

**Çalık Enerji Sanayi ve Ticaret
Anonim Şirketi and its Subsidiaries**

**Consolidated Financial Statements
As at and for the Year Ended
31 December 2023 Together With
The Independent Auditor's Report**

Çalık Enerji Sanayi ve Ticaret Anonim Şirketi and its Subsidiaries

Table of Contents

	Page Number
Independent Auditor's Report	1-5
Consolidated Statement of Financial Position	6-7
Consolidated Statement of Profit or Loss and Other Comprehensive Income	8
Consolidated Statement of Changes in Equity	9-10
Consolidated Statement of Cash Flows	11
Notes to the Consolidated Financial Statements	12-88



**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 Enerji Sanayi ve Ticaret Anonim Şirketi

Report on the audit of the consolidated financial statements

Opinion

We have audited the consolidated financial statements of Çalık Enerji Sanayi ve Ticaret Anonim Şirketi ("the Company") and its subsidiaries ("the Group"), which comprise the consolidated statement of financial position as at December 31, 2023, 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, 2023, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Turkish Financial Reporting Standards ("TFRS").

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 our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matters	How key audit matters addressed in the audit
<i>Service concession contracts</i>	
The Group considered the terms of service concession agreements and applied a model in accordance with TFRS Interpretation 12 and recognize a financial asset in its consolidated financial statement. Group accounted the income which is calculated by effective interest method on financial assets as interest income from service concession agreements. In addition, the Group performs impairment assessments and book provisions if necessary, for its financial assets within the scope of TFRS 9 Financial Instruments standard, since financial assets are subject to impairment. As of December 31, 2023, the Group has financial assets amounting to USD 287.786 thousands and interest income amounting to USD 159.383 thousands obtained by service concession agreements. Due to the complexity of the accounting of the service concession agreements in accordance with TFRS Interpretation 12 and the related legislation, and since such process requires use of management estimates accounting of service concession contracts has been identified as key audit matter. Details of financial assets carried as part of TFRS Interpretation 12 are disclosed in Note 8 of the consolidated financial statements.	Our audit procedures in this area include: - We have obtained and analyzed the service concession agreements. - We have evaluated the relevance of the revenue recognition model with the legislation. - As interest income is calculated based on the internal rate of return, the calculation of the internal rate of return is tested. - The payment amount confirmed to be paid by Energy Market Regulatory Authority ("EMRA") related to the investments controlled from the supporting documents. - Reasonable rate of return was controlled from the communiqué published in the Official Gazette. - Amount of financial asset calculated based on the service concession agreement model was agreed to the consolidated financial statements. - We have evaluated the adequacy of the financial statement disclosures.

Key Audit Matters	How key audit matters addressed in the audit
Revenue recognition	
The Group conducts mainly engineering, procurement and construction projects (“EPC”) in Turkey and abroad. The revenue from the construction contracts amounting to USD 592.692 thousands constituted a significant portion of the Group’s total revenue as of and for the year ended December 31, 2023. The recognition of the amount and timing of the revenue generated from EPC projects in the period in which they are incurred calculated and accounted for by using the input method under TFRS 15 Revenue from Contracts with Customers. By using the input method revenue is recognized by comparing the costs incurred by the Group for the fulfillment of performance obligations in an EPC project to the expected total costs for the fulfillment of performance obligation in the consolidated financial statements. The measurement of the contract revenue and estimation of the contract costs are based on a variety of uncertainties that depend on the outcome of future events and demand of revision of the projects which require significant management’s estimates and judgements. Revenue recognition from EPC contracts were determined as key audit matter, due to the significant management estimates and the level judgement.	Our audit procedures in this area include: - We evaluated the operating effectiveness of the controls over the relevant processes regarding the accuracy and timing of revenue recognized in the consolidated financial statements. - We assessed the terms and conditions of significant EPC contracts in order to evaluate the estimates used by the management and to determine whether the revenue is recognized in the relevant periods. - We have discussed the status and the cost budgets of projects under construction with finance and technical staff of the Group and obtained supporting documents. -The costs incurred by the Group for ongoing projects have been tested by using sampling method. - We have recomputed contract revenue by using the percentage of completion method. - We have tested journal entries related to accounting of revenue and contract by focusing on unusual and one-off journal entries. - We have tested the recoverability of the receivables from EPC contracts by assessing the historical collection performance of the Group, inspecting the relevant additional protocols and correspondences and discussing with the Group management. - We assessed the adequacy of the disclosures of revenue in the notes to the financial statements.

Key Audit Matters	How key audit matters addressed in the audit
<i>Application of TAS 29 – Financial Reporting in Hyperinflationary Economies</i> As stated in Note 2.6 to the consolidated financial statements, the Group has started to apply “TAS 29 Financial Reporting in Hyperinflation Economies” since the functional currency of the subsidiaries of the Group (Turkish Lira) is the currency of a hyperinflationary economy as per TAS 29 as of December 31, 2023. In accordance with TAS 29, financial statements of the subsidiaries whose functional currency is Turkish Lira for previous periods have been restated for the changes in the general purchasing power of Turkish Lira. In accordance with the guidance in TAS 29, the Group utilized the Turkey consumer price indices to prepare inflation adjusted financial statements. Given the significance of the impact of TAS 29 on the reported result and financial position of the Group, we have assessed the hyperinflation accounting as a key audit matter.	Our audit procedures included the following: - We inquired management responsible for financial reporting on the principles, which they have considered during the application of TAS 29, identification of non-monetary accounts and tested TAS 29 models designed, - We have tested the inputs and indices used, to ensure completeness and accuracy of the calculations, - We have audited the restatements of corresponding figures as required by TAS 29, - We assessed the adequacy of the disclosures in inflation adjusted financial statements for compliance with TAS 29.

Other Matter

We have expressed an unqualified opinion in our auditor's report dated May 15, 2024 on the consolidated financial statements of the Group for the period of 1/1/2023-31/12/2023, which are prepared in accordance with Turkish Accounting Standards and presented in Turkish Lira (“TL”). The accompanying consolidated financial statements are presented in US Dollar (“USD”).

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 TFRS, 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's 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 InAS will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with InAS, 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.

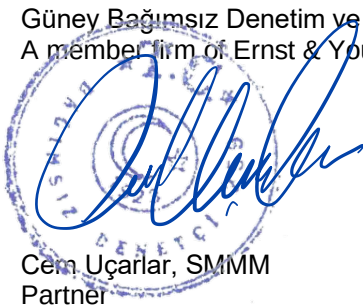
From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation 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 2023 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 Cem Uçarlar.

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



Cem Uçarlar, SMMM
Partner

May 15, 2024
Istanbul, Turkey

Çalık Enerji Sanayi ve Ticaret Anonim Şirketi and its Subsidiaries

Consolidated Statement of Financial Position

As of December 31, 2023

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

		Current Period	Prior Period
		Audited	Audited
	Note	December 31, 2023	December 31, 2022
ASSETS			
Current assets			
Cash and cash equivalents	5	70.038	39.821
Restricted amounts	6	5.368	14.088
Financial investments	7	6.600	48.457
Trade receivables		289.188	258.928
-Due from related parties	4, 8	127.643	128.775
-Due from third parties	8	161.545	130.153
Other receivables		41.159	30.796
-Due from related parties	4, 9	16.481	17.267
-Due from third parties	9	24.678	13.529
Receivables from customer contracts		310.570	199.360
-Contractual assets arising from ongoing construction and contracting works	17	310.570	199.360
Service concession receivables	8	126.069	61.989
Inventories	10	61.330	65.734
Prepaid expenses	11	55.995	98.980
Current tax assets	22	14.057	9.929
Other current assets	16	20.197	28.656
Total current assets		1.000.571	856.738
Non-current assets			
Trade receivables		26.146	31.658
- Due from related parties	4, 8	-	1.660
- Due from third parties	8	26.146	29.998
Other receivables		19.724	44.394
- Due from related parties	4, 9	-	10.679
- Due from third parties	9	19.724	33.715
Service concession receivables	8	161.717	190.745
Financial investments	7	17.103	13.185
Equity accounted investees	12	314.289	185.632
Investment properties	15	130.590	103.714
Property, plant and equipment	13	96.914	57.902
Rights of use asset		5.075	4.311
Intangible assets	14	96.636	15.312
Prepaid expenses	11	6.914	949
Deferred tax assets	22	149.140	95.472
Other non-current assets		1.106	324
Total non-current assets		1.025.354	743.598
Total assets		2.025.925	1.600.336

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

Çalık Enerji Sanayi ve Ticaret Anonim Şirketi and its Subsidiaries

Consolidated Statement of Financial Position

As of December 31, 2023

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

		Current Period	Prior Period
		Audited	Audited
		December 31,	December 31,
	Note	2023	2022
LIABILITIES			
Current liabilities			
Short term borrowings	18	78.847	38.452
Short term portion of longterm borrowings	18	38.371	58.463
Trade payables		136.124	211.179
-Due to related parties	4, 8	6.248	7.147
-Due to third parties	8	129.876	204.032
Payables related to employee benefits	19	7.770	6.243
Other payables		107.675	89.945
- Due to related parties	4, 9	53.886	42.556
-Due to third parties	9	53.789	47.389
Payables from customer contracts		331.356	203.344
-Contractual liabilities arising from ongoing construction and contracting works	17	20.150	22.338
-Other contract liabilities	17	311.206	181.006
Deferred revenue	11	4.363	26.098
Current tax liabilities	22	-	16.684
Short term provisions		14.095	16.549
-Short-term employee benefits	20	4.070	4.244
-Other short-term provisions	20	10.025	12.305
Other current liabilities	16	24.654	47.862
Total current liabilities		743.255	714.819
Non-current liabilities			
Long term borrowings	18	106.826	70.719
Other payables		5.392	4.703
-Due to third parties	9	5.392	4.703
Long term provisions		6.516	4.924
-Long term employee benefits	20	6.516	4.924
Deferred tax liabilities	22	8.828	29
Other non-current liabilities		52	-
Total non-current liabilities		127.614	80.375
Total liabilities		870.869	795.194
EQUITY			
Equity attributable to owners of the Company			
Paid-in capital	23	79.975	79.975
Items that will or may be reclassified to profit or loss		(498.927)	(440.071)
Restricted reserves		242.691	246.924
Retained earnings		1.015.135	567.301
Net profit for the year		312.471	348.454
Total equity attributable to owners of the Company		1.151.345	802.583
Total non controlling interests	23	3.711	2.559
Total equity		1.155.056	805.142
Total equity and liabilities		2.025.925	1.600.336

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

Çalık Enerji Sanayi ve Ticaret Anonim Şirketi and its Subsidiaries

**Consolidated Statement of Profit or Loss and Other Comprehensive Income
For the Year Ended December 31, 2023**

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

		Current Period	Prior Period
		Audited	Audited
	Note	January 1 - December 31, 2023	January 1 - December 31, 2022
Revenue	24	1.564.425	1.373.601
Cost of sales	25	(1.231.573)	(1.064.389)
Gross profit		332.852	309.212
Administrative expenses	25	(85.632)	(53.012)
Research and development expenses	25	(6.914)	(5.772)
Other income from operating activities	26	26.897	49.678
Other expense from operating activities	26	(19.688)	(62.917)
Share of profit of equity accounted investees	12	114.331	26.335
Operating profit		361.846	263.524
Income from investing activities	27	36.888	45.336
Expenses from investing activities	27	(38.921)	(29)
IFRS 9 Impairment gains (cancellations) and cancellation of impairment losses	27	(11.489)	2.032
Operating profit before finance cost		348.324	310.863
Finance income	28	25.177	6.382
Finance costs	28	(52.002)	(25.315)
Net monetary gain / loss arising from hyperinflationary economies		(54.402)	-
Net finance costs		(81.227)	(18.933)
Profit before tax		267.097	291.930
Tax expense			
Current tax expense	22	(9.843)	(21.093)
Deferred tax benefit/(expense)	22	55.255	80.006
Profit for the year		312.509	350.843
Profit attributable to:			
Owners of the Company		312.471	348.454
Non-controlling interests		38	2.389
Profit for the year		312.509	350.843
Earnings per share		0,029	0,032
Other comprehensive income that may be reclassified to profit or loss			
Foreign currency translation differences		(165.079)	(101.215)
Total other comprehensive income		(165.079)	(101.215)
Total comprehensive income		147.430	249.628
Total comprehensive income attributable to:			
Owners of the Company		148.464	247.988
Non-controlling interests		(1.034)	1.640
Total comprehensive income		147.430	249.628

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

Çalık Enerji Sanayi ve Ticaret Anonim Şirketi and its Subsidiaries

**Consolidated Statement of Changes in Equity
For the Year Ended December 31, 2023**

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

		Other comprehensive income items that will or may be classified to profit or loss	Restricted reserves	Retained earnings				
	<i>Paid in capital</i>	<i>Translation reserve</i>	<i>Legal reserves</i>	<i>Retained earnings</i>	<i>Net profit for the year</i>	<i>Total equity attributable to owners of the Company</i>	<i>Non- controlling interests</i>	<i>Total equity</i>
Balances at January 1, 2023	79.975	(440.071)	246.924	567.301	348.454	802.583	2.559	805.142
Hyperinflation monetary adjustments (see note 2.6)		-	-	154.576	-	154.576	2.186	156.762
Restated balance at 1 January 2023	79.975	(440.071)	246.924	721.877	348.454	957.159	4.745	961.904
Total comprehensive income								
Profit for the year	-	-	-	-	312.471	312.471	38	312.509
Foreign currency translation differences	-	(164.007)	-	-	-	(164.007)	(1.072)	(165.079)
Total comprehensive income	-	(164.007)	-	-	312.471	148.464	(1.034)	147.430
Transaction with owners of the Company								
Inflation effect	-	105.151	-	-	-	105.151	-	105.151
Dividends paid	-	-	(7.801)	(51.628)	-	(59.429)	-	(59.429)
Transfers	-	-	3.568	344.886	(348.454)	-	-	-
Total transaction with owners of the Company	-	105.151	(4.233)	293.258	(348.454)	45.722	-	45.722
Balances at December 31, 2023	79.975	(498.927)	242.691	1.015.135	312.471	1.151.345	3.711	1.155.056

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

Çalık Enerji Sanayi ve Ticaret Anonim Şirketi and its Subsidiaries

**Consolidated Statement of Changes in Equity
For the Year Ended December 31, 2023**

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

		Other comprehensive income items that will or may be classified to profit or loss	Restricted reserves	Retained earnings				
	<i>Paid in capital</i>	<i>Translation reserve</i>	<i>Legal reserves</i>	<i>Retained earnings</i>	<i>Net profit for the year</i>	<i>Total equity attributable to owners of the Company</i>	<i>Non- controlling interests</i>	<i>Total equity</i>
Balances at January 1, 2022	79.975	(339.605)	234.299	383.350	275.933	633.952	1.610	635.562
<i>Total comprehensive income</i>								
Profit for the year	-	-	-	-	348.454	348.454	2.389	350.843
Foreign currency translation differences	-	(100.466)	-	-	-	(100.466)	(749)	(101.215)
Total comprehensive income	-	(100.466)	-	-	348.454	247.988	1.640	249.628
Transaction with owners of the Company								
Change in interest in subsidiaries without change in control	-	-	-	448	-	448	-	448
Advance dividends paid	-	-	281	(2.812)	-	(2.531)	-	(2.531)
Dividends paid	-	-	12.344	(89.618)	-	(77.274)	(691)	(77.965)
Transfers	-	-	-	275.933	(275.933)	-	-	-
Total transaction with owners of the Company	-	-	12.625	183.951	(275.933)	(79.357)	(691)	(80.048)
Balances at December 31, 2022	79.975	(440.071)	246.924	567.301	348.454	802.583	2.559	805.142

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

Çalık Enerji Sanayi ve Ticaret Anonim Şirketi and its Subsidiaries

Consolidated Statement of Cash Flows

For the Year Ended December 31, 2023

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

	Notes	January 1 – December 31, 2023	January 1 – December 31, 2022
A. CASH FLOWS FROM OPERATING ACTIVITIES		104.992	149.440
Profit for the year		312.509	350.843
Adjustments to reconcile cash flow generated from operating activities:		(210.517)	(268.967)
Adjustments for depreciation and amortisation	25	25.984	12.660
Adjustments for doubtful receivables	8	11.489	(2.032)
Adjustments for provisions, net	20	3.972	3.521
Adjustments for share of profit of equity accounted investees	12	(114.331)	(26.335)
Adjustments for dividends received	27	(12.629)	(12.385)
Adjustments for deposits and guarantee received	28	2.882	1.973
Adjustments for interest income and expenses		27.381	17.680
Adjustments for financial income of the service concession receivables	8	(159.383)	(152.339)
Adjustments for fair value changes of the financial investments	27	26.407	(29.577)
Adjustments for fair value (gain) / loss of investment property	27	(10.366)	-
Adjustments for tax expense	22	(45.412)	(58.913)
Adjustments for net gain from sale of affiliate		-	(199)
Adjustments for the net gains on sales of property, plant and equipment and intangible assets	27	31	(58)
Adjustments for unrealized foreign exchange (gain) / losses		33.458	(22.963)
Changes in working capital		(70.103)	(2.368)
Change in inventories		25.903	51.703
Change in trade receivables		(51.690)	(16.832)
Change in customer contract assets		(168.141)	(64.753)
Change in payables related to employee benefits		3.717	3.937
Change in other current assets, non-current assets related with other receivables and operating activities		66.987	(120.047)
Change in trade payables		(73.528)	122.430
Change in customer contract liabilities		128.012	161.373
Change in prepaid expenses		34.138	(59.477)
Change in deferred income		(21.735)	(134.631)
Change in other payables and other liabilities related with operating activities		(27.777)	32.983
Change in restricted cash and cash equivalents	6	8.720	(3.782)
Change in deposits and guarantees		5.291	24.728
Cash flows used in operating activities		73.103	69.932
Employee termination indemnity paid	20	(2.364)	(315)
Collections from doubtful receivables	27	5.572	5.628
Taxes paid		(20.812)	(9.910)
Interest received	26	8.862	4.560
Collection of principals from service concessions	8	51.034	43.509
Collection of financial income from service concessions	8	30.811	26.460
B. CASH FLOWS USED IN INVESTING ACTIVITIES		(102.388)	(195.555)
Proceeds from sales of property, plant and equipment and intangible assets		112	15.155
Changes in financial investment	7	(2.730)	(6.539)
Acquisition of property, plant and equipment	13	(16.754)	(88.901)
Acquisition of property, intangible assets	14	(6.676)	(25)
Acquisition of investment properties	15	(16.510)	(74.878)
Cash inflow from affiliate sales		282	-
Change in trade receivable from related parties		10.055	7.473
Interest received from related parties	27	1.410	3.088
Dividends received	27	12.629	12.385
Investments related to service concession agreement	8	(84.206)	(63.313)
C. CASH FLOWS USED IN FINANCING ACTIVITIES		63.138	7.112
Changes in trade payables due to related parties		11.330	39.035
Interest paid to related parties	28	(10.443)	(8.359)
Dividend paid		(59.429)	(80.496)
Proceeds from loans and borrowings	18	249.731	118.614
Repayment of loans and borrowings	18	(102.251)	(54.281)
Interest paid	18	(25.800)	(7.849)
Cash inflow from change in interest in subsidiaries without change in control		-	448
BEFORE FOREIGN CURRENCY TRANSLATION EFFECT ON NET INCREASE IN CASH AND CASH EQUIVALENTS (A+B+C)		65.742	(39.003)
EFFECT OF MONETARY GAIN/LOSS ON CASH AND CASH EQUIVALENTS		(28.055)	-
EFFECT OF FOREIGN CURRENCY TRANSLATION DIFFERENCE IN CASH AND CASH EQUIVALENTS		(7.470)	(6.051)
D. CASH AND CASH EQUIVALENTS AT THE BEGINING OF THE PERIOD	5	39.821	84.875
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD (A+B+C+D)	5	70.038	39.821

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

Çalık Enerji Sanayi ve Ticaret Anonim Şirketi and its Subsidiaries

Notes to Consolidated Financial Statements

As at and for the Year Ended December 31, 2023

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

1. Group's organization and nature of operations

Çalık Enerji Sanayi ve Ticaret Anonim Şirketi ("Çalık Enerji" or "the Company") 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 sixteen branches, namely, Çalık Enerji Turkmenistan, Çalık Enerji Georgia, Çalık Enerji Uzbekistan, Çalık Enerji Libya, Çalık Enerji Iraq, Çalık PE Uzbekistan (TRC), Çalık Enerji Malawi, Kızılırmak Elektrik Uzbekistan Branch, TCB İnşaat Uzbekistan Branch, Çalık Enerji Uzbekistan Taşkent PE, Çalık Enerji Afghanistan Branch, Çalık Enerji Romania Branch, Çalık Enerji Erbil Branch, Çalık Enerji Senegal Branch, Çalık Enerji DM Branch and Çalık Enerji Talimerjan Branch.

Çalık Enerji is managed and owned by Çalık Holding Anonim Şirketi ("Çalık Holding"), the parent company of the Group, holding 95.42% of all Çalık Enerji's shares. As of December 31, 2023, the principal shareholders and their respective shareholding rates in Çalık Enerji are stated in Note 23 Çalık Enerji was established at its registered office address, Büyükdere Caddesi No: 163/A Zincirlikuyu, İstanbul.

As of December 31, 2023, Çalık Enerji has 33 (December 31, 2022: 31) subsidiaries ("the Subsidiaries") and 8 (December 31, 2022: 8) joint ventures ("the Joint Ventures"). The consolidated financial statements of the Group as at and for the year ended December 31, 2023 comprise Çalık Enerji, its subsidiaries and its interests in the joint ventures. As of December 31, 2023, the number of employees of the Group is 3.599 (December 31, 2022: 3.661). The subsidiaries and the joint ventures included in the consolidation of Çalık Enerji, their country of incorporation and nature of business are as follows:

Company name	Type of partnership	Country
Adacami Enerji Elektrik Üretim Sanayi ve Ticaret A.Ş.	Subsidiary	Turkey
Agata Trading S.R.L. (*)	Subsidiary	Italy
Ant Enerji Sanayi ve Ticaret Limited Şirketi	Subsidiary	Turkey
Asya Center Enerji İnşaat Sanayi Ticaret A.Ş.	Subsidiary	Turkey
Atayurt İnşaat A.Ş.	Subsidiary	Turkey
Çalık Elektrik Dağıtım A.Ş.	Subsidiary	Turkey
Calik Enerji Swiss AG	Subsidiary	Switzerland
Çalık Georgia LLC (*)	Subsidiary	Georgia
Çalık Limak Adi Ortaklığı	Joint venture	Turkey
CME Al Wakra Water WLL (*)	Subsidiary	Qatar
Çalık Rüzgar Enerjisi Elektrik Üretim Limited Şirketi	Subsidiary	Turkey
ÇE Yenilenebilir Enerji İşletme Ve Bakım Limited Şirketi	Subsidiary	Turkey
Demircili Rüzgar Enerjisi Elektrik Üretim A.Ş.	Subsidiary	Turkey
Doğu Aras Enerji Yatırımları A.Ş.	Joint venture	Turkey
JSC Calik Georgia Wind	Subsidiary	Georgia
Kızılırmak Enerji Elektrik A.Ş.	Subsidiary	Turkey
Kosova Çalık Limak Energy SH.A.	Joint venture	Kosovo
LC Electricity Supply and Trading d.o.o.	Joint venture	Serbia
Momentum Enerji Elektrik Üretim Sanayi ve Ticaret A.Ş.	Subsidiary	Turkey
Onyx Trading Innovation FZE	Subsidiary	UAE – Dubai
Saudi Jalik Energy Company (*)	Subsidiary	Saudi Arabia
Technological Energy N.V.	Subsidiary	Netherlands
Çalık Proje Mühendislik A.Ş.	Subsidiary	Turkey
Türkmen'in Altın Asrı Elektrik Enerjisi Toptan Satış A.Ş.	Subsidiary	Turkey
Yeşilçay Enerji Elektrik Üretim Sanayi ve Ticaret A.Ş.	Subsidiary	Turkey
Yeşilirmak Elektrik Dağıtım A.Ş.	Subsidiary	Turkey
Yeşilirmak Elektrik Perakende Satış A.Ş.	Subsidiary	Turkey
Uztur Investment and Development Limited	Subsidiary	Uzbekistan
TCB İnşaat Yatırım A.Ş.	Subsidiary	Turkey
DTM Enerji Yatırımları Adi Ortaklığı (*)	Joint venture	Turkey
PKN Enerji Hizmetleri Adi Ortaklığı (*)	Joint venture	Turkey
CE Solaire 1 SAS	Subsidiary	Congo
CE Solaire 2 SAS	Subsidiary	Congo
Workindo Teknoloji ve İnsan Kaynakları Danışmanlık A.Ş. (*)	Joint venture	Turkey
Machinego Teknoloji Danışmanlık ve İş Makinaları A.Ş.	Joint venture	Turkey
CYK Enerji Adi Ortaklığı	Subsidiary	Turkey
Çalık Enerji Japan G.K. (*)	Subsidiary	Japan
Eurokos Dd L.L.C. (*)	Subsidiary	Kosova
Jasper Trading (*)	Subsidiary	Poland
Çalık Albania Wind Sh.P.K/Llc (*)	Subsidiary	Albania
CE Solar Doel Skopje (*)	Subsidiary	Macedonia

(*) Çalık Georgia LLC, CME Al Wakra Water WLL, Agata Trading S.R.L., Saudi Jalik Energy Company, Workindo Teknoloji ve İnsan Kaynakları Danışmanlık A.Ş., Jasper Trading, DTM Enerji Yatırımları Adi Ortaklığı, PKN Enerji Hizmetleri Adi Ortaklığı, Çalık Enerji Japan G.K. and Eurokos D.d L.L.C subsidiaries of the Group, are not consolidated due to the insignificance of their financial impact on the consolidated financial statements as at and for the period ended December 31, 2023.

Çalık Enerji Sanayi ve Ticaret Anonim Şirketi and its Subsidiaries

Notes to Consolidated Financial Statements

As at and for the Year Ended December 31, 2023

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

1. Group’s organization and nature of operations (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.

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.

Asya Center Enerji İnşaat Sanayi Ticaret A.Ş. (“Asya Center”)

Founded in 2019 in Turkey under the name CL Enerji Üretim, the company changed its title in 2023 and became ASYA Center. The purpose of activity is the operation of electricity facilities and the sale of electricity.

Agata Trading S.R.L. (“Agata”)

Agata Trading was founded in Italy in 2023 to combine the purchase of goods and services for international engineering, procurement and construction projects.

CME Al Wakra Water WLL (“Wakra”)

CME Wakra was established 31 August 2023 in Qatar for the purpose of construction and repairing irrigation canal and watering pipelines.

Çalık Elektrik Dağıtım A.Ş. (“ÇEDAŞ”)

ÇEDAŞ was established in 2010 according to legislations of Energy Market Regulatory Authority to distribute and sale of electricity and to invest in companies operating in these businesses.

Çalık Enerji Swiss AG (“Calik Swiss”)

Calik Swiss was established on April 27, 2018 in Switzerland for the purpose of the acquisition management and use of concessions other rights as well as construction and maintenance 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 finding funding sources.

Çalık Georgia LLC (“Çalık Georgia”)

Çalık Georgia was established in 2015 in Tbilisi for the purpose of engineering, procurement and constructions of hydroelectric power plant and trade of the electricity produced in Georgia.

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 A.Ş. (“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 Enerji which is also joint venture of Çalık Enerji and Limak Yatırım.

Çalık Rüzgar Enerjisi Elektrik Üretim Limited Şirketi (“Çalık Rüzgar”)

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

ÇL Enerji Üretim ve İnşaat Anonim Şirketi (“ÇL Enerji”)

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

Demircili Rüzgar Enerjisi Elektrik Üretim A.Ş. (“Demircili Rüzgar”)

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.

Çalık Enerji Sanayi ve Ticaret Anonim Şirketi and its Subsidiaries

Notes to Consolidated Financial Statements

As at and for the Year Ended December 31, 2023

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

1. Group's organization and nature of operations (continued)

Doğu Aras Enerji Yatırımları A.Ş. ("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%. As of December 31, 2023, by including the shares in the stock exchange, the ownership increased to 45,34%.

JSC Çalık Georgia Wind ("JSC Georgia")

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

Kızılırmak Enerji Elektrik A.Ş. ("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 Distribiim 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'in Altın Asrı Elektrik Enerjisi Toptan Satış A.Ş. ("Türkmen Elektrik") and Limak Yatırım with the participation of these two companies equally by 50%. The purpose of LC Electricity is trading electricity and sales/purchases of goods and services in respect of these operations.

Momentum Enerji Elektrik Üretim Sanayi ve Ticaret A.Ş. ("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 Innovation FZE was established in 2016 in Dubai for the purpose of trading.

Saudi Jalik Energy Company ("Saudi Jalik")

Saudi Jalik Energy Company was established in 2019 to operate building and construction projects.

Çalık Enerji Sanayi ve Ticaret Anonim Şirketi and its Subsidiaries

Notes to Consolidated Financial Statements

As at and for the Year Ended December 31, 2023

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

1. Group’s organization and nature of operations (continued)

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

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

Çalık Proje Mühendislik A.Ş. (“Çalık Mühendislik”)

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

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

Türkmen’in Altın Asrı Elektrik Enerjisi Toptan Satış A.Ş. (“Türkmen Elektrik”)

Türkmen Elektrik was established in 2000, in Istanbul for the purpose of distributing and selling electricity.

Yeşilçay Enerji Elektrik Üretim Sanayi ve Ticaret A.Ş. (“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 December 31, 2012 and YEPAŞ has started its operations from January 1, 2013.

Yeşilirmak Elektrik Perakende Satış A.Ş. (“YEPAŞ”)

In accordance with the 3 rd clause of 4628 numbered Energy Markets Code, electricity distribution companies must separate its distribution and retail operations from each other until January 1, 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 December 31, 2012. YEPAŞ was founded for retail sales of electricity and electricity related products by partial demerger of YEDAŞ as of January 1, 2013.

Uztur Investment and Development Limited (“Uztur”)

The company was established in 2019 in Uzbekistan to maintain construction projects.

TCB İnşaat Yatırım A.Ş. (“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.

DTM Enerji Yatırımları Adi Ortaklığı (“DTM Enerji”)

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

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

Çalık Enerji Sanayi ve Ticaret Anonim Şirketi and its Subsidiaries

Notes to Consolidated Financial Statements

As at and for the Year Ended December 31, 2023

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

1. Group’s organization and nature of operations (continued)

PKN Enerji Hizmetleri Adi Ortaklığı (“PKN Enerji”)

Denge Çalık NTF Adi Ortaklığı was established January 23, 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.

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.

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.

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

It was established to carry out the activities of leasing and selling, buying, intermediating in the buying and selling of all kinds of agricultural and construction machinery, tractors, harvesters and equipment through the web portal with creating and developing a publication, database, providing it as a service to customers, receiving advertisements and advertising, establishing partnerships with domestic and foreign companies, and to perform all services and transactions.

CYK Enerji Adi Ortaklığı (“CYK Enerji”)

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

Çalık Enerji Japan G.K. (“Çalık Japan”)

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

Eurokos Dd L.L.C. (“Eurokos”)

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

Jasper Trading (“Jasper Trading”)

Jasper Trading was established in 2021 in Poland. As at the reporting date, the Company is non operating.

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, and engineering activities.

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.

Çalık Enerji Sanayi ve Ticaret Anonim Şirketi and its Subsidiaries

Notes to Consolidated Financial Statements

As at and for the Year Ended December 31, 2023

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

2. Basis of preparation

2.1 Financial reporting standards

The accompanying consolidated financial statements are prepared in accordance with the requirements of Capital Markets Board ("CMB") Communiqué Serial II, No: 14.1 "Basis of Financial Reporting in Capital Markets", which were published in the Official Gazette No:28676 on 13 June 2013. The accompanying financial statements are prepared based on the Turkish Financial Reporting Standards and interpretations ("TFRS") that have been put into effect by the Public Oversight Accounting and Auditing Standards Authority ("POA") under Article 5 of the Communiqué. The financial statements and notes are presented in accordance with the 2022 TAS Taxonomy announced by the POA with the principal decision dated October 4, 2022.

The Company and its subsidiaries located in Turkey prepare their statutory financial statements and keeping of accounting records, in accordance with the principles and guidance issued by Capital Market Boards ("CMB"), the Turkish Commercial Code ("TCC"), tax legislation and issued by the Ministry of Finance of the Republic of Turkey is based on the Uniform Chart of Accounts. Consolidated financial statements have been prepared in US Dollars on the basis of historical cost, except for the financial assets and investment properties shown with their fair values.

Going concern

The Group has prepared its consolidated financial statements in accordance with the going concern principle.

Approval of consolidated financial statements

The consolidated financial statements were authorized for issue by the Board of Directors of the Company on May 15, 2024. The General Assembly has the authority to amend the consolidated financial statements.

2.2 Basis of measurement

The consolidated financial statements have been prepared on the historical cost basis except for the financial assets and investment properties shown with their fair values and for the Group's Turkish entities having Turkish Lira functional currency as adjusted for the effects of inflation.

2.3 Functional and presentation currency

The Company's functional currency was Turkish Lira (TL) until June 30, 2018. Due to changes in sales strategies as of July 1, 2018, the US Dollar began to reflect the economic bases of situations and events that are significant to Çalık Enerji. Therefore the functional currency of the Company has been changed to US Dollars as of July 1, 2018 in accordance with TAS 21 - "Effects of Changes in Foreign Exchange Rates". Equity items are translated to US Dollars at the dates of the transactions. All assets and liabilities items are translated to US Dollars at the exchange rate at the reporting date. All profit or loss and other comprehensive income items are translated to US Dollars at historic exchange rates of the corresponding year.

Notes to Consolidated Financial Statements

As at and for the Year Ended December 31, 2023

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

2. Basis of preparation (continued)

2.3 Functional and presentation currency (continued)

Foreign currency transactions and balances

Foreign currency transactions are translated using the exchange rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated using the exchange rates at the balance sheet date. Foreign exchange gains and losses resulting from trading activities (trade receivables and payables) denominated in foreign currencies of the Group companies have been accounted for under "other operating income/expenses" whereas foreign exchange gains and losses resulting from the translation of other monetary assets and liabilities denominated in foreign currencies have been accounted for under "financial income/expenses" in the consolidated income statement.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated to functional currency using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

Financial statements of foreign subsidiaries and joint ventures

The financial statements of the foreign Subsidiaries and Joint Ventures prepared in accordance with the Group's accounting policies are translated into US Dollar following below principles:

- Assets and liabilities for each balance sheet presented are translated at the closing exchange rate at the date of that balance sheet;
- Income and expenses for each statement of income (except those which arise in countries with hyperinflationary economies) are translated at average exchange rates;
- Income and expenses for each statement of income for those which arise in countries with hyperinflationary economies are translated at the closing exchange rate at the date of that balance sheet;
- Equity items are translated to US Dollars at exchange rates at the dates of the transactions; and
- All resulting exchange differences are recognized in other comprehensive income.

The exchange rates against USD used by the Group at December 31, 2023 and 2022 are as follows:

	December 31, 2023	December 31, 2022
Turkish Lira	0,0340	0,0535
Euro	1,1065	1,0661
British Sterling	1,2719	1,2027
Iraqi Dinar	0,0007	0,0007
Georgian Lari	0,3725	0,3714
Libyan Dinar	0,2095	0,2073
Turkmenistan Manat	0,2854	0,2864
Uzbekistani Som	0,0001	0,0001

2.4 Comparatives and adjustment of prior periods' financial statements

The current period consolidated financial statements of the Group include comparative financial information to enable the determination of the trends in financial position and performance. Comparative figures are reclassified, where necessary, to conform to the changes in the presentation of the current o. The Group has made reclassification in the prior period financial statements in order to comply with the presentation of the current period consolidated financial statements.

- Construction in progress which was shown under property, plant and equipment amounting to USD 103.714 and USD 41.340 are reclassified to investment property and inventories, respectively as of December 31, 2022.
- Due from customers for contract works which was shown under other current assets amounting to USD 56.931 is reclassified to receivables from customer contracts as of December 31, 2022.

Notes to Consolidated Financial Statements

As at and for the Year Ended December 31, 2023

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

2. Basis of preparation (continued)

2.5 Use of estimates and judgments

The preparation of the consolidated financial statements in conformity with TASs requires management to make judgments, 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 8 – Allowance for trade receivables: Allowances for the trade and other receivables are based on the Group management’s assessment on the amount, historical performance and general economic environment. The Group monitors recoverability of its trade receivables periodically by considering the collection ratios in the previous years and recognises allowance for doubtful receivables for probable losses. Subsequently, if the economic conditions, collection trends and other significant sectorial trends accrued worse than the Group management’s estimates, the allowance for doubtful receivables in the consolidated financial statements might not compensate the actual doubtful receivables.

Note 17 – Ongoing construction and contracting works: 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 incentives 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.

Note 13 and Note 14 – Useful lives of property, plant and equipment and other intangible assets: The Group management estimates the useful lives of property, plant and equipment and intangible assets through the experience of its technical team based on the management strategies and future marketing plans.

Note 15 and Note 29 – Determination of fair value: Estimates are made for using observable and non-observable market data in determination of fair values.

Note 20 – Provision for litigations: Group management estimates and recognizes provision for ongoing lawsuits by estimating the relevant cash outflows.

Note 20 – Reserve for retirement pay is determined by using actuarial assumptions (discount rates, future salary increases and employee turnover rates).

Çalık Enerji Sanayi ve Ticaret Anonim Şirketi and its Subsidiaries

Notes to Consolidated Financial Statements

As at and for the Year Ended December 31, 2023

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

2. Basis of preparation (continued)

2.6 Financial reporting in hyperinflationary economy

Entities applying TFRSs have started to apply inflation accounting in accordance with TAS 29 Financial Reporting in Hyperinflation Economies as of financial statements for the annual reporting period ending on or after 31 December 2023 with the announcements made by the Public Oversight Accounting and Auditing Standards Authority (POA) on 23 November 2023. TAS 29 is applied to the financial statements, including the consolidated financial statements, of any entity whose functional currency is the currency of a hyperinflationary economy.

All non-monetary assets and liabilities and profit or loss statements of subsidiaries whose functional currency of the Group is Turkish Lira have been adjusted using the Consumer Price Index. As a result of the correction made according to the inflation effect; The effect of TAS 29 indexation until 1 January 2023 is accounted under equity, and the effect of TAS 29 indexation from 1 January 2023 until 31 December 2023 is accounted for in the consolidated statement of profit or loss.

On the application of TAS 29, the entity used the conversion coefficient derived from the Customer Price Indexes (CPI) published by Turkey Statistical Institute according to directions given by POA. The CPI for current and previous year periods and corresponding conversion factors since the time when the Turkish lira previously ceased to be considered currency of hyperinflationary economy, i.e., since January 1, 2005 were as follow:

Year end	Index numbers	Index, %	Conversion Factor
2004	113,86	13,86	16,3304
2005	122,65	7,72	15,1600
2006	134,49	9,65	13,8254
2007	145,77	8,39	12,7556
2008	160,44	10,06	11,5893
2009	170,91	6,53	10,8793
2010	181,85	6,40	10,2248
2011	200,85	10,45	9,2576
2012	213,23	6,16	8,7201
2013	229,01	7,40	8,1192
2014	247,72	8,17	7,5060
2015	269,54	8,81	6,8983
2016	292,54	8,53	6,3560
2017	327,41	11,92	5,6791
2018	393,88	20,30	4,7207
2019	440,50	11,84	4,2211
2020	504,81	14,60	3,6833
2021	686,95	36,08	2,7067
2022	1128,45	64,27	1,6477
2023	1859,38	64,77	1,0000

Assets and liabilities were separated into those that were monetary and non-monetary, with non-monetary items were further divided into those measured on either a current or historical basis to perform the required restatement of financial statements under TAS 29. Monetary items (other than index -linked monetary items) and non-monetary items carried at amounts current at the end of the reporting period were not restated because they are already expressed in terms of measuring unit as of December 31, 2023. Non-monetary items which are not expressed in terms of measuring unit as of December 31, 2023 were restated by applying the conversion factors. The restated amount of a non-monetary item was reduced, in accordance with appropriate TFRSs, in cases where it exceeds its recoverable amount or net realizable value.

Çalık Enerji Sanayi ve Ticaret Anonim Şirketi and its Subsidiaries

Notes to Consolidated Financial Statements

As at and for the Year Ended December 31, 2023

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

2. Basis of preparation (continued)

2.6 Financial reporting in hyperinflationary economy (continued)

Components of shareholders' equity in the statement of financial position and all items in the statement of profit or loss and other comprehensive income have also been restated by applying the conversion factors.

Non-monetary items measured at historical cost that were acquired or assumed and components of shareholders' equity that were contributed or arose before the time when the Turkish lira previously ceased to be considered currency of hyperinflationary economy, i.e before January 1, 2005, were restated by applying the change in the CPI from January 1, 2005 to December 31, 2023.

The application of TAS 29 results in an adjustment for the loss of purchasing power of the Turkish lira presented in Net Monetary Position Gains (Losses) item in the profit or loss section of the statement of profit or loss and comprehensive income. In a period of inflation, an entity holding an excess of monetary assets over monetary liabilities loses purchasing power and an entity with an excess of monetary liabilities over monetary assets gains purchasing power to the extent the assets and liabilities are not linked to a price level. This gain or loss on the net monetary position is derived as the difference resulting from the restatement of non-monetary items, owners' equity and items in the statement of profit or loss and other comprehensive income and the adjustment of index linked assets and liabilities.

Assets, liabilities, the financial position and results of operations in hyperinflationary economies are translated to USD at the exchange rates prevailing on the reporting date. The exchange differences are recognised directly in other comprehensive income or expense and accumulated in the Group's cumulative translation adjustment reserve in equity. Such translation differences are reclassified to profit or loss only on disposal or partial disposal of the operation in hyperinflationary economies.

Comparative amounts presented in USD are not restated for subsequent changes in the price level or exchange rates. The results of the Turkish operations are restated to the index level at the end of the period, with hyperinflationary gains and losses being reported in net monetary gain arising from hyperinflationary economies.

Notes to Consolidated Financial Statements

As at and for the Year Ended December 31, 2023

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

3. Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements and have been applied consistently by the Group.

3.1. Basis of consolidation

The accompanying consolidated financial statements include the accounts of the parent company, Çalık Enerji, its subsidiaries and joint ventures 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 (expect acquisitions from entities under common control)

Business combinations are accounted for using the acquisition method as at the acquisition date, which is the date on which control is transferred to the Group.

In assessing control, the Group takes into consideration potential voting rights that are currently exercisable.

The Group measures goodwill at the acquisition date as:

- the fair value of the consideration transferred; plus
- the recognised amount of any non-controlling interests in the acquiree; plus
- if the business combination is achieved in stages, the fair value of the pre-existing equity interest in the acquiree; less
- the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed.

When the result of implementation is negative, a bargain purchase gain is recognised in profit or loss.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts generally are recognised in profit or loss.

Transactions costs, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred

Any contingent consideration payable is measured at fair value at the acquisition date. If the contingent consideration is classified as equity, it is not remeasured and settlement is accounted for within equity. Otherwise, subsequent changes to the fair value of the contingent consideration are recognised in profit or loss.

ii) Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls a business when exposure, or rights, to variable returns due to its involvement with the investee and the ability to use its power over the investee to affect the amount of the investor's returns. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

The accounting policies of subsidiaries have been changed when necessary to comply with the policies adopted by the Group.

Notes to Consolidated Financial Statements

As at and for the Year Ended December 31, 2023

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

3. Significant accounting policies (continued)

3.1 Basis of consolidation (continued)

iii) Non-controlling interests

The Group measures any non-controlling interests in the acquiree at their proportionate share of the acquiree's identifiable net assets.

Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as transactions with owners in their capacity as owners. Adjustments to non-controlling interests are based on a proportionate amount of the net assets of the subsidiary. No adjustments are made to goodwill and no gain or loss is recognised in profit or loss.

iv) Loss of control

When the Group loses the control over the subsidiary, the Group derecognises the assets and liabilities of the subsidiary, any non controlling interests and the other components of equity related to the subsidiary. Any surplus or deficit arising on the loss of control is recognised in profit or loss. If the Group retains any interest in the previous subsidiary, then such interest is measured at fair value at the date that 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) Joint arrangements

Joint arrangements are agreements 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 – 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 equity-accounted investees, after adjustments to align the accounting policies with those of the Group, from the date that significant influence commences until the date that significant influence ceases.

When the Group's share of losses exceeds its interest in an equity-accounted investee, 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.

Notes to Consolidated Financial Statements

As at and for the Year Ended December 31, 2023

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

3. Significant accounting policies (continued)

3.1 Basis of consolidation (continued)

vii) Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealised gains arising from transactions with equity accounted investees are eliminated against the investment to the extent of 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. Carrying value of shares owned by the Group and dividends arising from these shares has been eliminated in equity and profit or loss statement’s accounts.

In consolidation of operating results and financial positions of subsidiaries whose functional currency is other than US Dollars, 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 other than US Dollars) 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 recognised in profit or loss of consolidated financial statements of the Group.

3.2. Foreign currency

i) Foreign currency transactions

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

Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date. Non-monetary items in a foreign currency that are measured in terms of historical cost are translated using the exchange rate at the date of the transaction and will not be subject to translation anymore.

Foreign currency differences arising from retranslate, recognized in profit or loss, except for exchange rate differences, which arise from the recycle in the following items and recorded in other comprehensive income.

- available-for-sale equity instruments (except for impairment, the foreign exchange differences recognized in other comprehensive income are reclassified to profit or loss);
- financial liabilities entered in order to hedge net investments in foreign operations recorded as other comprehensive income
- cash flow hedging instruments to the extent that hedging is effective

ii) Foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated to functional currency of the Company US Dollars at exchange rates at the reporting date. The income and expenses of foreign operations are translated to US Dollars at average exchange rates at the dates of the transaction. In addition, the income and expenses of Group’s subsidiaries and joint ventures whose functional currency is Turkish Lira are translated to US Dollars at the reporting date.

Notes to Consolidated Financial Statements

As at and for the Year Ended December 31, 2023

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

3. Significant accounting policies (continued)

3.2 Foreign currency (continued)

Foreign currency differences are recognised in other comprehensive income and presented in the foreign currency translation reserve (translation reserve) in equity. However, if the foreign operation is a non-wholly-owned subsidiary, then the relevant proportion of the translation difference is allocated to the non-controlling interests. When a foreign operation is disposed off such that control, significant influence or joint control is lost, the cumulative amount in the translation reserve related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal. When the Group disposes off only part of its interest in a subsidiary that includes a foreign operation while retaining control, the relevant proportion of the cumulative amount is reattributed to non-controlling interests. When the Group disposes off only part of its investment in an associate or joint venture that includes a foreign operation while retaining significant influence or joint control, the relevant proportion of the cumulative amount is reclassified to profit or loss.

When the settlement of a monetary item receivable from or payable to a foreign operation is neither planned nor likely in the foreseeable future, foreign exchange gains and losses arising from such a monetary item are considered to form part of a net investment in a foreign operation and are recognised in other comprehensive income and presented within equity in the translation reserve.

3.3. Financial instruments

i) Recognition and initial measurement

Trade receivables are initially recognized when they are originated. All other financial assets and financial liabilities are initially recognized when the Group becomes a party to the contractual provisions of the instrument.

A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

ii) Classification and subsequent measurement

On initial recognition, a financial asset is classified as measured at: amortised cost, FVOCI – equity investment, or FVTPL.

Financial assets are not reclassified subsequent to their initial recognition unless the Company 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 asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

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

A non-recyclable preference can be made to introduce the Group's non-trading equity investment into the financial statements for the first time and present subsequent changes in its fair value in other comprehensive income. This selection is made separately for each investment.

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

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

Notes to Consolidated Financial Statements

As at and for the Year Ended December 31, 2023

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

3. Significant accounting policies (continued)

3.3 Financial instruments (continued)

Financial assets: Business model assessment

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

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

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

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

Financial assets: Assessment whether contractual cash flows are solely payments of principal and interest

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

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

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

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

Notes to Consolidated Financial Statements

As at and for the Year Ended December 31, 2023

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

3. Significant accounting policies (continued)

3.3 Financial instruments (continued)

Financial assets: Subsequent measurement and gains and losses.

Financial assets at FVTPL	These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognized in profit or loss.
Financial assets at amortised cost	Financial assets at amortised cost are comprised of cash and cash equivalents, trade receivables, service concession receivables and other receivables. These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognized in profit or loss. Any gain or loss on derecognition is recognized in profit or loss.
Debt investments at FVOCI	These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognized in profit or loss. Other net gains and losses are recognized in OCI. On derecognition, gains and losses accumulated in OCI are reclassified to profit or loss.
Equity investments at FVOCI	These assets are subsequently measured at fair value. Dividends are 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 OCI and are never reclassified to profit or loss.

Financial assets measured at amortised cost

Financial assets measured at amortized cost are financial instruments with fixed or determinable payments that are not quoted in an active market. These assets are initially recognized at fair value plus directly attributable transaction costs. After initial recognition, they valued at amortized cost using the effective interest method, less any impairment. Loans and receivables are comprised trade receivables and other receivables, including cash and cash equivalents, construction contracts receivables and receivables from preferential service agreements.

Cash and cash equivalents

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

Service concession arrangements

According to the “Transfer of Operating Rights Agreement” (“TORA”) signed between Türkiye Elektrik Dağıtım A.Ş. (“TEDAŞ”) and YEDAŞ on July 24, 2006, the operating rights on the distribution installations and other items related thereto were transferred to YEDAŞ for a consideration of US Dollar 68.420 TORA consideration has been amortized by adding to revenue cap during the first tariff period (2006-2010). As of December 31, 2022, the aforementioned TORA consideration amount has been fully amortized.

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

Under the terms of this agreement within in the scope of TFRS Interpretation 12, the Group acts as a service provider to distribute electricity (“the operator”). The operator constructs or upgrades infrastructure (construction or upgrade services) used to provide a public service and operates and maintains that infrastructure (operation services) for a specified period of time. There have been no changes in the structure of the agreement in the current year.

Çalık Enerji Sanayi ve Ticaret Anonim Şirketi and its Subsidiaries

Notes to Consolidated Financial Statements

As at and for the Year Ended December 31, 2023

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

3. Significant accounting policies (continued)

3.3 Financial instruments (continued)

The Group recognises a financial asset arising from a service concession arrangement when it has an unconditional contractual right to receive cash or another financial asset from or at the discretion of the grantor Energy Market Regulatory Authority (“EMRA”) for the construction or upgrade of the services provided.

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

Parameters related to operating rights resulting from “Distribution and Retail Sales License” which YEDAŞ owns via TORA are updated by EMRA committee decisions during the five year implementation periods. As of December 31, 2022, YEDAŞ fulfilled its obligations related to the license for services which was privatized at July 24, 2006, including the first implementation period between 2006 and 2010; the second implementation period which covers the years 2011 and 2015; and the third implementation period which covers the years 2016 and 2020.

Rights which will be applicable for the fourth implementation period between 2021 and 2025 were announced by EMRA with its committee decision dated December 24, 2020 and numbered 9919-1.

YEDAŞ's revenues and costs are subject to EMRA regulations. Revenue requirements of YEDAŞ are determined by EMRA and adjusted if necessary for the differences of revenue components approved by EMRA. In case of revenue components are above or below of revenue requirements determined by EMRA, those differences may be subject to adjustment depending on their compositions. Revenue requirements which has still under regulation over 5 years period consist of YEDAŞ's requirements for operating expenses, amortization of capital expenditures, alternative investment costs related to unamortised investments and tax differences added to or deducted from revenue in order to compensate periodic deviations which are resulting from tax implementations. Adjustments to revenue requirements are calculated by using Energy Market Index (“EPE”) over the years.

YEDAŞ recognises and measures its revenue in accordance with TFRS 15 for the services provided.

Other

Other non derivative financial instruments are measured at amortised cost using the effective interest rate method, less any impairment losses.

Financial liabilities

The Group's financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered and the definitions of a financial liability and an equity instrument. The contract representing the right in the assets of the Group after deducting all debts of the Group is an equity-based financial instrument. The accounting policies applied for certain financial liabilities and equity instruments are as follows.

Financial liabilities are classified as either financial liabilities at fair value through profit or loss or other financial liabilities.

a) *Financial liabilities at fair value through profit or loss*

Financial liabilities at fair value through profit or loss are initially recognized at fair value and revalued at their fair value at the each balance sheet date. Changes in fair values are recognized in the consolidated statement of profit or loss. The net gain or loss recognized in the consolidated statement of profit or loss includes the interest paid on the financial liability.

Notes to Consolidated Financial Statements

As at and for the Year Ended December 31, 2023

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

3. Significant accounting policies (continued)

3.3 Financial instruments (continued)

b) Other financial liabilities

Other financial liabilities included financial debts have been accounted by considering its fair value without initial costs.

Other financial liabilities, included interest expense calculated by using effective interest rate in next period, have been accounted with its effective interest rate.

Effective interest method is an accounting methodology which refers to distributing interest expense into related periods while accounting redeemed cost. Effective interest rate is used to calculate present value of payments of a related financial liability during expected life of a financial instrument.

Security deposits

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 net monetary gain / loss arising from hyperinflationary economies in profit or loss.

Accounting on transaction and delivery date

All financial asset purchases and sales are recognized at the transaction date, in other words, it is accounted for when the Group commits to purchase or sell transaction. Ordinary purchases and sales are purchases and sales where the delivery period of the asset is generally determined according to legislations or regulations in the markets.

Offsetting

Financial assets and financial liabilities are offset, and the net amount presented in the statement of financial position when, and only when, the Group currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

Derecognition

Financial assets

The Group derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Group neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

Financial liabilities

The Group derecognizes a financial liability when its contractual obligations are discharged or cancelled, or expire. The Group also derecognizes a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognized at fair value.

On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognized in profit or loss.

Notes to Consolidated Financial Statements

As at and for the Year Ended December 31, 2023

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

3. Significant accounting policies (continued)

3.3 Financial instruments (continued)

Impairment

Financial instruments and contract assets

The Group recognizes loss allowances for ECLs on:

- Financial assets measured at amortised cost;
- Contract assets (as defined in TFRS 15)

Provisions set aside for losses within the scope of TFRS 9 are accounted by following methods:

Financial assets with redeemed cost;

- 12-month ECLs: At the reporting date, if there has not been a significant increase in the credit risk of a financial instrument since its initial recognition in the financial statements, the Group measures the allowance for the financial instrument in question at an amount equal to the 12-month expected credit losses,
- Lifetime ECLs: If the credit risk on a financial instrument has increased significantly since its initial recognition in the financial statements, at each reporting date, the Group measures the credit risk on that financial instrument at an amount equal to the lifetime expected credit losses.

The Group has chosen the Lifetime ECLs for the calculation of impairment of the receivables.

In the assessment of the credit risk of a financial asset whether the risk is significantly higher and the estimation of the ECLs, the Group recognizes the reasonable and supported information arising from the estimation of the credit losses without enduring of overcost and the effort regarding the expected estimation of the credit losses including the effect of the expected early payments. This information comprises future quantitative and qualitative information analysis based on the previous credit loss experience.

In terms of assessment of financial instrument whether it has a low credit risk or not, other methodologies that are alignment with the accepted global description of the low credit risk which in alignment and evaluated of the financial instruments might be applied.

The maximum time of scaling the ECLs is the maximum contract time that the Group is under the credit risk.

Measurement of ECLs

ECLs are an estimation weighted to the probability of the expected life of a financial instrument. In other words, it is the all of the discounted cash openings of the credit losses. (For example, it is the difference between the cash inflows of the referred contract to the entity and the expected collection of the cash flows).

The Group applies the simplistic approach in order to meet the expected credit loss to the trade receivables, other receivables, other assets and contract assets. (According to TFRS 9, expected credit loss provision must be applied to all of the trade receivables in perpetuity.)

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 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.

Notes to Consolidated Financial Statements

As at and for the Year Ended December 31, 2023

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

3. Significant accounting policies (continued)

3.3 Financial instruments (continued)

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.

Trade Receivables

The following analysis provides more detailed information on the calculation of the ECLs for trade receivables with the adoption of TFRS 9. The Group considers the model used and some of the assumptions used in the calculation of these ECLs as the main sources of estimation uncertainty.

The Group has calculated the ECLs based on the experience of credit losses realised in the last three years.

3.4. Property, plant and equipment

i) Recognition and measurement

Property, plant and equipment of the Group are carried at costs (except subsidiaries whose functional currency is Turkish Lira), less accumulated depreciation and impairment losses. 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 and equipment.

ii) Derecognition

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 “Income from investing activities” or “Expenses from investing activities” under profit or loss.

iii) Subsequent costs

Subsequent expenditure is capitalised only when it is probable that the future economic benefits associated with the expenditure will flow to the Group. Ongoing repairs and maintenance is expensed 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 using the straight-line basis over their estimated useful lives. Depreciation is generally recognised in profit or loss, unless the amount is included in the carrying amount of another asset. 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 Enerji Sanayi ve Ticaret Anonim Şirketi and its Subsidiaries

Notes to Consolidated Financial Statements

As at and for the Year Ended December 31, 2023

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

3. Significant accounting policies (continued)

3.4 Property, plant and equipment (continued)

The estimated useful lives for the current and comparative years of significant items of property and equipment are as follows:

<u>Description</u>	<u>Year</u>
Land, buildings and plants	50
Machinery and equipments	2-20
Motor vehicles	5-10
Furniture and equipment	3-15

Leasehold improvements are depreciated over the shorter of the lease term and their useful lives, also on a straight-line basis.

Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

3.5. Investment Properties

Investment properties are properties held to earn rentals and/or for capital appreciation, and are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value as of balance sheet date. Gains or losses arising from changes in the fair values of investment properties are included in the profit or loss in the year in which they arise. The Group's investment properties are valued by external, independent valuation companies on a periodic basis.

When the use of a property changes such that it is reclassified as property, plant and equipment, its fair value at the date of reclassification becomes its cost for subsequent accounting. If owner occupied property becomes an investment property, the Group accounts for such property in accordance with the policy stated under "Property, Plant and Equipment" up to the date of change in use.

Investment either they have been disposed of or when the investment property is permanently withdrawn from use and no properties are derecognized when future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of an investment property are recognized in profit or loss in the year of retirement or disposal. Transfers are made to or from investment property only when there is a change in use. For a transfer from investment property to owner occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. If owner occupied property becomes an investment property, the Group accounts for such property in accordance with the policy stated under property, plant and equipment up to the date of change in use.

3.6. Intangible assets

i) Recognition and measurement

Intangible assets of the Group consist of licences for oil exploration, hydroelectric power generation, wind power generation and 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.

ii) 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 goodwill, is recognised in profit or loss as incurred

iii) 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.

Notes to Consolidated Financial Statements

As at and for the Year Ended December 31, 2023

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

3. Significant accounting policies (continued)

3.6. Intangible assets (continued)

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 when 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.

3.7. Inventories

Inventories are measured at the lower of cost and net realisable value. The cost of trading goods is based on the weighted average method and includes expenditure and other costs incurred in bringing them to their existing location and condition.

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.

3.8. Impairment non-financial assets

The carrying amounts of the Group's non-financial assets, other than inventories and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. An impairment loss is recognised if the carrying amount of an asset or its related cash-generating unit (“CGU”) exceeds its recoverable amount.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU. For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGUs. Subject to an operating segment ceiling test, CGUs to which goodwill has been allocated are aggregated so that the level at which impairment testing is performed reflects the lowest level at which goodwill is monitored for internal reporting purposes. Goodwill acquired in a business combination is allocated to groups of CGUs that are expected to benefit from the synergies of the combination.

Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the CGU (group of CGUs), and then to reduce the carrying amounts of the other assets in the CGU (group of CGUs) on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. Impairment loss is reversed when there is a change in the estimates used in the calculation of recoverable amount. For other assets, an impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

Notes to Consolidated Financial Statements

As at and for the Year Ended December 31, 2023

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

3. Significant accounting policies (continued)

3.9. 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 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 US Dollar 0.80 and US Dollar 0.82 as of 31 December 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 entities holding electricity distribution and retail sale license per the service concession agreement is updated yearly in accordance with EMRA decision No. 2991 dated December 28, 2010 in order to compensate the expenditures (such as employee benefit costs) relevant to the operations performed under these licenses as they are incurred. Accordingly, the employee severance indemnity amounting to US Dollar 1.191 (December 31, 2022: US Dollar 918) had no effect on the Group’s consolidated financial statements as of 31 December 2023 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 realised and change in actuarial assumptions. As a result of the adoption of TAS 19 (2013), all actuarial differences have to be recognised in other comprehensive income. However due to insignificance of the balances, the Group continues to recognise actuarial differences on reserve for employee severance indemnity in profit or loss both in the current and prior years.

Provision for employment termination indemnity are not subject to any statutory funding.

ii) 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 and measured on an undiscounted basis and are recognised in profit or loss as the related service is provided.

Notes to Consolidated Financial Statements

As at and for the Year Ended December 31, 2023

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

3. Significant accounting policies (continued)

3.10. 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 March 30, 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 conclusion in case of disagreement with EMRA. Based on the final conclusions as a result of assessment made by the law department of the Group and assumption/analysis made by the Group management, required provision is made on the consolidated statement of the financial position as 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.

3.11. Revenue

In accordance with TFRS 15 “Revenue from Customer Contracts” the Group has started to use the five-step model below to recognize revenue.

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

The Group evaluates the goods or services that undertakes in each contract with the customers and determines each commitment to transfer the said goods or services as a separate performance obligation. For each performance obligation, it is determined at the beginning of the contract that the performance of the performance obligation will be fulfilled in time or at a certain time. If the Group transfers the control of a good or service over time and thus fulfills the performance obligations related to the sales over time, it measures the progress of the fulfillment of the performance obligations and takes the revenue to the consolidated financial statements.

The accounting for the revenue of the Group's different activities is explained below:

i) Construction contracts

Contract revenue includes the initial amount agreed in the contract plus any variations in contract work, claims and incentive payments to the extent that it is probable that they will result in revenue and can be measured reliably. As soon as the outcome of a construction contract can be estimated reliably, contract revenue is recognised in profit or loss in proportion to the stage of completion of the contract. Contract expenses are recognised as incurred unless they create an asset related to future contract activity.

Notes to Consolidated Financial Statements

As at and for the Year Ended December 31, 2023

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

3. Significant accounting policies (continued)

3.11 Revenue (continued)

i) Construction contracts (continued)

The stage of completion is assessed by reference to the proportion of contract costs incurred for work performed to date to the estimated total contract costs. When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised only to the extent of contract costs incurred that are likely to be recoverable. An expected loss on a contract is recognised immediately in profit or loss.

ii) Electricity sales

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 recognised at the transaction time. Monthly invoicing is made at the month ends, when the Group prepares invoices for rendering services to its customers during one-month period. 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 consolidated 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.

iii) Electricity retail sale service

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.

iv) Transmission system utilisation

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

v) Distribution system utilisation

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

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

Notes to Consolidated Financial Statements

As at and for the Year Ended December 31, 2023

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

3. Significant accounting policies (continued)

vi) Meter reading

Meter reading fee is determined in accordance with the Electricity Market License Communiqué and Electricity Market Tariffs Communiqué and includes cost of meter reading. The mentioned fee is calculated based on reading frequency depending on the connection status and subscriber groups and charged to the distribution system users.

vii) Electricity dissipation and theft

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

viii) Price balancing

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

ix) Service concession arrangements

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 “Revenue”.

x) Revenue from the sale of goods and services

Revenue from the sale of goods in the course of 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.

Transfer 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.

xi) Rental income from investment properties

Rental income is recognised in the consolidated statement of income on an accrual basis. Revenue is measured at the fair value of the consideration received or receivable. Income is realized when the economic benefits obtained by the Group and amount of the related income is measured confidently.

Notes to Consolidated Financial Statements

As at and for the Year Ended December 31, 2023

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

3. Significant accounting policies (continued)

3.12. Right-of-use assets

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

The cost of right-of-use assets includes the following:

- 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, and
- d) an estimate of costs to be incurred by the Group in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease (unless those costs are incurred to produce inventories)

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.

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 included in the measurement of the lease liability comprise the following payments for the right to use the underlying asset during the lease term that are not paid at the commencement date:

- a) Fixed payments, less any lease incentives receivable,
- b) variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date
- c) amounts expected to be paid under residual value guarantees
- d) exercise price of a purchase option reasonably certain to be exercised by the Group
- e) payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease.

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.

After the commencement date, Group measures the lease liability by:

- a) increasing the carrying amount to reflect interest on the lease liability,
- b) reducing the carrying amount to reflect the lease payments made, and
- c) remeasuring the carrying amount to reflect any reassessment or lease modifications. The Group recognises the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset.

Notes to Consolidated Financial Statements

As at and for the Year Ended December 31, 2023

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

3. Significant accounting policies (continued)

3.12 Right-of-use asset (continued)

Short-term leases and leases of low-value assets

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

3.13. 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. Interest income obtained from related parties is recognised as it accrues, using the effective interest method.

Finance cost comprise interest expense on borrowings and due to related parties, 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.

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 depending on whether foreign currency movements are in a net gain or net loss position by each entity of the Group.

3.14. Other income and expenses from operating activities

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 from provision for doubtful receivables, rediscount gains on trade and other payables, foreign currency gains (excluding those on borrowings) and other operating income.

Other expense from operating activities comprises commission expenses for letter of credits, provision expense for doubtful receivables, donations, rediscount losses on trade and other receivables, foreign currency losses (excluding those on borrowings) and other operating expenses.

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

Notes to Consolidated Financial Statements

As at and for the Year Ended December 31, 2023

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

3. Significant accounting policies (continued)

3.15. Income and losses from investing activities

Income from investing activities comprises gain on sale subsidiaries and associates, dividend income and fair value gain from marketable securities, gain on sale of property, plant and equipment, intangible assets and investment property, fair value change of investment property, and other income from investing activities.

Losses from investing activities comprises losses on sale of property, plant and equipment, intangible assets and investment property, loss arising from fair value of investment property and other losses from investing activities.

3.16. Income tax (including deferred tax assets and liabilities)

Income 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 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 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 the following temporary differences: 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, and differences relating to investments in subsidiaries, jointly arrangements and associates to the extent that it is probable that they will not reverse in the foreseeable future. In addition, deferred tax is not recognised for taxable temporary differences arising on the initial recognition of goodwill.

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 by the reporting date.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity.

A deferred tax asset is recognised for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised. 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.

Tax exposures

In determining the amount of current and deferred tax, the Group takes into account the impact of uncertain tax positions and whether additional taxes and interest may be due. The Group believes that its accruals for tax liabilities are adequate for all open tax years based on its assessment of many factors, including interpretations of tax law and prior experience. This assessment relies on estimates and assumptions and may involve a series of judgments about future events. New information may become available that causes the Group to change its judgment regarding the adequacy of existing tax liabilities; such changes to tax liabilities will impact tax expense in the period that such a determination is made.

The provisions concerning to the “thin capitalization” are stated in the Article 12 of new corporate tax law. According to the Article 12, if the borrowings obtained directly or indirectly from the shareholders of the companies or persons related to shareholders exceeds three times of the shareholders’ equity of the company operating in Turkey at any time during the related year, the exceeding portion of the borrowing will be treated as thin capital.

Notes to Consolidated Financial Statements

As at and for the Year Ended December 31, 2023

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

3. Significant accounting policies (continued)

3.16. Income tax (including deferred tax assets and liabilities) (continued)

The financial borrowings were regarded as thin capitalization provided with:

- The borrowings obtained directly or indirectly from the shareholders of the companies or persons related to shareholders
- Used for/in the entity
- Borrowings exceeds three times of the shareholders' equity of the company at any time during the related year,

Transfer pricing

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 November 18, 2007.

If the tax payer 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.

3.17. Segment reporting

An operating segment is a component of the Group that engages in business activities through which it may earn revenues and incur expenses, whose operating results are regularly reviewed by the Group's management to make decisions about resources to be allocated to the segment and assess its performance and for which discrete financial information is available including revenues and expenses.

In order for an operating segment to be identified as a reportable segment, the revenue of the entity inter-departmental sales or transfers, constitutes 10% or more of the total revenue of all business segments within and outside the organization. It must be 10% or more, or the assets must be 10% or more of the total assets of all operating segments.

The reporting of the operating segments is arranged to ensure uniformity with the reporting to the chief operating decision maker. The sectors merged under “Other” are combined to provide segment reporting based on the inability to meet the quantitative minimum limits for being a reportable segment.

Notes to Consolidated Financial Statements

As at and for the Year Ended December 31, 2023

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

3. Significant accounting policies (continued)

3.18. 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 of the period in which the change occurs.

Contingent liabilities are assessed continually 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.

3.19. Subsequent events

Subsequent events represent the events after reporting date comprising any event between the reporting date and the date of authorisation for the 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 after reporting date); and
- to have evidences of related subsequent events occurred after reporting date (non adjusting events after reporting date).

The Group adjusts its consolidated financial statements according to the new condition if adjusting subsequent events arise subsequent to 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.

3.20. 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 which their 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.

Notes to Consolidated Financial Statements

As at and for the Year Ended December 31, 2023

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

3. Significant accounting policies (continued)

3.21. 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 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.

A number of transactions are entered into with related parties in the normal course of business.

3.22. The new standards, amendments and interpretations

The accounting policies adopted in preparation of the consolidated financial statements as of December 31, 2023 are consistent with those of the previous financial year, except for the adoption of new and amended TFRS and TFRS interpretations effective as of January 1, 2023 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 of January 1, 2023 are as follows:

Amendments to TAS 8 - Definition of Accounting Estimates

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

The amendments did not have a significant impact on the financial position or performance of the Group.

Notes to Consolidated Financial Statements

As at and for the Year Ended December 31, 2023

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

3. Significant accounting policies (continued)

3.22. The new standards, amendments and interpretations (continued)

- i) **The new standards, amendments and interpretations which are effective as of January 1, 2023 are as follows (continued):**

Amendments to TAS 1 - Disclosure of Accounting Policies

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

The amendments did not have a significant impact on the financial position or performance of the Group.

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

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

The amendments did not have a significant impact on the financial position or performance of the Group.

Amendments to TAS 12 - International Tax Reform – Pillar Two Model Rules

In September 2023, POA issued amendments to TAS 12, which introduce a mandatory exception in TAS 12 from recognizing and disclosing deferred tax assets and liabilities related to Pillar Two income taxes. The amendments clarify that TAS 12 applies to income taxes arising from tax laws enacted or substantively enacted to implement the Pillar Two Model Rules published by the Organization for Economic Cooperation and Development (OECD). The amendments also introduced targeted disclosure requirements for entities affected by the tax laws. The temporary exception from recognition and disclosure of information about deferred taxes and the requirement to disclose the application of the exception apply immediately and retrospectively upon issue of the amendments. However, certain disclosure requirements are not required to be applied for any interim period ending on or before 31 December 2023.

The amendments did not have a significant impact on the financial position or performance of the Group.

Notes to Consolidated Financial Statements

As at and for the Year Ended December 31, 2023

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

3. Significant accounting policies (continued)

3.22. The new standards, amendments and interpretations (continued)

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.

TFRS 17 - The new Standard for insurance contracts

POA issued TFRS 17 in February 2019, a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. TFRS 17 model combines a current balance sheet measurement of insurance contract liabilities with the recognition of profit over the period that services are provided. The mandatory effective date of the Standard postponed to accounting periods beginning on or after January 1, 2024 with the announcement made by the POA.

The standard is not applicable for the 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.

Notes to Consolidated Financial Statements

As at and for the Year Ended December 31, 2023

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

3. Significant accounting policies (continued)

3.22. 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.

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

Amendments to TAS 7 and TFRS 7 - Disclosures: Supplier Finance Arrangements

The amendments issued by POA in September 2023 specify disclosure requirements to enhance the current requirements, which are intended to assist users of financial statements in understanding the effects of supplier finance arrangements on an entity’s liabilities, cash flows and exposure to liquidity risk. Supplier finance arrangements are characterized by one or more finance providers offering to pay amounts an entity owes its suppliers and the entity agreeing to pay according to the terms and conditions of the arrangements at the same date as, or a date later than, suppliers are paid. The amendments require an entity to provide information about terms and conditions of those arrangements, quantitative information on liabilities related to those arrangements as at the beginning and end of the reporting period and the type and effect of non-cash changes in the carrying amounts of those liabilities. In the context of quantitative liquidity risk disclosures required by TFRS 7, supplier finance arrangements are also included as an example of other factors that might be relevant to disclose. The amendments will be effective for annual reporting periods beginning on or after January 1, 2024. Early adoption is permitted but will need to be disclosed.

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

iii) The new amendments that are issued by the International Accounting Standards Board (IASB) but not issued by Public Oversight Authority (POA)

The following amendments to IAS 21 and IFRS 18 are issued by IASB but not yet adapted/issued by POA. Therefore, they do not constitute part of TFRS. The Group will make the necessary changes to its consolidated financial statements after the amendments and new Standard are issued and become effective under TFRS.

Notes to Consolidated Financial Statements

As at and for the Year Ended December 31, 2023

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

3. Significant accounting policies (continued)

3.22. The new standards, amendments and interpretations (continued)

iii) The new amendments that are issued by the International Accounting Standards Board (IASB) but not issued by Public Oversight Authority (POA) (continued):

Amendments to IAS 21 - Lack of exchangeability

In August 2023, IASB issued amendments to IAS 21. The amendments specify how an entity should assess whether a currency is exchangeable and how it should determine a spot exchange rate when exchangeability is lacking. When an entity estimates a spot exchange rate because a currency is not exchangeable into another currency, it discloses information that enables users of its financial statements to understand how the currency not being exchangeable into the other currency affects, or is expected to affect, the entity’s financial performance, financial position and cash flows.

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

IFRS 18 – The new Standard for Presentation and Disclosure in Financial Statements

In April 2024, IASB issued IFRS 18 which replaces IAS 1. IFRS 18 introduces new requirements on presentation within the statement of profit or loss, including specified totals and subtotals. IFRS 18 requires an entity to classify all income and expenses within its statement of profit or loss into one of five categories: operating; investing; financing; income taxes; and discontinued operations. It also requires disclosure of management-defined performance measures and includes new requirements for aggregation and disaggregation of financial information based on the identified ‘roles’ of the primary financial statements and the notes. In addition, there are consequential amendments to other accounting standards, such as IAS 7, IAS 8 and IAS 34.

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

Çalık Enerji Sanayi ve Ticaret Anonim Şirketi and its Subsidiaries

Notes to Consolidated Financial Statements

As at and for the Year Ended December 31, 2023

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

4. Related party disclosures

For the purpose of the consolidated financial statements, the shareholders, key management personnel and the Board members, and in each case, together with their families and companies controlled by/affiliated with them; and joint ventures are considered and referred to as the related parties. A number of transactions are entered into with the related parties in the normal course of business.

As disclosed in detail in Note 3, the joint ventures of the Group have been accounted for using the equity method in the consolidated financial statements.

Related party balances

The details of transactions between the Group and the related parties as of December 31, 2023 and 2022 are explained below:

December 31, 2023				
	Shareholders	Joint ventures	Other (*)	Total
Trade receivables	-	-	127.643	127.643
Other receivables	2.465	-	14.016	16.481
Cash and cash equivalents	-	-	2.544	2.544
Other payables	(53.711)	-	(175)	(53.886)
Trade payables	(1.732)	-	(4.516)	(6.248)
Prepaid expenses	-	-	146	146
Total	(52.978)	-	139.658	86.680

December 31, 2022				
	Shareholders	Joint ventures	Other (*)	Total
Trade receivables	-	-	130.435	130.435
Other receivables	11.540	-	16.406	27.946
Cash and cash equivalents	-	-	8.790	8.790
Other payables	(42.514)	-	(42)	(42.556)
Trade payables	(1.036)	-	(6.111)	(7.147)
Prepaid expenses	-	-	410	410
Financial payables	-	-	(16.773)	(16.773)
Total	(32.010)	-	133.115	101.105

(*) Shows the transactions with other companies of the Group's ultimate parent.

As of December 31, 2023 and 2022, cash and cash equivalents include balances of the Group's subsidiaries with Aktifbank Yatırım Bankası A.Ş.

As of December 31, 2022 financial payables include balances obtained from the, Group's subsidiaries, Aktifbank Yatırım Bankası A.Ş. for financing activities.

Other receivables amounting to US Dollar 2.465 (December 31, 2022: US Dollar 11.540) is composed of receivables from Çalık Holding given by the Group's subsidiaries for the financing activities.

As of December 31, 2023, other payables amounting to US Dollar 53.711 (December 31, 2022: US Dollar 42.514) is related to funding amounts from Çalık Holding and Çalık Holding's recharges including management expenditures and common usage cost.

As of December 31, 2023 and 2022, the majority of the Group's trade receivables from related parties within the scope of the TAPP project, the employer of the project is TAPP 500 Power Transmission Line FZE.

Çalık Enerji Sanayi ve Ticaret Anonim Şirketi and its Subsidiaries

Notes to Consolidated Financial Statements

As at and for the Year Ended December 31, 2023

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

4. Related party disclosures (continued)

As of December 31, 2023, intra-group interest rates are determined for the aforementioned intra-group balances considering the average interest rates of the borrowings used by Çalık Group entities. The average effective interest rates for receivable and payable balances denominated in TL, EUR and USD are 30,72%, 9,11% and 11,25% respectively (2022: 21,14%, 7,97% and 9,08% respectively).

There are no guarantees given or taken for the due to and due from related parties, respectively. No impairment losses have been recognised against balances outstanding as of December 31, 2023 (December 31, 2022: None) and no specific allowance has been made for impairment losses on balances with the related parties.

Related party transactions

For the years ended December 31, 2023 and 2022, the revenues earned and expenses incurred by the Group in relation to transactions with its related parties as summarised below:

January 1 – December 31, 2023				
	Shareholders	Joint ventures	Other	Total
Revenue ^(*)	-	-	14.931	14.931
Cost of sales	(312)	-	(3.510)	(3.822)
Administrative expenses ^(**)	(9.650)	-	(2.242)	(11.892)
Selling, marketing and distribution expenses	-	-	(2.766)	(2.766)
Research and development expenses	-	-	(895)	(895)
Finance income/(expense), net ^(***)	3.989	-	1.124	5.113
Income/(Expense) from investing activities, net	40	-	1.111	1.151
Total	(5.933)	-	7.753	1.820

January 1 – December 31, 2022				
	Shareholders	Joint ventures	Other	Total
Revenue ^(*)	-	-	23.026	23.026
Cost of sales	(194)	-	(5.708)	(5.902)
Administrative expenses ^(**)	(6.471)	-	(4.368)	(10.839)
Selling, marketing and distribution expenses	-	-	(2.894)	(2.894)
Research and development expenses	-	-	(620)	(620)
Finance income/(expense), net	-	-	(3.663)	(3.663)
Income/(Expense) from investing activities, net	24	-	941	965
Total	(6.641)	-	6.714	73

^(*) For the year ended December 31, 2023 and 2022, the whole amount includes electricity bills issued by Yepaş to Anagold, Çalık Denim and other related parties.

^(**) For the year ended 31 December 2023 and 2022, administrative expenses mainly composed of service and insurance billings from Çalık Holding.

^(***) For the year ended 31 December 2023, finance income/(expense) from shareholders includes the foreign exchange gains or losses of payable to Çalık Holding.

Transactions with key management personnel

On a consolidated basis, key management costs included in administrative expenses for the year ended on December 31, 2023 amounted to US Dollar 8.067 (December 31, 2022: US Dollar 5.103). The related amount consists of salary and wages, bonus and premiums, attendance fee and such other payments to key management.

Çalık Enerji Sanayi ve Ticaret Anonim Şirketi and its Subsidiaries

Notes to Consolidated Financial Statements

As at and for the Year Ended December 31, 2023

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

5. Cash and cash equivalents

As of December 31, 2023 and 2022, cash and cash equivalents comprised the following:

	December 31, 2023	December 31, 2022
Cash on hand	1.408	299
Cash at banks	73.760	37.355
-Demand deposits	66.795	20.096
-Time deposits	6.965	17.259
Other cash and cash equivalents (*)	238	16.255
Cash and cash equivalents	75.406	53.909
Restricted bank balances	(5.368)	(14.088)
Cash and cash equivalents in the consolidated statement of cash flows	70.038	39.821

(*) As of December 31, 2023, other cash and cash equivalents consist of credit card receivables amounting to US Dollar 143 (December 31, 2022: US Dollar 102). As of December 31, 2022, other cash and cash equivalents consist of bonds due to 3 months in Çedaş amounting to US Dollar 16.153.

As of December 31, 2023, average effective interest rates on TL denominated time deposits are between 11% - 40% (December 31, 2022: 11% - 20%) and maturity of time deposits is 87 days (December 31, 2022: 90 days).

As of December 31, 2023, there is no USD denominated time deposits (December 31, 2022: None).

6. Restricted bank balances

As of December 31, 2023 and 2022, restricted bank balances comprised the following:

	December 31, 2023	December 31, 2022
EPC ve maintenance blocked amount (*)	5.027	5.114
Collateral (*)	285	6.156
Takas Bank blocked amount (*)	52	2.811
Public case blocked amount (*)	4	7
Restricted bank balances	5.368	14.088

(*) The restricted cash and cash equivalents amounting to US Dollar 5.368 (December 31, 2022: US Dollar 14.088) is not available for the Group's daily transactions as at December 31, 2023. The US Dollar 5.027 portion of the amount held in banks in Turkey with the contracts related to the engineering services, procurement operations and construction projects (December 31, 2022: US Dollar 5.114). The portion amounting to US Dollar 285 (December 31, 2022: US Dollar 6.156) takes place as a mandatory guarantee related to loans in domestic banks. In addition, The US Dollar 4 (December 31, 2022: US Dollar 7) portion blocked and held by court referring to the nationalization lawsuits. The US Dollar 52 (December 31, 2022: US Dollar 2.811) portion of the remaining part of the amount held for the cash guarantee given to the İstanbul Takas ve Saklama Bankası A.Ş. with the provision of the used electricity.

The Group's exposure to currency risks related to cash and cash equivalents are disclosed in Note 29.

Çalık Enerji Sanayi ve Ticaret Anonim Şirketi and its Subsidiaries

Notes to Consolidated Financial Statements

As at and for the Year Ended December 31, 2023

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

7. Financial investments

As of December 31, 2023 and 2022, financial investments comprised the following:

	December 31, 2023			December 31, 2022		
	Current	Non-current	Total	Current	Non-current	Total
Financial assets measured at fair value through profit or loss	6.600	17.103	23.703	48.457	13.185	61.642
	6.600	17.103	23.703	48.457	13.185	61.642

As of December 31, 2023 and 2022, financial assets measured at fair value through profit or loss comprised the following:

Equity instruments	December 31, 2023	December 31, 2022
Equity securities - listed	6.600	48.457
Equity securities - non-listed	17.103	13.185
Total	23.703	61.642

As of December 31, 2023 and 2022, the details of the investments classified as financial assets at fair value through profit or loss and the shareholding rates are as follows:

		December 31, 2023		December 31, 2022
	%		%	
Equity securities - available for sale:				
Bursagaz Bursa Şehiriçi Doğal Gaz Dağıtım Ticaret ve Taahhüt A.Ş. ("Bursagaz")	10.00	5.022	10.00	5.263
Kayserigaz Kayseri Doğalgaz Dağıtım Pazarlama Ticaret A.Ş. ("Kayserigaz")	10.00	7.944	10.00	4.428
Other (*)	-	4.137	-	3.494
Total		17.103		13.185

(*) As explained in Note 1, it includes subsidiaries and joint ventures that are not included in the consolidation as of December 31, 2023 and 2022. In addition to that, the balance includes the financial investment of Çalık Swiss AG on the Starfire Energy INC with a share of 1,14% (2022: 0,89%) and the balance amounted to US Dollar 2.000 as of December 31, 2023 and 2022.

The movements in financial investments during the years ended 31 December 2023 and 2022 are as follows:

	2023	2022
At 1 January	61.642	34.680
Additions (*)	2.087	6.539
Fair value increases/decreases (**)	(26.407)	29.577
Capital increase addition and acquisition	643	-
Disposals	(158)	-
Translation difference and inflation effect	(14.104)	(9.154)
At 31 December	23.703	61.642

(*) The balance includes the purchase of YEDAŞ repo transactions for 2023 and 2022. Moreover, the balance includes the purchase of Starfire Energy INC for 2022.

(**) The amount realized in 2023 and 2022 arise from the fair value changes of the shares of Bursagaz and Kayserigaz which are measured at fair value through profit or loss in the consolidated financial statements. Moreover, the balance includes the fair value change of currency protected time deposit for 2022.

Çalık Enerji Sanayi ve Ticaret Anonim Şirketi and its Subsidiaries

Notes to Consolidated Financial Statements

As at and for the Year Ended December 31, 2023

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

7. Financial investments (continued)

The table below presents the summary of the financial information of the main financial investments:

December 31, 2023 (*)						
Name	Total asset	Total equity	Retained earnings attributable to the owners' of the Company	Net income/ (loss) for the period	Reviewed / audited	Period
Bursagaz	146.490	86.695	(128.616)	2.800	Unaudited	December 31, 2023
Kayserigaz	124.275	60.087	9.600	1.449	Unaudited	December 31, 2023

December 31, 2022						
Name	Total asset	Total equity	Retained earnings attributable to the owners' of the Company	Net income/ (loss) for the period	Reviewed / audited	Period
Bursagaz	180.794	87.595	9.103	150	Unaudited	December 31, 2022
Kayserigaz	131.643	53.446	12.524	120	Unaudited	December 31, 2022

(*) The financial figures of 2023 adjusted for inflation accounting.

8. Trade receivables, service concession receivables and trade payables

Trade receivables

Short-term trade receivables

As of December 31, 2023 and 2022, short-term trade receivables comprised the following:

	December 31, 2023	December 31, 2022
Due from related parties (Note 4)	127.643	128.775
Due from third parties	161.545	130.153
	289.188	258.928

As at 31 December 2023 and 2022, short-term trade receivables comprised the following:

	December 31, 2023	December 31, 2022
Accounts receivable (*)	289.188	258.928
Doubtful receivables	23.020	21.412
Allowance for doubtful receivables	(23.020)	(21.412)
Total	289.188	258.928

(*) As at 31 December 2023 trade receivables of the Group mainly consists of engineering services, supply operations and uncollected portion of progress billings related to EPC agreement to US Dollar 220.449 (31 December 2022: US Dollar 197.827).

Movement of allowance for doubtful receivables for the years ended at 31 December is as follows:

	2023	2022
Allowance at the beginning of year	21.412	26.382
Provision for impairment (Note 27)	17.061	3.596
Reversal of impairment allowances no longer required (-) (Note 27)	(5.572)	(5.628)
Translation differences and inflation effect	(9.881)	(2.938)
Total	23.020	21.412

Çalık Enerji Sanayi ve Ticaret Anonim Şirketi and its Subsidiaries**Notes to Consolidated Financial Statements****As at and for the Year Ended December 31, 2023**

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

8. Trade receivables, service concession receivables and trade payables (continued)**Long-term trade receivables**

As of December 31, 2023 and 2022, long-term trade receivables comprised the following:

	December 31, 2023	December 31, 2022
Due from related parties (Note 4)	-	1.660
Due from third parties	26.146	29.998
Total	26.146	31.658

Service concession receivables

As of December 31, 2023 and 2022, service concession receivables comprised the following:

	December 31, 2023	December 31, 2022
Short term service concession receivables	126.069	61.989
Long term service concession receivables	161.717	190.745
Total	287.786	252.734

Maturity of the service concession receivables were as follows:

	Receivables subject to redemption	
Redemption	December 31, 2023	December 31, 2022
Due within one year	126.069	61.989
Due one to three years	120.287	92.144
Due three to five years	31.857	21.258
Due over five years	9.573	77.343
Total	287.786	252.734

Movement of service concession receivables for the year ended of December 31, 2023 and 2022 are as follows:

	2023	2022
At 1 January	252.734	173.481
Additions	84.206	63.313
Redemptions related to current year investments	(81.845)	(69.969)
Principal collections	(51.034)	(43.509)
Financial income collections	(30.811)	(26.460)
Financial income	159.383	152.339
Translation difference and inflation effect	(126.692)	(66.430)
At 31 December	287.786	252.734

Short-term trade payables

As of December 31, 2023 and 2022, short-term trade payables comprised the following:

	December 31, 2023	December 31, 2022
Due to third parties	129.876	204.032
Due to related parties (Note 4)	6.248	7.147
	136.124	211.179

Çalık Enerji Sanayi ve Ticaret Anonim Şirketi and its Subsidiaries

Notes to Consolidated Financial Statements

As at and for the Year Ended December 31, 2023

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

8. Trade receivables, service concession receivables and trade payables (continued)

As of December 31, 2023 and 2022, third parties short-term trade payables comprised the following:

	December 31, 2023	December 31, 2022
Trade payables (*)	121.476	173.532
Expense accruals	8.400	30.500
	129.876	204.032

(*) Trade payables mainly comprise payables to suppliers the EPC contracts, average maturity of debt is between 30 and 60 days. The payment schedule comprises some performance indicators when they met and preliminary contract advance and finally temporary acceptance and/or at the end of the work. In addition, this amount consists of debt the electricity purchases from Elektrik Üretim A.Ş. (EÜAŞ) amounting to USD 23.037 (December 31, 2022: USD 15.713), the companies Türkiye Elektrik İletim A.Ş. (TEİAŞ) arising from the usage of the electricity transfer lines amounting to USD 2.654 (December 31, 2022: USD 13.791).

9. Other receivables and other payables

As of December 31, 2023 and 2022, other short-term receivables comprised the following:

	December 31, 2023	December 31, 2022
Due from related parties (Note 4)	16.481	17.267
Due from third parties	24.678	13.529
	41.159	30.796

As of December 31, 2023 and 2022, short-term other receivables from third parties comprised the following:

	December 31, 2023	December 31, 2022
Other receivables (*)	23.402	12.760
Receivables from tax authorities	780	476
Deposits and guarantees given	493	292
Receivables from personnel	3	1
	24.678	13.529

(*) This amount consists of receivables from TEDAŞ regarding payments such as expropriation fees made on behalf of TEDAŞ and receivables from projects.

Çalık Enerji Sanayi ve Ticaret Anonim Şirketi and its Subsidiaries

Notes to Consolidated Financial Statements

As at and for the Year Ended December 31, 2023

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

9. Other receivables and other payables (continued)

Other long term receivables

As of December 31, 2023 and 2022, other long term receivables comprised the following:

	December 31, 2023	December 31, 2022
Due from related parties (Note 4)	-	10.679
Due from third parties	19.724	33.715
Total	19.724	44.394

As of December 31, 2023 and 2022, due from third parties comprised the following:

	December 31, 2023	December 31, 2022
Receivables from TEİAŞ	18.624	31.811
Deposits and guarantees given	1.100	1.904
Total	19.724	33.715

Other short term payables

As of December 31, 2023 and 2022, other short-term payables comprised the following:

	December 31, 2023	December 31, 2022
Due to related parties (Note 4)	53.886	42.556
Due to third parties	53.789	47.389
Total	107.675	89.945

As of December 31, 2023 and 2022, other short-term payables to third parties comprised the following:

	December 31, 2023	December 31, 2022
Deposits and guarantees received (*)	49.711	45.055
Others	4.078	2.334
Total	53.789	47.389

(*) As of December 31, 2023 and 2022, the deposits and guarantees received mainly consist of security deposits received by the electricity distribution and retail sale companies of the Group from their customers.

Other long term payables

As of December 31, 2023 and 2022, other long-term payables comprised the following:

	December 31, 2023	December 31, 2022
Deposits and guarantees received	5.392	4.703
Total	5.392	4.703

The Group's exposure to credit and currency risks related to other receivables and liquidity and currency risks of other payables are disclosed in Note 29.

Çalık Enerji Sanayi ve Ticaret Anonim Şirketi and its Subsidiaries

Notes to Consolidated Financial Statements

As at and for the Year Ended December 31, 2023

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

10. Inventories

As of December 31, 2023 and 2022, inventories comprised the following:

	December 31, 2023	December 31, 2022
Trading goods	32.133	49.922
Raw materials and supplies	29.197	15.812
Total	61.330	65.734

11. Prepaid expenses and deferred income

Short term prepaid expenses

As of December 31, 2023 and 2022, current prepayments comprised the following:

	December 31, 2023	December 31, 2022
Advances given (*)	49.750	96.548
Prepaid expenses for the following months	6.245	2.432
Total	55.995	98.980

(*) As of December 31, 2023, no advances given to EPIAŞ for electricity purchases (December 31, 2022: US Dollar 123) and advance balances amounting to US Dollar 43.986 (December 31, 2022: US Dollar 96.127) given to suppliers and service providers for EPC projects.

Long term prepaid expenses

As of December 31, 2023 and 2022, non-current prepayments comprised the following:

	December 31, 2023	December 31, 2022
Prepaid expenses for the following years	6.914	949
Total	6.914	949

Short term deferred revenue

As of December 31, 2023 and 2022, short term deferred revenue comprised the following:

	December 31, 2023	December 31, 2022
Advances received	4.363	26.098
Total	4.363	26.098

Çalık Enerji Sanayi ve Ticaret Anonim Şirketi and its Subsidiaries

Notes to Consolidated Financial Statements

As at and for the Year Ended December 31, 2023

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

12. Investments in equity accounted investees

a) Joint agreements

i) Joint ventures

KÇLE

KÇLE was established as a joint venture with a joint agreement between ÇEDAŞ, Çalık Enerji and Limak Yatırım on September 17, 2012 with the participation of these three companies by 25%, 25% and 50%, respectively, in the share capital of KÇLE. On May 8, 2013, KÇLE purchased all shares of the state-owned enterprise namely Kompania Per Distribuium Dhe Fumizim Me Energji Elektrike SH.A ("KEDS") which is operating in electricity distribution and procurement in Kosovo for a consideration of US Dollar 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 April 27, 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 to %50,00.

Doğu Aras

Doğu Aras was founded in accordance to energy market regulations as a joint venture with a joint agreement between ÇED and 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 June 28, 2013, Doğu Aras purchased all shares of EDAŞ and EPAŞ which were state owned companies operating in electricity distribution and sales in cities Kars, Ardahan, Iğdır, Erzincan, Ağrı, Bayburt and Erzurum by paying an amount of US Dollar 128.500 as a result of a tender in the privatisation process.

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%. As of December 31, 2023, by including the shares in the stock exchange, the ownership increased to 45,34%.

Çalık Enerji Sanayi ve Ticaret Anonim Şirketi and its Subsidiaries

Notes to Consolidated Financial Statements

As at and for the Year Ended December 31, 2023

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

12. Investments in equity accounted investees (continued)

LC Electricity

LC Electricity was established on July 3, 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%. The purpose of LC Electricity is trading electricity and sales/purchases of goods and services as part of this operation.

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

Joint ventures-equity accounted	December 31, 2023		December 31, 2022	
	Carrying value	% of ownership	Carrying value	% of ownership
Assets				
KÇLE	111.850	50,00	91.886	50,00
Çalık Limak Adi Ortaklığı	-	50,00	282	50,00
Doğu Aras	202.429	45,34	93.454	40,00
LC Electricity	10	50,00	10	50,00
Total	314.289		185.632	

For the years ended December 31, 2023 and 2022, the movements in investments in equity accounted investees, net were as follows:

	2023	2022
Balance at 1 January	185.632	166.086
Share of profit of equity accounted investees	114.331	26.335
Capital increase	2.487	-
Stocks sold	(282)	-
Dividend income from affiliates and jointly controlled partnerships	(4.736)	(3.674)
Translation differences and inflation effect	16.857	(3.115)
Balance at 31 December	314.289	185.632

Çalık Enerji Sanayi ve Ticaret Anonim Şirketi and its Subsidiaries

Notes to Consolidated Financial Statements

As at and for the Year Ended December 31, 2023

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

12. Investments in equity accounted investees (continued)

Summary financial information for equity accounted joint ventures was presented below:

December 31, 2023															
Company name	Reporting period	Ownership rates (%)	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liabilities	Total liabilities	Net assets	Revenue	Total expenses	Profit/(loss)	Group's share of net assets	Carrying amount	Group's share of profit/(loss)
KÇLE (Joint venture) ⁽¹⁾	December 31	50,00%	125.498	184.518	310.016	107.340	26.511	133.851	176.165	396.200	358.792	37.408	88.083	111.850	18.704
Doğu Aras (Joint venture) ^(*)	December 31	45,34%	174.506	389.455	563.961	106.074	124.136	230.210	333.751	797.777	618.078	179.699	151.323	202.429	94.810
Çalık Limak Adı Ortaklığı A.Ş. (Joint venture)	December 31	50,00%	3.835	10	3.845	3.844	-	3.844	1	7.286	5.652	1.634	1	-	817
LC Electricity (Joint venture)	December 31	50,00%	-	-	-	-	-	-	-	-	-	-	-	10	-
Total														314.289	114.331

December 31, 2022															
Company name	Reporting period	Ownership rates (%)	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liabilities	Total liabilities	Net assets	Revenue	Total expenses	Profit/(loss)	Group's share of net assets	Carrying amount	Group's share of profit/(loss)
KÇLE (Joint venture) ⁽¹⁾	December 31	50,00%	129.055	165.386	294.441	149.637	13.538	163.175	131.266	394.710	384.753	9.957	65.633	91.886	4.979
Doğu Aras (Joint venture) ⁽¹⁾	December 31	40,00%	188.131	153.867	341.998	150.469	78.888	229.357	112.641	946.005	893.406	52.599	45.056	93.454	21.040
Çalık Limak Adı Ortaklığı A.Ş. (Joint venture)	December 31	50,00%	1.554	10	1.564	1.563	-	1.563	1	2.714	2.086	628	1	282	316
LC Electricity (Joint venture)	December 31	50,00%	-	-	-	-	-	-	-	-	-	-	-	10	-
Total														185.632	26.335

⁽¹⁾ Consolidated financial information is presented.

Çalık Enerji Sanayi ve Ticaret Anonim Şirketi and its Subsidiaries

Notes to Consolidated Financial Statements

As at and for the Year Ended December 31, 2023

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

13. Property, plant and equipment

During the years ended December 31, 2023 and 2022, movements of property, plant and equipment and cost were as follows:

	Land and buildings	Machines and equipments	Vehicles	Furniture and fixtures	Leasehold improvements	Construction in progress	Total
Balance at January 1, 2022	30.176	40.370	14.351	26.005	8.020	42.608	161.530
Additions	1.369	210	200	5.685	46	81.391	88.901
Translation differences	(695)	(11.486)	(1.382)	(554)	(854)	(166)	(15.137)
Disposal	(1.798)	-	(2.383)	(3.706)	(3.807)	(3.461)	(15.155)
Transfers	-	-	-	-	-	(106.502)	(106.502)
Balance at December 31, 2022	29.052	29.094	10.786	27.430	3.405	13.870	113.637
Balance at January 1, 2023	29.052	29.094	10.786	27.430	3.405	13.870	113.637
Inflation effect	4.286	85.429	8.912	4.955	2.129	1.763	107.474
Restated balance at 1 January 2023	33.338	114.523	19.698	32.385	5.534	15.633	221.111
Additions	1.434	288	9.149	4.798	149	936	16.754
Translation differences and inflation effect	137	4.244	(4.301)	(2.351)	552	(1.252)	(2.971)
Disposal	(732)	-	(2.322)	(2.496)	-	(3)	(5.553)
Transfers	-	-	-	-	-	(11.784)	(11.784)
Balance at December 31, 2023	34.177	119.055	22.224	32.336	6.235	3.530	217.557

Çalık Enerji Sanayi ve Ticaret Anonim Şirketi and its Subsidiaries

Notes to Consolidated Financial Statements

As at and for the Year Ended December 31, 2023

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

13. Property, plant and equipment (continued)

During the years ended December 31, 2023 and 2022, movements of property, plant and equipment and related accumulated depreciation were as follows:

	Land and Buildings	Machines and equipments	Vehicles	Furniture and fixtures	Leasehold improvements	Construction in progress	Total
Accumulated depreciation							
Balance at January 1, 2022	(11.093)	(17.302)	(8.284)	(15.866)	(4.489)	-	(57.034)
Current year depreciation	(1.996)	(3.717)	(2.126)	(3.422)	(91)	-	(11.352)
Translation differences	7	4.250	720	416	568	-	5.961
Disposal	484	957	1.715	2.591	943	-	6.690
Balance at December 31, 2022	(12.598)	(15.812)	(7.975)	(16.281)	(3.069)	-	(55.735)
Balance at January 1, 2023	(12.598)	(15.812)	(7.975)	(16.281)	(3.069)	-	(55.735)
Inflation effect	(633)	(40.571)	(7.141)	(3.094)	(3.325)	-	(54.764)
Restated balance at 1 January 2023	(13.231)	(56.383)	(15.116)	(19.375)	(6.394)	-	(110.499)
Current year depreciation	(2.051)	(10.048)	(2.269)	(4.278)	(124)	-	(18.770)
Translation differences and inflation effect	(12)	(2.523)	3.065	1.033	2.417	-	3.980
Disposal	214	178	2.016	2.238	-	-	4.646
Balance at December 31, 2023	(15.080)	(68.776)	(12.304)	(20.382)	(4.101)	-	(120.643)
Net carrying amount at January 1, 2022	19.083	23.068	6.067	10.139	3.531	42.608	104.496
Net carrying amount at December 31, 2022	16.454	13.282	2.811	11.149	336	13.870	57.902
Net carrying amount at December 31, 2023	19.097	50.279	9.920	11.954	2.134	3.530	96.914

As at December 31, 2023, the Group has no capitalised interest expense on property, plant and equipment (December 31, 2022: None).

As at December 31, 2023 the Group has no guarantee, pledge and mortgage on property, plant and equipment (December 31, 2022: None)

As at December 31, 2023, the Group has no property, plant and equipment acquired through finance lease contracts (December 31, 2022: None).

Çalık Enerji Sanayi ve Ticaret Anonim Şirketi and its Subsidiaries

Notes to Consolidated Financial Statements

As at and for the Year Ended December 31, 2023

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

14. Intangible assets

During the years ended December 31, 2023 and 2022, movements of intangible assets and related accumulated amortisation were as follows:

	Licences & software	Electric distribution rights	Other intangibles	Total
Cost				
Balance at January 1, 2022	20.707	37.443	2.158	60.308
Additions	3	-	22	25
Transfers	291	-	-	291
Translation differences	(795)	(10.752)	9	(11.538)
Balance at December 31, 2022	20.206	26.691	2.189	49.086
Balance at January 1, 2023	20.206	26.691	2.189	49.086
Inflation effect	11.042	133.988	1.217	146.247
Restated balance at 1 January 2023	31.248	160.679	3.406	195.333
Additions	650	-	6.026	6.676
Translation differences and inflation effect	(3.711)	7.486	(562)	3.213
Balance at December 31, 2023	28.187	168.165	8.870	205.222
Accumulated amortization				
Balance at January 1, 2022	(20.002)	(15.841)	(2.137)	(37.980)
Current year amortization	(84)	(1.159)	(65)	(1.308)
Disposals	-	-	27	27
Translation difference	487	4.676	324	5.487
Balance at December 31, 2022	(19.599)	(12.324)	(1.851)	(33.774)
Balance at January 1, 2023	(19.599)	(12.324)	(1.851)	(33.774)
Inflation effect	(5.854)	(59.206)	(984)	(66.044)
Restated balance at 1 January 2023	(25.453)	(71.530)	(2.835)	(99.818)
Current year amortization	(352)	(6.667)	(195)	(7.214)
Translation differences and inflation effect	1.525	(3.333)	254	(1.554)
Balance at December 31, 2023	(24.280)	(81.530)	(2.776)	(108.586)
Net carrying amount at January 1, 2022	705	21.602	21	22.328
Net carrying amount at December 31, 2022	607	14.367	338	15.312
Net carrying amount at December 31, 2023	3.907	86.635	6.094	96.636

Çalık Enerji Sanayi ve Ticaret Anonim Şirketi and its Subsidiaries

Notes to Consolidated Financial Statements

As at and for the Year Ended December 31, 2023

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

15. Investment Property

As at 31 December 2023 and December 31, 2022, investment property comprised the following:

	December 31, 2023	December 31, 2022
Investment property (*)	130.590	103.714
Total	130.590	103.714

(*) As of December 31, 2022, investment properties were accounted under cost method since the Trillant Tashkent Project has not been completed.

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

	2023	2022
Balance at 1 January	103.714	28.836
Additions	16.510	74.878
Changes to fair value	10.366	-
Balance at 31 December	130.590	103.714

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:

December 31, 2023	Level 1	Level 2	Level 3	Total
Investment property	-	-	130.590	130.590
Total	-	-	130.590	130.590

The project subject to appraisal is named Trillant Business, located on Tashkent Shahrizabz Street, registered in the local cadastral records of the country of Uzbekistan with the cadastral number 10:07:01:02:01:0859:0001. The Trillant Business Project consists of 3 blocks as 2 office blocks and 1 hotel block, and there is also a congress center within the project. The office blocks are named Tower1 and Tower2 and at 31 December 2023 Tower1 with 15.959 m² rentable/sellable office area, 1.725 m² rentable/sellable commercial area and 272 car park units is evaluated as investment property whereas Tower2 which has been at sale is evaluated as inventory. The appraisal report for the investment property is prepared by Harmoni Gayrimenkul Değerleme ve Danışmanlık A.Ş. at 18 April 2024, with 24_400_075 report number and as at 31 December 2023 valuation date.

Çalık Enerji Sanayi ve Ticaret Anonim Şirketi and its Subsidiaries

Notes to Consolidated Financial Statements

As at and for the Year Ended December 31, 2023

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

15. Investment Property (continued)

As at 31 December 2023, the cash flow method is used as the appraisal method of Tower1 in the project. The main assumptions used in this method are as the followings:

- The US Dollar (USD) is used as the currency.
- The US average inflation rate is accepted as 2%.
- It is assumed that all purchases/sales will be made in cash.
- The appraisal date is 31.12.2023 and the projection is designed for the dates 30.06.2023 – 31.12.2034.
- The occupancy rate has been accepted as 55% for 2024-2025, 60% for 2026, 65% for 2027, 70% for 2028, 80 % for 2029, 85% for 2030, 90 % for 2031, 95 % for 2032 and the following years
- It is foreseen that the average rental unit value will be 39 USD for 2024, and an increase in the inflation rate (2%) is accepted in the following years
- The capitalization rate is considered 12%.
- The discount rate is accepted as 14%.

As for the sensitivity analysis of Tower 1 valuation, if the discount rate were 100 bp lower than accepted (13%), the fair value of Tower 1 would increase by 3.500 USD. On the other hand, if the discount rate were 100 bp higher than accepted (15%), the fair value of Tower 1 would decrease by 3.200 USD.

As at 31 December 2023, in the valuation of the hotel block within the subject real estate, the cash flow method has been used over the years. The main assumptions used in this method are as the followings:

- The US Dollar (USD) is used as the currency.
- The US average inflation rate is accepted as 2%.
- It is assumed that all purchases/sales will be made in cash.
- The appraisal date is 31.12.2023 and the projection is designed for the dates 31.12.2023 – 31.12.2034.
- The occupancy rate has been accepted as 55% for 2024-2025, 60% for 2026, 65% for 2027, 70% for 2028 and the following years
- It is foreseen that the average nightly room price will be 210 USD for 2024, 231 USD for 2025, 248 USD for 2026, 267 USD for 2027, 276 USD for 2028, 284 USD for 2029 and an increase in the inflation rate (2%) is accepted in the following years.
- The capitalization rate is considered 12%.
- The discount rate is accepted as 14%.

As for the sensitivity analysis of Tower 3 valuation (hotel block), if the discount rate were 100 bp lower than accepted (13%), the fair value of Tower 3 would increase by 4.900 USD. On the other hand, if the discount rate were 100 bp higher than accepted (15%), the fair value of Tower 3 would decrease by 4.400 USD.

As at 31 December 2023, there is no mortgage on the Group's investment properties.

Çalık Enerji Sanayi ve Ticaret Anonim Şirketi and its Subsidiaries

Notes to Consolidated Financial Statements

As at and for the Year Ended December 31, 2023

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

16. Other current assets and liabilities

Other current assets

As of December 31, 2023 and 2022, other current assets comprised the following:

	December 31, 2023	December 31, 2022
Deferred VAT	18.862	21.904
Other current assets	1.335	6.752
Total	20.197	28.656

Other current liabilities

As of December 31, 2023 and 2022, other current liabilities comprised the following:

	December 31, 2023	December 31, 2022
Taxes and funds payable	11.964	23.930
Other liabilities	12.690	23.932
Total	24.654	47.862

17. Due from/due to customers for contract works

Due from customers for contract work and due to customers for contract work were included in the accompanying consolidated statement of financial position under the following captions:

	December 31, 2023	December 31, 2022
Due from customers for contract works	310.570	199.360
Due to customers for contract works	(20.150)	(22.338)
Total	290.420	177.022

As of December 31, 2023 and 2022, the details of uncompleted contracts were as follows:

	2023	2022
Total costs incurred on uncompleted contracts	1.309.571	880.806
Estimated earnings	239.479	207.377
Total estimated revenue on uncompleted contracts	1.549.050	1.088.183
Less: Billings to date	(1.258.630)	(911.161)
Net amounts due to/from customers for contract work	290.420	177.022

As of December 31, 2023 and 2022, the details of uncompleted contracts were as follows:

	December 31, 2023	December 31, 2022
Other contract liabilities (*)	311.206	181.006
Total	311.206	181.006

(*) Advances received are composed of the contract advances received from Taurus Arm For Power Generation within the scope of the BZC and BZS2 project undertaken by the Group in Iraq, West African Energy SA within the scope of the SNC project undertaken by the Group in Senegal, Rompetrol Energy SA within the scope of the RPE project undertaken by the Group in Romania, Gulf Cooperation Council Interconnection Authority within the scope of the AFT project undertaken by the Group in Iraq and Mitsubishi Corporation within the scope of the TPC2 and NAV3 and projects undertaken by the Group in Uzbekistan.

Çalık Enerji Sanayi ve Ticaret Anonim Şirketi and its Subsidiaries

Notes to Consolidated Financial Statements

As at and for the Year Ended December 31, 2023

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

18. Loans and borrowings

As of December 2023 and 2022, loans and borrowings comprised the following:

Short term loans and borrowings	December 31, 2023	December 31, 2022
Short term bank loans	65.056	31.783
- USD denominated bank loans	31.847	-
- Foreign currency denominated bank loans	33.209	31.783
Short term portion of long-term bank loans	38.371	50.199
- USD denominated bank loans	5.514	30.137
- Foreign currency denominated bank loans	32.857	20.062
Short term portion of long-term bonds issued	-	8.264
Short term lease payables	1.219	1.321
Other financial liabilities	12.572	5.348
Total short-term loans and borrowings	117.218	96.915
Long term bank loans	103.466	67.113
- USD denominated bank loans	2.284	-
- Foreign currency denominated bank loans	101.182	67.113
Long term lease payables	3.360	3.606
Total long-term loans and borrowings	106.826	70.719
Total	224.044	167.634

As of December 31, 2023 and 2022, the terms and conditions of outstanding loans and borrowings were as follows:

December 31, 2023					
	Currency	Nominal interest rate (%)	Maturity	Nominal amount	Carrying amount
Secured bank loans	TL	35,03-43,39	2024-2029	92.124	95.788
Unsecured bank loans	EUR	4,09-12,14	2024-2030	55.537	55.797
Unsecured bank loans	USD	9,01-11,91	2024-2025	38.900	39.596
Unsecured bank loans	EUR	Rotatif	2024	8.031	8.252
Secured bank loans	EUR	0,86-4,26	2025-2031	6.947	7.107
Unsecured bank loans	TL	18,41	2024	340	353
Other financial liabilities	TL		2024	12.572	12.572
				214.451	219.465

December 31, 2022					
	Currency	Nominal interest rate (%)	Maturity	Nominal amount	Carrying amount
Unsecured bank loans	TL	13,32-33,35	2023-2024	5.167	5.202
Unsecured bank loans	TL	Revolving	2023	4.240	4.307
Unsecured bank loans	USD	5,69	2023	30.000	30.137
Unsecured bank loans	EUR	4,28-7,98	2023-2031	18.385	18.489
Secured bank loans	EUR	0,53-1,24	2023	3.740	3.791
Secured bank loans	TL	Revolving	2023	4.131	4.197
Secured bank loans	TL	15%-20,88%	2023-2029	81.975	82.972
Other financial liabilities	TL	-	2023	5.347	5.348
Bond Issued	TL	17,07	2023	8.022	8.264
				161.007	162.707

Çalık Enerji Sanayi ve Ticaret Anonim Şirketi and its Subsidiaries

Notes to Consolidated Financial Statements

As at and for the Year Ended December 31, 2023

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

18. Loans and borrowings (continued)

There are pledges over Çalık Enerji's shares of YEDAŞ, YEPAŞ and ÇEDAŞ with number of shares by 85 (TL 0,00085), 115 (TL 0,00115), 377.622.000 (TL 377.622 thousands), respectively and ÇEDAŞ's shares of YEPAŞ and YEDAŞ, with number of shares by 6.358.770.388 (TL 63.587 thousands) and 35.700.685.312 (TL 357.006 thousands), as a guarantee for the bank borrowings used or will be used by Çalık Holding, ÇEDAŞ, YEDAŞ and YEPAŞ from Ziraat Bankası A.Ş.

As of December 31, 2023 and 2022, maturity profile of the bank borrowings is as follows

	December 31, 2023	December 31, 2022
Due within one year	103.427	81.982
One to two years	34.163	14.388
Two to three years	27.084	10.269
Three to four years	17.316	11.734
Over four years	24.903	30.722
Total	206.893	149.095

As of December 31, 2023 and 2022, maturity profile of bonds and other financial liabilities are as follows;

	December 31, 2023	December 31, 2022
Due within one year	12.572	13.612
Total	12.572	13.612

The Group's exposure to liquidity and currency risks related to borrowings are disclosed in Note 29.

Cash flows from financing activities and reconciliation of their movements

The movement of the Group's financial liabilities arising from financing activities for the year ended December 31, 2023 and 2022 are as follows:

	2023	2022
Loans and issued bonds as of January 1	167.634	117.187
Current period additions	249.731	118.614
Interest and capital repayments	(128.051)	(62.130)
Interest accrual	4.246	4.304
Foreign exchange (gain) / loss	(20.391)	(1.719)
Translation differences and inflation effect	(49.125)	(8.622)
Loans and issued bonds as of December 31	224.044	167.634

Çalık Enerji Sanayi ve Ticaret Anonim Şirketi and its Subsidiaries

Notes to Consolidated Financial Statements

As at and for the Year Ended December 31, 2023

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

19. Payables related to employee benefits

As of December 31, 2023 and 2022, payables related to employee benefits comprised the following:

	December 31, 2023	December 31, 2022
Due to personnel	5.285	5.070
Social security premiums payable	2.485	1.173
	7.770	6.243

20. Provisions

As of December 31, 2023 and 2022, provisions comprised the following items:

	December 31, 2023	December 31, 2022
<u>Short term provisions</u>		
Short term employee benefits	4.070	4.244
Other short term provisions	10.025	12.305
Total short term provisions	14.095	16.549
<u>Long term provisions</u>		
Long term employee benefits	6.516	4.924
Total long term provisions	6.516	4.924
Total provisions	20.611	21.473

As of December 31, 2023 and 2022, short-term and long term employee benefits comprised the following items:

	December 31, 2023	December 31, 2022
<u>Short-term</u>		
Vacation pay liability	1.943	2.010
Bonus provision	2.127	2.234
	4.070	4.244
<u>Long term</u>		
Long term employee benefits	6.516	4.924
	6.516	4.924

As of December 31, 2023 and 2022, other provisions comprised the following items:

	December 31, 2023	December 31, 2022
<u>Short-term</u>		
Provision for litigation and claims	5.085	8.339
Other provision expenses	4.940	3.966
	10.025	12.305

Çalık Enerji Sanayi ve Ticaret Anonim Şirketi and its Subsidiaries

Notes to Consolidated Financial Statements

As at and for the Year Ended December 31, 2023

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

20. Provisions (continued)

Movement of provisions for the years ended of December 31, 2023 and 2022 are as follows:

		Provision for the year	Cancelled Provisions Payments / Actuarial differences in current period	Translation difference	December 31
2023	January 1				
Provision for litigation and claims	8.339	1.182	(2.886)	(1.550)	5.085
Other provision expenses	3.966	-	-	974	4.940
Provision for bonus	2.234	83	-	(190)	2.127
Vacation pay liability	2.010	540	(237)	(370)	1.943
Reserve for severance payments	4.924	2.167	1.590	(2.165)	6.516
	21.473	3.972	(1.533)	(3.301)	20.611
2022					
Provision for litigation and claims	9.149	689	(21)	(1.478)	8.339
Other provision expenses	1.880	-	-	2.086	3.966
Provision for bonus	1.122	135	-	977	2.234
Vacation pay liability	1.208	833	(83)	52	2.010
Reserve for severance payments	1.856	1.864	2.292	(1.088)	4.924
	15.215	3.521	2.188	549	21.473

Long term employee benefits

For the years ended December 31, 2023 and 2022, the movements in the reserve for severance payments were as follows:

	2023	2022
Balance at the beginning of the year	4.924	1.856
Interest cost	799	924
Cost of services	1.368	940
Payments during the year	(2.364)	(315)
Actuarial difference	3.954	2.607
Translation difference	(2.165)	(1.088)
Balance at the end of the year	6.516	4.924

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:

	2023	2022
	%	%
Discount rate	2,40	3,00
Interest rate	25,05	21,44
Expected rate of salary/limit increase	22,10	17,90

The computation of the liability is predicated upon retirement pay ceiling announced by the Government. As of December 2023, the ceiling amount was US Dollar 0,80 (31 December 2022: US Dollar 0,82).

Çalık Enerji Sanayi ve Ticaret Anonim Şirketi and its Subsidiaries

Notes to Consolidated Financial Statements

As at and for the Year Ended December 31, 2023

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

21. Commitments and contingencies

Guarantee, pledge and mortgages ("GPM") given as of December 31, 2023 is as follows:

December 31, 2023	Original currency (in thousands)				
	USD equivalent	TL	USD	EURO	Other
A Total amount of GPMs given in the name of its own legal personality	320.917	2.949.349	95.745	101.433	12.747
B Total amount of GPMs given in the name of the consolidated subsidiaries and joint ventures	94.466	2.780.906	-	-	-
- Total amount of GPMs given in the name of the consolidated subsidiaries	94.466	2.780.906	-	-	-
C Total amount of GPMs given to be able to conduct ordinary business transactions to secure payables of third parties	-	-	-	-	-
D Other GPMs given	-	-	-	-	-
Total	415.383	5.730.255	95.745	101.433	12.747

The ratio of the Group's GPM to the Group's equity is 36%.

GPMs given as of December 31, 2022 are as follows:

December 31, 2022	Original currency (in thousands)				
	USD equivalent	TL	USD	EURO	Other
A Total amount of GPMs given in the name of its own legal personality	174.760	946.312	98.253	16.595	8.205
B Total amount of GPMs given in the name of the consolidated subsidiaries and joint ventures	44.699	835.798	-	-	-
- Total amount of GPMs given in the name of the consolidated subsidiaries	44.699	835.798	-	-	-
C Total amount of GPMs given to be able to conduct ordinary business transactions to secure payables of third parties	-	-	-	-	-
D Other GPMs given	-	-	-	-	-
Total	219.459	1.782.110	98.253	16.595	8.205

The ratio of the Group's GPM to the Group's equity is 27%.

Çalık Enerji Sanayi ve Ticaret Anonim Şirketi and its Subsidiaries

Notes to Consolidated Financial Statements

As at and for the Year Ended December 31, 2023

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

21. Commitments and contingencies (continued)

Details of the commitments and contingent liabilities arising in the ordinary course of the business of the Group comprised the following items as of December 31, 2023 and 2022:

	December 31, 2023	December 31, 2022
Given to government agencies for the ongoing EPC contracts	148.276	54.074
TETAŞ and TEİAŞ	21.376	35.196
Given to EMRA	32	13
Given to others (**)	151.233	85.477
Total letter of guarantees	320.917	174.760
Pledge on shares (*)	94.466	44.699
Total contingent liabilities	415.383	219.459

(*) There are pledges over Çalık Enerji's shares of YEDAŞ, YEPAŞ and ÇEDAŞ with numbers of 85 (TL 0.00085 thousands), 115 (TL 0.00115 thousands), 377.622.000 (TL 377.622 thousands), respectively and ÇEDAŞ's shares of YEPAŞ and YEDAŞ, with numbers of 6.358.770.388 (TL 63.587 thousands) and 35.700.685.312 (TL 357.006 thousands), as a guarantee for the bank borrowings used or will be used by Çalık Holding, ÇEDAŞ, YEDAŞ and YEPAŞ from a bank.

(**) The main portion of the balance related to commitments given to third parties for the EPC contracts.

Litigation and claims

As of December 31, 2023, the expected cash outflow amount for the pending claims filed against to the Group is US Dollar 5.085 (31 December 2022: US Dollar 8.339). As of December 31, 2023, the provision for litigation and claims are mainly related to the Group's electricity retail sales companies regarding electricity dissipation and theft lawsuits of consumers. The Group made a provision for the whole amount related to these claims (Note 20).

Pending tax audits

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

Letter of guarantees received

As of December 31, 2023, the Group has received letter of guarantees amounting to US Dollar 127.554 from its customers and suppliers (31 December 2022: US Dollar 35.312).

Çalık Enerji Sanayi ve Ticaret Anonim Şirketi and its Subsidiaries

Notes to Consolidated Financial Statements

As at and for the Year Ended December 31, 2023

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

22. Taxation

Turkey

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

Institutions with the Law No. 7456 published in the Official Gazette dated 15 July 2023 by making changes in the first paragraph of Article 32 of the Tax Law, the year 2023 and the following the corporate tax rate for corporate earnings of taxation periods has been increased to 25%. As of reporting date, the corporate tax rate for the corporate earnings has been determined as 25% (31 December 2022: 22%).

With the temporary article 33 of the Tax Procedure Law; It has been stipulated that no inflation adjustment will be made in the accounting periods of 2021 and 2022 and the provisional tax periods of 2023, regardless of whether the conditions in Article 298/A of the Tax Procedure Law are met, and that the financial statements dated 31 December 2023 will be subject to correction regardless of any conditions. In this context; The financial statements dated 31 December 2023, prepared in accordance with the Tax Procedure Law, have been subject to inflation correction.

According to the Corporate Tax Law, 75% (2022: 75%) of the capital gains arising from the sale of properties and investments owned for at least two years are exempted from corporate tax on the condition that such gains are reflected in the equity with the intention to be utilized in a share capital increase or kept under equity as restricted funds within five years from the date of the sale. The remaining 25% of such capital gains are subject to corporate tax. In addition, with the change of the law numbered 7061, the ratio regarding the real estate decreased from 75% to 50%, and this ratio will be applied as 50% starting from the 2018 tax declarations.

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

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

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

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

Çalık Enerji Sanayi ve Ticaret Anonim Şirketi and its Subsidiaries

Notes to Consolidated Financial Statements

As at and for the Year Ended December 31, 2023

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

22. Taxation (continued)

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

Transfer pricing regulations

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

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

Tax applications for foreign subsidiaries and joint ventures of the Group

Republic of Kosovo

The applicable corporate tax rate in Republic of Kosovo is 10% (December 31, 2022: 10%).

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

Republic of Iraq

As of December 31, 2023, the applicable corporate tax rate for the subsidiaries and branches operating in Iraq is 15% (31 December 2022: 15%). Tax losses can be carried forward to be offset against future taxable income for up to five years to the extent of the half of the current year profit when the financial profit is reported. As of December 31, 2023 and 2022, profit generated from Group's operations in Iraq is not subject to corporate tax.

United Arab Emirates

As of December 31, 2023, the Group has a subsidiary and branches 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 of December 31, 2023 and 2022, the Group's subsidiary operating in Dubai is not subject to corporate tax.

Georgia

The applicable corporate tax rate in Georgia is 15%

Libya

The corporate tax rate is 20% (December 31, 2022: 20%). In addition to the 20% tax rate, a Jihad tax is levied by 4% of profits for foreign companies.

Turkmenistan

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

Çalık Enerji Sanayi ve Ticaret Anonim Şirketi and its Subsidiaries

Notes to Consolidated Financial Statements

As at and for the Year Ended December 31, 2023

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

22. Taxation (continued)

Serbia

The applicable corporate tax rate in Serbia is 15%.

Uzbekistan

The applicable corporate tax rate in Uzbekistan is 15%. As of December 31, 2022, the Group is not subject to corporate tax resulting from their operations in the country with a dispensation between the Group and Uzbekistani government.

The Netherlands

Corporate income tax is levied at the rate of 25% (December 31, 2022: 25%) on the worldwide income of resident companies, which is determined by modifying accounting income for certain exclusions and allowances for tax purposes. A unilateral decree for the avoidance of double taxation provides relief for resident companies from Dutch tax on income, such as foreign business profits derived through a permanent establishment abroad, if no tax treaty applies.

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

Malawi

The Corporate income tax rate in Malawi is 30% for local entities whereas tax rate is 35% for foreign entities and those operating as branches of foreign entities. As of December 31, 2023, the Group's subsidiary operating in Malawi is not subject to corporate tax while the income resulting from their operations in the country are accepted as tax-exempt.

Çalık Enerji Sanayi ve Ticaret Anonim Şirketi and its Subsidiaries

Notes to Consolidated Financial Statements

As at and for the Year Ended December 31, 2023

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

22. Taxation (continued)

Tax recognised in profit or loss

Income tax expense for the years ended December 31, 2023 and 2022 comprised the following items:

	2023	2022
Current corporation and income taxes	(9.843)	(21.093)
Deferred taxes on temporary differences	55.255	80.006
Total income tax expense	45.412	58.913

As of December 31, 2023, there is no taxes payable on income (December 31, 2022: US Dollar 16.684) Current tax asset is amounting to US Dollar 14.057 (December 31, 2022: US Dollar 9.929).

Reconciliation of effective tax rate

The reported income tax expense for the years ended December 31, 2023 and 2022 are different than the amounts computed by applying statutory tax rate to profit before tax as shown in the following reconciliation:

	2023	2022
	<u>Amount</u>	<u>Amount</u>
Reported profit before taxation	267.097	291.930
Taxes on reported profit per statutory tax rate	(66.774)	(67.144)
Permanent differences:		
Disallowable expenses	(4.732)	(5.857)
Tax exempt income (*)	29.165	79.270
Effect of share of profit of equity-accounted investees	17.765	4.839
Losses for fiscal years	(744)	-
Reversal of used tax losses	(2.302)	(402)
Tax effect of consolidated adjustments	10.332	(55.882)
Effect of change in tax rate	9.817	5.081
Revaluation effect of tangible and intangible assets (**)	30.034	100.965
Additional corporate tax	(3.788)	-
Hyperinflation monetary adjustments (***)	28.901	-
Others, net	(3.514)	(1.957)
Tax expense	44.160	58.913

(*) Related amount consist of profits generated by foreign branches of the Group which are not subject to corporate tax.

(**) The Group has revalued its tangibles and their depreciation for two times in 2023 and for once in 2022 within the scope of the Tax Procedure Law (Sequence No: 530) published by the Ministry of Treasury and Finance. Cost method continued to be used as accounting policy in TFRS financial statements. The deferred tax asset/liability, which is currently calculated over the temporary difference between TPL and IFRS financial statements, is calculated over the current TPL values that will occur with the effect of revaluation, and the deferred tax income that will arise due to this application is recognized in the income statement to the extent that the recovery of the said tax advantage is actualizable.

(***) The Group has adopted hyperinflation accounting for its subsidiaries having functional currency of TL operating in Turkey effective from January 1, 2023 (see note 2.6). Their results have been restated for changes in the general purchasing power causing permanent tax differences.

Çalık Enerji Sanayi ve Ticaret Anonim Şirketi and its Subsidiaries

Notes to Consolidated Financial Statements

As at and for the Year Ended December 31, 2023

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

22. Taxation (continued)

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 of December 31, 2023, deferred tax assets amounting to US Dollar 1.143 (31 December 2021: US Dollar 847) have not been recognised with respect to the statutory tax losses carried forward up to 2028. 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.

According to the Tax Procedural Law in Turkey, statutory losses can be carried forward maximum for five years. Consequently, 2028 is the latest year for recovering the deferred tax assets arising from such tax losses carried forward. The table below shows the expiration date of the tax losses carried forward:

<u>Date of expiration</u>	<u>2023</u>	<u>2022</u>
2023	-	557
2024	360	50
2025	388	542
2026	982	1.626
2027	1.284	1.460
2028	1.559	-
Total	4.573	4.235

Recognised deferred tax assets and liabilities

Since companies in Turkey can not file a tax return, subsidiaries that have deferred tax assets are not netted off with subsidiaries that have deferred tax liabilities and are shown separately.

Deferred tax assets and deferred tax liabilities of December 31, 2023 and 2022 are attributable to the items detailed in the table below:

	<u>2023</u>		<u>2022</u>	
	<u>Asset</u>	<u>Liability</u>	<u>Asset</u>	<u>Liability</u>
Vacation pay liability	278	-	216	-
Employee severance indemnity	1.324	-	696	-
Provision for litigations	1.157	-	931	-
IFRS 9 effect on borrowings	1.435	(1.370)	36	(14)
Property, plant and equipment and intangible assets	167.399	(7.702)	135.153	(20.788)
Security deposits	6.037	-	4.101	-
Provision for expenses	489	-	1.948	-
Effect of percentage of completion method	580	-	2.511	-
Service concession receivables	-	(46.837)	-	(23.146)
Doubtful receivables	2.521	(1.214)	2.116	(1.011)
Revaluation of financial investments	3.527	(3.709)	-	(3.065)
Inflation effect	15.656	-	-	-
Other temporary differences	5.311	(4.570)	5.628	(9.869)
Total deferred tax assets/(liabilities)	205.714	(65.402)	153.336	(57.893)
Offsetting	(56.574)	56.574	(57.864)	57.864
Deferred tax assets/(liabilities), net	149.140	(8.828)	95.472	(29)

Çalık Enerji Sanayi ve Ticaret Anonim Şirketi and its Subsidiaries

Notes to Consolidated Financial Statements

As at and for the Year Ended December 31, 2023

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

22. Taxation (continued)

Movements in deferred tax balances during the year:

	Balance January 1, 2023	Opening inflation effect	Restated balance at January 1, 2023	Current year inflation effect	Effects of translation	Recognised in profit or loss	Balance December 31, 2023
Vacation pay liability	216	(24)	192	68	(63)	81	278
Employee severance indemnity	696	-	696	381	(475)	722	1.324
Provision for litigations	931	689	1.620	463	(428)	(498)	1.157
Amortised cost effect on borrowings	22	-	22	15	(14)	42	65
Property, plant and equipment and intangible assets	114.329	(11.175)	103.154	64.032	(59.350)	62.693	170.529
Security deposits	4.101	-	4.101	2.657	(2.465)	1.744	6.037
Provision for expenses	1.948	(598)	1.350	874	2.199	(4.027)	396
Effect of percentage of completion method	2.511	-	2.511	-	-	(1.931)	580
Service concession receivables	(23.146)	(1.207)	(24.353)	(15.774)	14.640	(21.350)	(46.837)
Doubtful receivables	1.105	50	1.155	94	(85)	144	1.308
Revaluation of financial investments	(3.988)	-	(3.988)	(996)	882	3.075	(1.027)
Monetary gain/loss	-	-	-	-	-	15.655	15.655
Other temporary differences	(3.282)	(1.651)	(4.933)	(3.412)	287	(1.095)	(9.153)
Total deferred tax assets/(liabilities)	95.443	(13.916)	81.527	48.402	(44.872)	55.255	140.312

Çalık Enerji Sanayi ve Ticaret Anonim Şirketi and its Subsidiaries

Notes to Consolidated Financial Statements

As at and for the Year Ended December 31, 2023

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

22. Taxation (continued)

Movements in deferred tax balances during the year (continued):

	Balance 1 January 2022	Effects of translation	Recognised in profit or loss	Balance 31 December 2022
Vacation pay liability	53	76	87	216
Employee severance indemnity	104	526	66	696
Provision for litigations	935	(136)	132	931
Amortised cost effect on borrowings	171	(88)	(61)	22
Property, plant and equipment and intangible assets	34.085	(20.574)	100.854	114.365
Security deposits	2.069	(932)	2.964	4.101
Provision for expenses	2.094	(617)	471	1.948
Effect of percentage of completion method	(1.071)	3.516	66	2.511
Service concession receivables	(8.819)	(6.078)	(8.249)	(23.146)
Doubtful receivables	2.126	(1.014)	(7)	1.105
Deferred income	1.212	779	(5.979)	(3.988)
Other temporary differences	(2.659)	9.679	(10.338)	(3.318)
Total deferred tax assets/(liabilities)	30.300	(14.863)	80.006	95.443

Çalık Enerji Sanayi ve Ticaret Anonim Şirketi and its Subsidiaries

Notes to Consolidated Financial Statements

As at and for the Year Ended December 31, 2023

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

23. Capital and reserves

Paid in capital

As of December 31, 2023, the Company's statutory nominal value of authorised and paid-in share capital is US Dollar 79.975 (December 31, 2022: US Dollar 79.975) comprising of 10.891.705.225 registered shares (December 31, 2022: 10.891.705.225) having per value of US Dollar 0,00734 (December 31, 2022: US Dollar 0,00734) nominal each.

As of December 31, 2023 and 2022, the shareholding structure of Çalık Enerji based on the number of shares is presented below:

	31 December 2023		31 December 2022	
	Thousands of shares	%	Thousands of shares	%
Çalık Holding	10.393.195	95,42	10.393.195	95,42
Kırmızı Elmas Enerji ve Altyapı Yatırımları A.Ş.	487.591	4,48	487.591	4,48
Ahmet Çalık	10.919	0,10	10.919	0,10
	10.891.705	100,00	10.891.705	100,00

Legal reserves

The legal reserves are established by annual appropriations amounting to 5% of income disclosed in the Group's statutory accounts until it reaches 20% of paid-in share capital (first legal reserve). Without limit, a further 10% of dividend distributions in excess of 5% 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% of share capital. As of December 31, 2018, 75% of the gain on sale of financial investments are exempted from corporate tax on the condition that such gains are recognised in the restricted reserves within the equity for the five years. In the accompanying consolidated financial statements as of December 31, 2022, the total of the legal reserves of the consolidated entities amounted to US Dollar 242.691 (December 31, 2022: US Dollar 246.924).

Dividends

As per the General Assembly Meeting dated on March 31, 2023, the Company has distributed dividends to its shareholders amounting to US Dollar 59.429 (As at 31 December 2023, dividend earnings per share amounts to USD (full amount) 5,5 (2022: USD (full amount) 7,3 per share) 2022: 79.805).

Çalık Enerji Sanayi ve Ticaret Anonim Şirketi and its Subsidiaries

Notes to Consolidated Financial Statements

As at and for the Year Ended December 31, 2023

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

23. Capital and reserves (continued)

Non-controlling interest

For the years ended December 31, 2023 and 2022, movements of the non-controlling interest were as follows:

	2023
Non controlling interest at the beginning of the year	2.559
Hyperinflation monetary adjustment	2.185
Restated balance at 1 January	4.744
Net income/(loss) for the year attributable to non controlling interest	1.565
Foreign currency translation differences	(1.072)
Hyperinflation monetary adjustment	(1.526)
Balance at the end of the year	3.711

	2022
Non controlling interest at the beginning of the year	1.610
Net income/(loss) for the year attributable to non controlling interest	2.389
Foreign currency translation differences	(749)
Dividend distribution	(691)
Balance at the end of the year	2.559

Translation reserve

The translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations and the conversion of the Company's functional currency to presentation currency.

24. Revenue

For the years ended December 31, 2023 and 2022, revenue comprised the following:

	January 1 - December 31, 2023	January 1 - December 31, 2022
Domestic sales	971.733	868.623
Export sales	592.692	504.978
Total	1.564.425	1.373.601

For the years ended December 31, 2023 and 2022, details of the revenue comprised the following:

	January 1 - December 31, 2023	January 1 - December 31, 2022
Electricity sale and distribution	962.280	857.608
EPC	592.692	504.978
Other operations	9.453	11.015
Total	1.564.425	1.373.601

Çalık Enerji Sanayi ve Ticaret Anonim Şirketi and its Subsidiaries**Notes to Consolidated Financial Statements****As at and for the Year Ended December 31, 2023****(Amounts expressed in thousands of United States Dollar ("US Dollar") unless otherwise stated.)****25. Administrative, research and development expenses and expenses by nature**

For the years ended December 31, 2023 and 2022, administrative expenses comprised the following:

	January 1 - December 31, 2023	January 1 - December 31, 2022
Personnel expenses	32.842	20.788
Outsource expenses (*)	10.267	6.890
Subcontractor expenses	7.784	5.898
Depreciation and amortisation expenses	5.197	2.283
Taxes, duties and fees	4.164	2.462
Accommodation expenses	3.734	1.251
Communication and information expenses	3.587	3.010
Consumable expenses	3.365	3.018
Insurance expenses	2.810	1.309
Travel and accommodation expenses	1.955	1.455
Consulting expenses	1.737	1.427
Office expenses	767	489
Advertising and promotion expenses	654	713
Maintenance and repair expenses	373	222
Rent expense	186	215
Communication expenses	170	186
Other	6.040	1.396
	85.632	53.012

(*) Outsource expenses comprise of expenses made by Çalık Holding on behalf of Çalık Enerji.

For the years ended December 31, 2023 and 2022, research and development expenses comprised the following:

	January 1 - December 31, 2023	January 1 - December 31, 2022
Personnel expenses	3.730	1.762
Travel and accommodation expenses	1.457	1.741
Consulting expenses	1.408	1.366
Other	319	903
	6.914	5.772

Çalık Enerji Sanayi ve Ticaret Anonim Şirketi and its Subsidiaries**Notes to Consolidated Financial Statements****As at and for the Year Ended December 31, 2023****(Amounts expressed in thousands of United States Dollar ("US Dollar") unless otherwise stated.)****25. Administrative, research and development expenses and expenses by nature (continued)**

For the years ended December 31, 2023 and 2022, the total operating expenses by nature comprised the following:

	January 1 - December 31, 2023	January 1 - December 31, 2022
Materials and trading goods expenses	1.034.529	905.402
Personnel expenses	122.452	80.386
Depreciation and amortisation expenses	25.984	12.660
Outsource expenses	11.839	8.150
Taxes, duties and fees	6.219	2.731
Travel and accommodation expenses	5.673	5.162
Maintenance and repair expenses	4.828	4.923
Communication and information expenses	4.541	3.194
Insurance expenses	3.412	1.721
Consulting expenses	3.321	2.900
Rent expenses	2.630	2.696
Advertising and promotion expenses	704	731
Office expenses	489	631
Communication expenses	174	189
Other	97.324	91.697
	1.324.119	1.123.173

For the years ended December 31, 2023 and 2022, depreciation and amortisation expenses comprised the following:

Depreciation and amortisation expenses	January 1 - December 31, 2023	January 1 - December 31, 2022
Cost of goods sold	20.641	10.282
General administrative expenses	5.197	2.283
Research and development expenses	146	95
	25.984	12.660

Çalık Enerji Sanayi ve Ticaret Anonim Şirketi and its Subsidiaries**Notes to Consolidated Financial Statements****As at and for the Year Ended December 31, 2023****(Amounts expressed in thousands of United States Dollar ("US Dollar") unless otherwise stated.)****26. Other income and expense from operating activities**

For the years ended December 31, 2023 and 2022, other operating income comprised the following:

	January 1 - December 31, 2023	January 1 - December 31, 2022
Foreign exchange gains	10.136	34.555
Time deposit interest income	8.862	4.560
Interest income from subscribers	4.548	2.947
Provision for litigations	2.886	21
Penalty and indemnity gains	67	3.055
Gain from servieces to joint ventures	0	821
Incentive gains	-	576
Other	398	3.143
	26.897	49.678

For the years ended December 31, 2023 and 2022, other operating expenses comprised the following:

	January 1 - December 31, 2023	January 1 - December 31, 2022
Foreign exchange losses	8.866	29.944
Provision expenses	3.888	3.653
Litigation expenses	805	272
Forest land lease line price	382	359
Realized security deposit expenses	60	17.701
Other	5.687	10.988
	19.688	62.917

27. Gain and losses from investing activities and IFRS 9 impact

For the years ended December 31, 2023 and 2022 income and loses from investing activities comprised the following:

	January 1 - December 31, 2023	January 1 - December 31, 2022
Fair value difference arising from investment property	13.694	-
Dividend income	12.629	12.385
Fair value difference arising from financial investments	9.022	29.579
Interest income	1.410	3.088
Gain on sale of property, plant and equipment	133	85
Affiliate (subsidiary) sales profit	-	199
	36.888	45.336
	January 1 - December 31, 2023	January 1 - December 31, 2022
Fair value difference arising from financial investments	35.429	2
Loss on sale of property, plant and equipment	164	27
Fair value difference arising from investment property	3.328	-
	38.921	29

Çalık Enerji Sanayi ve Ticaret Anonim Şirketi and its Subsidiaries

Notes to Consolidated Financial Statements

As at and for the Year Ended December 31, 2023

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

27. Gain and losses from investing activities and IFRS 9 impact (continued)

For the years ended December 31, 2023 and 2022, losses and gains from IFRS 9:

	January 1, - December 31, 2023	January 1, - December 31, 2022
Provision from doubtful receivables (Note 8)	17.061	3.596
Collection & reversal of doubtful trade receivables (Note 8)	(5.572)	(5.628)
	11.489	(2.032)

28. Finance income/(costs)

For the years ended December 31, 2023 and 2022, finance income comprised the following:

	January 1, - December 31, 2023	January 1, - December 31, 2022
Foreign exchange gains on borrowings	25.005	6.136
Security deposit valuation cancellation	172	246
	25.177	6.382

For the years ended December 31, 2023 and 2022, finance costs comprised the following:

	January 1, - December 31, 2023	January 1, - December 31, 2022
Short term interest expenses from borrowings	13.696	5.627
Long term interest expenses from borrowings	12.104	2.222
Interest expense due to related parties	10.443	8.359
Bank commission expenses	6.158	2.717
Foreign exchange loss on borrowings	4.614	4.417
Letter of guarantees commission expenses	2.882	1.973
Other interest expenses	2.105	-
	52.002	25.315

29. 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

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.

Çalık Enerji Sanayi ve Ticaret Anonim Şirketi and its Subsidiaries

Notes to Consolidated Financial Statements

As at and for the Year Ended December 31, 2023

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

29. Financial instruments – Fair values and risk management (continued)

Risk management framework

Risk management activities are conducted by a realistic organizational structure and it is fully supported with the commitment of top management.

The Group acts proactively in terms of risk management to ensure that its business operations in different industries and regions are not adversely affected because 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.

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.

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.

The maximum exposure to credit risk for trade receivables at the reporting date by geographic concentration was as follows:

Location	31 December 2023	31 December 2022
Turkmenistan	144.655	147.456
Turkey	104.126	75.990
Iraq	44.060	58.451
Romania	1.278	4.156
Uzbekistan	12.610	1.620
Dubai	8.580	1.375
Switzerland	-	1.216
Malawi	-	322
Holland	25	-
	315.334	290.586

To measure expected credit losses, the Group grouped its trade receivables and contract assets considering the maturity and credit risk characteristics. The expected credit loss ratio for each class of trade receivables and contract assets, which is grouped using past credit loss experiences, current conditions and forecasts of future economic conditions, is calculated and the expected credit loss provision has been calculated by multiplying the determined rate and sum of trade receivable and contract assets.

Çalık Enerji Sanayi ve Ticaret Anonim Şirketi and its Subsidiaries

Notes to Consolidated Financial Statements

As at and for the Year Ended December 31, 2023

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

29. Financial instruments – Fair values and risk management (continued)

Exposure to credit risk:

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at December 31, 2023 and 2022 was:

	Receivables						Cash at banks, reverse repurchase agreements and investment funds
	Trade receivables		Other receivables		Receivables from customer contracts	Service concession receivables	
	Related party	Other party	Related party	Other party	Contractual assets arising from ongoing construction and contracting works	Service concession receivables	
December 31, 2023							
Maximum credit risk exposure at reporting date (A+B+C+D)	127.643	187.691	16.481	44.402	310.570	287.786	73.998
-Portion of maximum risk covered by guarantees	-	-	-	-	-	-	-
A. Carrying value of financial assets that are neither past due nor impaired	127.643	85.755	16.481	44.402	310.570	287.786	73.998
B. Carrying value of financial assets that are past due but not impaired	-	101.936	-	-	-	-	-
C. Carrying value of impaired assets	-	-	-	-	-	-	-
- Past due (gross carrying amount)	-	23.020	-	-	-	-	-
- Impairment (-)	-	(23.020)	-	-	-	-	-
- Not past due (gross carrying amount)	-	-	-	-	-	-	-
- Impairment (-)	-	-	-	-	-	-	-
- Impairment (-)	-	-	-	-	-	-	-
D. Elements including credit risk on off statement of financial position	-	-	-	-	-	-	-

Çalık Enerji Sanayi ve Ticaret Anonim Şirketi and its Subsidiaries

Notes to Consolidated Financial Statements

As at and for the Year Ended December 31, 2023

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

29. Financial instruments – Fair values and risk management (continued)

	Receivables						Cash at banks, reverse repurchase agreements and investment funds
	Trade receivables		Other receivables		Receivables from customer contracts	Service concession receivables	
	Related party	Other party	Related party	Other party	Contractual assets arising from ongoing construction and contracting works	Service concession receivables	
December 31, 2022							
Maximum credit risk exposure at reporting date (A+B+C+D)	130.435	160.151	27.946	47.244	199.360	252.734	53.610
-Portion of maximum risk covered by guarantees	-	-	-	-	-	-	-
A. Carrying value of financial assets that are neither past due nor impaired	130.435	92.934	27.946	47.244	199.360	252.734	53.610
B. Carrying value of financial assets that are past due but not impaired	-	67.217	-	-	-	-	-
C. Carrying value of impaired assets	-	-	-	-	-	-	-
- Past due (gross carrying amount)	-	21.412	-	-	-	-	-
- Impairment (-)	-	(21.412)	-	-	-	-	-
- Not past due (gross carrying amount)	-	-	-	-	-	-	-
- Impairment (-)	-	-	-	-	-	-	-
- Impairment (-)	-	-	-	-	-	-	-
D. Elements including credit risk on off statement of financial position	-	-	-	-	-	-	-

Çalık Enerji Sanayi ve Ticaret Anonim Şirketi and its Subsidiaries**Notes to Consolidated Financial Statements****As at and for the Year Ended December 31, 2023****(Amounts expressed in thousands of United States Dollar (“US Dollar”) unless otherwise stated.)****29. Financial instruments – Fair values and risk management (continued)**

As at December 31, 2023 and 2022, the aging of trade receivables (due but not impaired) at the reporting date was:

	Receivables		Cash at banks	Derivative instruments	Other
	Trade receivables	Other receivables			
December 31, 2023					
Past due 1-30 days	4.237	-	-	-	-
Past due 1-3 months	3.418	-	-	-	-
Past due 3-12 months	1.839	-	-	-	-
Past due 1-5 years	1.958	-	-	-	-
More than 5 years	90.484	-	-	-	-
Total	101.936	-	-	-	-
Portion of assets overdue secured by guarantee etc.	-	-	-	-	-

	Receivables		Cash at banks	Derivative instruments	Other
	Trade receivables	Other receivables			
December 31, 2022					
Past due 1-30 days	12.990	-	-	-	-
Past due 1-3 months	3.260	-	-	-	-
Past due 3-12 months	1.425	-	-	-	-
Past due 1-5 years	2.918	-	-	-	-
More than 5 years	46.624	-	-	-	-
Total	67.217	-	-	-	-
Portion of assets overdue secured by guarantee etc.	-	-	-	-	-

Çalık Enerji Sanayi ve Ticaret Anonim Şirketi and its Subsidiaries**Notes to Consolidated Financial Statements****As at and for the Year Ended December 31, 2023****(Amounts expressed in thousands of United States Dollar ("US Dollar") unless otherwise stated.)****29. Financial instruments – Fair values and risk management (continued)****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.

As at December 31, 2023 and 2022, the followings are carrying amounts, contractual cash flows and the contractual maturities of financial liabilities;

2023	Carrying amount	Total contractual cash flows	Less than 3 months	3-12 months	1-5 years	More than 5 years
Contractual maturities						
Non-derivative financial liabilities						
Bank loans	206.893	214.741	-	103.346	85.819	25.576
Other financial liabilities	12.572	12.572	5.307	7.265	-	-
Trade payables	136.124	136.124	136.124	-	-	-
Other payables	113.067	113.067	107.675	-	5.392	-
Liabilities recognised in employee benefits	7.770	7.770	7.770	-	-	-

2022	Carrying amount	Total contractual cash flows	Less than 3 months	3-12 months	1-5 years	More than 5 years
Contractual maturities						
Non-derivative financial liabilities						
Bank loans	149.095	152.751	14.404	71.235	67.112	-
Bonds issued	13.612	14.385	773	13.612	-	-
Trade payables	211.179	211.179	211.179	-	-	-
Other payables	94.648	94.648	50.095	39.850	4.703	-
Liabilities recognised in employee benefits	6.243	6.243	6.243	-	-	-

Çalık Enerji Sanayi ve Ticaret Anonim Şirketi and its Subsidiaries

Notes to Consolidated Financial Statements

As at and for the Year Ended December 31, 2023

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

29. Financial instruments – Fair values and risk management (continued)

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 parameter, while optimising the return.

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 December 31, 2023 and 2022, the interest rate profile of the Group's interest-bearing financial instruments were as follows:

	<u>2023</u>	<u>2022</u>
Fixed rate instruments		
Financial assets	6.965	17.259
Financial liabilities	(206.893)	(149.095)
	<u>2023</u>	<u>2022</u>
Variable rate instruments		
Financial liabilities	-	(8.265)

Fair value sensitivity analysis for fixed 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.

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 Euro and TL.

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.

Çalık Enerji Sanayi ve Ticaret Anonim Şirketi and its Subsidiaries

Notes to Consolidated Financial Statements

As at and for the Year Ended December 31, 2023

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

29. Financial instruments – Fair values and risk management (continued)

Currency risk

As at December 31, 2023 and 2022, the currency risk exposures of the Group in USD equivalents are as follows:

	31 December 2023					31 December 2022				
	USD equivalent	USD	TL	EURO	Other ^(***)	USD equivalent	USD	TL	EURO	Other ^(***)
1. Trade receivables	26.125	91	4.001	886	24.918	23.575	2.901	78.482	764	15.662
2a. Monetary financial assets (including cash on hand, bank deposits) ^(*)	148.385	881	3.667.217	9.733	12.161	121.620	108	2.156.012	945	5.199
2b. Other monetary assets	-	-	-	-	-	-	-	-	-	-
3. Other	-	-	-	-	-	12	12	-	-	-
4. Current assets (1+2+3)	174.510	972	3.671.218	10.619	37.079	145.207	3.021	2.234.494	1.710	20.861
5. Trade receivables	3.690	26	-	741	2.843	-	-	-	-	-
6a. Monetary financial assets	-	-	-	-	-	-	-	-	-	-
6b. Non-monetary financial assets	-	-	-	-	-	-	-	-	-	-
7. Other	-	-	-	-	-	-	-	-	-	-
8. Non-current assets (5+6+7)	3.690	26	-	741	2.843	-	-	-	-	-
9. Total assets (4+8)	178.200	998	3.671.218	11.360	39.922	145.207	3.021	2.234.494	1.710	20.861
10. Trade payables	(40.159)	(14.838)	(48.807)	(13.289)	(8.959)	(69.942)	(21.076)	(34.792)	(28.230)	(16.908)
11. Financial liabilities	(31.755)	-	(4.975)	(28.545)	-	(20.678)	-	(87.122)	(15.025)	-
12a. Other monetary liabilities	(58.614)	(58)	(1.677.346)	113	(1.703)	(51.438)	-	(852.924)	(48)	(5.771)
12b. Other non-monetary liabilities	-	-	-	-	-	-	-	-	-	-
13. Short term liabilities (10+11+12)	(130.528)	(14.896)	(1.731.128)	(41.721)	(10.662)	(142.058)	(21.076)	(974.838)	(43.304)	(22.679)
14. Trade payables	-	-	-	-	-	-	-	-	-	-
15. Financial liabilities	(40.401)	-	-	(36.512)	-	(9.759)	-	(133.035)	(2.480)	-
16a. Other monetary liabilities	-	-	-	-	-	-	-	-	-	-
16b. Other non-monetary liabilities	-	-	-	-	-	-	-	-	-	-
17. Long term liabilities (14+15+16)	(40.401)	-	-	(36.512)	-	(9.759)	-	(133.035)	(2.480)	-
18. Total liabilities (13+17)	(170.929)	(14.896)	(1.731.128)	(78.233)	(10.662)	(151.817)	(21.076)	(1.107.873)	(45.784)	(22.679)
19. Net position of off-statement of financial position derivate instruments (19a+19b)	-	-	-	-	-	-	-	-	-	-
19a. Total hedged assets ^(**)	-	-	-	-	-	-	-	-	-	-
19b. Total hedged liabilities ^(**)	-	-	-	-	-	-	-	-	-	-
20. Net statement of financial position (9+18+19)	7.271	(13.898)	1.940.090	(66.873)	29.260	(6.608)	(18.055)	1.126.620	(44.074)	(1.818)
21. Net statement of monetary items (IFRS 7.b23) (=1+2a+5+6a+10+11+12a+14+15+16a)	7.271	(13.898)	1.940.090	(66.873)	29.260	(6.620)	(18.067)	1.126.620	(44.074)	(1.818)

^(*) Consists of the Group's other receivables in foreign currency with a monetary financial asset nature.

^(**) Consists of the currency risk of the Group subsidiaries' own currencies.

^(***) USD equivalents are given.

Çalık Enerji Sanayi ve Ticaret Anonim Şirketi and its Subsidiaries

Notes to Consolidated Financial Statements

As at and for the Year Ended December 31, 2023

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

29. Financial instruments – Fair values and risk management (continued)

Sensitivity analysis

A strengthening/weakening of the TL against the other currencies below would have increased/ (decreased) the comprehensive income and profit/loss (excluding the tax effect) as of December 31, 2023 and 2022 as follows:

	Profit / (Loss)		Equity	
	Strengthening of USD	Weakening of USD	Strengthening of USD	Weakening of USD
31 December 2023				
Increase/(decrease) 10% of TL parity				
1-TL net asset / liability	6.590	(6.590)	6.590	(6.590)
2-Hedged portion of TL amounts (-)	-	-	-	-
3-Net effect of USD (1+2)	6.590	(6.590)	6.590	(6.590)
Increase/(decrease) 10% of EUR parity				
4-EUR net asset / liability	(7.400)	7.400	(7.400)	7.400
5-Hedged portion of EUR amounts (-)	-	-	-	-
6-Net effect of EUR (4+5)	(7.400)	7.400	(7.400)	7.400
Increase/(decrease) 10% of other parities				
7-Other foreign currency net asset / liability	2.926	(2.926)	2.926	(2.926)
8-Hedged portion of other foreign currency amounts (-)	-	-	-	-
9-Net effect of other foreign currencies (7+8)	2.926	(2.926)	2.926	(2.926)
TOTAL (3+6+9)	2.116	(2.116)	2.116	(2.116)
	Profit / (Loss)		Equity	
	Strengthening of USD	Weakening of USD	Strengthening of USD	Weakening of USD
31 December 2022				
Increase/(decrease) 10% of TL parity				
1-TL net asset / liability	6.025	(6.025)	6.025	(6.025)
2-Hedged portion of TL amounts (-)	-	-	-	-
3-Net effect of USD (1+2)	6.025	(6.025)	6.025	(6.025)
Increase/(decrease) 10% of EUR parity				
4-EUR net asset / liability	(4.699)	4.699	(4.699)	4.699
5-Hedged portion of EUR amounts (-)	-	-	-	-
6-Net effect of EUR (4+5)	(4.699)	4.699	(4.699)	4.699
Increase/(decrease) 10% of other parities				
7-Other foreign currency net asset / liability	(182)	182	(182)	182
8-Hedged portion of other foreign currency amounts (-)	-	-	-	-
9-Net effect of other foreign currencies (7+8)	(182)	182	(182)	182
TOTAL (3+6+9)	1.144	(1.144)	1.144	(1.144)

Çalık Enerji Sanayi ve Ticaret Anonim Şirketi and its Subsidiaries

Notes to Consolidated Financial Statements

As at and for the Year Ended December 31, 2023

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

29. Financial instruments – Fair values and risk management (continued)

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.

The Group's debt to equity ratio at the end of year was as follows:

	December 31, 2023	December 31, 2022
Total current liabilities	743.255	714.819
Less: cash and cash equivalents	75.406	53.909
Less: deferred revenue and contract liabilities	335.719	229.442
Net debt	332.130	431.468
Equity	1.155.056	805.142
Debt to equity ratio as of December 31	0,29	0,54

Notes to Consolidated Financial Statements

As at and for the Year Ended December 31, 2023

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

29. 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 behaviour. Operational risks arise from all of the Group’s operations.

The Group’s objective is to manage operational risk so as 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 Çalık Holding’s Internal Audit department.

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 Enerji Sanayi ve Ticaret Anonim Şirketi and its Subsidiaries

Notes to Consolidated Financial Statements

As at and for the Year Ended December 31, 2023

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

29. Financial instruments – Fair values and risk management (continued)

The table below provides reconciliation between line items in the consolidated statement of financial position and categories of financial instruments.

December 31, 2023	Financial assets presented from amortized value	Financial assets measured by reflecting FV difference on profit / loss	Financial liabilities presented at amortized value	Net carrying amount
Cash and cash equivalents	75.406	-	-	75.406
Financial investments	-	23.703	-	23.703
Trade receivables	315.334	-	-	315.334
Other receivables	60.883	-	-	60.883
Total assets	451.624	23.703	-	475.326
Borrowings	-	-	(224.044)	(224.044)
Trade payables	-	-	(136.124)	(136.124)
Payables related to employee benefits	-	-	(7.770)	(7.770)
Other payables	-	-	(113.067)	(113.067)
Total liabilities	-	-	(481.005)	(481.005)

December 31, 2022	Financial assets presented from amortized value	Financial assets measured by reflecting FV difference on profit / loss	Financial liabilities presented at amortized value	Net carrying amount
Cash and cash equivalents	53.909	-	-	53.909
Financial investments	-	61.642	-	61.642
Trade receivables	290.586	-	-	290.586
Other receivables	75.225	-	-	75.225
Total assets	419.720	61.709	-	481.362
Borrowings	-	-	(167.634)	(167.634)
Trade payables	-	-	(211.179)	(211.179)
Payables related to employee benefits	-	-	(6.243)	(6.243)
Other payables	-	-	(94.760)	(94.760)
Total liabilities	-	-	(479.816)	(479.816)

Notes to Consolidated Financial Statements

As at and for the Year Ended December 31, 2023

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

29. Financial instruments – Fair values and risk management (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):

Valuation models

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.

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 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. Valuation techniques include discounted cash flow models and transaction multiple methods.

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 judgment 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, and 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.

Çalık Enerji Sanayi ve Ticaret Anonim Şirketi and its Subsidiaries

Notes to Consolidated Financial Statements

As at and for the Year Ended December 31, 2023

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

29. Financial instruments – Fair values and risk management (continued)

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.

Financial instruments not measured at fair value

The following table compares the carrying amount of financial assets and liabilities not measured at fair value and analyses them by the level in the fair value hierarchy.

	Level 1	Level 2	Level 3	Total fair value	Total carrying amount
<u>December 31, 2023</u>					
Financial assets					
Cash and cash equivalents	75.406	-	-	75.406	75.406
Financial investments	6.600	-	17.103	23.703	23.703
Trade receivables	-	-	315.334	315.334	315.334
Other receivables	-	-	60.883	60.883	60.883
	82.006	-	393.320	475.326	475.326
Financial liabilities					
Borrowings	-	(224.044)	-	(224.044)	(224.044)
Trade payables	-	-	(136.124)	(136.124)	(136.124)
Payables related to employee benefits	-	-	(7.770)	(7.770)	(7.770)
Other payables	-	-	(113.067)	(113.067)	(113.067)
	-	(224.044)	(256.961)	(481.005)	(481.005)
<u>December 31, 2022</u>					
Financial assets					
Cash and cash equivalents	53.909	-	-	53.909	53.909
Financial investments	48.457	-	13.185	61.642	61.642
Trade receivables	-	-	290.586	290.586	290.586
Other receivables	-	-	75.190	75.190	75.190
	102.366	-	378.961	481.327	481.327
Financial liabilities					
Borrowings	-	(167.634)	-	(167.634)	(167.634)
Trade payables	-	-	(211.179)	(211.179)	(211.179)
Payables related to employee benefits	-	-	(6.243)	(6.243)	(6.243)
Other payables	-	-	(94.648)	(94.648)	(94.648)
	-	(167.634)	(312.070)	(479.704)	(479.704)

Çalık Enerji Sanayi ve Ticaret Anonim Şirketi and its Subsidiaries**Notes to Consolidated Financial Statements****As at and for the Year Ended December 31, 2023****(Amounts expressed in thousands of United States Dollar ("US Dollar") unless otherwise stated.)****30. Group enterprises**

The consolidated financial statements aggregate financial information from the following entities:

Subsidiaries

The table below sets out all the subsidiaries and shows their shareholding structure as of December 31, 2023 and 2022:

Name	Direct controlling interest of Çalık Enerji and its Subsidiaries		Effective ownership of Çalık Enerji and its Subsidiaries	
	December 31, 2023	December 31, 2022	December 31, 2023	December 31, 2022
Adacami Enerji	99,95	99,95	99,95	99,95
Agata Trading S.R.L.	100,00	-	100,00	-
Ant Enerji	100,00	100,00	100,00	100,00
Atayurt İnşaat	99,50	99,50	99,50	99,50
Asya Center	100,00	-	100,00	-
ÇEDAŞ	99,90	99,90	99,90	99,90
Çalık Enerji Japan G.K	100,00	100,00	100,00	100,00
Çalık Energy Swiss AG	100,00	100,00	100,00	100,00
Çalık Georgia LLC	100,00	100,00	100,00	100,00
CME Al Wakra Water WLL	100,00	-	100,00	-
Çalık Rüzgar	95,00	95,00	95,00	95,00
ÇE Yenilenebilir Enerji	100,00	100,00	100,00	100,00
Demircili Rüzgar	85,00	85,00	85,00	85,00
Eurokos D.d L.L.C	75,00	75,00	75,00	75,00
Jasper Trading	99,00	99,00	99,00	99,00
JSC Calik Georgia Wind	85,00	85,00	85,00	85,00
Kızılırmak Enerji Elektrik A.Ş.	99,30	99,30	99,30	99,30
Momentum Enerji	100,00	100,00	100,00	100,00
Onyx Trading Innovation FZE	100,00	100,00	100,00	100,00
Şaudi Jalik Energy Company	100,00	100,00	100,00	100,00
Taşkent Merkez Park	-	100,00	0,00	100,00
TCB İnşaat Yatırım A.Ş.	100,00	100,00	100,00	100,00
Technological Energy N.V.	100,00	100,00	100,00	100,00
Çalık Proje Mühendislik	66,00	66,00	66,00	66,00
Türkmen Elektrik	95,50	95,50	95,50	95,50
Uztur	100,00	100,00	100,00	100,00
Yeşilçay Enerji	100,00	100,00	100,00	100,00
YEDAŞ 1	100,00	100,00	100,00	100,00
YEPAŞ 1	100,00	100,00	100,00	100,00
CE Solaire 1 SAS	95,00	95,00	95,00	95,00
CE Solaire 2 SAS	95,00	95,00	95,00	95,00
CYK Enerji Adi Ortaklığı	99,00	99,00	99,00	99,00
Çalık Proje Mühendislik A.Ş.	66,00	66,00	66,00	66,00
Çalık Albania Wind Sh.P.K./Llc	100,00	100,00	100,00	100,00
Ce Solar Dooel Skopje	100,00	100,00	100,00	100,00

Çalık Enerji Sanayi ve Ticaret Anonim Şirketi and its Subsidiaries

Notes to Consolidated Financial Statements

As at and for the Year Ended December 31, 2023

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

30. Group enterprises (continued)

Joint ventures

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

Name	<i>Direct controlling interest of Çalık Enerji and its Subsidiaries</i>		<i>Effective ownership interest of Çalık Enerji and its Subsidiaries</i>	
	<i>December 31, 2023</i>	<i>December 31, 2022</i>	<i>December 31, 2023</i>	<i>December 31, 2022</i>
Çalık Limak Adi Ortaklığı	50,00	50,00	25,50	25,50
Doğu Aras	45,34	40,00	40,00	40,00
KÇLE	50,00	50,00	50,00	50,00
LC Electricity	50,00	50,00	47,75	47,75

31. Segment information

The Group management prepares segment reporting in accordance with policies explained in Note 2. Each segment's information is used for the evaluation and allocation of the resources separately by the management. By measuring and reporting a segment's revenue gained from transactions with other segments, intra transactions are realised at normal market price and conditions.

The operations in countries, where the Group has EPC projects, have the risk to be suspended temporarily or permanently due to economic and political instability in these countries. Segment information of the Group's subsidiaries operating in Turkey and abroad, which are presented in Note 1, comprised the following:

December 31, 2023

	Construction and contract services	Electricity sales	Electricity distribution	Other	Eliminations	Total
Revenue	592.692	33.145	966.064	-	(27.476)	1.564.425
Gross profit	64.158	9.917	258.829	(52)	-	332.852
Share of profit of equity accounted investees	101.380	12.127	824	-	-	114.331
Interest income	2.151	133	6.578	-	-	8.862
Other income (expense), net	(30.406)	(3.037)	(60.926)	170	-	(94.199)
Operating profit/(loss)	137.283	19.140	205.305	118	-	361.846
Gains/(losses) from investing activities	49.704	(14.477)	2.052	-	(39.312)	(2.033)
Interest expense	(5.239)	(2.521)	(18.040)	-	-	(25.800)
Other finance income and expense, net	2.490	(1.557)	(13.449)	2	-	(12.514)
Net monetary gain/loss from hyperinflation	2.979	10.619	(68.206)	206	-	(54.402)
Profit/(loss) before tax	187.217	11.204	107.662	326	(39.312)	267.097
Tax (expense)/benefit	(5.042)	9.184	40.683	587	-	45.412
Net profit/(loss)	182.175	20.388	148.345	913	(39.312)	312.509
Segment assets	1.877.490	82.973	722.854	741	(659.540)	2.024.518
Segment liabilities	(549.169)	(58.538)	(263.154)	(8)	-	(870.869)
Capital expenditures	11.672	707	11.051	-	-	23.430
Depreciation and amortization	5.031	10.912	10.041	-	-	25.984

Çalık Enerji Sanayi ve Ticaret Anonim Şirketi and its Subsidiaries

Notes to Consolidated Financial Statements

As at and for the Year Ended December 31, 2023

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

31. Segment information (continued)

December 31, 2022

	Construction and contract services	Electricity sales	Electricity distribution	Other	Eliminations	Total
Revenue	504.978	53.219	898.066	-	(82.662)	1.373.601
Gross profit	59.304	21.378	228.579	(49)	-	309.212
Share of profit of equity accounted investees	26.018	-	317	-	-	26.335
Interest income	23	22	4.515	-	-	4.560
Other income (expense), net	10.512	288	(87.378)	(5)	-	(76.583)
Operating profit/(loss)	95.857	21.688	146.033	(54)	-	263.524
Gains/(losses) from investing activities	35.603	16.598	2.958	-	(9.852)	45.307
Interest expense	(55)	(3.512)	(4.282)	-	-	(7.849)
Other finance income and expense, net	(7.096)	(437)	(1.480)	(39)	-	(9.052)
Profit/(loss) before tax	124.309	34.337	143.229	(93)	(9.852)	291.930
Tax (expense)/benefit	(3.502)	5.418	57.003	(6)	-	58.913
Net profit/(loss)	120.807	39.755	200.232	(99)	(9.852)	350.843
Segment assets	1.613.138	71.144	554.247	160	(638.353)	1.600.336
Segment liabilities	(492.929)	(52.338)	(260.916)	(330)	11.319	(795.194)
Capital expenditures	104.695	-	20.132	-	-	124.827
Depreciation and amortization	6.946	2.772	2.942	-	-	12.660

32. Independent Auditor's Fee

Fees related to the services received from the independent auditor/independent audit firm have been prepared in accordance with the Board Decision of the Group, Public Oversight Accounting and Auditing Standards Authority ("POA") published in the Official Gazette on 30 March 2021. The explanation of the fees for the services provided by the independent audit firms, the preparation principles of which are based on the POA letter dated 19 August 2021, is as follows:

	December 31, 2023	December 31, 2022
Independent auditor's fee (*)	212	126
Tax services's fee (*)	107	56
Other services's fee (**)	37	3
Toplam	356	185

(*) Foreign currency fees other than USD of Group's are translated into USD using the annual average rate of the relevant year.

(**) Other assurance services as of December 31, 2023 and 2022; Includes CBRT services fees.

33. Subsequent events

On December 1, 2023, Çalık Enerji signed 2.345.000.000 USD (full amount) worth of contract with "Türkmenenergo" State Power Corporation of Ministry of Energy of Turkmenistan for the construction of a 1574 megawatt combined power plant in the Turkmenbashi district of the Balkan province, for the construction of the electrical energy transmission systems required for its connection to the energy system and for supply of spare parts for existing state power plants. Within the scope of this contract, an advance payment of 586.250.000 USD (full amount) was collected on March 12, 2024.

At the Extraordinary General Assembly meeting held on April 4, 2024, Çalık Enerji increased its capital from 79.974.866,22 USD (full amount) to 125.000.266,08 USD (full amount) to be covered from profit reserves and extraordinary reserves (internal sources). The relevant capital increase was registered with the Turkish Trade Registry Gazette dated 15 April 2024 and numbered 11062.