message services, internet usage and data services. Revenues from usage charges and value-added services are recognised in the period when the services are provided. Unbilled revenues from the billing cycle dating to the end of each month are estimated based on traffic and are accrued at the end of the month.

Revenue from the sale of internet services through contracts for leased lines is recognized in the profit or loss over the course of the contract. Revenue from the sale of prepaid access internet cards and access mobile cards is recognized in profit or loss at the time of usage.

Traffic revenues from interconnection and roaming are reported gross of the amounts due to other telecom operators.

Revenues from prepaid airtime are recorded on the basis of the airtime used at the predefined prices per minute. Deferred revenues for unused airtime are recorded as “Deferred revenue” in the consolidated statement of financial position.

Sales of goods

Revenue from the sale of modems and mobile phones is measured at the fair value of the consideration received or receivable, net of returns and allowances, trade discounts and volume rebates. Revenue is recognized when the significant risks and rewards of ownership have been transferred to the buyer (i.e. upon delivery of goods), recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, and there is no continuing management involvement with the goods.

Çalık Holding Anonim Şirketi and its Subsidiaries

Notes to Consolidated Financial Statements

As at and for the Year Ended 31 December 2022

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

3 Significant accounting policies (continued)

n) **Revenue** (continued)

iv) *Other businesses*

Revenue from the sale of goods during ordinary activities is measured at the fair value of the consideration received or receivable, net of returns and allowances and trade discounts. Revenue is recognised when persuasive evidence exists, usually in the form of an executed sales agreement, that the significant risks and rewards of ownership have been transferred to the buyer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, and there is no continuing management involvement with the goods and the amount of revenue can be measured reliably. If it is probable that discounts will be granted, and the amount can be measured reliably, then the discount is recognised as a reduction of revenue as the sale is recognised.

Transfers of risks and rewards vary depending on the individual terms of the contract of sale. Revenue from services rendered is recognised in profit or loss in proportion to the stage of completion of the transaction at the reporting date.

v) *Commissions*

When the Group acts in the capacity of an agent rather than as the principal in a transaction, the revenue recognised is the net amount of commission made by the Group.

o) **Research and development costs**

Expenditure on research activities is recognised in profit or loss when incurred.

p) **Dividend income**

Dividend income is recognised on the date that the Group's right to receive payment is established. Dividend payables are recognised after the dividend distribution approval in the General Assembly.

r) **Right-of-use assets and leases liabilities**

i) *Right-of-use asset*

The Group recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

At the commencement date, the Group measures the right-of-use asset at cost. The cost of the right-of-use asset comprises:

- a) the amount of the initial measurement of the lease liability,
- b) any lease payments made at or before the commencement date, less any lease incentives received,
- c) any initial direct costs incurred by the Group.

Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

Right-of-use assets are subject to impairment.

ii) *Lease liabilities*

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees.

Çalık Holding Anonim Şirketi and its Subsidiaries

Notes to Consolidated Financial Statements

As at and for the Year Ended 31 December 2022

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

3 Significant accounting policies (continued)

r) *Right-of-use assets and leases liabilities (continued)*

ii) *Lease liabilities (continued)*

The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognised as expense in the period on which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

iii) *Short-term leases and low-value leases*

The Group applies the short-term lease recognition exemption to its short-term leases of machinery and equipment (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered of low value. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

s) *Finance income and finance cost*

Finance income comprises foreign currency gains (excluding those on trade receivables and payables), and gains on derivative instruments used for economic hedge for the foreign currency risk of the borrowings or interest rate risk exposures originating from the borrowings that are recognised in profit or loss (excluding other trading derivatives held by the banking subsidiaries of the Group). Interest income obtained from related parties for the funds provided is recognised as it accrues, using the effective interest method.

Finance cost comprises interest expense on borrowings and due to related parties for the funds received, foreign currency losses (excluding those on trade receivables and payables), and losses on derivative instruments used for economic hedge for the foreign currency or interest rate risk exposures originating from the borrowings that are recognised in profit or loss (excluding other trading derivatives held by the banking subsidiaries of the Group).

Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in profit or loss using the effective interest method.

Foreign currency gains and losses are reported on a net basis as either other income or expense depending on whether foreign currency movements are in a net gain or net loss position by each entity of the Group.

t) *Other income and expenses from operating activities*

Except for banking and finance operations, other income from operating activities comprises interest income on time deposits that is recognised as it accrues in profit or loss, using the effective interest method, recoveries reversal from provision for doubtful receivables and inventories, rediscount gains on payables, foreign currency gains (excluding those on borrowings), change of fair value on service concession agreement and other operating income.

Except for banking and finance operations, other expenses from operating activities comprise commission expenses for letter of credits, provision expense for doubtful receivables and inventories, donations, rediscount losses on payables, foreign currency losses (excluding those on borrowings) and other operating expenses. Foreign currency gains and losses are reported on a net basis as either finance income or finance cost depending on whether foreign currency movements are in a net gain or net loss position by each entity of the Group.

Çalık Holding Anonim Şirketi and its Subsidiaries

Notes to Consolidated Financial Statements

As at and for the Year Ended 31 December 2022

(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 2022

(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 Türkiye

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 Türkiye. 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 Türkiye 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 TFRS, 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 2022

(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 2022

(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 2022

Oniki Teknoloji A.Ş.

E-post Elektronik Perakende Otomasyon Satış Ticaret A.Ş. on 13 May 2022, based on the simplified merger method and 30 June 2022 balance sheets merged in.

Polimetal Mineral Madencilik Sanayi ve Ticaret Anonim Şirketi

Lidya Madencilik Sanayi ve Ticaret A.Ş., based on the 31 December 2022 balance sheets with the facilitated merger method in December 2022 merged in.

4.2 Acquisitions of non-controlling interests with change in control during 2022

Aktif Ventures Teknoloji ve Pazarlama Anonim Şirketi

Aktif Ventures Teknoloji ve Pazarlama Anonim Şirketi was transferred to the investment fund in March 2022.

Anateks Anadolu Tekstil Fabrikaları A.Ş.

Anateks Anadolu Tekstil Fabrikaları A.Ş. Bilabel was transferred to Gap Pazarlama A.Ş on 1 December 2022.

Çalık Alexandria

Çalık Denim company transferred its control in Çalık Alexandria to Gap Pazarlama A.Ş, one of Çalık Alexandria's other partners, on January 1, 2022 and did not participate in the capital increase in 2022.

Çalık Holding Anonim Şirketi and its Subsidiaries

Notes to Consolidated Financial Statements

As at and for the Year Ended 31 December 2022

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

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

4.3 Acquisitions of non-controlling interests without change in control during 2021

Çalık Finansal Hizmetler

On September 9 2021, Çalık Finansal Hizmetler merged with Çalık Holding A.Ş., one of the group companies, based on the June 30, 2021 balance sheets with the facilitated merger method.

4.4 Acquisitions of non-controlling interests with change in control during 2021

Akılci Bilişim Hizmetleri ve Danışmanlık Anonim Şirketi

On September 9 2021, as a result of the general assembly resolution by Akılci Bilişim Hizmetleri ve Danışmanlık Anonim Şirketi all of the shares corresponding to 85 percent of ÇEDAŞ company shares were transferred. As a result of this transaction, the company left the group.

Çalık Enerji Dubai FZE

Çalık Enerji Dubai FZE company was closed on 15 November, 2021.

ÇL Enerji Üretim ve İnşaat A.Ş.

ÇL Enerji Üretim ve İnşaat Anonim Şirketi ("ÇL Enerji") left Limak İnşaat, which has 50 percent subsidiary, and passed to Çalık Enerji A. Ş. with 100 percent ownership. (2020: Çalık Energy: 50 percent Limak Construction 50 percent)

Çalık Petrol

80 percent of the company's shares transferred to Çalık Holding A.Ş. Çalık Holding A.Ş. owns 80 percent of the company.

Doğu Aras Enerji Yatırımları Anonim Şirketi

20 percent of the company shares were sold as a public offering. The ownership rate for the period 31 December 2021 was 40 percent (2020: 50 percent).

Eurokos Dd. L.L.C

Eurokos Dd L.L.C. was established in the Republic of Kosovo in 2018 for power plant construction and operation, electricity generation, electricity sales and marketing. Çalık Enerji became a partner of Eurokos Dd. L.L.C in 2021.

UPT Lithuania UAB

UPT Lithuania UAB company was liquidated on 22 June 2021.

5 Business Acquisitions

Acquisition of Cetel Telekom İletişim Firm by 4IG Nyılvanosan Mukodo

Cetel Telekom signed a contract for sale of shares through which Cetel Telekom sells to 4IG NYILVANOSAN MUKODO RESZVENYTARSASAG ("4iG"), its shares in Albtelecom, which constitutes 80,27 percent of the entire share capital of the Company. 80.27 percent of Cetel Telekom's shares were transferred to 4iG, with the closing date on March 4, 2022, within the scope of the agreement between CETEL TELEKOM İLETİŞİM SANAYİ VE TİCARET ANONİM ŞİRKETİ as Seller, 4iG as Buyer and ÇALIK HOLDİNG ANONİM ŞİRKETİ as Guarantor.

	28 February 2022
Transferred price	--
Cash and cash equivalents of the subsidiary sold	(1.539)
Cash outflows related to acquisitions	(1.539)

Çalık Holding Anonim Şirketi and its Subsidiaries

Notes to Consolidated Financial Statements

As at and for the Year Ended 31 December 2022

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

5 Business acquisitions (continued)

The fair value of the identifiable assets and liabilities of Çalık Petrol as of 31 December 2022 is as follows:

	28 February 2022
Current assets	
Cash and cash equivalents	1.539
Trade receivables	7.141
Other receivables	508
Receivables related to customer contracts	238
Inventories	2.936
Prepayments	2.355
Current tax assets	745
Other current assets	101
Non- current assets	--
Other receivables	176
Property, plant and equipment	167.584
Right of use assets	23.721
Intangible assets	17.925
Total assets	224.969
Short term liabilities	
Short term loans and borrowings	9.828
Short term portion of long term loans and borrowings	4.001
Trade payables	22.493
Payables related to employee benefits	751
Other payables	3.644
Deferred revenue	469
Short term provisions	622
Other short term liabilities	583
Long term liabilities	--
Long term loans and borrowings	104.803
Other payables	34.685
Deferred revenue	2.179
Long term provisions	905
Deferred tax liabilities	5.723
Total liabilities	190.686
Total identifiable net assets/liabilities	34.283
Translation difference	(30.484)
Total identifiable net assets/liabilities	3.799
Sales price	--
Total sales loss	3.799
Ownership rate	80,27%
Total sales loss reflected in the profit and loss statement	3.049

(*) Since the share transfer of Albtelecom took place on 4 March 2022 and the income statement amount for the 28 February-4 March 2022 period is insignificant, the income statement dated 28 February 2022 has been consolidated.

Acquisition of Anateks Anadolu Tekstil Firm by Gap Pazarlama Anonim Şirketi

On 1 December 2022, Gap Pazarlama company purchased the shares of Anateks Anadolu Tekstil Companies free of charge. As of the merger date, no payment has been made for the shares of Anateks, and USD 18.166 (TL 338.150.276), which is calculated over the net assets of the company at the merger date, has been accounted for as impairment.

	1 December 2022
Transferred price	--
Cash and cash equivalents of the subsidiary sold	(98)
Cash outflows related to acquisitions	(98)

Çalık Holding Anonim Şirketi and its Subsidiaries

Notes to Consolidated Financial Statements

As at and for the Year Ended 31 December 2022

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

5 Business Acquisitions (continued)

	1 December 2022
Current assets	
Cash and cash equivalents	99
Trade receivables	--
Due from shareholders	418
Inventories	6.688
Deferred expenses and other receivables	382
Other current assets	94
Non-current assets	
Property, plant and equipment	1.791
Total assets	9.472
Short term liabilities	
Trade payables	26.295
Other short term liabilities	12
Long term liabilities	--
Deferred tax liabilities	1.330
Total liabilities	27.637
Total identifiable net assets/liabilities	18.165
Ownership rate	100%
Subsidiary net asset	18.165
Goodwill impairment (note 34)	18.165

The acquisition of Çalık Petrol Arama Üretim Sanayi Ticaret A.Ş. by Çalık Holding A.Ş.

Çalık Holding A.Ş., one of the main partners of the Group, acquired 80 percent of Çalık Petrol Arama Üretim Sanayi Ticaret A.Ş. for USD 29.564 (TL 550.246) on 31 December 2021. Çalık Petrol Search Production Industry and Trade Inc. engages in oil exploration and production for the energy sector. The acquisition transaction was provisionally accounted for in the consolidated financial statements using the purchase method in accordance with TFRS 3 Business Combinations. Final accounting was made on 31 December 2022 and negative goodwill of USD 4.422 (TL 58.939) was accounted for in the consolidated profit or loss statement of 31 December 2022.

	1 December 2022
Transferred price	41.282
Cash and cash equivalents of the subsidiary sold	(11.128)
Cash outflows related to acquisitions	30.154

As of 31 December 2021, the fair values of the identifiable net assets and liabilities of Çalık Petrol Arama Üretim Sanayi Ticaret A.Ş. are as follows:

	1 December 2022	Restate	1 December 2022
Current assets			
Cash and cash equivalents	11.128	--	11.128
Trade receivables	2.108	--	2.108
Other receivables	83	--	83
Inventories	1.080	--	1.080
Prepayments	977	--	977
Non-current assets			
Trade receivables	17	--	17
Property, plant and equipment	754	--	754
Intangible assets	7.369	45.281	52.650
Prepayments	119	--	119
Deferred tax assets	302	--	302
Total assets	23.937	45.281	69.218

Çalık Holding Anonim Şirketi and its Subsidiaries

Notes to Consolidated Financial Statements

As at and for the Year Ended 31 December 2022

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

5 Business Acquisitions (continued)

	1 December 2022	Restate	1 December 2022
Short term liabilities			
Trade payables	987	--	987
Payables related to employee benefits	13	--	13
Other payables	4	--	4
Deferred revenue	974	--	974
Current tax liability	395	--	395
Short term provisions	14	--	14
Other short term liabilities	611	--	611
Long term liabilities			
Other long term liabilities	35	--	35
Deferred tax liabilities	--	9.056	9.056
Total liabilities	3.033	9.056	12.089
Total identifiable net assets/liabilities			57.129
Ownership rate			80%
Subsidiary net asset			45.704
Purchase price			(29.564)
Goodwill balance in consolidated statements (note 34)			(4.422)

6 Discontinued operation and disposal group held for sale

The Group reclassified assets and liabilities of Çalık Alexandria operating in textile sector as "Assets held for sale" as the Group plans to dispose its production and retail facilities of this subsidiary. All assets and liabilities of this subsidiary except the cash and cash equivalents have been classified as "Assets held for sale" and "Liabilities held for sale" in the consolidated financial statements, respectively. In addition, properties acquired as a result of legal proceedings of uncollectable loans and receivables of banking sector operations have been re-presented under "Assets held for sale".

As at 31 December 2022, assets and liabilities including those of discontinued operations are USD 41.684 and USD -- (31 December 2021: USD 59.949 and USD 739), respectively, and details are as follows:

Assets held for sale	31 December 2022	31 December 2021
Property, plant and equipment (*)	41.684	52.622
Inventories	--	6.301
Intangible assets	--	23
Other assets	--	1.003
	41.684	59.949
Liabilities held for sale	31 December 2022	31 December 2021
Trade payables	--	623
Other liabilities	--	116
	--	739

(*) Real estate held for sale in return for trade receivables in the marketing sector amounting to USD 1.044 (31 December 2021: USD 1.044) in tangible assets, and real estates amounting to USD 40.640 (December 31, 2021: USD 41.837) acquired as a result of the legal follow-up of the loans and receivables, which are in the nature of loss in the banking sector. As of 31 December 2022, there are no assets and liabilities held for sale in the textile industry (31 December 2021: USD 9.741).

Çalık Holding Anonim Şirketi and its Subsidiaries

Notes to Consolidated Financial Statements

As at and for the Year Ended 31 December 2022

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

7 Operating segments

The Group has six reportable segments, as described below, which are largely organised and managed separately according to the nature of products and services provided, distribution channels and profile of customers.

Assets, liabilities, profit and measurement of financial results of the segments are dependent to accounting policies of the Group. Segment operating profit, assets and liabilities consist of items directly belonging to these segment or items that can be distributed fairly.

The Group's main reportable operating segments are as follows:

Energy: Entities in energy segment operate in sale of electricity, operation of natural gas and crude oil resources, maintenance and repair services, 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 as long as 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.

Mining: Entities in the mining division mainly deal with engages in exploration activities for metal and mineral products, investing in mining companies, developing mining assets and operating mine sites, purchasing and selling mining licenses and mining sites, and participating in mining tenders.

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.

The Group management prepares segment reporting in accordance with same policies applied to the consolidated financial statements as at and for the period ended 30 June 2022.

Çalık Holding Anonim Şirketi and its Subsidiaries

Notes to Consolidated Financial Statements

As at and for the Year Ended 31 December 2022

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

7 Operating segments (continued)

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

	2022								
	Energy	Construction	Textile	Marketing	Mining	Banking and finance	Others	Eliminations	Total
Revenue	1.373.601	192.312	222.858	81.624	57.521	702.431	87.600	(138.919)	2.579.028
Gross profit	309.212	25.332	59.898	13.160	24.250	446.184	37.212	(56.452)	858.796
Other income/(costs), net	(69.990)	(21.177)	(8.199)	(14.161)	(11.610)	(100.227)	(47.962)	15.863	(257.463)
Results from operating activities	239.222	4.155	51.699	(1.001)	12.640	345.957	(10.750)	(40.589)	601.333
Gain/(loss) from investing activities	45.307	58.635	5.400	(20.412)	136.711	(5.947)	125.056	(108.472)	236.278
Share of the after tax to profit/(loss) of equity accounted	26.335	--	2.847	--	(1.170)	122	--	(2.847)	25.287
Interest expense	(7.002)	(28.470)	(23.547)	(5.234)	(2.734)	(107)	(28.118)	20.703	(74.509)
Other finance income/(cost), net	(11.932)	50.777	(20.020)	6.467	57.370	(33.651)	23.174	(28.804)	43.381
Consolidated profit / (loss) before tax	291.930	85.097	16.379	(20.180)	202.817	306.374	109.362	(160.009)	831.770
Income tax benefit / (expense)	58.914	(3.628)	35.691	203	3.600	(65.531)	(340)	110	29.019
Net profit/(loss) for the year	350.844	81.469	52.070	(19.977)	206.417	240.843	109.022	(159.899)	860.789

	Energy	Construction	Textile	Marketing	Mining	Banking and finance	Other	Eliminations	Total
Segment assets	1.600.336	939.748	249.553	112.802	522.856	8.183.711	1.112.004	(1.428.784)	11.292.226
Segment liabilities	(795.194)	(605.179)	(169.719)	(45.729)	(64.380)	(7.277.641)	(289.771)	421.945	(8.825.668)
Capital expenditure ^(*)	124.827	1.303	3.198	39	15.843	27.275	11.315	--	183.800
Depreciation and amortization ^(*)	(11.702)	(4.545)	(5.453)	(616)	(10.498)	(13.627)	(3.388)	(2.040)	(51.869)

^(*) Additions and depreciation related to right of use assets are not included.

Çalık Holding Anonim Şirketi and its Subsidiaries

Notes to Consolidated Financial Statements

As at and for the Year Ended 31 December 2022

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

7 Operating segments (continued)

	2021									
	Energy	Construction	Textile	Marketing	Mining	Tele-communication	Banking and finance	Others	Eliminations	Total
Revenue	1.087.564	248.691	232.121	72.763	1.121	66.836	632.887	43.425	(138.921)	2.246.487
Gross profit	309.336	3.516	87.589	13.682	768	21.386	363.339	15.324	(44.788)	770.152
Other income/(costs), net	(89.236)	(35.156)	6.071	(7.182)	(4.684)	(20.429)	(127.606)	(21.952)	18.024	(282.150)
Results from operating activities	220.100	(31.640)	93.660	6.500	(3.916)	957	235.733	(6.628)	(26.764)	488.002
Gain/(loss) from investing activities	49.986	(56.372)	2.361	--	52.231	4	41.539	156.575	(126.954)	119.370
Share of the after tax to profit/(loss) of equity accounted	(1.139)	--	--	--	(2.924)	--	(840)	--	--	(4.903)
Interest expense	(15.746)	(37.059)	(23.956)	(3.689)	(2.565)	(6.998)	(3.288)	(41.242)	18.504	(116.039)
Other finance income/(cost), net	16.568	84.968	(39.220)	11.659	6.663	1.399	(25.679)	46.234	(3.072)	99.520
Consolidated profit / (loss) before tax	269.769	(40.103)	32.845	14.470	49.489	(4.638)	247.465	154.939	(138.286)	585.950
Income tax benefit / (expense)	7.702	11.130	(2.560)	(872)	(46)	137	(47.140)	(12.418)	(4.189)	(48.256)
Net profit/(loss) for the year	277.471	(28.973)	30.285	13.598	49.443	(4.501)	200.325	142.521	(142.475)	537.694

	Energy	Construction	Textile	Marketing	Mining	Tele-communication	Banking and finance	Other	Eliminations	Total
Segment assets	1.132.914	829.800	266.145	108.371	363.907	229.279	7.887.301	1.071.062	(1.422.047)	10.466.732
Segment liabilities	(497.353)	(571.976)	(220.860)	(46.290)	(64.645)	(194.025)	(7.052.663)	(341.359)	508.804	(8.480.367)
Capital expenditure ^(*)	34.263	1.549	8.917	659	33.356	6.689	24.889	261	(1.528)	109.055
Depreciation and amortization ^(*)	(12.827)	(7.551)	(9.316)	(243)	(2.303)	(13.760)	(15.895)	(1.759)	145	(63.509)

(*) Additions and depreciation related to right of use assets are not included.

Çalık Holding Anonim Şirketi and its Subsidiaries

Notes to Consolidated Financial Statements

As at and for the Year Ended 31 December 2022

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

7 Operating segments (continued)

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

	2022	2021
<u>Revenue</u>		
Turkiye	1.629.007	1.325.543
Albania	95.772	259.708
Turkmenistan	202.662	144.737
Other	651.587	516.498
Total	2.579.028	2.246.486
<u>Non-current Assets</u>		
Albania	1.625.078	3.189.126
Turkiye	18.644	1.603.689
Turkmenistan	3.302.547	17.260
Other	621.173	496.452
Total	5.567.442	5.306.527

8 Related party disclosures

As disclosed in detail in Note 3, the joint ventures and associates of the Group have been accounted for using the equity method in the consolidated financial statements. Accordingly, the transactions of Group's subsidiaries with joint ventures and the balances from joint ventures and associates are not subject to elimination.

Related party balances

As at 31 December, the Group had the following balances outstanding from its related parties:

	2022				
	Shareholders	Associates	Joint ventures	Other	Total
Other receivables (*)	378.630	48	2.352	1.691	382.721
Trade receivables	--	32.732	442	129.868	163.042
Financial investments	--	135.294	--	--	135.294
Receivables related to financial sector operations	--	--	--	7.890	7.890
Other payables	--	--	--	(10)	(10)
Trade payables	--	247	(30)	(4.848)	(4.631)
Payables related to finance sector operations	(281)	(319)	(3.693)	(22.091)	(26.384)
Borrowings	(27)	(135.294)	--	(1.059)	(136.380)
Total	378.322	32.708	(929)	111.441	521.542

Çalık Holding Anonim Şirketi and its Subsidiaries

Notes to Consolidated Financial Statements

As at and for the Year Ended 31 December 2022

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

8 Related party disclosures (continued)

	2021				
	Shareholders	Associates	Joint ventures	Other	Total
Other receivables (*)	330.810	66	4.766	2.462	338.104
Trade receivables	--	22.806	2.876	126.037	151.719
Financial investments	--	158.782	--	--	158.782
Receivables related to financial sector operations	--	4	--	2.143	2.147
Other payables	--	--	--	(1)	(1)
Trade payables	--	(3)	(532)	(2.686)	(3.221)
Deferred revenue	--	--	--	(3.118)	(3.118)
Payables related to finance sector operations	(455)	--	(201)	(17.652)	(18.308)
Borrowings	--	(158.782)	--	(216)	(158.998)
Prepaid expenses	--	4.762	--	20	4.782
Total	330.355	27.635	6.909	106.989	471.888

(*) As of 31 December 2022, USD 320.000 (31 December 2021: USD 320.000) of the other receivables from the shareholders consist of the receivable of the GAP Construction Dubai FZE from Delta Netherlands B.V.

No impairment losses have been recognised against balances outstanding as at 31 December 2022 (31 December 2021: 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:

	2022				
	Shareholders	Associates	Joint ventures	Other	Total
Income / (Expense) from other operations	--	12	241	132.927	133.180
Income from investment activities	--	41.738	--	--	41.738
Revenue (*)	16	36.479	1.900	679	39.074
Selling, marketing and distribution expenses	--	--	(3)	(58)	(61)
General and administrative expenses	--	--	(17)	(220)	(237)
Income/(expense) from financing activities	338	(3.715)	--	15	(3.362)
Cost of sales	(14)	(3.960)	(322)	(405)	(4.701)
Total	340	70.554	1.799	132.938	205.631

	2021				
	Shareholders	Associates	Joint ventures	Other	Total
Income / (Expense) from other operations	--	9	(549)	14	(526)
Income from investment activities	--	36.948	3.003	16	39.967
Revenue (*)	63	17.419	2.885	60.241	80.608
Selling, marketing and distribution expenses	--	--	--	(641)	(641)
General and administrative expenses	(37)	--	(8)	(92)	(137)
Income/(expense) from financing activities	1.913	(6.853)	55	11	(4.874)
Cost of sales	--	(1.841)	2.022	(1.747)	(1.566)
Total	1.939	45.682	7.408	57.802	112.831

(*) As of 31 December, there are no progress payment invoices issued to TAPP 500 Power Transmission Line FZE company regarding the TAPP project within the scope of the sales transactions of the Group with related parties, engineering services, procurement transactions and construction projects. (31 December 2021: 70.929 TL). In addition to this, as at 31 December 2022, revenue transactions composed of progress billings to Mitsubishi Corporation, a related party and prime contractor for the projects, in accordance with ongoing engineering, procurement and construction contracts amounting to US Dollar 21 (31 December 2021: USD 18.255).

Çalık Holding Anonim Şirketi and its Subsidiaries

Notes to Consolidated Financial Statements

As at and for the Year Ended 31 December 2022

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

8 Related party disclosures (continued)

Transactions with key management personnel

On a consolidated basis, key management costs included in general and administrative expenses for the year ended 31 December 2022 amounted to USD 26.561 (2021: USD 29.524).

9 Cash and cash equivalents

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

2022	Finance (*)	Non-finance (**)	Total
Cash on hand	95.992	384	96.376
Cash at banks	675.486	115.481	790.967
-Demand deposits	352.762	57.922	410.684
-Time deposits	322.724	57.559	380.283
Balances at central bank (excluding statutory reserve)	80.188	--	80.188
Other cash and cash equivalents (***)	59.815	16.256	76.071
Cash and cash equivalents	911.481	132.121	1.043.602
Restricted amounts	(45.818)	(14.088)	(59.906)
Cash and cash equivalents in the consolidated statement of cash flows	865.663	118.033	983.696

2021	Finance (*)	Non-finance (**)	Total
Cash on hand	88.949	484	89.433
Cash at banks	878.572	175.338	1.053.910
-Demand deposits	308.685	136.992	445.677
-Time deposits	569.887	38.346	608.233
Balances at central bank (excluding statutory reserve)	117.446	--	117.446
Other cash and cash equivalents (***)	1.375	9.613	10.988
Cash and cash equivalents	1.086.342	185.435	1.271.777
Restricted amounts	(17.230)	(20.823)	(38.053)
Cash and cash equivalents in the consolidated statement of cash flows	1.069.112	164.612	1.233.724

(*) Finance represents the Group's entities operating in banking and finance business.

(**) Non-finance represents the Group's entities operating in businesses other than banking and finance.

(***) Other cash and cash equivalents mainly consist of liquid funds to USD 16.154 (31 December 2021: USD 8.887), money in transit amounting to USD 119 (31 December 2021: USD 709), credit card receivables amounting to USD 572 (31 December 2021: USD 1.393) and other cash and cash equivalents USD 388 (2021: USD 406). As of 31 December 2022, repo transactions is USD 58.828 (31 December 2021: None)

Mandatory restricted account amount resulting from the Group's banking activities in Albania and Turkey is USD 45.818 (31 December 2021: USD 17.230). As collateral for the loans used, USD 6.155 (31 December 2021: USD 8.677) is kept mandatory in domestic banks, and USD 7 (31 December 2021: USD 10) is kept blocked by the court based on expropriation lawsuits. USD 2.811 of the remaining amount (31 December 2021: USD 76) is kept as a cash guarantee given to Istanbul Takas ve Saklama Bankası Anonim Şirketi for the electricity purchased from EPIAŞ. Based on the relevant contracts for engineering services, procurement transactions and construction project ("MTT"), the balance in banks in Turkey is USD 5.114 (31 December 2021: None).

The Group's exposure to credit, interest and foreign currency risk for cash and cash equivalents is explained in Note 37.

Çalık Holding Anonim Şirketi and its Subsidiaries

Notes to Consolidated Financial Statements

As at and for the Year Ended 31 December 2022

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

10 Financial investments

At 31 December, financial investments comprised the following:

2022			
	Current	Non-current	Total
Financial assets at FVTOCI	1.065.850	1.392.333	2.458.183
Financial assets at FVTPL (*)	264.979	414.753	679.732
Financial assets at amortised costs	251.080	657.985	909.065
Total	1.581.909	2.465.071	4.046.980
2021			
	Current	Non-current	Total
Financial assets at FVTOCI	931.364	1.765.087	2.696.451
Financial assets at FVTPL (*)	188.828	277.106	465.934
Financial assets at amortised costs	117.156	162.639	279.795
Total	1.237.348	2.204.832	3.442.180

(*) As at 31 December 2022 and 2021, 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 2022, an increase in fair value for this investment amounting to USD 10.745 (31 December 2021: USD 1.000) 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 2.248 / USD 2.780 (31 December 2021: USD 3.175 / USD 3.281), respectively.

Çalık Holding Anonim Şirketi and its Subsidiaries

Notes to Consolidated Financial Statements

As at and for the Year Ended 31 December 2022

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

10 Financial investments (continued)

Financial assets at FVTOCI and ve Financial assets at FVTPL

As at 31 December, financial assets at FVTOCI and ve financial assets at FVTPL comprised the following:

	2022	2021
	Carrying Amount	Carrying amount
Public sector bonds, notes and bills	2.021.342	1.867.900
Private sector bonds, notes and bills	582.316	709.690
Investment funds	138.594	61.355
Equity securities – listed	50.193	40.369
Asset backed securities and lease certificates	63.867	205.812
Other	44.913	--
Equity securities – non-listed		
Anagold	226.800	266.200
Bursagaz Bursa Şehiriçi	5.263	5.072
Doğal Gaz Dağıtım Ticaret ve Taahhüt Anonim Şirketi		
Kayserigaz Kayseri Doğalgaz	4.428	4.336
Dağıtım Pazarlama Ticaret Anonim Şirketi		
Other	201	1.651
Total	3.137.917	3.162.385

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

As at 31 December 2022, investments in equity securities amounting to USD 201 (31 December 2021: USD 1.651) are measured at cost less impairment, if any, as these equity securities are not traded in stock exchange and have no quoted market price, and therefore their fair value cannot be reliably estimated since there is significant variability in the range of reasonable fair value estimates and the probabilities of the various estimates within the range cannot be assessed reasonably.

As at 31 December financial assets at amortised costs comprised the following:

	2022	2021
	Carrying Amount	Carrying Amount
Private sector bonds, notes and bills	390.614	80.500
Public sector bonds, notes and bills	444.094	149.235
Asset backed securities and lease certificates	68.858	41.491
Other	5.498	8.569
Total	909.064	279.795

Çalık Holding Anonim Şirketi and its Subsidiaries

Notes to Consolidated Financial Statements

As at and for the Year Ended 31 December 2022

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

10 Financial investments (continued)

The movements in financial investments during the year ended 31 December 2022 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 2022	2.696.451	279.795	465.934
Additions through purchases	1.240.413	774.762	1.072.857
Fair value gains/ (losses)	848.572	(118)	10.745
Disposals (sale and redemption)	(2.068.300)	(234.154)	(804.705)
Impairment	--	(9.221)	(11)
Foreign currency translation differences	(258.951)	98.000	(65.087)
At 31 December 2022	2.458.185	909.064	679.733

The movements in financial investments during the year ended 31 December 2021 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 2021	2.616.753	234.511	450.647
Additions through purchases	851.685	89.786	108.282
Fair value gains	(17.301)	1.503	(5.801)
Disposals (sale and redemption)	(375.171)	(22.570)	(18.841)
Impairment	(9.063)	(531)	--
Foreign currency translation differences	(370.452)	(22.903)	(68.353)
At 31 December 2021	2.696.451	279.796	465.934

The Group's exposure to credit, currency and interest rate risks related to investment securities are disclosed in Note 37.

11 Financial assets related to concession agreements

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

	2022	2021
Current financial assets related to concession agreements	61.989	43.447
Non-current financial assets related to concession agreements	190.745	130.034
Total	252.734	173.481

Çalık Holding Anonim Şirketi and its Subsidiaries

Notes to Consolidated Financial Statements

As at and for the Year Ended 31 December 2022

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

11 Financial assets related to concession agreements (continued)

Movements of Financial assets related to concession agreements for the years ended 31 December were as follows:

	31.Dec.22	31.Dec.21
Financial asset at the beginning of the period	173.480	254.459
Investments during the year	63.313	64.773
Collections	(69.969)	(66.713)
Principal collections	(43.509)	(41.978)
Financial income collections	(26.460)	(24.735)
Financial income	152.339	52.038
Translation difference	(66.430)	(131.077)
End of Period Financial asset	252.733	173.480

As at 31 December 2021, the maturity breakdown of the financial assets related to concession agreements:

	31.Dec.22	31.Dec.21
Up to 1 year	61.989	43.447
Up to 1 - 3 years	92.144	69.347
Up to 3 - 5 years	21.258	49.131
Over 5 years	77.343	11.556
Total	252.734	173.481

12 Trade receivables and payables

Trade receivables

Short-term trade receivables

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

	2022	2021
Due from related parties	161.382	151.174
Due from third parties	225.950	306.984
Total	387.332	458.158

Çalık Holding Anonim Şirketi and its Subsidiaries

Notes to Consolidated Financial Statements

As at and for the Year Ended 31 December 2022

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

12 Trade receivables and payables (continued)

Trade receivables (continued)

Short-term trade receivables (continued)

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

	2022	2021
Accounts receivables	359.923	420.505
Doubtful receivables	29.124	54.216
Notes receivables (*)	25.016	33.955
Postdated cheques received	1.969	1.825
Other trade receivables	515	2.000
Subtotal	416.547	512.501
Allowances for doubtful trade receivables (-)	(29.124)	(54.216)
Discount on trade receivables (-)	(90)	(127)
Total	387.333	458.158

(*) As of December 31, 2022, USD 21.019 of notes receivable consists of notes received from Çalık Denim's commercial activities (31 December 2021: USD 28.339).

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

	2022	2021
Balance at 1 January	54.216	58.890
Allowance for the period	6.305	13.251
Canceled allowance for the period (-)	(5.628)	(4.457)
Collections (-)	(702)	(535)
Disposals from the scope of consolidation	(17.144)	--
Foreign currency translation difference	(7.923)	(12.933)
Balance at 31 December	29.124	54.216

Long-term trade receivables

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

	2022	2021
Due from related parties	1.660	545
Due from third parties	30.572	55.200
Total	32.232	55.745

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

	2022	2021
Accounts receivables	32.232	55.769
Subtotal	32.232	55.769
Discount on trade receivables (-)	--	(24)
Total	32.232	55.745

Çalık Holding Anonim Şirketi and its Subsidiaries

Notes to Consolidated Financial Statements

As at and for the Year Ended 31 December 2022

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

12 Trade receivables and trade payables (continued)

Trade payables

Short-term trade payables

	2022	2021
Due to related parties	4.631	3.221
Due to third parties	290.848	281.428
Total	295.479	284.649

	2022	2021
Accounts payables (*)	293.491	276.580
Notes payable	171	5.404
Other trade payable	1.817	2.665
Total	295.479	284.649

(*) 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:

	2022	2021
Accounts payables	--	4
Subtotal	--	4
Discount on accounts payables (-)	--	--
Total	--	4

The Group's exposure to credit and currency risks related to trade receivables and liquidity and currency risks of trade payables are disclosed in Note 37.

13 Receivables and payables related finance sector operations

Receivables related finance sector operations

As at 31 December, current receivables related to finance sector activities comprised the following:

Current receivables related to finance sector operations	2022	2021
Due from related parties	7.890	2.147
Due from third parties	894.400	758.997
Total	902.290	761.144

Receivables related to finance sector operations	2022	2021
Loans and receivables from customers	789.219	680.184
Loans and receivables from banks	112.678	78.676
Non-performing loans and receivables	23.041	33.683
Subtotal	924.938	792.543
Provision for impairment in value of loans and receivables	(22.648)	(31.399)
Total	902.290	761.144

Çalık Holding Anonim Şirketi and its Subsidiaries

Notes to Consolidated Financial Statements

As at and for the Year Ended 31 December 2022

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

13 Receivables and payables related finance sector operations (continued)

Receivables related finance sector operations (continued)

As at 31 December, non-current receivables related to finance sector activities comprised the following:

Non-current receivables related to finance sector operations	2022	2021
Due from related parties	--	--
Due from third parties	1.498.944	1.560.379
Total	1.498.944	1.560.379

Receivables related to finance sector operations	2022	2021
Loans and receivables from customers	1.571.035	1.577.942
Loans and receivables from banks	33.216	59.634
Subtotal	1.604.251	1.637.576
Provision for impairment in value of loans and receivables	(105.308)	(77.197)
Total	1.498.943	1.560.379

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

	2022	2021
Specific allowances for impairment		
Balance at 1 January	98.411	111.909
Impairment loss for the year	34.757	7.654
- Charge for the year	39.251	21.762
- Recoveries	(4.494)	(14.108)
Foreign currency translation difference	(7.177)	(21.152)
Other	(5.748)	--
Balance at 31 December	120.243	98.411
Collective allowances for impairment		
Balance on 1 January	10.185	15.768
Impairment loss for the year	511	2.256
- Charge for the year	5.262	6.959
- Recoveries	(4.751)	(4.703)
Translation difference	(2.983)	(7.839)
Balance on 31 December	7.713	10.185
Total allowances for impairment	127.956	108.596

Çalık Holding Anonim Şirketi and its Subsidiaries

Notes to Consolidated Financial Statements

As at and for the Year Ended 31 December 2022

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

13 Receivables and payables related finance sector operations (continued)

Payables related to finance sector operations

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

Short term payables related to finance sector operations	2022	2021
Due from related parties	26.384	18.308
Due from third parties	5.081.873	4.809.417
Total	5.108.257	4.827.725

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

Short term payables related to finance sector operations	2022	2021
Due to banks	62.931	63.782
Time deposits	55.063	63.142
Current accounts	7.868	640
Due to customers	3.797.665	3.522.773
Individual	2.789.867	2.676.629
Private enterprises	763.558	694.861
Public institutions	144.363	94.184
Other	99.877	57.099
Customer accounts (*)	568.885	568.306
Funds from repo transactions	678.777	672.864
Total	5.108.258	4.827.725

(*) The Group's banking subsidiary in Türkiye is not entitled to collect deposits. The customer accounts represent the transitory balances of loan customers for the respective transactions. As at 31 December 2022, this account does not include any deposit amount (31 December 2021: None).

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

Long term payables related to finance sector operations	2022	2021
Payables from finance sector activities to third parties	793.781	661.127
Total	793.781	661.127

Long term payables related to finance sector operations	2022	2021
Due to banks	10	2.193
Time deposits	10	2.193
Due to customers	793.772	658.934
Individual	713.755	597.622
Private enterprises	60.047	44.307
Public institutions	19.962	16.803
Other	8	202
Total	793.782	661.127

Çalık Holding Anonim Şirketi and its Subsidiaries

Notes to Consolidated Financial Statements

As at and for the Year Ended 31 December 2022

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

14 Other receivables and other payables

Other short-term receivables

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

	2022	2021
Due from related parties	62.721	18.101
Due from third parties	98.543	82.189
Total	161.264	100.290

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

	2022	2021
Deposits and guarantees given	75.706	4.517
Due from shareholders	23.377	33.400
Due from joint ventures	13.179	7.955
Receivables from tax authorities	2.823	4.047
Receivables from personnel	33	69
Other receivables	52.246	58.258
Subtotal	167.364	108.246
Allowance for other doubtful receivables (-)	(6.100)	(7.956)
Total	161.264	100.290

Other long-term receivables

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

	2022	2021
Due from related parties	320.000	320.003
Due from third parties	43.542	18.854
Total	363.542	338.857

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

	2022	2021
Due from shareholders	320.000	320.000
Deposits and guarantees given	11.734	17.476
Other receivables	31.808	1.198
Receivables from personnel	--	183
Total	363.542	338.857

Other short-term payables

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

	2022	2021
Due from related parties	10	1
Due from third parties	61.013	60.051
Total	61.023	60.052

Çalık Holding Anonim Şirketi and its Subsidiaries

Notes to Consolidated Financial Statements

As at and for the Year Ended 31 December 2022

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

14 Other receivables and other payables (continued)

Other short-term payables (continued)

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

	2022	2021
Deposits and guarantees received	50.274	12.553
Due from shareholders	256	1.187
Other payables	10.493	46.312
Total	61.023	60.052

Other long-term payables

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

	2022	2021
Due to third parties	21.162	15.773
Total	21.162	15.773

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

	2022	2021
Deposits and guarantees received (*)	16.753	9.639
Other	4.409	6.134
Total	21.162	15.773

(*) As at 31 December, the deposits and guarantees received mainly consist of security deposits received by the electricity distribution and retail sale companies of the Group from their consumers.

15 Inventories

As at 31 December, inventories comprised the following:

	2022	2021	2020
Trading properties (*)	122.402	105.119	101.559
Trading goods	41.314	48.385	43.649
Raw materials	74.703	67.148	61.935
Finished goods	27.142	19.347	20.335
Semi finished goods in production	22.933	15.886	7.085
Other inventories	4.465	2.097	1.173
Allowance for impairment of inventories (-)	(3.354)	(6.414)	(6.962)
Total	289.605	251.568	228.774

(*) Trading properties comprise residential and office buildings built for available for sale within the scope of the "Taksim 360" project in Istanbul with a completion period of no longer than 48 months. As at 31 December 2022, the Group capitalised borrowing costs amounting to USD 68.066 (accumulated) on trading properties under development (31 December 2021: USD 55.908 (accumulated)).

Çalık Holding Anonim Şirketi and its Subsidiaries

Notes to Consolidated Financial Statements

As at and for the Year Ended 31 December 2022

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

15 Inventories (continued)

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

	2022	2021	2021
Beginning balance	6.414	6.962	5.229
Current year provision	1.048	1.098	1.810
Refusal of provision due to sale	(1)	(978)	(101)
Disposals from the scope of consolidation	(3.117)	--	--
Foreign currency translation difference	(990)	(668)	24
Closing balance	3.354	6.414	6.962

16 Prepayments and deferred revenue

Current prepayments

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

	2022	2021
Advances given (*)	148.884	79.468
Other	10.571	10.184
Total	159.455	89.652

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

Non-current prepayments

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

	2022	2021
Advances given for property, plant and equipment acquisitions	658	1.207
Other	18.307	36.649
Total	18.965	37.856

Short term deferred revenue

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

	2022	2021
Short term deferred revenue		
Advances received (*)	75.849	34.546
Short term deferred income	33.846	18.687
Total	109.695	53.233

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

	2022	2021
Long term deferred revenue		
Long term deferred income (**)	93.542	94.472
Total	93.542	94.472

(*) The advances received are mostly from Taurus Arm For Power Generation Company within the scope of the BZC and BZS2 projects carried out by the Group in Iraq, from West African Energy SA within the scope of the SNC project in Senegal, and Rompetrol Energy SA within the scope of the RPE project in Romania. from the contract advances received within the scope of the TRS project and HLT project realized in Turkmenistan, and the contract advances received from Lukoil Mid-East Limited within the scope of the WQS2 project realized in Iraq.

(**) As at 31 December, USD 94.024 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 2021: USD 92.061).

Çalık Holding Anonim Şirketi and its Subsidiaries

Notes to Consolidated Financial Statements

As at and for the Year Ended 31 December 2022

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

17 Investments in equity-accounted investees

i) Joint ventures

Kosova Çalık Limak Energy Sh.A. ("KÇLE")

KÇLE was established as a joint venture with a joint agreement between Çalık Elektrik Dağıtım A.Ş. ("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 Distribiim Dhe Fumizim Me Energji Elektrike SH.A ("KEDS") which is operating in electricity distribution and procurement in Kosovo for a consideration of USD 29.038 (equivalent of EUR 26.300) within the scope of a tender in the privatisation process initiated by the Government of Republic of Kosovo.

As per Share Transfer Agreement dated 27 April 2015, Çalık Enerji acquired 1.250 number of shares of KÇLE with a nominal value of EUR 12 held by ÇEDAŞ for a total consideration of EUR 17.475 and increased its ownership percent from 25.00 percent to 50.00 percent.

Doğu Aras Enerji Yatırımları Anonim Şirketi ("Doğu Aras")

Doğu Aras was founded in accordance with energy market regulations as a joint venture with a joint agreement between ÇEDAŞ and Kiler Alışveriş Hizmetleri Gıda Sanayi Ticaret A.Ş. ("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, Erzurum, Ağrı, Bayburt and Erzurum within the privatisation by paying an amount of USD 128.500 as a result of a tender in the privatisation process.

On 4-5 November 2021, the public offering of Doğu Aras shares was carried out using the "Fixed Price Bookkeeping" method. In the public offering, the unit price was TL 110, and the shares with a nominal value of TL 13.400 offered to the public were sold. Accordingly, the size of the public offering was realized as TL 1.474.000.

LC Electricity Supply and Trading d.o.o. ("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 Madencilik Sanayi ve Ticaret Anonim Şirketi ("Kartaltepe")

Kartaltepe Madencilik Sanayi ve Ticaret A.Ş. was established in 2011 as a wholly owned subsidiary of Alacer Gold Madencilik A.Ş. Kartaltepe is registered in Ankara, Turkey and is engaged in the operation of mining in Erzincan region. Lidya Madencilik Sanayi ve Ticaret A.Ş. and SSR, which are parties of the business partnership. Lidya Madencilik Sanayi ve Ticaret A.Ş. has 20% and Alacer has %80 shares.

Çalık Holding Anonim Şirketi and its Subsidiaries

Notes to Consolidated Financial Statements

As at and for the Year Ended 31 December 2022

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

17 Investments in equity-accounted investees (continued)

i) Joint ventures (continued)

Investments in equity-accounted joint ventures and the Group's share of control as follows:

	31 December 2022		31 December 2021	
	<u>Carrying value</u>	<u>% of ownership</u>	<u>Carrying value</u>	<u>% of ownership</u>
Joint ventures				
<u>Assets</u>				
KÇLE	91.886	50,00	78.746	50,00
Doğu Aras	93.454	40,00	86.827	40,00
Bakırtepe	531	30,00	503	50,00
Çalık Limak Adi Ortaklığı	282	50,00	52	50,00
LC Electricity	10	50,00	10	50,00
Kartaltepe	--	20,00	1.381	50,00
Tunçpınar	--	--	1.266	50,00
	186.163		168.785	

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

	2022	2021
Balance at 1 January (previously reported)	170.221	210.542
Effect of restate (Note 2.f)	(1.435)	16
Balance at 1 January (revised)	168.786	210.558
Share of profit of equity accounted investees	25.165	(4.063)
Share capital increases	1.601	2.813
Change in share of associates	(2.254)	(19.217)
Dividend distribution	(3.674)	(14.644)
Currency translation difference	(3.461)	(6.662)
Balance at 31 December	186.163	168.785

Çalık Holding Anonim Şirketi and its Subsidiaries

Notes to Consolidated Financial Statements

As at and for the Year Ended 31 December 2022

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

17 Investments in equity accounted investees (continued)

ii) Associates

Investments in equity-accounted Associates and the Group's share of control are as follows:

	31 December 2022		31 December 2021	
	<u>Carrying</u>	<u>% of</u>	<u>Carrying</u>	<u>% of</u>
<u>Associates</u>	<u>value</u>	<u>ownership</u>	<u>value</u>	<u>ownership</u>
<u>Assets</u>				
Kazakhstan Ijara Company KIC				
Leasing	2.817	14,31	2.697	14,31
Albania Leasing	1.091	29,99	934	29,99
Euro-Mediterranean	1.328	25,57	796	25,57
Haliç Leasing	525	32,00	659	32,00
Machinego Tek. Dan. ve İş Mak.				
A.Ş.	444	33,00	--	--
Idea Farm	433	30,00	607	30,00
Aktif Fortis Enerji A.Ş.	379	50,00	1.484	50,00
Workindo Teknoloji ve İnsan				
Kaynakları Danışmanlık A.Ş.	200	33,33	452	33,33
HMC Dijital	146	33,33	205	33,33
Dome Zero inch.	44	1,96	62	1,96
Eurasian Leasing Company	--	36,71	936	36,71
Secom Aktif Güvenlik Yatırım A.Ş.	--	50,00	--	50,00
Toplam	7.407		8.832	

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

	2022	2021
Balance at 1 January	8.832	11.474
Capital contribution to share capital increase in joint ventures	820	1.831
Share of gain of equity accounted associates	122	(840)
Capital contribution to share increase in associates	(753)	--
Translation difference	(1.614)	(3.633)
Balance at 31 December	7.407	8.832

Çalık Holding Anonim Şirketi and its Subsidiaries

Notes to Consolidated Financial Statements

As at and for the Year Ended 31 December 2021

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

17 Investments in equity-accounted investees (continued)

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

31 December 2022													
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%	4.409	28.714	33.123	13.250	--	13.250	19.873	2.076	2.844	2.817	297
Euro Mediterranean	31 December	25,57%	9.925	2.345	12.270	9.925	--	9.925	2.345	2.961	600	1.328	757
Haliç Finansal Kiralama	31 December	32,00%	1.648	2	1.650	27	--	27	1.623	194	519	525	62
Secom Aktif Yatırım Güv. AŞ	31 December	50,00%	7.990	7.793	15.783	1.556	8.442	9.998	5.785	(3.529)	2.893	--	(905)
Halk Yenilenebilir Enerji A. Ş	31 December	50,00%	539	--	539	273	--	273	266	103	133	--	--
Idea Farm Ventures Llc	31 December	30,00%	2.237	--	2.237	--	--	--	2.237	(2)	671	433	--
Dome Zero	31 December	1,96%	21	--	21	--	--	--	21	--	--	44	--
Workindo	31 December	33,33%	719	251	970	144	5	149	821	(415)	274	199	(138)
HMC Dijital	31 December	33,33%	483	--	483	--	--	--	483	93	161	146	--
Machinego	31 December	33,33%	1.333	49	1.382	50	--	50	1.332	148	444	444	49
Aktif Fortis Enerji A.Ş.	31 December	50,00%	581	--	581	2	--	2	579	62	289	379	--
Albania Leasing	31 December	29,99%	2.627	4.185	6.812	1.227	2.042	3.269	3.543	(158)	1.063	1.092	--
Total												7.407	122

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

31 December 2022													
Company name-Joint ventures	Reporting period	Ownership rates (%)	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liabilities	Total liabilities	Net assets	Profit/(loss)	Group's share of net assets	Carrying amount	Group's share of profit/(loss)
KÇİLE	31 December	50,00%	129.055	165.386	294.441	149.637	13.538	163.175	131.266	9.957	65.633	91.886	4.979
Doğu Aras	31 December	40,00%	188.131	153.867	341.998	150.469	78.888	229.357	112.641	52.599	45.056	93.454	21.040
Çalık Limak Adi Ortaklığı	31 December	50,00%	1.554	10	1.564	1.563	--	1.563	1	628	1	282	316
LC Electricity	31 December	50,00%	--	--	--	--	--	--	--	--	--	10	--
Bakırtepe	31 December	30,00%	141	--	141	46	--	46	95	--	28	531	(1.170)
Kartaltepe	31 December	20,00%	36	90	126	355	14	369	(243)	--	(49)	--	--
Tunçpınar	31 December	--	--	--	--	--	--	--	--	--	--	--	--
Total												186.163	25.165

Çalık Holding Anonim Şirketi and its Subsidiaries

Notes to Consolidated Financial Statements

As at and for the Year Ended 31 December 2021

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

17 Investments in equity-accounted investees (continued)

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

31 December 2021													
Company name-Associates	Reporting period	Ownership rates (%)	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liabilities	Total liabilities	Net assets	Profit/ (loss)	Group's share of net assets	Carrying amount	Group's share of profit/ (loss)
Kazakhstan Ijara Company Jsc.	31 December	14,00%	7.651	26.647	34.298	15.327	--	15.327	18.971	1.783	2.715	2.697	255
Eurasian Leasing Company	31 December	37,00%	407	2.501	2.908	208	151	359	2.549	78	936	936	28
Euro Mediterranean	31 December	26,00%	5.843	2.291	8.134	4.528	--	4.528	3.606	744	922	796	190
Haliç Finansal Kiralama	31 December	32,00%	2.354	7	2.361	326	--	326	2.035	734	651	659	235
Halk Yenilenebilir Enerji A.Ş.	31 December	50,00%	540	--	540	269	--	269	271	--	135	--	--
Workindo	31 December	33,00%	1.752	73	1.825	154	2	156	1.669	203	556	452	68
HMC Dijital	31 December	33,00%	592	4	596	1	--	1	595	366	198	205	122
Idea Farm	31 December	30,00%	1.200	689	1.889	--	--	--	1.889	--	567	607	--
Albania Leasing Company	31 December	30,00%	2.893	4.742	7.635	2.375	1.422	3.797	3.838	(1)	1.151	934	--
Secom Aktif Yatırım	31 December	50,00%	3.209	7.788	10.997	6.417	7.087	13.504	(2.507)	(9.331)	(1.253)	--	(2.533)
Dome Zero	31 December	2,00%	--	--	--	--	--	--	--	--	--	62	--
Aktif Fortis Enerji A.Ş.	31 December	50,00%	2.819	--	2.819	74	--	74	2.745	1.590	1.372	1.484	795
Total												8.832	(840)

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

31 December 2021													
Company name-Joint ventures	Reporting period	Ownership rates (%)	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liabilities	Total liabilities	Net assets	Profit/ (loss)	Group's share of net assets	Carrying amount	Group's share of profit/ (loss)
KÇLE	31 December	50,00%	117.405	171.506	288.911	147.345	12.948	160.293	128.618	(54.200)	64.309	86.827	(27.100)
Doğu Aras	31 December	40,00%	120.737	98.775	219.512	99.788	14.794	114.582	104.930	50.483	41.972	78.746	25.204
Çalık Limak Adi Ortaklığı	31 December	50,00%	4.185	10	4.195	4.193	--	4.193	2	1.513	1	503	757
Tunçpınar	31 December	50,00%	910	--	910	27	--	27	883	(650)	442	1.266	(1.322)
Kartaltepe	31 December	50,00%	687	1.411	2.098	3.746	375	4.121	(2.023)	(5.275)	(1.011)	1.381	(1.602)
Bakırtepe	31 December	50,00%	244	--	244	--	--	--	244	--	122	52	--
LC Electricity	31 December	50,00%	--	--	--	--	--	--	--	--	--	10	--
Total												168.785	(4.063)

Çalık Holding Anonim Şirketi and its Subsidiaries

Notes to Consolidated Financial Statements

As at and for the Year Ended 31 December 2021

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

18 Property, plant and equipment

Movements of property, plant and equipment, and related accumulated depreciation during the years ended 31 December were as follows:

	Land and buildings	Machinery and equipment	Vehicles	Furniture and fixtures	Other tangible assets	Construction in progress	Leasehold improvements	Total
Balance at 1 January, 2022(previously reported)	192.153	404.538	30.164	95.615	35.842	34.916	15.434	808.662
Restatement effect (Note 2.f)	7.233	8.727	325	893	--	1.421	364	18.963
Balance at 1 January	199.386	413.265	30.489	96.508	35.842	36.337	15.798	827.625
Additions	7.245	4.750	1.482	9.422	7.227	121.933	1.600	153.659
Transfers to investment properties	--	--	--	--	(291)	35	(35)	(291)
Transfers	272	1.876	--	774	(664)	(2.345)	--	(87)
Foreign currency translation difference	(22.507)	(65.472)	(2.392)	(10.856)	(819)	9.051	(2.256)	(95.251)
Addition and disposal of business acquisition	20.252	6.601	--	1.063	49	--	--	27.965
Disposals from the scope of consolidation	(46.912)	(169.413)	(1.235)	(29.356)	(39)	(1.860)	--	(248.815)
Outflow	(12.375)	(655)	(3.458)	(8.396)	(4.505)	(3.681)	(3.807)	(36.877)
Balance at 31 December 2022	145.361	190.952	24.886	59.159	36.800	159.470	11.300	627.928
Balance at 1 January, 2021(previously reported)	258.860	497.283	31.847	102.235	35.184	13.190	22.107	960.706
Restatement effect (Note 2.f)	2.549	127	103	576	--	(169)	303	3.489
Balance at 1 January	261.409	497.410	31.950	102.811	35.184	13.021	22.410	964.195
Additions	10.337	30.396	4.549	10.069	5.082	34.694	750	95.877
Transfers	6.507	8.359	45	2.073	36	(17.188)	--	(168)
Foreign currency translation difference	(39.228)	(121.145)	(5.035)	(13.785)	(2.892)	7.449	(7.358)	(181.994)
Addition and disposal of business acquisition	68	--	597	707	--	--	--	1.372
Outflow	(39.707)	(1.755)	(1.617)	(5.367)	(1.568)	(1.639)	(4)	(51.657)
Balance at 31 December 2021	199.386	413.265	30.489	96.508	35.842	36.337	15.798	827.625

As at 31 December 2022, total insurance coverage on property, plant and equipment is USD 304.640 (31 December 2021: USD 245.285).

At 31 December 2022, mortgages on property, plant and equipment is USD 48.133 (31 December 2021: None).

Çalık Holding Anonim Şirketi and its Subsidiaries

Notes to Consolidated Financial Statements

As at and for the Year Ended 31 December 2021

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

18 Property, plant and equipment (continued)

	Land and buildings	Machinery and equipment	Vehicles	Furniture and fixtures	Other tangible assets	Construction in progress	Leasehold improvements	Total
Accumulated depreciation								
Balance at 1 January, 2022(previously reported)	(59.801)	(190.138)	(20.161)	(66.676)	(20.985)	(23)	(7.636)	(365.420)
Restatement effect (Note 2.f)	(113)	(122)	(145)	(678)	--	--	(357)	(1.415)
Balance at 1 January	(59.914)	(190.260)	(20.306)	(67.354)	(20.985)	(23)	(7.993)	(366.835)
Current year amortization	(5.635)	(15.623)	(3.214)	(6.247)	(2.251)	--	(781)	(33.751)
Foreign currency translation difference	5.219	31.925	1.794	7.322	(396)	4	1.462	47.330
Addition and disposal of business acquisition	(2.862)	(6.951)	--	(8)	5	--	--	(9.816)
Disposals from the scope of consolidation (Note5)	16.952	69.456	1.011	21.045	24	19	--	108.507
Disposal	6.601	142	2.625	7.128	46	--	943	17.485
Balance at 31 December 2022	(39.639)	(111.311)	(18.090)	(38.114)	(23.557)	--	(6.369)	(237.080)
Balance at 1 January, 2021(previously reported)								
Balance at 1 January, 2021(previously reported)	(60.638)	(222.439)	(20.095)	(68.431)	(18.830)	--	(7.867)	(398.300)
Restatement effect (Note 2.f)	(46)	(114)	(103)	(522)	--	--	(295)	(1.080)
Balance at 1 January	(60.684)	(222.553)	(20.198)	(68.953)	(18.830)	--	(8.162)	(399.380)
Depreciation	(5.830)	(25.546)	(4.002)	(8.919)	(2.612)	--	(1.275)	(48.184)
Transfers	--	--	(2)	--	--	--	2	--
Foreign currency translation difference	5.796	56.820	3.057	7.752	(197)	(23)	1.442	74.647
Additions through acquisitions	(6)	--	(76)	(157)	--	--	--	(239)
Disposal	810	1.019	915	2.923	654	--	--	6.321
Balance at 31 December 2021	(59.914)	(190.260)	(20.306)	(67.354)	(20.985)	(23)	(7.993)	(366.835)
Net carrying value at 31 December 2021	132.352	214.400	10.003	28.939	14.857	34.893	7.798	443.242
Restatement effect	7.120	8.605	180	215	0	1.421	7	17.548
January 1 NBV (remastered)	139.472	223.005	10.183	29.154	14.857	36.314	7.805	460.790
Net carrying value at 31 December 2022	105.722	79.641	6.796	21.045	13.243	159.470	4.931	390.848

Çalık Holding Anonim Şirketi and its Subsidiaries

Notes to Consolidated Financial Statements

As at and for the Year Ended 31 December 2021

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

19 Intangible assets

Movements of intangible assets and related accumulated amortisation during the years ended 31 December 2022 and 2021 were as follows

Cost	Goodwill	Licences & software	Electricity distribution rights	Brand names	Other intangibles	Total
Balance at 1 January, 2022(previously reported)	26.503	94.827	43.235	860	53.196	218.621
Restatement effect (Note 2.f)	(24.558)	665	--	(841)	69.675	44.941
Balance at 1 January	1.945	95.492	43.235	19	122.871	263.562
Addition	--	4.131	--	8.701	17.310	30.142
Transfers from investment properties	--	343	--	--	35	378
Foreign currency translation effect	(558)	(17.489)	(12.397)	13.991	(29.065)	(45.518)
Addition and disposal of business acquisition	--	1.400	--	--	23	1.423
Adjustments	--	3.845	--	--	--	3.845
Disposals from the scope of consolidation	--	(30.499)	--	--	--	(30.499)
Disposal	--	(31)	(159)	--	(700)	(890)
Balance at 31 December 2022	1.387	57.192	30.679	22.711	110.474	222.443
Balance at 1 January, 2022(previously reported)	--	(61.929)	(18.809)	(4)	(22.888)	(103.630)
Restatement effect (Note 2.f)	--	(670)	--	--	(884)	(1.554)
Balance at 1 January, 2022(previously reported)	--	(62.599)	(18.809)	(4)	(23.772)	(105.184)
Current year amortization	--	(3.859)	(1.159)	(6.187)	(6.913)	(18.118)
Transfers from investment properties	--	--	--	--	--	--
Foreign currency translation effect	--	9.482	5.534	(504)	1.508	16.020
Addition and disposal of business acquisition	--	(13)	--	--	--	(13)
Adjustments	--	--	--	--	27	27
Disposals from the scope of consolidation	--	15.586	--	--	--	15.586
Disposal	--	1	--	--	771	772
Balance at 31 December 2022	--	(41.402)	(14.434)	(6.695)	(28.379)	(90.910)

Çalık Holding Anonim Şirketi and its Subsidiaries

Notes to Consolidated Financial Statements

As at and for the Year Ended 31 December 2022

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

19 Intangible assets (continued)

Accumulated Amortization	Goodwill	Licences & software	Electricity distribution rights	Brand names	Other intangibles	Total
Balance at 1 January, 2021 (previously reported)	3.532	114.130	78.507	1.562	52.607	250.338
Restatement effect (Note 2.f)	--	528	--	(1.527)	27.245	26.246
Balance at 1 January	3.532	114.658	78.507	35	79.852	276.584
Addition	--	7.690	--	--	4.675	12.365
Transfers	--	(23)	--	--	190	167
Foreign currency translation difference	(1.587)	(26.827)	(35.272)	(16)	(28.946)	(92.648)
Addition and disposal of business acquisition	--	7	--	--	67.100	67.107
Disposal	--	(13)	--	--	--	(13)
Balance at 31 December 2021	1.945	95.492	43.235	19	122.871	263.562
Balance at 1 January, 2021	--	(71.651)	(30.499)	(7)	(20.174)	(122.331)
Revised effect (Note 2.f)	--	(535)	--	--	--	(535)
Balance at 1 January (revised)	--	(72.186)	(30.499)	(7)	(20.174)	(122.866)
Current year amortization	--	(7.864)	(3.025)	--	(4.436)	(15.325)
Foreign currency translation difference	--	17.456	14.715	3	2.445	34.619
Addition and disposal of business acquisition	--	(5)	--	--	(1.607)	(1.612)
Balance at 31 December 2021	--	(62.599)	(18.809)	(4)	(23.772)	(105.184)
Net carrying value at 31 December 2021	26.503	32.898	24.426	856	30.308	114.991
Restatement effect	(24.558)	(5)	--	(841)	68.791	43.387
Net carrying value at 31 December 2021	1.945	32.893	24.426	15	99.099	158.378
Net carrying value at 31 December 2022	1.387	15.790	16.245	16.016	82.095	131.533

20 Right of Use Assets

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

	Balance at 1 January 2022	Additions	Mergers	Disposal	Foreign currency translation differences	Balance at 31 December 2022
Right of Use Assets						
Right of Use Assets	64.991	2.094	(26.650)	(119)	(7.881)	32.435
Depreciation of right of use assets	(17.918)	(3.848)	6.752	225	2.897	(11.892)
Net book value	47.073	(1.754)	(19.898)	106	(4.984)	20.543
	Balance at 1 January 2021	Additions	Transfers	Disposal	Foreign currency translation differences	Balance at 31 December 2021
Right of Use Assets						
Right of Use Assets	60.030	12.215	1.974	(3.581)	(5.647)	64.991
Depreciation of right of use assets	(14.225)	(6.811)	--	905	2.213	(17.918)
Net book value	45.805	5.404	1.974	(2.676)	(3.434)	47.073

Çalık Holding Anonim Şirketi and its Subsidiaries

Notes to Consolidated Financial Statements

As at and for the Year Ended 31 December 2022

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

21 Investment property

As at 31 December, investment property comprised the following:

	2022	2021
Investment property under development	58.225	61.895
Investment property	28.025	19.689
Total	86.250	81.584

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

	2022	2021
Balance at 1 January	81.584	130.338
Additions / Outflow	(26.768)	812
Transfers	--	(1.974)
Changes in fair value (Note 34)	31.818	(43.544)
Translation difference	(385)	(4.048)
Balance at 31 December	86.249	81.584

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 TFRS 13 based on fair value hierarchy are as follows:

2022	Level 1	Level 2	Level 3	Total
Investment property	--	86.250	--	86.250
Total	--	86.250	--	86.250

2021	Level 1	Level 2	Level 3	Total
Investment property	--	81.584	--	81.584
Total	--	81.584	--	81.584

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

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 2022, there is no mortgage on the Group's investment properties (31 December 2021: 200.000).

Çalık Holding Anonim Şirketi and its Subsidiaries

Notes to Consolidated Financial Statements

As at and for the Year Ended 31 December 2022

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

22 Other assets and liabilities

Other current assets

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

	2022	2021
Reserve deposits at Central Banks ^(*)	702.110	642.585
Value added tax (“VAT”) receivables	36.101	31.777
Personnel advances	301	1.007
Other income accruals	5.371	12.372
Other current assets	39.707	32.428
Total	783.590	720.169

^(*) As at 31 December 2022 and 2021, 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:

	2022	2021
Taxes and funds payable	35.440	25.223
Blockage on corporate collection account	2.160	1.679
VAT payable	2.318	1.559
Turkish Football Federations’ share on collection of card sales	1.228	777
Other current liabilities	51.582	44.061
Total	92.728	73.299

Çalık Holding Anonim Şirketi and its Subsidiaries

Notes to Consolidated Financial Statements

As at and for the Year Ended 31 December 2022

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

23 Due from/due to customers for contract work

As at 31 December, the details of due from customers for contract work and due to customers for contract work as follows:

	2022	2021
Current amounts due from customers for contract work	275.544	130.164
Current liabilities due to customers for contract work	(80.677)	(53.292)
Non-current liabilities due to customers for contract work	(80.869)	(30.689)
Total	113.998	46.183

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

	2022	2021
Total costs incurred on uncompleted contracts	1.257.052	1.114.191
Estimated earnings	238.646	227.277
Total estimated revenue on uncompleted contracts	1.495.698	1.341.468
Less: Billings to date	(1.381.700)	(1.295.284)
Net amounts due from customers for contract work	113.998	46.184

As of 31 December, the details of other contractual obligations are as follows:

	2022	2021
Other contractual liabilities (*)	181.006	147.282
Total	181.006	147.282

(*) Other contractual obligations are from Taurus Arm For Power Generation Company within the scope of the BZC and BZS2 projects carried out by the Group in Iraq, from West African Energy SA within the scope of the SNC project in Senegal, from Rompetrol Energy SA within the scope of the RPE project in Romania. from the contract advances received within the scope of the TRS project and HLT project realized in Turkmenistan, and the contract advances received from Lukoil Mid-East Limited within the scope of the WQS2 project realized in Iraq.

Çalık Holding Anonim Şirketi and its Subsidiaries

Notes to Consolidated Financial Statements

As at and for the Year Ended 31 December 2022

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

24 Borrowings

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

31 December 2022			
Short term loans and borrowings	Finance	Non-Finance	Total
Securities issued	710.576	--	710.576
Funds borrowed by the Group’s banking subsidiaries	299.724	--	299.724
Current portion of long-term bank loans	--	196.791	196.791
Bank loans	2	139.850	139.852
Factoring payables	--	5.538	5.538
Lease obligations	2.351	2.819	5.170
Sukuk agreement	--	--	--
Total	1.012.653	344.998	1.357.651
Long term loans and borrowings	Finance	Non-Finance	Total
Sukuk agreement	--	142.080	142.080
Bank loans	34	122.614	122.648
Securities issued	48.619	30.324	78.943
Subordinated liabilities	50.152	--	50.152
Lease obligations	12.891	4.080	16.971
Funds borrowed by the Group’s banking subsidiaries	4.743	--	4.743
Total	116.439	299.098	415.537
<i>Restated (Note 2.f)</i>			
31 December 2021			
Short term loans and borrowings	Finance	Non-Finance	Total
Funds borrowed by the Group’s banking subsidiaries	631.400	--	631.400
Securities issued	617.746	9.779	627.525
Bank loans	2	189.025	189.027
Current portion of long-term bank loans	7.319	141.449	148.768
Lease obligations	2.607	8.547	11.154
Sukuk agreement	--	10.051	10.051
Factoring payables	--	650	650
Total	1.259.074	359.501	1.618.575
Long term loans and borrowings	Finance	Non-Finance	Total
Bank loans	39.046	140.457	179.503
Sukuk agreement	--	151.647	151.647
Lease obligations	15.790	27.125	42.915
Securities issued	31.180	7.342	38.522
Subordinated liabilities	28.337	--	28.337
Funds borrowed by the Group’s banking subsidiaries	10.075	--	10.075
Total	124.428	326.571	450.999

Çalık Holding Anonim Şirketi and its Subsidiaries

Notes to Consolidated Financial Statements

As at and for the Year Ended 31 December 2022

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

24 Borrowings (continued)

<i>Restated (Note 2.f)</i>			
31 December 2021			
Short term loans and borrowings	Finance	Non Finance	Total
Securities issued	1.010.110	--	1.010.110
Funds borrowed by the Group's banking subsidiaries	380.658	--	380.658
Bank loans	--	290.470	290.470
Current portion of long-term bank loans	8.549	167.247	175.796
Lease obligations	2.466	11.874	14.340
Factoring payables	--	3.681	3.681
Total	1.401.783	473.272	1.875.055
Long term loans and borrowings	Finance	Non Finance	Total
Bank loans	38.319	183.154	221.473
Sukuk agreement	--	186.645	186.645
Lease obligations	16.196	28.793	44.989
Subordinated liabilities	2.135	--	2.135
Funds borrowed by the Group's banking subsidiaries	30.667	--	30.667
Securities issued	16.357	--	16.357
Total	103.674	398.592	502.266

As at 31 December 2022, the Group has investment properties under construction amounting to USD 200.000 (31 December 2021: USD 200.000) respectively, against the bank borrowings used, also the Group has given guarantee letters for the Eximbank loans received, 103 USD and 16.430 EUR (31 December 2021: 103 USD and 16.430 EUR) respectively.

There are pledges over Çalık Enerji's shares of YEDAŞ, YEPAŞ and ÇEDAŞ with numbers of 85 (TL 0,085), 115 (TL 0,115), 377.622.000 (TL 372.622), respectively and ÇEDAŞ's shares of YEPAŞ and YEDAŞ, with numbers of 6.358.770.388 (TL 63.587) and 35.700.685.312 (TL 357.006), as a guarantee for the bank borrowings used or will be used by Çalık Holding, ÇEDAŞ, YEDAŞ and YEPAŞ from a bank.

25 Derivatives

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

	2022		2021	
	Assets	Liabilities	Assets	Liabilities
Swap transactions	9.687	(1.371)	16.029	(2.317)
Forward transactions	3.525	(2.521)	1.897	(1.341)
Currency options	967	(725)	520	(454)
Futures transactions	13	(290)	9.164	--
Total	14.192	(4.907)	27.610	(4.112)

All derivatives in a net receivable position (positive fair value) are reported as derivative assets. All derivatives in a net payable position (negative fair value) are reported as derivative liabilities.

Further disclosure regarding the derivative contracts of the Group are explained at Note 37.

Çalık Holding Anonim Şirketi and its Subsidiaries

Notes to Consolidated Financial Statements

As at and for the Year Ended 31 December 2022

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

26 Payables related to employee benefits

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

	2022	2021
Due to personnel	7.002	5.890
Social security premiums payable	3.210	2.376
Total	10.212	8.266

27 Provisions

As at 31 December, provisions comprised the following items:

	2022	2021
<u>Short term provisions</u>		
Short term employee benefits		
Other short-term provisions	18.677	14.221
	20.131	17.260
Total short-term provisions	38.808	31.481
<u>Long term provisions</u>		
Long term employee benefits	15.766	10.770
Other long-term provisions	37	1.067
Total long-term provisions	15.803	11.837
Total provisions	54.611	43.318

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

	2022	2021
<u>Short-term</u>		
Bonus provisions	13.774	10.093
Vacation pay liability	4.904	4.128
Total	18.678	14.221
<u>Long term</u>		
Employee termination benefits	15.766	10.770
Total	15.766	10.770

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

	2022	2021
<u>Short-term</u>		
Provision for litigations	11.262	12.635
Provisions for expenses	7.151	3.786
Other current provisions	1.755	1.906
Total	20.168	18.327

Reserve for employee severance indemnity

In accordance with the existing labour law in Türkiye, the Group entities operating in Türkiye 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.

Çalık Holding Anonim Şirketi and its Subsidiaries

Notes to Consolidated Financial Statements

As at and for the Year Ended 31 December 2022

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

27 Provisions (continued)

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

	2022	2021
Balance at 1 January	10.770	11.844
Interest cost	2.191	1.896
Cost of services	2.135	1.342
Paid during the year	(2.518)	(1.387)
Addition of business acquisitions	--	53
Translation difference	(4.148)	(6.250)
Actuarial difference	7.337	3.272
Balance at 31 December	15.767	10.770

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:

	2022	2021
Discount rate	3,00%	3,03%
Interest rate	21,44%	19,10%
Inflation rate	17,90%	15,60%

The computation of the liability is predicated upon retirement pay ceiling announced by the Government. As at 31 December 2022, the ceiling amount was USD 0,82 (31 December 2021: USD 0,62).

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

2022	1 January	Provision for the reserve	Reversal	Disposals from the scope of consolidation	Currency translation differences	31 December
Bonus provisions	10.093	9.813	(3.258)	--	(2.874)	13.774
Provision for litigations	12.635	1.855	(219)	(767)	(2.242)	11.262
Vacation pay liability	4.128	1.731	(84)	(398)	(474)	4.903
Other expense provisions	5.692	32.918	(30.951)	--	1.247	8.906
Total	32.548	46.317	(34.512)	(1.165)	(4.343)	38.845

2021	1 January	Provision for the reserve	Reversal	Currency translation differences	31 December
Bonus provisions	13.818	8.150	(6.144)	(5.731)	10.093
Provision for litigations	16.977	2.235	(748)	(5.829)	12.635
Vacation pay liability	4.390	1.351	(273)	(1.339)	4.129
Other expense provisions	8.276	1.488	(541)	(3.531)	5.692
Total	43.461	13.224	(7.706)	(16.430)	32.549

Çalık Holding Anonim Şirketi and its Subsidiaries

Notes to Consolidated Financial Statements

As at and for the Year Ended 31 December 2022

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

28 Commitments and contingencies

Guarantee, pledge and mortgages ("GPM") in respect of commitment and contingencies realised in the ordinary course of business were given as at 31 December 2022 are as follows:

31 December 2022	Original currency (USD equivalent)			
	USD	TL	Others	Total
A Total amount of GPMs given in the name of its own legal personality	292.846	65.415	52.981	411.242
B Total amount of GPMs given in the name of the consolidated subsidiaries and joint ventures	--	--	--	--
- Total amount of GPMs given in the name of the consolidated subsidiaries	--	--	--	--
C Total amount of GPMs given to be able to conduct ordinary business transactions to secure payables of third parties	--	--	--	--
D Other GPMs given (*)	400	339	--	739
Total	293.246	65.754	52.981	411.981

GPMs in respect of commitment and contingencies realised in the ordinary course of business were given as at 31 December 2021 are as follows:

31 December 2021	Original currency (USD equivalent)			
	USD	TL	Others	Total
A Total amount of GPMs given in the name of its own legal personality	447.820	52.931	67.530	568.281
B Total amount of GPMs given in the name of the consolidated subsidiaries and joint ventures	--	59.886	--	59.886
- Total amount of GPMs given in the name of the consolidated subsidiaries	--	59.886	--	59.886
C Total amount of GPMs given to be able to conduct ordinary business transactions to secure payables of third parties	--	--	--	--
D Other GPMs given (*)	--	13.953	--	13.953
Total	447.820	126.770	67.530	642.120

(*) As at 31 December 2022, the ratio of other GPMs given to total equity is 0,6 percent (31 December 2021: 0,7 percent).

Details of the commitments and contingent liabilities arising in the ordinary course of the business of the Group comprised the following items as at 31 December:

	2022	2021
Given for ongoing EPC projects	136.091	375.667
Given to banks	147.135	162.459
Pledge on shares	--	59.886
TETAŞ and TEİAŞ	21.382	15.928
Given to EMRA	2	3
Given to other suppliers and government agencies	107.372	28.176
Total contingent liabilities	411.982	642.119

Çalık Holding Anonim Şirketi and its Subsidiaries

Notes to Consolidated Financial Statements

As at and for the Year Ended 31 December 2022

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

28 Commitments and contingencies (continued)

Litigation and claims

As at 31 December 2022, the expected cash outflow amount for the pending claims filed against to the Group is USD 11.262 (31 December 2021: USD 12.635). As at 31 December 2021, the provision for litigation and claims are mainly related to the labor cases against the Group. The Group made a provision for the whole amount related to these claims.

Pending tax audits

In Türkiye, the tax and other government authorities (Social Security Institution) have the right to inspect the Group's tax returns and accounting records for the past five fiscal years. The Group has not recorded a provision for any additional taxes for the fiscal years that remained unaudited, as the amount cannot be estimated with any degree of uncertainty. The Group's management believes that no material assessment will arise from any future inspection for unaudited fiscal years.

29 Taxation

Türkiye

Corporate income tax is levied on the statutory corporate income tax base, which is determined by modifying income for certain tax exclusions and allowances.

Tax rates in Türkiye are 23 percent for 2022 (31 December 2021: 25 percent) and tax returns are filed for permanent business purposes. This rate is included in 23 percent of 2022. For banks and institutions, the rate was accepted as 25 percent. According to the Corporate Tax, 75 percent of the income from the sales of affiliates and properties for at least two years is subject to tax if they are recorded in their own accounts for five years from their sales. The remaining 25 percent is taxable to certain corporations. It has been revised to 50 for these rates, effective from 2021.

In addition, there is a withholding tax liability on dividend distributions, and this withholding liability is accrued in the period when the dividend payment is made. According to the legal regulation effective from April 24, 2003, there is no withholding tax liability for dividend payments made from the profits obtained between 1999 and 2002 and which are exempt from corporate tax. With the decision of the Council of Ministers numbered 2006/10731 published in the Official Gazette dated 23 July 2006 and numbered 26237, some withholding rates in Articles 15 and 30 of the Corporate Tax Law No. 5520 were re-determined.

In this context, the withholding tax rate applied at the rate of 10 percent on dividend payments excluding those made to non-resident companies that generate income in Türkiye through a workplace or their permanent representative and institutions residing in Türkiye has been increased to 15 percent. In the application of withholding tax rates for profit distributions to non-resident companies and real persons, the withholding tax rates in the relevant Double Taxation Agreements are also taken into account.

Tax legislation in Türkiye does not allow the parent and its subsidiaries to file a consolidated tax return. Therefore, provisions for taxes reflected in the consolidated financial statements have been calculated separately for each company subject to consolidation.

According to Turkish tax legislation, financial losses can be carried forward for a period of five years to be set off from the future corporate income. However, financial losses cannot be carried retrospectively.

Transfer pricing regulations

The subject of transfer pricing is covered under the title of "disguised profit distribution through transfer pricing" in Article 13 of the Corporate Tax Law. In the General Communiqué on disguised profit distribution through transfer pricing published on 18 November 2007, the details of the implementation were determined.

Çalık Holding Anonim Şirketi and its Subsidiaries

Notes to Consolidated Financial Statements

As at and for the Year Ended 31 December 2022

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

29 Taxation (continued)

Türkiye (continued)

Transfer pricing regulations (continued)

If taxpayers engage in purchases and sales of products, goods or services that are not priced within the framework of the arm's length principle, then it will be concluded that the relevant profits are distributed implicitly through transfer pricing. Disguised profit distributions through such transfer pricing will not be deducted from the tax base in terms of corporate tax.

Tax applications for foreign subsidiaries and joint ventures of the Group

Republic of Albania

The applicable corporate tax rate in Republic of Albania is 15 percent (31 December 2021: 15 percent). Tax base is by modifying accounting income for certain exclusions and allowances in accordance with the related tax legislations. Non-documented expenses, repayments of loans and borrowings which are four times higher than equity, pre-payments, representation and accommodation expenses and fringe benefits over a certain limit are not subject to reduction for tax purposes.

Republic of Kosovo

The applicable corporate tax rate in Republic of Kosovo is 10 percent (31 December 2021: 10 percent).

Under Kosovo tax legislation system, tax losses can be carried forward to be offset against future taxable income for up to seven years.

Arab Republic of Egypt

The applicable corporate tax rate for the subsidiaries operating in Egypt is 22.5 percent (31 December 2021: 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 2022, 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 2022 and 2021, 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 21 percent. (31 December 2021: 15-40 percent). State and local governments may also impose income taxes ranging from less than 1 percent to 12 percent.

Foreign companies are generally subject to the same corporate tax as domestic companies. However, taxable income is calculated on Effectively Connected Income (ECI) only, which is considered as all U.S.-source income derived from trade or business in the U.S. or sale of U.S. real property or inventory by a foreign entity.

Georgia

The applicable corporate tax rate in Georgia is 15 percent (31 December 2021: 15 percent).

Çalık Holding Anonim Şirketi and its Subsidiaries

Notes to Consolidated Financial Statements

As at and for the Year Ended 31 December 2022

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

29 Taxation (continued)

Tax applications for foreign subsidiaries and joint ventures of the Group (continued)

Turkmenistan

According to Turkmenistan law, while the corporate tax rate is 8 percent for local companies, it is 20 percent for branches of foreign companies and for local companies which have foreign partner. Parent company of branches located in Turkmenistan is tax-exempt due to income generated from construction projects outside Türkiye is tax exempt in Türkiye. Besides, revenue arising from sales of machinery and equipment which are exported from Türkiye and included in construction cost in those countries are subject to corporate tax in Türkiye.

Libya

The corporate tax rate is 20 percent (31 December 2021: 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 2021: 15 percent).

Uzbekistan

The applicable corporate tax rate in Uzbekistan is 15 percent (31 December 2021: 17,20 percent). As at 31 December 2022, the Group's operation in Uzbekistan aren't subject to corporate tax due to dispensation.

The Netherlands

The tax rate on the worldwide income of Dutch institutions is 25.8 percent (31 December 2021: 25.8 percent). The corporate tax rate is applied to the tax base to be found as a result of adding the expenses that are not accepted as deductible in accordance with the tax laws to the commercial income of the corporations, and deducting the exemptions in the tax laws. If there is no tax treaty, an exemption is provided by a unilateral decree for Dutch income tax for resident companies related to avoiding double taxation, for foreign business income from foreign establishments.

According to Dutch tax legislation, financial losses can be carried forward for nine years to be offset against future corporate profits. Financial losses can be set off against retained earnings for up to one year. Companies must submit their tax returns within six months following the closing of the relevant accounting period, unless they request an extension of time, which normally means an additional nine-month period. The tax inspection authorities may examine the tax returns and the accounting records underlying them for five years, starting from the beginning of the year following the filing of the tax return, and make a reassessment as a result of their findings.

Switzerland

Corporate tax in Switzerland is a combination of Cantonal and Federal income taxes. Federal income tax is calculated at a rate of 8.50 percent (2021: 8.50 percent) on the net profit for the relevant period. Cantonal and community taxes are added to the federal tax. this provides an overall effective tax rate of 11.9 percent to 21 percent, depending on the company's corporate residence in Switzerland. In addition to Cantonal and Federal taxes, a tax called the professional tax is calculated on gross income, rental expenses, and staff numbers for the last two years at various effective rates.

According to the tax legislation in Switzerland, financial losses can be carried forward for seven years to be set off from the future corporate income. If companies have not requested an extension, they must file their tax returns within the first four months following the closing of the relevant tax year. The tax inspection authorities may examine the tax returns and the accounting records underlying them for five years, starting from the beginning of the year following the filing of the tax return, and make a reassessment as a result of their findings.

Çalık Holding Anonim Şirketi and its Subsidiaries

Notes to Consolidated Financial Statements

As at and for the Year Ended 31 December 2022

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

29 Taxation (continued)

Qatar

As of 31 December 2022, corporate tax rate is 10 percent. The Group has a branch operating in Qatar and a subsidiary. In Qatar Emirates, companies are subject to corporate tax. Taxes and duties related to the project carried out by the Group in Qatar are tax exempt.

Tax recognised in profit or loss

Income tax expense for the years ended 31 December comprised the following items:

Reconciliation of effective tax rate

	<i>Continuing Operations</i>		<i>Discontinued operations</i>		<i>Total</i>	
	2022	2021	2022	2021	2022	2021
Current corporation and income taxes	103.368	79.979	--	--	103.368	79.979
Deferred tax expense / (benefit)	(132.387)	(31.723)	--	--	(132.387)	(31.723)
Total income tax expense / (benefit)	(29.019)	48.256	--	--	(29.019)	48.256

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:

	2022		2021	
	<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>
Reported profit before taxation	831.769	--	585.950	--
Taxes on reported profit per statutory tax rate of the Company	(191.307)	(23,00)	(146.488)	(25,00)
Permanent differences:				
Disallowable expenses	(12.685)	(1,53)	(34.945)	(5,96)
Tax exempt income	152.073	18,28	96.285	16,43
Financial losses previously unrecognized	5.172	0,62	--	--
Effect of different tax rates in foreign jurisdictions	10.947	1,32	12.840	2,19
Base increase correction effect	--	--	--	--
Unrecorded deferred tax assets	42.446	5,10	1.572	0,27
Investment incentives effects	11.118	1,34	--	--
Effect of tax rate changes	(3.548)	(0,43)	20.124	3,43
Accounting for utilisation of previously unrecognised tax losses	--	--	8.587	1,47
Effect of share of profit of equity-accounted investees and other consolidated adjustments	(4.839)	(0,58)	4.079	0,70
Use of previous years' financial losses for uncalculated deferred tax	24.290	2,92	2.597	0,44
Period Loss Effect	(978)	(0,12)	(4.025)	(0,69)
Temporary differences previously unrecognized	4.022	0,48	(519)	(0,09)
Current period depreciation expense of electricity distribution usage for uncalculated deferred tax	(1.448)	(0,17)	--	--
Effect of previous year tax expense adjustments	2.223	0,27	(2.913)	(0,50)
Effect of consolidated adjustments on taxes	(114.285)	(13,74)	(52.419)	(8,95)
Revaluation effect of tangible and intangible assets	100.965	12,14	42.698	7,29
Others, net	4.854	0,58	4.271	0,73
Tax expense	29.020	3,49	(48.256)	(8,24)

Çalık Holding Anonim Şirketi and its Subsidiaries

Notes to Consolidated Financial Statements

As at and for the Year Ended 31 December 2022

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

29 Taxation (continued)

Current tax assets/liabilities

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

	2022	2021
Taxes on income	103.368	79.979
Less: Deferred tax expense/ (benefit)	(85.477)	(63.187)
Foreign currency translation difference	(2.040)	(5.615)
Current tax liabilities/(assets), net	15.851	11.177

As at 31 December 2022, current tax liabilities on income amounting to USD 38.177 (31 December 2021: USD 20.107) is not offset with prepaid taxes amounting to USD 22.327 (31 December 2021: USD 8.929) 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 2022, deferred tax assets amounting to USD 12.239 have not been recognised with respect to the statutory tax losses carried forward as at 31 December 2022 (31 December 2021: USD 39.254). Such losses carried forward expire until 2022. 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:

	2022	2021
2022	--	39.085
2023	920	46.336
2024	130	30.411
2025	842	22.978
2026	56.620	82.076
2027	2.683	--
Toplam	61.195	220.886

Çalık Holding Anonim Şirketi and its Subsidiaries

Notes to Consolidated Financial Statements

As at and for the Year Ended 31 December 2022

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

29 Taxation (continued)

Unrecognised deferred tax assets and liabilities (continued)

Recognised deferred tax assets and liabilities

Deferred tax assets and deferred tax liabilities at 31 December are attributable to the items detailed in the table below:

	2022		2021	
	<u>Asset</u>	<u>Liability</u>	<u>Asset</u>	<u>Liability</u>
Vacation pay liability	523	--	358	(52)
Employee severance indemnity	2.485	(2)	1.578	(6)
Provisions for litigations	931	(1)	1.067	(132)
Impairment provision of credits and receivables	368	--	2.009	--
Financial assets at FVTPL	1.670	(10.133)	2	(9.367)
Available for sale investment securities	9.967	--	2.163	--
Financial assets at FVTOCI	--	(306)	--	(240)
Held-to-maturity financial instruments	9.602	--	--	--
Derivative financial instruments	--	(2.389)	--	(4.125)
Provisions	2.046	(8)	2.199	--
Inventories	464	(4.284)	116	(2.899)
IAS 39 effect on loans and borrowings	854	(382)	2.327	(1.853)
Investment properties	1.950	(8.093)	2.874	(5.838)
Tangible and intangible assets	137.096	(28.050)	40.564	(13.646)
Rights of use	15	(4.958)	15	(2)
Fair value corrections of tangible and intangible assets	--	--	--	(7.245)
Construction in progress	--	(75)	--	--
Investment incentives	17.346	--	11.503	--
Tax losses carried forward	2.450	--	1.837	--
Trade and other receivables (including rediscount)	30	--	42	--
Service concession receivables	--	(23.146)	--	(8.819)
Allowance for doubtful receivables	2.116	(1.015)	2.126	--
Security deposits	4.101	--	2.069	--
IFRS 9, 15 and IFRIC 22 effects as at January 1, 2020	2.459	(47)	--	--
Revaluation of financial investments	--	(3.988)	1.501	(289)
Property, plant and equipment value increase	38.485	--	--	--
Other temporary differences	12.709	(14.203)	9.155	(7.976)
Completion rate	2.511	(708)	1.794	(2.865)
Total deferred tax assets/(liabilities)	250.178	(101.788)	85.299	(65.354)
Set off of tax	(75.434)	75.434	(32.700)	32.700
Deferred tax assets/(liabilities), net	174.744	(26.354)	52.599	(32.654)

According to the Tax Procedural Law in Türkiye, statutory losses can be carried forward maximum for five years. Consequently, 2027 is the latest year for recovering the deferred tax assets arising from such tax losses carried forward.

Çalık Holding Anonim Şirketi and its Subsidiaries

Notes to Consolidated Financial Statements

As at and for the Year Ended 31 December 2022

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

30 Capital and reserves

Paid in capital

At 31 December 2022, the Group's statutory nominal value of authorised and paid-in share capital is USD 210.761 (31 December 2021: USD 210.761) (comprising of 400.000.000 registered shares (31 December 2021: 400.000.000) having par value of TL 1 at full terms (31 December 2021: TL 1 at full terms) each).

Paid in capital (continued)

At 31 December, the shareholding structure of Çalık Holding based on the number of shares are presented below:

	2022		2021	
	Thousands of s shares	%	Thousands of shares	%
Ahmet Çalık	368.000	92	367.999	91,99
Delta Netherlands B.V. (*)	32.000	8	32.000	8
Other	--	--	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 2022, in the accompanying consolidated financial statements, special funds arising from the sale of associates classified to legal reserves excluding the non-controlling interest portion are amounting to USD 175.120 (31 December 2021: USD 175.120).

In the accompanying consolidated financial statements, the total legal restricted reserves excluding the non-controlling interest portion amounted to USD 768.993 as at 31 December 2022 (31 December 2021: USD 720.867).

Çalık Holding Anonim Şirketi and its Subsidiaries

Notes to Consolidated Financial Statements

As at and for the Year Ended 31 December 2022

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

30 Capital and reserves (continued)

Non-controlling interests

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

	2022	2021
Non-controlling interest at the beginning of the year	163.347	118.478
Restatement effect (Note 2.f)	7.292	5.100
Balance at 1 January (revised)	170.639	123.578
Net profit for the year attributable to non-controlling interests	20.291	14.628
Translation difference	(433)	15.381
Change in fair value of available for sale investments	29	(28)
Actuarial losses	92	(48)
Effect of the acquisition/(disposal) of non-controlling interests	3.186	2.285
Decrease due to other changes	255	2.285
Contributions by non-controlling shareholders to subsidiary capital decreases	--	370
Addition and disposal of subsidiaries	(6.415)	--
Contribution to the capital increase by the non-controlling interests	4.101	11.765
Dividend distribution	(3.870)	(6.868)
Balance at the end of the year	187.875	163.348

Translation reserve

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

31 Revenue and cost of sales

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

	2022	2021
Domestic sales	934.420	792.643
Export sales	1.068.189	940.466
Other sales	14.099	4.821
Sales discounts (-)	(12.248)	(17.755)
Subtotal	2.004.460	1.720.175
Cost of sales (-)	(1.508.431)	(1.258.966)
Gross profit from non-finance operations	496.029	461.209
Revenue from finance sector operations	574.568	526.312
Cost of revenues from finance sector operations (-)	(211.801)	(217.369)
Gross profit from finance sector activities	362.767	308.943
Gross profit	858.796	770.152

The depreciation and amortization expense of USD 34.860 was recognised in the cost of sales (2021: USD 44.150).

Çalık Holding Anonim Şirketi and its Subsidiaries

Notes to Consolidated Financial Statements

As at and for the Year Ended 31 December 2022

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

32 General and administrative expenses, selling, marketing and distribution expenses, and research and development expenses and expenses by nature

For the years ended 31 December, general and administrative expenses comprised the following:

	2022	2021
Personnel expenses	97.879	95.012
Depreciation and amortization expenses	18.700	18.815
Commission expense	14.682	16.889
Maintenance, repair and technology expenses	13.580	14.910
Insurance expenses	13.520	13.604
Taxes, duties and fees other than on income	8.151	8.905
Consulting expenses	7.339	8.090
Telecommunication expenses	5.731	5.235
Travel and accommodation expenses	5.666	3.499
Representation expenses	5.348	3.819
Rent expense	3.261	3.877
Other expenses	1.455	1.978
Office expenses	1.144	958
Other	32.201	23.163
Total	228.657	218.754

For the year ended 31 December, selling, marketing and distribution expenses comprised the following:

	2022	2021
Advertising and promotion expenses	15.883	10.682
Personnel expenses	7.667	10.686
Commission expense	7.655	5.104
Transportation expenses	2.997	2.458
Consulting expenses	1.963	1.986
Travel and accommodation expenses	1.725	952
Rent expense	801	907
Depreciation and amortization expenses	552	3.014
Maintenance and repair expenses	329	87
Taxes, duties and fees other than on income	287	316
Telecommunication expenses	58	80
Office expenses	--	6
Other	3.878	2.695
Total	43.795	38.973

Çalık Holding Anonim Şirketi and its Subsidiaries

Notes to Consolidated Financial Statements

As at and for the Year Ended 31 December 2022

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

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

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

	2022	2021
Field research expenses (*)	4.766	4.740
Personnel expenses	3.749	1.064
Consulting expenses	2.323	1.614
Travel and accommodation expenses	1.527	736
Depreciation and amortization expenses	1.198	1.560
Representation expenses	356	525
Rent expense	189	41
Other	717	3.637
Total	14.825	13.917

(*) 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.

	2022	2021
<i>Restated (Note 2.f)</i>		
<u>Personnel expenses</u>		
Cost of sales	114.038	65.699
General and administrative expenses	97.879	95.012
Selling, marketing and distribution expenses	7.667	10.686
Research and development expenses	3.749	4.740
Total	223.333	176.137

	2022	2021
<u>Depreciation and amortization expenses</u>		
Cost of sales	34.860	43.511
General and administrative expenses	18.700	18.815
Selling, marketing and distribution expenses	552	3.014
Research and development expenses	1.198	1.560
Total (*)	55.310	66.900

(*) The depreciation and amortization expense of USD 574 was recognised in the inventory. (2021: 1.106).

Çalık Holding Anonim Şirketi and its Subsidiaries

Notes to Consolidated Financial Statements

As at and for the Year Ended 31 December 2022

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

33 Other income and expense from operating services

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

	<i>Restated (Note 2.f)</i>	
	2022	2021
Gain on sale of marketable securities	60.581	10.875
Foreign exchange income	72.337	69.417
Provision cancellation / recycling	45.960	25.092
Other	6.543	32.331
Total	185.421	137.715

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

	<i>Restated (Note 2.f)</i>	
	2022	2021
Foreign exchange expenses	59.838	61.953
Realized guarantee cost expenses	17.701	7.272
Provision expense for receivables from financial sector activities	13.723	28.721
Doubtful receivable provision expenses	9.622	18.540
Land lease line expenses	359	1.196
Rediscount expenses	319	465
Other	54.045	30.074
Total	155.607	148.221

Çalık Holding Anonim Şirketi and its Subsidiaries

Notes to Consolidated Financial Statements

As at and for the Year Ended 31 December 2022

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

34 Gain and loss from investing activities

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

	Restated (Note 2.f)	
	2022	2021
Gain on sale of subsidiary (*)	140.389	55.256
Gain on financial assets at FVTPL (note 10)	51.422	6.302
Dividend income from equity securities held	47.111	60.037
Fair value gain on investment properties	31.818	310
Gain on sale of Investment properties (**)	17.795	--
Gain of derivative financial instruments	4.452	32.518
Addition of subsidiaries	--	6.643
Other	13.975	16.579
Total	306.962	177.645

(*) The Group has sold 30 percent shares of Kartaltepe Madencilik Sanayi ve Ticaret A.Ş. for an amount of and recognized USD 140.191 gain from this sale. USD 150 million in 2022.

(**) The company has sold 43 percent of its investment property with a value of USD 61.895 to Mükafat Portföy Yönetimi A.Ş. İkinci Gayrimenkul Yatırım Fonu. The sale price is USD 44.410 and the profit from sale amounting to USD 17.795 has been recognized in income from investing activities.

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

	2022	2021
Loss on financial assets at FVTPL (note 10)	40.677	12.103
Provision for impairment/(loss) in value of associates	21.157	17
Loss on sale of subsidiary (note 5)	2.734	--
Loss of derivative financial instruments	5.070	--
Loss on sale of property, plant and equipment	50	1.050
Fair value loss on investment properties	--	43.854
Other	996	1.251
Total	70.684	58.275

(*) Gap Pazarlama purchased the shares of Anateks Anadolu Tekstil without charge on 1 December 2022. As of the merger date, no payment was made for the shares of Anateks and 20.412 USD calculated over the net assets of the company at the merger date was recognized as an impairment loss.

Çalık Holding Anonim Şirketi and its Subsidiaries

Notes to Consolidated Financial Statements

As at and for the Year Ended 31 December 2022

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

35 Finance income and finance cost

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

	<i>Restated (Note 2.f)</i>	
	2022	2021
Foreign exchange gains related to borrowings	137.408	185.431
Interest Income	9.331	6.343
Other	246	--
Total	146.985	191.774

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

	<i>Restated (Note 2.f)</i>	
	2022	2021
Interest expenses related to borrowings	74.510	112.332
Foreign exchange gains related to borrowings	78.113	79.676
Bank commission expenses	4.317	5.529
Letters of guarantees commission expenses	4.587	5.340
Other charges and commission expenses	16.586	5.416
Total	178.113	208.293

36 Disclosure of interests in other entities

Information regarding the subsidiaries in which the Group has major non-controlling interests is as follows:

Subsidiaries	Non-controlling interests	Profit attributable to non-controlling interests	Cumulative non-controlling interests	Dividends paid to non-controlling interests
<i>Çalık Enerji</i>				
31 December 2022	4,58	14.236	36.724	(3.870)
31 December 2021	4,58	8.459	29.028	(6.868)

Çalık Holding Anonim Şirketi and its Subsidiaries

Notes to Consolidated Financial Statements

As at and for the Year Ended 31 December 2022

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

36 Disclosure of interests in other entities (continued)

The consolidated financial information of Çalık Enerji before the Group’s consolidation adjustments and eliminations is as follows:

Summary of Çalık Enerji’s statement of financial position	31 December 2022	31 December 2021
Cash and cash equivalents	53.909	95.181
Trade receivables	258.928	268.194
Other current assets	502.562	258.002
Non-current assets	784.937	511.536
Total assets	1.600.336	1.132.913
Short term liabilities	38.452	17.714
Short term portion of long-term loans and borrowings	58.463	33.196
Other short-term liabilities	617.904	371.741
Long term liabilities	80.375	74.702
Total liabilities	795.194	497.353
Total equity	805.141	635.560
Total equity and liabilities	1.600.335	1.132.913
Summary of Çalık Enerji’s statement of profit or loss	2022	2021
Revenue	1.373.601	1.087.564
Cost of sales	(1.064.389)	(778.228)
Other expenses from operating activities	(69.990)	(89.236)
Gain from investing activities	71.642	48.847
Finance income / (cost)	(18.934)	823
Tax incomes / (expenses)	58.914	7.702
Profit for the period	350.844	277.472

Çalık Holding Anonim Şirketi and its Subsidiaries

Notes to Consolidated Financial Statements

As at and for the Year Ended 31 December 2022

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

37 Financial instruments – Fair values and risk management

Financial risk management

Overview

The Group has exposure to the following risks from its use of financial instruments:

- credit risk
- liquidity risk
- market risk
- operational risk

This note presents information about the Group’s exposure to each of the above risks, the Group’s objectives, policies and processes for measuring and managing risks, and the Group’s management of capital. Further quantitative disclosures are included throughout these consolidated financial statements.

Risk management framework

Risk management activities are conducted by a realistic organizational structure and it is fully supported with the commitment of top-level management.

Group acts proactively in terms of risk management in order to ensure that its business operations in different industries and regions are not adversely affected as a result of market, operational, liquidity and counterparty risks. Risk Management and internal audit departments within each sector and at the Group level provide and maintain awareness for different types of risks, including emerging risks, and ensure that appropriate risk management mechanisms are in place.

Banking:

Risk management framework

For the Group’s banking group, Aktifbank and BKT actively use collateral management as the major risk mitigation mechanism. The Board of Directors of the Group’s banking group has overall responsibility for the establishment and oversight of the risk management framework. The Board has established the Audit Committee and Risk Management Department, which are responsible for developing and monitoring the Group’s banking group’s risk management policies in their specified areas. The Audit Committee has non-executive members and report regularly to the Board of Directors on their activities.

The Group’s banking group’s risk management policies are established to identify and analyse the risks faced, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions, products and services offered. The Group’s banking group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment, in which all employees understand their roles and obligations.

The Audit Committee is responsible for monitoring compliance with the risk management policies and procedures, and for reviewing the adequacy of the risk management framework in relation to the risks faced by the Aktif Bank and BKT. The Audit Committee is assisted in these functions by Internal Audit. Internal Audit undertakes both regular and ad-hoc reviews of risk management controls and procedures, the results of which are reported to the Audit Committee.

Çalık Holding Anonim Şirketi and its Subsidiaries

Notes to Consolidated Financial Statements

As at and for the Year Ended 31 December 2022

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

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

Financial risk management (continued)

Credit risk:

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the Group’s receivables from customers and investment securities.

The Group’s principal financial assets are cash and cash equivalents, financial investments, trade receivables and other receivables. The Group requires a certain amount of collateral in respect of its account receivable. Credit evaluations are performed on all customers requiring credit over a certain amount on individual level.

At reporting date, there were no significant concentrations of credit risk. The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the consolidated statement of financial position.

Banking:

Impaired loans and advances to customers and investment securities

Impaired loans and advances to customers and investment debt securities are those for which the Group’s banking group determines that it is probable that it will be unable to collect all principal and interest due to according to the contractual terms of the loans and investment debt securities.

Allowance for impairment

The Group’s banking and finance group establishes an allowance for impairment losses on assets carried at amortised cost that represents its estimate of incurred losses in its loans and advances to customers and investment in debt security portfolio. This allowance is a specific loss component that relates to individually significant exposures.

Due to the increase in the consumer loan portfolio of Aktifbank and the availability of the historical trends of the probability of default, starting from 1 January 2012, Aktifbank started to provide collective loan loss allowance established for groups of homogeneous assets in respect of losses that have been incurred but have not been identified except for loans and receivables subject to individual assessment for impairment.

Write-off policy

The Group’s banking group write off a loan or investment debt security balance, and any related allowances for impairment losses, when the Group’s banking subsidiaries determine that the loan or security is uncollectible. This determination is reached after considering information such as occurrence of significant changes in the borrower’s / issuer’s financial position such that the borrower / issuer can no longer pay the obligation, or that proceeds from collateral will not be enough to pay back the entire exposure.

Loans with renegotiated terms

Loans with renegotiated terms are loans that have been restructured due to deterioration in the borrower’s financial position and where the Group’s banking subsidiaries have made concessions that it would not otherwise consider. Once the loan is restructured it remains in this category independent of satisfactory performance after restructuring.

Çalık Holding Anonim Şirketi and its Subsidiaries

Notes to Consolidated Financial Statements

As at and for the Year Ended 31 December 2021

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

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

Credit risk (continued):

Exposure to credit risk:

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at 31 December was:

31 December 2022	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)	151.719	362.185	338.104	101.043	1.064.899	3.063.197	2.321.523	27.610
Portion of maximum risk covered by guarantees	--	12.759	--	--	--	--	--	--
A. Carrying value of financial assets that are neither past due nor impaired	151.719	338.432	338.104	101.043	1.064.899	3.063.197	2.255.920	27.610
B. Carrying value of financial assets that are past due but not impaired	--	23.753	--	--	--	--	--	--
C. Carrying value of impaired assets	--	--	--	--	--	--	65.603	--
Past due (gross carrying amount)	--	54.216	--	7.956	--	--	174.199	--
- Impairment (-)	--	(54.216)	--	(7.956)	--	--	(108.596)	--
- The part of net value under guarantee with collateral etc	--	--	--	--	--	--	--	--
Not past due (gross carrying amount)	--	--	--	--	--	--	--	--
- Impairment (-)	--	--	--	--	--	--	--	--
D. Elements including credit risk on off statement of financial position	--	--	--	--	--	--	--	--

(*) Balances at central banks and cash on hand are excluded.

(**) Equity securities and investment funds are excluded.

Çalık Holding Anonim Şirketi and its Subsidiaries

Notes to Consolidated Financial Statements

As at and for the Year Ended 31 December 2022

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

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

Credit risk (continued):

Exposure to credit risk (continued):

31 December 2021	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)	151.719	362.185	338.104	101.043	1.064.899	3.063.197	2.321.523	27.610
Portion of maximum risk covered by guarantees	--	12.759	--	--	--	--	--	--
A. Carrying value of financial assets that are neither past due nor impaired	151.719	338.432	338.104	101.043	1.064.899	3.063.197	2.255.920	27.610
B. Carrying value of financial assets that are past due but not impaired	--	23.753	--	--	--	--	--	--
C. Carrying value of impaired assets	--	--	--	--	--	--	65.603	--
Past due (gross carrying amount)	--	54.216	--	7.956	--	--	174.199	--
- Impairment (-)	--	(54.216)	--	(7.956)	--	--	(108.596)	--
- The part of net value under guarantee with collateral etc	--	--	--	--	--	--	--	--
Not past due (gross carrying amount)	--	--	--	--	--	--	--	--
- Impairment (-)	--	--	--	--	--	--	--	--
D. Elements including credit risk on off statement of financial position	--	--	--	--	--	--	--	--

(*) Balances at central banks and cash on hand are excluded.

(**) Equity securities and investment funds are excluded.

Çalık Holding Anonim Şirketi and its Subsidiaries

Notes to Consolidated Financial Statements

As at and for the Year Ended 31 December 2021

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

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

Credit risk (continued):

Impairment losses

As of 31 December 2022, and 2021, 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 2022			
Past due 0-30 days	8.907	--	--
Past due 1-3 months	14.466	--	--
Past due 3-12 months	5.233	--	--
Past due 1-5 years	47.797	25.962	--
More than five years	--	--	--
Total	76.403	25.962	--
Part of secured with guarantee etc.	--	--	--

	Receivables		Receivables from financial sector operations
	Trade Receivables	Other Receivables	
31 December 2021			
Past due 0-30 days	12.145	--	--
Past due 1-3 months	4.668	--	--
Past due 3-12 months	4.568	--	--
Past due 1-5 years	2.373	--	--
More than five years	--	--	--
Total	23.754	--	--
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 2022

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

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

Liquidity risk (continued):

Banking:

Management of liquidity risk

The Group's banking group funds its short-term liquidity with interbank. In the case of long-term liquidity need, the Group's banking group utilises capital and debt market instruments. Additionally, the Group's banking group also funds itself from the domestic and foreign market when it needs additional funds.

Exposure to liquidity risk

The key measure used by the Group's banking group for managing liquidity risk is the ratio of net liquid assets to short-term loans and borrowings. Net liquid assets include cash and cash equivalents and trading debt securities for which there is an active market.

As at 31 December, the followings are carrying amounts, contractual cash flows and the contractual maturities of financial liabilities are as follows:

	Carrying amount	Contractual cash flows	3 months or less	3-12 months	1-5 years	More than 5 year
31 December 2022						
Contractual maturities						
<i>Non-derivative financial liabilities</i>						
Payables related to finance sector operations	(5.902.038)	(5.904.660)	(4.058.245)	(1.051.473)	(747.606)	(47.336)
Loans and borrowings	(1.773.188)	(1.904.530)	(1.079.167)	(322.384)	(444.961)	(58.018)
	(7.675.226)	(7.809.190)	(5.137.412)	(1.373.857)	(1.192.567)	(105.354)
Expected maturities						
<i>Non-derivative financial liabilities</i>						
Trade payables	(295.479)	(295.479)	(243.858)	(51.621)	--	--
Other payable	(82.185)	(82.186)	(57.645)	(3.379)	(21.162)	--
Payable related to employee benefits	(10.212)	(10.212)	(9.014)	(1.198)	--	--
Total	(387.876)	(387.877)	(310.517)	(56.198)	(21.162)	--
Derivative financial instruments						
Inflow	14.192	14.459	7.252	6.350	858	--
Outflow	(4.907)	(4.975)	(2.495)	(2.185)	(295)	--

Çalık Holding Anonim Şirketi and its Subsidiaries

Notes to Consolidated Financial Statements

As at and for the Year Ended 31 December 2022

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

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

Liquidity risk (*continued*)

	Carrying amount	Contractual cash flows	3 months or less	3-12 months	1-5 years	More than 5 year
31 December 2021						
Contractual maturities						
<i>Non-derivative financial liabilities</i>						
Payables related to finance sector operations	(5.488.852)	(5.492.275)	(3.843.419)	(986.104)	(620.648)	(42.104)
Loans and borrowings	(2.069.574)	(2.247.214)	(1.305.452)	(389.377)	(429.551)	(122.834)
Total	(7.558.426)	(7.739.489)	(5.148.871)	(1.375.481)	(1.050.199)	(164.938)
Expected maturities						
<i>Non-derivative financial liabilities</i>						
Trade payables	(284.649)	(284.654)	(135.808)	(148.841)	(5)	--
Other payable	(75.825)	(75.826)	(20.429)	(9.741)	(45.656)	--
Payable related to employee benefits	(8.266)	(8.265)	(5.134)	(3.131)	--	--
Total	(368.740)	(368.745)	(161.371)	(161.713)	(45.661)	--
Derivative financial instruments						
Inflow	27.610	809.949	364.345	296.531	149.073	--
Outflow	(4.112)	(794.187)	(361.363)	(283.994)	(148.830)	--

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 2022

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

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

Interest rate risk

The Group's operations are subject to the risk of interest rate fluctuations to the extent that interest-earning assets and interest-bearing liabilities mature or reprise at different times or in differing amounts. In the case of floating rate assets and liabilities the Group is also exposed to basis risk, which is the difference in reprising characteristics of the various floating rate indices, such as six months Libor and different types of interest. Risk management activities are aimed at optimizing net interest income, given market interest rate levels consistent with the Group's business strategies.

Profile

As at 31 December, the interest rate profile of the Group's interest-bearing financial instruments was as follows:

	<u>2022</u>	<u>2021</u>
Fixed rate instruments		
Financial assets	1.792.368	1.629.091
Financial liabilities	7.304.673	7.139.630
Variable rate instruments		
Financial assets	4.489.038	4.107.989
Financial liabilities	370.553	419.076

As of 31 December 2022, 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 46.486. (31 December 2021: USD 55.422) Under the same conditions, a decrease of 100 basis points in interest rates dominated in Turkish Lira would have increased profit or loss by USD 46.486. This analysis assumes that all other variables remain constant (31 December 2021: USD 55.422).

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 2022

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

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

Currency risk

The Group is exposed to currency risk on sales, purchases and borrowings that are denominated in a currency other than the respective functional currencies of Group entities. The currencies in which these transactions primarily are denominated are TL and Euro (31 December 2021: 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 2022, the currency risk exposures of the Group in USD equivalents are as follows:

CURRENCY POSITION STATEMENT		31 December 2022			
	USD equivalent	TL	EURO	OTHER ^(*)	
1. Trade Receivables	87.885	17.731	1.687	36.528	
2a. Monetary financial assets	2.635.180	266.939	58.985	1.192.384	
2b. Non-monetary financial assets	--	--	--	--	
3. Other	313.499	5.060	14.063	28.090	
4. Current assets (1+2+3)	3.036.564	289.730	74.735	1.257.002	
5. Trade Receivables	414	--	--	414	
6a. Monetary financial assets	2.120.837	1.259	75.982	604.883	
6b. Non-monetary financial assets	--	--	--	--	
7. Other	4.225	391	13	3.567	
8. Non-current assets (5+6+7)	2.125.476	1.650	75.995	608.864	
9. Total Assets (4+8)	5.162.040	291.380	150.730	1.865.866	
10. Trade payables	(109.107)	(23.084)	(1.749)	(51.157)	
11. Financial liabilities	(505.360)	(66.309)	(7.427)	(291.001)	
12a. Other monetary liabilities	(3.426.304)	(17.542)	(119.063)	(1.035.246)	
12b. Other non-monetary liabilities	(31.735)	--	(64)	(30.464)	
13. Short term liabilities (10+11+12)	(4.072.506)	(106.935)	(128.303)	(1.407.868)	
14. Trade payables	--	--	--	--	
15. Financial liabilities	(183.012)	(54.995)	(4.560)	(37.112)	
16a. Other monetary liabilities	(548.340)	(7.119)	(25.952)	(23.880)	
16b. Other non-monetary liabilities	--	--	--	--	
17. Long term liabilities (14+15+16)	(731.352)	(62.114)	(30.512)	(60.992)	
18. Total liabilities (13+17)	(4.803.858)	(169.049)	(158.815)	(1.468.860)	
19. Outside of the financial statements derivatives instruments net assets / (liability) position (19a+19b)	146.699	62	5.214	42.697	
19a. Hedged portion of assets amount	1.067.098	62	17.742	713.348	
19b. Hedged portion of liabilities amount	(920.399)	--	(12.528)	(670.651)	
20. Net foreign currencies assets / (liability) position (9+18+19)	504.881	122.393	(2.871)	439.703	
21. Monetary items Net foreign currencies assets / (liability) position (IFRS 7.b 23) (=1+2a+5+6a+10+11+12a+14+15+16a)	72.193	116.880	(22.097)	395.813	

^(*) 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 2022

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

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

Currency risk (continued)

At 31 December 2021, the currency risk exposures of the Group in USD equivalents are as follows:

CURRENCY POSITION STATEMENT		31 December 2021			
	USD equivalent	TL	EURO	OTHER ^(*)	
1. Trade Receivables	116.059	23.718	2.987	47.275	
2a. Monetary financial assets	2.478.034	4.622	86.073	1.174.852	
2b. Non-monetary financial assets	--	--	--	--	
3. Other	277.171	5.405	16.685	20.046	
4. Current assets (1+2+3)	2.871.264	33.745	105.745	1.242.173	
5. Trade Receivables	630	530	--	100	
6a. Monetary financial assets	1.779.902	1.832	78.229	597.858	
6b. Non-monetary financial assets	--	--	--	--	
7. Other	4.724	117	23	4.256	
8. Non-current assets (5+6+7)	1.785.256	2.479	78.252	602.214	
9. Total Assets (4+8)	4.656.520	36.224	183.997	1.844.387	
10. Trade payables	(158.594)	(25.307)	(7.709)	(16.989)	
11. Financial liabilities	(641.965)	(66.414)	(12.791)	(382.581)	
12a. Other monetary liabilities	(3.075.488)	(6.829)	(145.970)	(866.451)	
12b. Other non-monetary liabilities	(10.089)	--	(38)	(9.524)	
13. Short term liabilities (10+11+12)	(3.886.136)	(98.550)	(166.508)	(1.275.545)	
14. Trade payables	(5)	--	--	--	
15. Financial liabilities	(250.968)	(91.376)	(5.118)	(82.379)	
16a. Other monetary liabilities	(434.132)	--	(27.264)	(22.814)	
16b. Other non-monetary liabilities	(1)	(1)	--	--	
17. Long term liabilities (14+15+16)	(685.106)	(91.377)	(32.382)	(105.193)	
18. Total liabilities (13+17)	(4.571.242)	(189.927)	(198.890)	(1.380.738)	
19. Outside of the financial statements derivatives instruments					
net assets / (liability) position (19a+19b)	31.004	3	6.628	(68.987)	
19a. Hedged portion of assets amount	720.783	3	11.636	545.238	
19b. Hedged portion of liabilities amount	(689.779)	--	(5.008)	(614.225)	
20.Net foreign currencies assets / (liability) position (9+18+19)	116.282	(153.700)	(8.265)	394.662	
21. Monetary items Net foreign currencies assets / (liability) position (TFRS 7.b 23) (=1+2a+5+6a+10+11+12a+14+15+16a)	(186.527)	(159.224)	(31.563)	448.871	

(*) 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 2022

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

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

Currency risk (continued)

Sensitivity analysis

A 10 percent strengthening/weakening of the USD against the other currencies below would have increased/ (decreased) the comprehensive income and profit/loss (excluding the tax effect) of 31 December as follows:

31 December 2022	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	(12.239)	12.239	--	--
2-Hedged portion of TL amounts (-)	--	--	--	--
3-Net effect of TL (1+2)	(12.239)	12.239	--	--
Increase/(decrease) 10 percent of EUR parity				
4-EUR net asset / liability	5.721	(5.721)	--	--
5-Hedged portion of EUR amounts (-)	--	--	--	--
6-Net effect of EUR (4+5)	5.721	(5.721)	--	--
Increase/(decrease) 10 percent of other parities				
7-Other foreign currency net asset / liability	(43.969)	43.969	--	--
8-Hedged portion of other foreign currency amounts (-)	--	--	--	--
9-Net effect of other foreign currencies (7+8)	(43.969)	43.969	--	--
TOTAL (3+6+9)	(50.487)	50.487	--	--

Çalık Holding Anonim Şirketi and its Subsidiaries

Notes to Consolidated Financial Statements

As at and for the Year Ended 31 December 2022

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

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

Currency risk (continued)

31 December 2021	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	15.370	(15.370)	--	--
2-Hedged portion of TL amounts (-)	--	--	--	--
3-Net effect of TL (1+2)	15.370	(15.370)	--	--
Increase/(decrease) 10 percent of EUR parity				
4-EUR net asset / liability	12.468	(12.468)	--	--
5-Hedged portion of EUR amounts (-)	--	--	--	--
6-Net effect of EUR (4+5)	12.468	(12.468)	--	--
Increase/(decrease) 10 percent of other parities				
7-Other foreign currency net asset / liability	(39.466)	39.466	--	--
8-Hedged portion of other foreign currency amounts (-)	--	--	--	--
9-Net effect of other foreign currencies (7+8)	(39.466)	39.466	--	--
TOTAL (3+6+9)	(11.628)	11.628	--	--

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 2022

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

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

Capital management (continued)

Banking:

Aktifbank

BRSA sets and monitors capital requirements for the Aktifbank regularly.

The capital adequacy ratio calculations are made in accordance with the “Regulation on Measurement and Evaluation of Capital Adequacy of Banks” published in Official Journal No 28337 of 28 June 2012 from 1 July 2012. Standard Method is used to calculate market risk, which is included in computation of capital adequacy ratio.

In implementing current capital requirements of BRSA requires Aktifbank to maintain a 12 percent ratio of total capital to total risk-weighted assets.

As at 31 December 2022, the Aktifbank’s capital adequacy ratio is 16,29 percent (31 December 2021: 13,75 percent).

BKT

BKT’s policy is to maintain a strong capital base to maintain investor, creditor and market confidence and to sustain future development of the business. The impact of the level of capital on shareholder’s return is also recognised and BKT recognises the need to maintain a balance between the higher returns that might be possible with greater gearing and the advantages and security afforded by a sound capital position. There have been no material changes in BKT’s management of capital during the period.

Regulatory capital: BKT monitors the adequacy of its capital using, among other measures, the rules and ratios established by the Albanian regulator, the Bank of Albania (“BoA”), which ultimately determines the statutory capital required to underpin its business. The regulation “On capital adequacy” is issued pursuant to Law No. 8269 date 23 December 1997 “On the Bank of Albania”, and Law No. 9662 dated 18 December 2006 “On Banks in the Republic of Albania”.

The Capital Adequacy Ratio is the proportion of the regulatory capital to risk weighted exposures, calculated as the sum of the risk-weighted exposure amounts, on- and off-statement of financial position for credit risk and for credit counterparty risk, capital requirement for market and operational risk. The minimum Capital Adequacy Ratio required by Bank of Albania is 12 percent, while BKT has maintained this ratio at 15,98 percent as at 31 December 2022 (31 December 2021: 15,98 percent).

In December 2022, BKT has reported Regulatory Capital Ratio, Tier 1 Capital Ratio and Common Equity Tier 1 Ratio as 15,98 percent, 15,25 percent and 15,25 percent, respectively. (31 December 2021: 15,98 percent, 15,25 percent and 15,25 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 2022

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

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

Operational risk

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the Group’s processes, personnel, technology and infrastructure, and from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of corporate behavior. Operational risks arise from all of the Group’s operations.

The Group’s objective is to manage operational risk to balance the avoidance of financial losses and damage to the Group’s reputation with overall cost effectiveness and to avoid control procedures that restrict initiative and creativity.

The primary responsibility for the development and implementation of controls to address operational risk is assigned to senior management within each business unit. This responsibility is supported by the development of overall Group standards for the management of operational risk in the following areas:

- requirements for appropriate segregation of duties, including the independent authorisation of transactions
- requirements for the reconciliation and monitoring of transactions,
- compliance with regulatory and other legal requirements,
- documentation of controls and procedures,
- requirements for the periodic assessment of operational risks faced, and the adequacy of controls and procedures to address the risks identified,
- requirements for the reporting of operational losses and proposed remedial action,
- development of contingency plans,
- training and professional development,
- ethical and business standards,
- risk mitigation, including insurance where this is effective.

Compliance with Group standards is supported by a programme of periodic reviews undertaken by Internal Audit.

Fair value information

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or in its absence, the most advantageous market to which the Group has access at that date.

When available, the Group measures the fair value of an instrument using the quoted price in an active market for that instrument. A market is regarded as active if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis. If there is no quoted market price in an active market, then the Group uses valuation techniques that maximise the use of relevant observable inputs and minimise the use of unobservable inputs.

Çalık Holding Anonim Şirketi and its Subsidiaries

Notes to Consolidated Financial Statements

As at and for the Year Ended 31 December 2022

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

37 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 2022	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 (**)	--	679.732	2.458.184	3.137.916	2.021.342	879.882	236.692	3.137.916
Derivatives (**)	--	14.192	--	14.192	--	14.192	--	14.192
Financial assets not measured at fair value								
Financial investments (**)	909.064	--	--	909.064	390.614	518.450	--	909.064
Trade receivables	419.564	--	--	419.564	--	--	--	--
Other receivables	524.806	--	--	524.806	--	--	--	--
Cash and cash equivalents	1.043.602	--	--	1.043.602	--	--	--	--
Receivables related to finance sector operations	2.401.234	--	--	2.401.234	--	--	--	--
Total	5.298.270	693.924	2.458.184	8.450.378	2.411.956	1.412.524	236.692	4.061.172
Financial liabilities measured at fair value								
Derivatives (**)	--	4.907	--	4.907	--	4.907	--	4.907
Financial liabilities not measured at fair value								
Loans and borrowings (**)	1.773.188	--	--	1.773.188	--	--	1.773.183	1.773.183
Trade payables	295.479	--	--	295.479	--	--	--	--
Payables related to finance sector operations	5.902.038	--	--	5.902.038	--	--	--	--
Other payables (*)	15.158	--	--	15.158	--	--	--	--
Total	7.985.863	4.907	--	7.990.770	--	4.907	1.773.183	1.778.090

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

(**) Carrying value and fair value of this assets and liabilities are the same.

Çalık Holding Anonim Şirketi and its Subsidiaries

Notes to Consolidated Financial Statements

As at and for the Year Ended 31 December 2022

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

37 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 2021	Amortised costs	Measured at fair value through profit or loss	Measured at fair value through other comprehensive income	Total book value	Level 1	Level 2	Level 3	Total net realisable value
Financial assets measured at fair value								
Financial investments (**)	--	465.934	2.696.451	3.162.385	1.867.900	1.017.226	277.259	3.162.385
Derivatives (**)	--	27.610	--	27.610	--	27.610	--	27.610
Financial assets not measured at fair value								
Financial investments (**)	279.795	--	--	279.795	80.500	199.295	--	279.795
Trade receivables	513.903	--	--	513.903	--	--	--	--
Other receivables	439.147	--	--	439.147	--	--	--	--
Cash and cash equivalents	1.271.777	--	--	1.271.777	--	--	--	--
Receivables related to finance sector operations	2.321.523	--	--	2.321.523	--	--	--	--
Total	4.826.145	493.544	2.696.451	8.016.140	1.948.400	1.244.131	277.259	3.469.790
Financial liabilities measured at fair value								
Derivatives (**)	--	4.112	--	4.112	--	4.112	--	4.112
Financial liabilities not measured at fair value								
Loans and borrowings (**)	2.069.574	--	--	2.069.574	--	--	2.069.575	2.069.575
Trade payables	284.649	--	--	284.649	--	--	--	--
Payables related to finance sector operations	5.488.852	--	--	5.488.852	--	--	--	--
Other payables (*)	23.751	--	--	23.751	--	--	--	--
Total	7.866.826	4.112	--	7.870.938	--	4.112	2.069.575	2.073.687

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

(**) Carrying value and fair value of this assets and liabilities are the same.

Çalık Holding Anonim Şirketi and its Subsidiaries

Notes to Consolidated Financial Statements

As at and for the Year Ended 31 December 2022

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

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

Fair value information (continued)

Fair value hierarchy

The fair value hierarchy consists of three levels, depending upon whether fair values are determined based on quoted prices in an active market (Level 1), valuation techniques with observable inputs (Level 2) or valuation techniques that incorporate inputs which are unobservable and which have significant impact on the fair value of the instrument (Level 3):

The Group measures fair values using the following fair value hierarchy, which reflects the significance of the inputs used in making the measurements.

- Level 1: This category includes inputs that are quoted market prices (unadjusted) in active markets for identical instruments. These are instruments where the fair value can be determined directly from prices which are quoted in active, liquid markets and where the instrument observed in the market is representative of that being priced in the Group’s portfolio.
- Level 2: This category includes inputs other than quoted prices included within Level 1 that are observable either directly (i.e. as prices) or indirectly (i.e. derived from prices). This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques in which all significant inputs are directly or indirectly observable from market data.
- Level 3: This category includes all instruments where the valuation technique uses inputs based on unobservable data, which could have a significant effect on the instrument’s valuation. This category includes instruments that are valued based on quoted prices for similar instruments where significant, unobservable adjustments or assumptions are required to reflect differences between instruments. Unobservable in this context means that there is little or no current market data available from which the price at which an arm’s length transaction would be likely to occur can be derived.

Valuation models

The Group uses following assumptions to estimate the fair value of financial instruments:

Equity securities: Fair values of publicly traded equity securities are based on quoted market prices where available. In the case of where no quoted market is available, fair value is determined based on quoted prices for similar securities or other valuation techniques. Valuation techniques include discounted cash flow models and transaction multiple methods.

Valuation of equity securities designated as at fair value through profit or loss was carried out by an independent appraiser firm as at 31 December 2022. Discounted cash flow method was used as valuation method and the fair value of this investment was assessed USD 590.090 (31 December 2021: USD 275.608).

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 2022

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

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

Fair value information (continued)

Valuation models (continued)

Derivative assets and liabilities: Derivatives are valued using valuation techniques. The valuation techniques and inputs depend on the type of derivative and the nature of the underlying instruments. Observable prices or model inputs are usually available in the market for exchange-traded derivatives and simple over-the-counter derivatives.

Availability of observable market prices and model inputs reduces the need for management judgement and estimation and also reduces the uncertainty associated with determining fair values. The principal technique used to value these instruments are based on discounted cash flows. These valuation models calculate the present value of expected future cash flows. Inputs to valuation models are determined from observable market data where possible. The inputs used include prices available from exchanges, dealers, brokers or providers of consensus pricing, yield curves, credit spreads, default rates, recovery rates, volatility of underlying interest rates, equity prices and foreign currency exchange rates. These inputs are determined with reference to quoted prices, recently executed trades, independent market quotes, where available.

Fair value estimates obtained from models are adjusted for any other factors, such as liquidity risk or model uncertainties; to the extent that the Group believes that a third party market participant would take them into account in pricing a transaction. Fair values reflect the credit risk of the instrument and include adjustments to take account of the credit risk of the Group entity and the counterparty where appropriate. For measuring derivatives, fair values taken into account both credit valuation adjustments and debit valuation adjustments.

Çalık Holding Anonim Şirketi and its Subsidiaries

Notes to Consolidated Financial Statements

As at and for the Year Ended 31 December 2022

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

38 Group enterprises

The consolidated financial statements aggregate financial information from the following entities:

Subsidiaries

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

Company name	Direct controlling interest of Çalık Holding and its subsidiaries		Effective ownership interest of Çalık Holding and its Subsidiaries	
	2022	2021	2022	2021
Adacami Enerji (1)	99,95	99,95	95,38	95,38
Aktif Portföy (5)	80	80	79,89	79,89
Aktif Ventures (5) (*****)	--	100	--	99,87
Aktifbank	99,43	99,43	99,87	99,87
Aktiftech (5) (****)	100	--	99,87	--
Akuamarin (5)	100	100	99,87	99,87
Albtelecom (****)	--	80,27	--	74,78
Amethyst (6) (****)	--	100	--	99,29
Ametist Solar (5)	100	100	99,87	99,87
Anateks (4) (****)	100	--	99,91	--
Ant Enerji (1)	100	100	95,42	95,42
Artmin (6)	70	70	69,50	69,5
Atayurt İnşaat (1)	99,5	99,5	95,20	95,2
Attivo (5)	90	90	89,88	89,88
Aytaşı (5)	100	100	99,87	99,87
Başak Yönetim	100	100	100,00	100
BKT (7)	100	100	100,00	100
BKT Kosova	100	100	100,00	100
Calik Denim B.V. (3)	100	100	99,80	99,8
CE Solaire 1 (1)	95	95	90,65	90,65
CE Solaire 2 (1)	95	95	90,65	90,65
Ce Solar D. Skopje (1) (****)	86,39	--	95,42	--
Cetel Telekom	100	93,16	100,00	93,16
Çalık Albania Wind (1) (****)	86,39	--	95,42	--
Çalık Alexandria (4)	94	94	99,81	99,81
Çalık Denim	99,8	99,8	99,80	99,8
Çalık Dijital	100	100	100,00	100
Çalık Enerji	99,9	95,42	95,42	95,42
Çalık Enerji Swiss A.G. (1)	100	100	95,42	95,42
Çalık Georgia (1)	95,42	100	95,42	95,42
Çalık Hava	100	100	100,00	100
Çalık İnşaat (2)	100	99,98	99,33	99,16
Çalık Japan (1)	100	100	95,42	95,42
Çalık Pamuk (7)	99,8	86,39	86,39	86,39
Çalık Petrol	86,39	--	80,00	--
Çalık Proje (1)	100	100	96,75	96,69
Çalık Rüzgar (1)	95	95	90,65	90,65
Çalık Tarım (8)	100	100	86,39	86,39
ÇEDAŞ (1)	99,90	99,9	95,38	95,38
Çiğdem (5)	100	100	99,87	99,87
ÇL Enerji (1)	100	100	95,42	95,42
Defne (5)	100	100	99,87	99,87
Demircili (1)	85	85	81,11	81,11
Deniz Güneş Enerjisi (5)	100	100	99,87	99,87
Deutsche Tiefbau (2)	100	100	99,33	99,17

Çalık Holding Anonim Şirketi and its Subsidiaries

Notes to Consolidated Financial Statements

As at and for the Year Ended 31 December 2022

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

38 Group enterprises (continued)

Subsidiaries (continued)

Company name	Direct controlling interest of Çalık Holding and its subsidiaries		Effective ownership interest of Çalık Holding and its Subsidiaries	
	2022	2021	2022	2021
Doğal Hayat Jeotermal	50	--	40,00	--
Duru (5)	100	100	99,87	99,87
E-Kent (5)	99,87	100	99,73	99,87
Eko Biokütle (5)	100	100	99,87	99,87
Emlak Girişim (5)	100	100	99,87	99,87
E-Post (5)	100	99,86	99,87	99,87
Esen (5)	100	100	99,87	99,87
Eurokos (1)	75	75	71,57	71,57
Gap Construction Co. (2)	100	100	99,33	98,91
Gap İnşaat	99,33	99,16	99,33	99,17
Gap İnşaat Dubai (2)	100	100	99,33	99,17
Gap İnşaat Katar (2)	100	100	99,33	98,91
Gap İnşaat Sudan (2)	100	80	99,33	98,22
Gap İnşaat Ukraine (2)	99	99	98,34	98,18
Gap Pazarlama	99,91	99,77	99,91	99,77
Gap Pazarlama FZE (4)	100	100	99,91	99,77
Gappa (4)	100	100	99,91	99,77
Gelincik (5)	100	100	99,87	99,87
Güneştaşı (5)	100	100	99,87	99,87
Innovative Construction (2)	100	100	100,00	99,17
Irmak Yönetim	100	100	100,00	100
İkideniz Petrol	99,99	99,99	99,99	99,99
İnovaban İnovasyon (5)	67	67	66,91	66,91
İpek (5)	100	100	99,87	99,87
Jasper Trading (1)	99	99	94,47	94,47
JSC Georgia (1)	85	85	84,89	81,11
Kaplan Gözü (5)	100	100	99,87	99,87
Kasımpatı (5)	100	100	99,87	99,87
Kentsel Dönüşüm (2)	99,67	99,67	99,25	99,09
Kızılırmak (1)	100	99,3	95,42	94,86
Kuvars (5)	100	100	99,87	99,87
Lapis (5)	100	100	99,87	99,87
Leylak (5)	100	100	99,87	99,87
Lidya Aurasia (6)	100	100	99,29	99,29
Lidya Maden	99,28	99,28	99,29	99,29
Lidya Mali (****)	100	--	99,29	--
Lilyum (5)	100	100	99,87	99,87
Machinego Tekn. (****)	66,67	--	65,10	--
Malatya Boya (3)	100	100	99,80	99,8
Martı (5)	100	100	99,87	99,87
Mehtap (5)	100	100	99,87	99,87
Mercan (5) (***)	--	100	99,87	99,87
Momentum Enerji (1)	100	100	95,42	95,42
Nilüfer (5)	100	100	99,87	99,87
N-Kolay (5)	90,04	90,04	89,92	89,92
Nouvelle Frontiere (6) (***)	--	100	--	99,29

Çalık Holding Anonim Şirketi and its Subsidiaries

Notes to Consolidated Financial Statements

As at and for the Year Ended 31 December 2022

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

38

Group enterprises (continued)

Subsidiaries (continued)

Company name	Direct controlling interest of Çalık Holding and its subsidiaries		Effective ownership interest of Çalık Holding and its Subsidiaries	
	2022	2021	2022	2021
Oniki Teknoloji (5) (*)	--	100	--	99,87
Oniks (5)	100	100	99,87	99,87
Onyx (1)	100	100	95,42	95,42
OOO GAP (2)	100	100	99,33	99,17
Opal (5)	100	100	99,87	99,87
Passo Spor (5)	100	75	99,80	74,9
Pavo (5)	100	100	99,87	99,87
Polimetal Madencilik (6)	100	100	99,87	99,29
Polimetal Mineral (6) (**)	--	100	--	99,29
Saudi Jalik Energy Company (1)	100	100	95,42	95,42
Seher (5)	100	100	99,87	99,87
Sigortayeri (5)	100	100	99,87	99,87
Tanyeri (5)	100	100	99,87	99,87
Taşkent Merkez (1)	100	100	95,42	95,42
TCB İnşaat (1)	100	100	95,42	95,42
Technological Energy (1)	100	100	95,42	95,42
Tura Moda (4)	100	100	99,91	99,77
Turkuvaz (5)	100	100	99,87	99,87
Türkmen Elektrik (1)	95,50	95,5	92,63	92,63
Ufuk (5)	100	100	99,87	99,87
UPT (5)	100	100	99,87	99,87
Uztur (1)	100	100	95,42	95,42
White Construction N.V (2)	100	100	99,33	99,17
Workindo (6)	66,67	66,67	65,10	65,1
Yakamoz (5)	100	100	99,87	99,87
YEDAŞ (1)	100	100	95,38	95,38
YEPAŞ (1)	100	100	95,38	95,38
Yeşilçay Enerji (1)	100	100	95,42	95,42

(*) The (*) E-post Elektronik Retail Otomasyon Satış Ticaret A.Ş. It is united in it.

(**) Lidya Madencilik A.Ş. merged with.

(***) Closed in 2022

(****) It was established in 2022.

(*****) Ownership changed in 2022.

(*****) Transferred to an investment fund in 2022.

1 Consolidated first under Çalık Enerji and then under the Group.

2 Consolidated first under Gap İnşaat and then under the Group.

3 Consolidated first under Çalık Denim, then under the Group.

4 Consolidated first under Gap Pazarlama and then under the Group.

5 Consolidated first under Aktifbank and then under the Group.

6 Consolidated first under Lidya Maden and then under the Group.

7 Consolidated first under Çalık Pamuk and then under the Group.

Çalık Holding Anonim Şirketi and its Subsidiaries

Notes to Consolidated Financial Statements

As at and for the Year Ended 31 December 2022

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

38 Group enterprises (continued)

Joint ventures

The table below sets out the joint ventures 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>	
	2022	2021	2022	2021
CYK Enerji Adi Ortaklığı (1)	99	99	95,42	95,42
Çalık Limak Adi Ortaklığı (1)	50	50	47,69	47,69
Doğu Aras Enerji Yatırımları Anonim Şirketiv	40	40	60	38,17
Dtm Enerji Yatırımları Adi Ortaklığı (1)	50	50	47,71	47,71
HMC Digital (5)	33,33	33,33	33,29	33,29
Kartaltepe Madencilik Sanayi ve Ticaret Anonim Şirketi (6)	50	50	49,64	49,64
Kosova Çalık Limak Energy Sh.A. (1)	50	50	47,71	47,71
LC Electricity Supply and Trading d.o.o. (1)	50	50	46,31	46,31
Machinego Teknoloji Danışmanlık ve İş				
Makinaları Anonim Şirketi (5)	33,33	--	33,33	--
Pkn Enerji Hizmetleri Adi Ortaklığı (1)	50	50	47,71	47,71

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>	
Şirket adı	2022	2021	2022	2021
Aktif Bank Sukuk Varlık Kiralama Anonim Şirketi (5)	100	100	99,87	99,87
Aktif Fortis Enerji Anonim Şirketi (“Aktif Fortis”) (5)	50	50	49,93	49,93
Albania Leasing Company (5)	29,99	29,99	29,99	29,99
Cydev Investment Ltd. (5)	99,99	99,99	25,53	25,53
Dome Zero Inc.v	1,98	1,98	1,98	1,98
Emyap Development Limited (5)	51	51	13,02	13,02
Euroasian Leasing Company (5) (***)	--	36,71	--	36,66
Euro-Mediterranean Investment Company Limited (5)	25,57	25,57	25,54	25,54
Halk Yenilenebilir Enerji Anonim Şirketi (5)	50	50	49,93	49,93
Idea Farm Ventures Limited (5)	30	30	29,96	29,96
Kazakhstan Ijara Company KIC Leasingv	14,32	14,32	14,3	14,3
Kıbrıs Besicilik ve Çiftçilik Teşebbüsleri Limited (5) (***)	--	99,99	--	22,53
Secom Aktif Elektronik Güvenlik Çözümleri A.Ş. (5)	100	100	49,93	49,93
Secom Aktif Güvenlik Yatırım Anonim Şirketi (5)	50	50	49,93	49,93
Silent Valley Partnership (5)	51	51	13,02	13,02
Tasfiye Halinde Haliç Finansal Kiralama Anonim Şirketi (5)	32	32	31,96	31,96
Bakırtepe Madencilik (6)	30	50	49,64	49,64
Lor Dafrique Sarlu (6)	100	100	99,29	99,29
Balkan Dokuma TGPJ (3)	31	31	31	31
Gap Türkmen-Türkmenbaşı Jeans Kompleksi (3)	34,8	34,8	34,7	34,7
Serdar Pamuk Egrigi Fabriği ÇJB (3)	10	10	10	10
Türkmenbaşı Tekstil Kompleksi (3)	32	32	32	32

Çalık Holding Anonim Şirketi and its Subsidiaries

Notes to Consolidated Financial Statements

As at and for the Year Ended 31 December 2022

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

39 Fees for services received from independent auditor/independent audit firm

The explanation of the services fee provided by independent audit firms prepared by the Group regarding the Board decision of the POA published in the Official Gazette on March 30, 2021 is as follows. The preparation principles are based on the POA letter dated August 19, 2021.

	31 December 2022	31 December 2021
Independent audit fee for the reporting period	855.747	806.730
Fee for other assurance services	3.622	1.127
Fees for tax consultancy services	67.367	72.082
Total	926.736	879.939

(*) The foreign currency fees of the foreign subsidiary are translated into USD using the annual average rate of the relevant year.

40 Subsequent events

An earthquake occurred in the southeastern part of Turkey that affected many of our cities. Considering the region in which the Group operates, no direct impact is expected on Group operations.

The regulation dismantling the retirement age requirement for employees who started their working life before 8 September 1999 was published in the Official Gazette on 3 March 2023. Accordingly, the employees who have completed the number of premium days and social insurance period are entitled to retirement. The regulation is expected to have an impact on the timing and probability of settlement of severance payments. The regulation is not expected to have a significant impact on the Group’s financial position and financial performance.

With the amendment made by the Law No. 7440 on the "Restructuring of Certain Receivables and Amending Some Laws" published in Official Gazette on 12 March 2023, a one-time additional tax will be collected from corporate taxpayers over the amounts of exemptions and deductions provided by Corporate Tax Law No. 5520 and by other laws as well as tax bases subject to reduced corporate tax according to Law No. 5520 by submitting the tax in corporate tax return for 2022. Some exceptions and deductions listed in the Law No. 7440 are excluded from the scope of the additional tax. In addition, corporate taxpayers in the provinces and districts affected by the Kahramanmaraş earthquake are exempt from the additional tax. Efforts to determine the additional tax amount to be accrued continue. The tax amount will be recognized as expense in the financial statements for 2023

According to the decision of the board of directors dated March 27, 2023, the subsidiary of the Group, Gap İnşaat Yatırım ve Dış Ticaret A.Ş., was transferred to AktifBank Sukuk Varlık Kiralama A.Ş. (“VKŞ”), within the framework of the Capital Markets Board regulations and other relevant legislation provisions, it is aimed to issue ownership-based lease certificates up to TL 970.000.000 to be sold to qualified investors in the country. Therefore, it has been decided to sign the necessary contracts between the company and VKŞ, to establish all necessary works and transactions regarding the issuance of lease certificates before the Capital Markets Board and other official authorities, stock exchanges and other parties, and to carry out all kinds of transactions within this scope.

On May 8, 2023; Lidya Madencilik Sanayi ve Ticaret A.Ş. 10 percent of all shares of Artmin Madencilik Sanayi ve Ticaret A.Ş. to Alacer Gold Corporation for 120 million USD. The total transfer based on the sales contract; consists of USD 270 million equivalent of 40 percent of the shares. Remaining from the sale is the transfer of 30 percent of shares with a value of 150 million USD; It will be partially completed between the initial investment phase of the Hod Mining project, which is a part of Artmin Madencilik Sanayi ve Ticaret A.Ş, and the first anniversary phase of the project's transition to commercial production. At the end of the whole process, the new capital structure of Artmin Madencilik Sanayi ve Ticaret A.Ş is 40 percent of Alacer Gold Corporation, 30 percent of Mariana Turkey Limited and 30 percent of Lidya Madencilik Sanayi ve Ticaret A.Ş.