

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

**Consolidated Financial Statements  
As at and for the Year Ended  
31 December 2020  
With Independent Auditor's Report**

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

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## **Independent auditor's report**

To the Board of Directors of alık Enerji Sanayi ve Ticaret Anonim Őirketi

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

#### **Opinion**

We have audited the consolidated financial statements of alık Enerji Sanayi ve Ticaret Anonim Őirketi (the Company) and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at December 31, 2020, 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, 2020, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

#### **Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements in Turkey, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### **Key Audit Matters**

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide

Key Audit Matters	How key audit matters addressed in the audit
<b>Service concession contracts</b>	
<p>The Group considered the terms of service concession agreements and applied a model in accordance with IFRIC 12 and recognize a financial asset in its consolidated financial statement.</p> <p>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 IFRS 9 Financial Instruments standard, since financial assets are subject to impairment.</p> <p>As at 31 December 2020, the Group has financial assets amounting to TL 1.867.856 thousand and interest income amounting to TL 357.888 thousand obtained by service concession agreements.</p> <p>Due to the complexity of the accounting of the service concession agreements in accordance with IFRIC 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.</p> <p>Details of financial assets carried as part of IFRIC 12 are disclosed in Note 8 of the consolidated financial statements.</p>	<p>Our audit procedures in this area include:</p> <ul style="list-style-type: none"> <li>- We have obtained and analyzed the service concession agreements.</li> <li>- We have evaluated the relevance of the revenue recognition model with the legislation.</li> <li>- As interest income is calculated based on the internal rate of return, the calculation of the internal rate of return is tested.</li> <li>- The payment amount confirmed to be paid by Energy Market Regulatory Authority (“EMRA”) related to the investments controlled from the supporting documents.</li> <li>- Reasonable rate of return was controlled from the communiqué published in the Official Gazette.</li> <li>- Amount of financial asset calculated based on the service concession agreement model was agreed to the consolidated financial statements.</li> <li>- We have evaluated the adequacy of the financial statement disclosures.</li> </ul>

Revenue recognition	
<p>The Group conducts mainly engineering, procurement and construction projects (“EPC”) in Turkey and abroad.</p> <p>The revenue from the construction contracts amounting to 1.662.988 TRY thousands constituted a significant portion of the Group’s total revenue as of and for the year ended 31 December 2020.</p> <p>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 IFRS 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.</p> <p>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.</p> <p>Revenue recognition from EPC contracts were determined as key audit matter, due to the significant management estimates and the level judgement.</p>	<p>Our audit procedures in this area include:</p> <ul style="list-style-type: none"> <li>- 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.</li> <li>- 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.</li> <li>- 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.</li> <li>-The costs incurred by the Group for ongoing projects have been tested by using sampling method.</li> <li>- We have recomputed contract revenue by using the percentage of completion method.</li> <li>- We have tested journal entries related to accounting of revenue and contract by focusing on unusual and one-off journal entries.</li> <li>- 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.</li> <li>- We assessed the adequacy of the disclosures of revenue in the notes to the financial statements.</li> </ul>

## **Responsibilities of management and those charged with governance for the consolidated financial statements**

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRSs, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group'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 ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

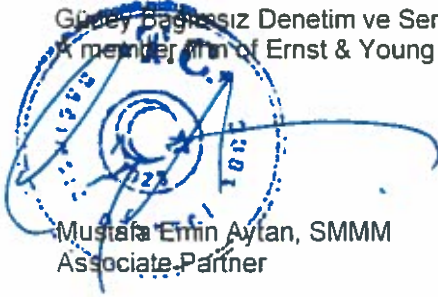


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- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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



Mustafa Emin Aytan, SMMM  
Associate Partner

March 31, 2021  
Istanbul, Turkey

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

**As at 31 December 2020**

**Consolidated Statement of Financial Position**

(Amounts expressed in thousands of Turkish Lira (“TL”) unless otherwise stated.)

		<b>Current Period</b>	<b>Prior Period</b>
		<b>Audited</b>	<b>Audited</b>
		<b>31 December</b>	<b>31 December</b>
	<b>Note</b>	<b>2020</b>	<b>2019</b>
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents	5	276.370	534.672
Restricted amounts	6	222.740	381.307
Trade receivables		1.495.158	1.035.650
- Due from related parties	4, 8	432.431	139.568
- Due from third parties	8	1.062.727	896.082
Other receivables		276.504	297.466
- Due from related parties	4, 9	206.219	162.421
- Due from third parties	9	70.285	135.045
Receivables from customer contracts		44.426	14.571
- Contractual assets arising from ongoing construction and contracting works	16	44.426	14.571
Service concession receivables	8	316.889	290.915
Inventories	10	118.299	32.071
Prepayments	11	256.803	55.722
Current tax assets	21	1.842	1.580
Other current assets	15	116.088	67.037
<b>Total current assets</b>		<b>3.125.119</b>	<b>2.710.991</b>
<b>Non-current assets</b>			
Trade receivables		8.456	4.301
- Due from third parties	8	8.456	4.301
Other receivables		505.704	638.197
- Due from related parties	4, 9	465.931	602.455
- Due from third parties	9	39.773	35.742
Service concession receivables	8	1.550.967	1.438.021
Financial investments	7	212.547	195.785
Equity accounted investees	12	1.508.622	1.009.446
Property, plant and equipment	13	829.077	627.311
Rights of use asset		25.793	24.424
Intangible assets	14	314.342	334.552
Prepayments	11	13.580	10.306
Deferred tax assets	21	78.543	43.191
<b>Total non-current assets</b>		<b>5.047.631</b>	<b>4.325.534</b>
<b>Total assets</b>		<b>8.172.750</b>	<b>7.036.525</b>

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



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

**As at 31 December 2020**

**Consolidated Statement of Financial Position**

(Amounts expressed in thousands of Turkish Lira (“TL”) unless otherwise stated.)

		Current Period	Prior Period
		Audited	Audited
	Note	31 December 2020	31 December 2019
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Short term borrowings	17	261.500	642.067
Short term portion of long term borrowings	17	235.021	540.677
Trade payables		528.252	306.183
- Due to related parties	4, 8	14.175	7.088
- Due to third parties	8	514.077	299.095
Payables related to employee benefits	18	14.740	30.776
Other payables		536.301	421.070
- Due to related parties	4, 9	446.461	369.592
- Due to third parties	9	89.840	51.478
Payables from customer contracts		33.796	228.163
- Contractual liabilities arising from ongoing construction and contracting works	16	33.796	228.163
Deferred revenue	11	557.452	112.317
Current tax liabilities	21	12.582	1.247
Short term provisions		127.703	79.017
- Short term employee benefits	19	9.374	8.269
- Other short term provisions	19	118.329	70.748
Other current liabilities	15	147.179	123.228
<b>Total current liabilities</b>		<b>2.454.526</b>	<b>2.484.745</b>
<b>Non-current liabilities</b>			
Long term borrowings	17	517.084	558.496
Other payables		385.876	286.531
- Due to third parties	9	385.876	286.531
Long term provisions		21.214	15.486
- Long term employee benefits	19	21.214	15.486
Deferred tax liabilities	21	43.184	86.418
<b>Total non-current liabilities</b>		<b>967.358</b>	<b>946.931</b>
<b>Total liabilities</b>		<b>3.421.884</b>	<b>3.431.676</b>
<b>EQUITY</b>			
<b>Equity attributable to owners of the Company</b>			
Paid-in capital	22	108.917	108.917
Items that will or may be reclassified to profit or loss		2.114.594	1.656.707
Restricted reserves		878.783	685.802
Retained earnings		53.431	20.479
Net profit for the year		1.582.212	1.116.458
<b>Total equity attributable to owners of the Company</b>		<b>4.737.937</b>	<b>3.588.363</b>
<b>Total non controlling interests</b>	22	<b>12.929</b>	<b>16.486</b>
<b>Total equity</b>		<b>4.750.866</b>	<b>3.604.849</b>
<b>Total equity and liabilities</b>		<b>8.172.750</b>	<b>7.036.525</b>

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 31 December 2020

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)

		Current Period	Prior Period
		Audited	Audited
	Note	2020	2019
Revenue	23	5.572.651	4.381.205
Cost of sales	24	(3.381.573)	(2.869.861)
<b>Gross profit</b>		<b>2.191.078</b>	<b>1.511.344</b>
Administrative expenses	24	(511.137)	(434.894)
Research and development expenses	24	(22.569)	(45.992)
Share of profit of equity accounted investees	12	257.948	231.638
Other income from operating activities	25	93.156	160.600
Other expense from operating activities	25	(170.274)	(150.009)
<b>Operating profit</b>		<b>1.838.202</b>	<b>1.272.687</b>
Income from investing activities	26	48.822	32.361
Expenses from investing activities	26	(22.894)	(6)
IFRS 9 Impairment gains (cancellations) and cancellation of impairment losses	26	(60.080)	(18.217)
<b>Operating profit before finance cost</b>		<b>1.804.050</b>	<b>1.286.825</b>
Finance income	27	127.545	128.462
Finance costs	27	(195.336)	(230.011)
<b>Net finance costs</b>		<b>(67.791)</b>	<b>(101.549)</b>
<b>Profit before tax</b>		<b>1.736.259</b>	<b>1.185.276</b>
<b>Tax expense</b>			
Current tax expense	21	(224.154)	(131.549)
Deferred tax benefit/(expense)	21	76.267	65.519
<b>Profit for the year</b>		<b>1.588.372</b>	<b>1.119.246</b>
<b>Profit attributable to:</b>			
Owners of the Company		1.582.212	1.116.458
Non-controlling interests		6.160	2.788
<b>Profit for the year</b>		<b>1.588.372</b>	<b>1.119.246</b>
<b>Other comprehensive income</b>			
<b>Reclassified to profit or loss</b>			
Foreign currency translation differences from foreign operations		450.765	253.897
<b>Total other comprehensive income</b>		<b>450.765</b>	<b>253.897</b>
<b>Total comprehensive income</b>		<b>2.039.137</b>	<b>1.373.143</b>
<b>Total comprehensive income attributable to:</b>			
Owners of the Company		2.040.099	1.370.355
Non-controlling interests		(962)	2.788
<b>Total comprehensive income</b>		<b>2.039.137</b>	<b>1.373.143</b>
<b>Earning per share</b>		<b>0,15</b>	<b>0,10</b>

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 31 December 2020**

(Amounts expressed in thousands of Turkish Lira (“TL”) unless otherwise stated.)

	Other comprehensive income items that will or may be classified to profit or loss		Restricted reserves	Retained earnings		Total equity attributable to owners of the Company	Non-controlling interests	Total equity
	Paid in capital	Translation reserve	Legal reserves	Retained earnings	Net profit for the year			
<b>Balances at 1 January 2020</b>	<b>108.917</b>	<b>1.656.707</b>	<b>685.802</b>	<b>20.479</b>	<b>1.116.458</b>	<b>3.588.363</b>	<b>16.486</b>	<b>3.604.849</b>
<b>Total comprehensive income</b>								
Profit for the year	-	-	-	-	1.582.212	1.582.212	6.160	1.588.372
Foreign currency translation differences	-	457.887	-	-	-	457.887	(7.122)	450.765
<b>Total comprehensive income</b>	<b>-</b>	<b>457.887</b>	<b>-</b>	<b>-</b>	<b>1.582.212</b>	<b>2.040.099</b>	<b>(962)</b>	<b>2.039.137</b>
<b>Transaction with owners of the Company</b>								
Capital decrease by subsidiaries	-	-	-	(9.231)	-	(9.231)	-	(9.231)
Acquisition of subsidiary	-	-	82	12.135	-	12.217	-	12.217
Dividends paid	-	-	192.899	(1.086.410)	-	(893.511)	(2.595)	(896.106)
Transfers	-	-	-	1.116.458	(1.116.458)	-	-	-
<b>Total transaction with owners of the Company</b>	<b>-</b>	<b>-</b>	<b>192.981</b>	<b>32.952</b>	<b>(1.116.458)</b>	<b>(890.525)</b>	<b>(2.595)</b>	<b>(893.120)</b>
<b>Balances at 31 December 2020</b>	<b>108.917</b>	<b>2.114.594</b>	<b>878.783</b>	<b>53.431</b>	<b>1.582.212</b>	<b>4.737.937</b>	<b>12.929</b>	<b>4.750.866</b>

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 31 December 2020**

(Amounts expressed in thousands of Turkish Lira (“TL”) unless otherwise stated.)

		Other comprehensive income items that will or may be classified to profit or loss	Restricted reserves	Retained earnings		Total equity attributable to owners of the Company	Non- controlling interests	Total equity
	Paid in capital	Translation reserve	Legal reserves	Retained earnings	Net profit for the year			
<b>Balances at 1 January 2019</b>	<b>108.917</b>	<b>1.402.810</b>	<b>499.844</b>	<b>416.391</b>	<b>1.031.261</b>	<b>3.459.223</b>	<b>14.126</b>	<b>3.473.349</b>
<b>Total comprehensive income</b>								
Profit for the year	-	-	-	-	1.116.458	1.116.458	2.788	1.119.246
Foreign currency translation differences	-	253.897	-	-	-	253.897	-	253.897
<b>Total comprehensive income</b>	<b>-</b>	<b>253.897</b>	<b>-</b>	<b>-</b>	<b>1.116.458</b>	<b>1.370.355</b>	<b>2.788</b>	<b>1.373.143</b>
<b>Transaction with owners of the Company</b>								
Capital decrease by subsidiaries	-	-	-	(9.900)	-	(9.900)	-	(9.900)
Acquisition of subsidiary	-	-	-	2.607	-	2.607	-	2.607
Dividends paid	-	-	185.958	(1.419.880)	-	(1.233.922)	(428)	(1.234.350)
Transfers	-	-	-	1.031.261	(1.031.261)	-	-	-
<b>Total transaction with owners of the Company</b>	<b>-</b>	<b>-</b>	<b>185.958</b>	<b>(395.912)</b>	<b>(1.031.261)</b>	<b>(1.241.215)</b>	<b>(428)</b>	<b>(1.241.643)</b>
<b>Balances at 31 December 2019</b>	<b>108.917</b>	<b>1.656.707</b>	<b>685.802</b>	<b>20.479</b>	<b>1.116.458</b>	<b>3.588.363</b>	<b>16.486</b>	<b>3.604.849</b>

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 31 December 2020**

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)

	Notes	January 1 – December 31, 2020	January 1 – December 31, 2019
<b>A. CASH FLOWS FROM OPERATING ACTIVITIES</b>		<b>1.093.178</b>	<b>921.860</b>
Profit for the year		1.588.372	1.119.246
<b>Adjustments to reconcile cash flow generated from operating activities:</b>		<b>(112.388)</b>	<b>147.889</b>
Adjustments for depreciation and amortisation	24	121.754	114.819
Adjustments for doubtful receivables	8	60.080	18.217
Adjustments for provisions, net	19	48.926	31.755
Adjustments for share of profit of equity accounted investees	12	(257.948)	(231.638)
Adjustments for deposits and guarantee received	27	12.182	15.358
Adjustments for interest income and expenses		(57.498)	(51.279)
Adjustments for financial income of the service concession receivables	8	(175.225)	276.724
Adjustments for fair value changes of the financial investments	7	22.453	(32.116)
Adjustments for actual alternative investment income	8	36.305	(59.300)
Adjustments for tax expense	21	76.267	65.519
Adjustments for the net gains on sales of property, plant and equipment and intangible assets	26	316	(170)
<b>Changes in working capital</b>		<b>(205.666)</b>	<b>(354.049)</b>
Change in inventories		(78.668)	5.014
Change in trade receivables		(289.708)	1.206.585
Change in customer contract assets		(26.418)	61.938
Change in payables related to employee benefits		1.233	(1.170)
Change in other receivables, other current assets and other non current assets related with operating activities		(27.527)	(757.643)
Change in trade payables		149.893	(574.691)
Change in customer contract liabilities		(248.153)	(201.777)
Change in prepayments		(188.790)	176.477
Change in deferred income		418.658	(292.804)
Change in other payables and other liabilities related with operating activities		83.814	24.022
<b>Cash flows used in operating activities</b>		<b>(177.140)</b>	<b>8.774</b>
Employee termination indemnity paid	19	(9.490)	(9.511)
Collections from doubtful receivables	26	15.239	22.021
Taxes paid		(182.889)	(3.736)
<b>B. CASH FLOWS USED IN INVESTING ACTIVITIES</b>		<b>(70.788)</b>	<b>(113.237)</b>
Proceeds from sales of property, plant and equipment and intangible assets		83.241	178
Acquisition of subsidiaries	7	(7.003)	(11.025)
Proceeds from sales of available for sale financial investments	7	13.538	4.554
Acquisition of property, plant and equipment	13	(172.535)	(109.058)
Acquisition of intangible assets	14	(1.352)	(493)
Acquisition of subsidiary with non-controlling interests		13.323	2.607
<b>C. CASH FLOWS USED IN FINANCING ACTIVITIES</b>		<b>(1.523.728)</b>	<b>(716.180)</b>
Funds provided from/(to) related parties, net		262.783	655.388
Interest paid to related parties	27	(13.108)	(71.675)
Interest received from related parties	27	26.948	73.406
Dividend paid		(896.106)	(1.234.350)
Change in restricted cash and cash equivalents	6	158.567	(237.981)
Proceeds from loans and borrowings	17	417.003	617.843
Repayment of loans and borrowings	17	(1.459.298)	(517.219)
Deposits and guarantees paid		(20.517)	(1.592)
<b>BEFORE FOREIGN CURRENCY TRANSLATION EFFECT ON NET INCREASE/DECREASE IN CASH AND CASH EQUIVALENTS (A+B+C)</b>		<b>(501.338)</b>	<b>92.443</b>
<b>D. EFFECT OF FOREIGN CURRENCY TRANSLATION DIFFERENCE IN CASH AND CASH EQUIVALENTS</b>		<b>243.036</b>	<b>253.896</b>
<b>NET INCREASE/DECREASE IN CASH AND CASH EQUIVALENTS</b>		<b>(258.302)</b>	<b>346.339</b>
<b>E. CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD</b>	5	<b>534.672</b>	<b>188.333</b>
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD (A+B+C+D)</b>	5	<b>276.370</b>	<b>534.672</b>

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 31 December 2020

(Amounts expressed in thousands of Turkish Lira (“TL”) unless otherwise stated.)

#### 1. Reporting entity

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 fourteen branches, namely, Çalık Enerji Turkmenistan, Çalık Enerji Georgia, Çalık Enerji Uzbekistan, Çalık Enerji Libya, Çalık Enerji Iraq, Çalık PE Uzbekistan Turakurgan, Çalık PE Uzbekistan Navoi, Çalık Enerji Malawi, Kızılırmak Enerji Elektrik, Çalık Enerji Uzbekistan Taşkent PE and Çalık Enerji Afghanistan Branch, Çalık Enerji Romania Branch, Çalık Enerji Erbil Branch, Çalık Enerji Senegal 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 at 31 December 2020, the principal shareholders and their respective shareholding rates in Çalık Enerji are stated in Note 22. Çalık Enerji was established at its registered office address, Büyükdere Caddesi No: 163/A Zincirlikuyu, Istanbul.

As at 31 December 2020, Çalık Enerji has 28 (31 December 2019: 34) subsidiaries (“the Subsidiaries”) and 6 (31 December 2019: 4) joint ventures (“the Joint Ventures”). The consolidated financial statements of the Group as at and for the year ended 31 December 2020 comprise Çalık Enerji, its subsidiaries and its interests in the joint ventures. As at 31 December 2020, the number of employees of the Group is 2.135 (31 December 2019: 2.157). The subsidiaries and the joint ventures included in the consolidation of Çalık Enerji, their country of incorporation and nature of business are as follows:

<u>Company name</u>	<u>Type of partnership</u>	<u>Country</u>
Adacami Enerji Elektrik Üretim Sanayi ve Ticaret A.Ş.	Subsidiary	Turkey
Akılcı Bilişim Hizmetleri ve Danışmanlık A.Ş. (*)	Subsidiary	Turkey
Ant Enerji Sanayi ve Ticaret Limited Şirketi	Subsidiary	Turkey
Atayurt İnşaat A.Ş.	Subsidiary	Turkey
Çalık Elektrik Dağıtım A.Ş.	Subsidiary	Turkey
Çalık Enerji Dubai FZE	Subsidiary	UAE – Dubai
Çalık Enerji Swiss AG	Subsidiary	Switzerland
Çalık Georgia LLC (*)	Subsidiary	Georgia
Çalık Limak Adi Ortaklığı	Joint venture	Turkey
Çalık Rüzgar Enerjisi Elektrik Üretim Limited Şirketi	Subsidiary	Turkey
ÇL Enerji Üretim ve İnşaat Anonim 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
Technovision Mühendislik Danışmanlık ve Dış Ticaret 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
Taşkent Merkez Park Gayrimenkul Yatırım A.Ş.	Subsidiary	Turkey
Uztur Investment and Development Limited	Subsidiary	Uzbekistan
TCB İnşaat Yatırım A.Ş.	Subsidiary	Turkey
Çalık-Biskon Adi Ortaklığı (*)	Joint venture	Turkey
Denge-Çalık NTF 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. (*)	Subsidiary	Turkey

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

### **Notes to Consolidated Financial Statements**

**As at and for the Year Ended 31 December 2020**

**(Amounts expressed in thousands of Turkish Lira (“TL”) unless otherwise stated.)**

#### **1. Reporting entity (continued)**

(<sup>1</sup>)Akılcı Bilişim Hizmetleri ve Danışmanlık A.Ş., Çalık Georgia LLC, ÇL Enerji Üretim ve İnşaat A.Ş., Saudi Jalik Energy Company, Çalık-Biskon Adi Ortaklığı, Denge-Çalık NTF Adi Ortaklığı and Workindo Teknoloji ve İnsan Kaynakları Danışmanlık A.Ş., subsidiaries of the Group, are in start up phase or non operating and are not consolidated due to the insignificance of their financial impact on the consolidated financial statements as at and for the period ended 31 December 2020.

#### **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.

#### **Akılcı Bilişim Hizmetleri ve Danışmanlık A.Ş (“Akılcı Bilişim”)**

Akılcı Bilişim, was established on 2 May 2018 in Istanbul. As at the reporting date, the Company is in start-up phase and non operating.

#### **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.

#### **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 Dubai FZE (“Çalık Enerji Dubai”)**

Çalık Enerji Dubai was incorporated in Jebel Ali Free Zone.

#### **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.

#### **Çalık Enerji Swiss AG (“Calik Swiss”)**

Calik Swiss was established on 27 April 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. As of the reporting date the company is in start-up phase and non operating.

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

### **Notes to Consolidated Financial Statements**

**As at and for the Year Ended 31 December 2020**

(Amounts expressed in thousands of Turkish Lira (“TL”) unless otherwise stated.)

#### **1. Reporting entity (continued)**

##### **Çalık Limak Adi Ortaklığı**

Çalık Limak Adi Ortaklığı, was established in 2013 as a joint venture of ÇEDAŞ and Limak Yatırım Enerji Üretim İşletme Hizmetleri ve İnşaat 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.

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

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

##### **Doğu Aras Enerji Yatırımları 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 5 May 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, Erincan, Ağrı, Bayburt and Erzurum within the privatization.

##### **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.

##### **Çalık-Biskon Adi Ortaklığı (“Çalık-Biskon”)**

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

##### **Denge-Çalık NTF Adi Ortaklığı (“Denge-Çalık”)**

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

##### **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 Danışmalık A.Ş. (“Workindo Teknoloji”)**

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



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

### **Notes to Consolidated Financial Statements**

**As at and for the Year Ended 31 December 2020**

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)

#### **1. Reporting entity (continued)**

##### **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 17 September 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 8 May 2013, KÇLE purchased all shares of state-owned enterprise namely "Kompania Per Distribuim Dhe Fumizim Me Energji Elektrike SH.A" ("KEDS") which is operating in electricity distribution and procurement of electricity in Kosovo.

##### **LC Electricity Supply and Trading d.o.o ("LC Electricity")**

LC Electricity was founded in Serbia in 2014 as a joint venture with a joint agreement between Türkmen'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.

##### **Technological Energy N.V. ("Technological N.V.")**

Technological N.V. was established on 8 June 2016 in the Netherlands. As at the reporting date, the Company is non operating.

##### **Technovision Mühendislik, Danışmanlık ve Dış Ticaret Ltd. Şti. ("Technovision")**

Technovision 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.

##### **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.

##### **Uztur Investment and Development Limited ("Uztur")**

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

##### **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.

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

### **Notes to Consolidated Financial Statements**

**As at and for the Year Ended 31 December 2020**

(Amounts expressed in thousands of Turkish Lira (“TL”) unless otherwise stated.)

#### **1. Reporting entity (continued)**

##### **Yeşilirmak Elektrik Dağıtım A.Ş. (“YEDAŞ”)**

YEDAŞ was taken over by the Group in 2010 for 30 years with the scope of privatisation in order to distribute electricity energy in Samsun, Ordu, Amasya, Çorum and Sinop.

In accordance with the 3rd clause of 4628 numbered Energy Markets Code, electricity distribution companies must separate its distribution and retail operations from each other until 1 January 2013. In this regard, YEDAŞ that carried out the electricity distribution and retail sales operations in Samsun, Ordu, Amasya, Çorum and Sinop regions, unbundled its distribution and retail sales operations on 31 December 2012 and YEPAŞ has started its operations from 1 January 2013.

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

In accordance with the 3rd clause of 4628 numbered Energy Markets Code, electricity distribution companies must separate its distribution and retail operations from each other until 1 January 2013. In this regard, YEDAŞ which was engaged in distribution and retail sale of electricity in Samsun, Ordu, Çorum, Amasya and Sinop regions, unbundled its distribution and retail operations on 31 December 2012. YEPAŞ was founded for retail sales of electricity and electricity related products by partial demerger of YEDAŞ as of 1 January 2013.

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

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

##### **Saudi Jalik Energy Company (“Saudi Jalik”)**

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

#### **2. Basis of preparation**

##### **2.1 Statement of compliance**

The Group’s entities operating in Turkey keep their books of account in Turkish Lira (“TL”) in accordance with the accounting principles per Turkish Uniform Chart of Accounts, the Turkish Commercial Code and Tax legislations.

The Group’s foreign entities keep their books of account and prepare their statutory financial statements in accordance with the related legislation and generally accepted accounting principles applicable in the countries they operate.

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”).

The general assembly and the other regulatory bodies have the power to amend the consolidated financial statements after their issue.

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

### Notes to Consolidated Financial Statements

As at and for the Year Ended 31 December 2020

(Amounts expressed in thousands of Turkish Lira (“TL”) unless otherwise stated.)

## 2. Basis of preparation (continued)

### 2.2 Basis of measurement

The consolidated financial statements have been prepared on the historical cost basis and for the Group’s Turkish entities as adjusted for the effects of inflation that lasted by 31 December 2004, except for the derivative financial instruments that are measured at fair value.

### 2.3 Functional and presentation currency

The Company’s functional currency was Turkish Lira (TL) until 30 June 2018. Due to changes in sales strategies and dividend policies as of 1 July 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 1 July 2019 in accordance with IAS 21 - "Effects of Changes in Foreign Exchange Rates". Equity items are translated to US Dollars at exchange rates at the dates of the transactions. All assets and liabilities are retranslated to US Dollars at the exchange rate at the reporting date. All profit or loss and other comprehensive income items are retranslated to US Dollars at average exchange rates of the corresponding year.

The accompanying interim condensed consolidated financial statements are presented in Turkish Lira (“TL”) whereas the Group’s functional currency is US Dollar (“USD”) except when otherwise indicated. Financial information presented in TL has been rounded to the nearest thousand.

The exchange rates against TL used by the Group at 31 December 2020 and 31 December 2019 are as follows:

	31 December 2020	31 December 2019
US Dollar	7,3405	5,9402
Euro	9,0079	6,6506
British Sterling	9,9438	7,7765
Iraqi Dinar	5,1615	0,0050
Georgian Lari	2,2532	1,9881
Libyan Dinari	5,5803	4,3379
Turkmenistan Manat	2,1168	1,7447
Uzbekistani Som	0,0720	0,0006

### 2.4 Use of estimates and judgments

The preparation of the consolidated financial statements in conformity with IFRSs 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.

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

### Notes to Consolidated Financial Statements

As at and for the Year Ended 31 December 2020

(Amounts expressed in thousands of Turkish Lira (“TL”) unless otherwise stated.)

#### 2. Basis of preparation (continued)

Note 16 – 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 incentive are recognised as revenue to the extent that the amount can be measured reliably, and its receipt is considered probable.

When the outcome of a construction contract cannot be estimated reliably, revenue is recognised to the extent of costs incurred that are probable of recovery. Costs are recognised as an expense as they are incurred.

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

Note 28 – Determination of fair value: Estimates are made for using observable and non-observable market data in determination of fair values.

Note 19 – Reserve for retirement pay is determined by using actuarial assumptions (discount rates, future salary increases and employee turnover rates).

#### 2.5 Comparative information and adjustment of prior period financial statements

The financial statements of the Group include comparative consolidated financial information to enable the determination of the financial position and performance. Comparative figures are reclassified, where necessary, to conform to the changes in the presentation in the current period consolidated financial statements.

In the consolidated financial statements for the year ended December 31, 2019, the following classifications have been made in order to comply with the presentation of the current period.

	(Previously reported) 31 December 2019	(Revised) 31 December 2019	Reclassification
Revenue	4.240.013	4.381.205	141.192
Cost of sales	(2.840.076)	(2.869.861)	(29.785)
Administrative expenses	(235.889)	(434.894)	(199.005)
Selling, marketing and distribution expenses	(86.764)	-	86.764
Other expense from operating activities	(150.843)	(150.009)	834

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

### **Notes to Consolidated Financial Statements**

**As at and for the Year Ended 31 December 2020**

**(Amounts expressed in thousands of Turkish Lira (“TL”) 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*

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.

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

### Notes to Consolidated Financial Statements

As at and for the Year Ended 31 December 2020

(Amounts expressed in thousands of Turkish Lira (“TL”) unless otherwise stated.)

#### 3. Significant accounting policies (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.

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

### Notes to Consolidated Financial Statements

As at and for the Year Ended 31 December 2020

(Amounts expressed in thousands of Turkish Lira (“TL”) unless otherwise stated.)

### 3. Significant accounting policies (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 TL, 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 TL) 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.

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### 3. Significant accounting policies (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.



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### 3. Significant accounting policies (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.

#### *Financial assets: Subsequent measurement and gains and losses.*

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#### 3. Significant accounting policies (continued)

<b>Financial assets at FVTPL</b>	These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognized in profit or loss.
<b>Financial assets at amortised cost</b>	Financial assets at amortised cost are comprised of cash and cash equivalents, trade 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.
<b>Debt investments at FVOCI</b>	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.
<b>Equity investments at FVOCI</b>	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 fair value*

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 comprise 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 24 July 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 at 31 December 2020, the aforementioned TORA consideration amount has been fully amortized.

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

Under the terms of this agreement within in the scope of IFRIC 12, the Group acts as 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.

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#### 3. Significant accounting policies (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 31 December 2020, YEDAŞ fulfilled its obligations related to the license for services which was privatized at 24 July 2006, including the first implementation period between 2006 and 2010 and the second implementation period which covers the years 2011 and 2015.

Rights related to second implementation period were announced by EMRA Committee Decision (Decision No: 2991) on 28 December 2010. Rights which will be applicable for the third implementation period between 2016 and 2020 were announced by EMRA with its committee decision dated 30 December 2015 and numbered 6033-1.

YEDAŞ's revenues and costs are subject to EMRA regulations. 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 IFRS 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 into 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.

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#### 3. Significant accounting policies (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 finance cost 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.

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### 3. Significant accounting policies (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 IFRS 15)

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

Financial assets with redeemed cost;

- Lifetime ECL: It refers to expected credit losses of defaulting on loans or debts during expected life of a financial instrument

Bank balance with no credit risk after initial recognition;

- 12 Month ECL refer to expected credit losses of defaulting on loans or debts in 12 months after the reporting date.

The Group has chosen the 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 IFRS 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.

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### 3. Significant accounting policies (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 IFRS 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*

The costs of items of property, plant and equipment of Çalık Enerji’s Turkish entities purchased before 31 December 2004 are restated for the effects of inflation in TL units current at 31 December 2004 pursuant to IAS 29. Property, plant and equipment purchased after this date are recognised at their historical cost. Accordingly, property, plant and equipment of the Group are carried at costs, 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.

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### 3. Significant accounting policies (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	1-40
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 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.

Amortisation of electricity distribution rights is based on the fair value of the asset which is acquired through business combination under scope of IFRS 3 “Business Combinations”. The remaining amortisation period for electricity distribution rights are 26 years which is the service concession period of YEDAŞ 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.

#### 3.6 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.

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### **3. Significant accounting policies (continued)**

#### **3.7 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.

#### **3.8 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 TL 7,12 and TL 6,01 at 31 December 2020 and 2019, respectively.

IFRSs require actuarial valuation methods to be developed to estimate the entity's obligation under defined benefit plans. The total liability for employee severance benefit was calculated by an independent actuary based on past service cost methodology using the observable statistical market data such as mortality, inflation and interest rates or retirement pay ceilings applicable to the relevant periods and assumptions derived from the specific historic date of the Group such as retention and employee turnover rates or salary increase rates.

Income ceiling calculation for the entities holding electricity distribution and retail sale license per the service concession agreement is updated yearly in accordance with EMRA decision No. 2991 dated 28 December 2010 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 TL 15.877 (31 December 2019: TL 11.530) had no effect on the Group's consolidated financial statements as of 31 December 2020 since the same amount will be compensated by the Government as an adjusting item in the following income ceiling calculation.



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### 3. Significant accounting policies (continued)

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 IAS 19 (2011), 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.

### 3.9 Provisions

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

#### *i) Provisions for EMRA regulations*

In case of incompliance with the Electricity Market Act numbered 6446 which is effective after the publication on the Official Gazette dated 30 March 2013, numbered 28603 as well as with the regulations and communiqués promulgated by EMRA, EMRA sends a letter notifying the reason and related penalty fee with payment maturity to the Group. Although these penalties generally are paid in advance, some payments could be delayed until the final 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.

### 3.10 Revenue

Revenue is recognized in the consolidated financial statements within the scope of the five-phase model below.

- Identification of contracts with customers
- Identification of performance obligations in contracts
- Determining the transaction price in contracts
- Distribution of transaction fee to performance obligations
- Revenue recognition

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.

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

### Notes to Consolidated Financial Statements

As at and for the Year Ended 31 December 2020

(Amounts expressed in thousands of Turkish Lira (“TL”) unless otherwise stated.)

### 3. Significant accounting policies (continued)

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.

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.

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### Notes to Consolidated Financial Statements

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### 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) 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.

#### **3.11 Right-of-use assets**

The Group recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

Right-of-use assets are subject to impairment.

#### **Lease liabilities**

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

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### **Notes to Consolidated Financial Statements**

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#### **3. Significant accounting policies (continued)**

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

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

#### ***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.

#### ***3.12 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 except of bank borrowings as either finance income or finance cost depending on whether foreign currency movements are in a net gain or net loss position by each entity of the Group.

#### ***3.13 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 and inventories, 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 and inventories, 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 except of bank borrowings as either other income or other expense depending on whether foreign currency movements are in a net gain or net loss position by each entity of the Group.

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

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### **3. Significant accounting policies (continued)**

#### **3.14 Income and losses from investing activities**

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

Losses from investing activities comprises losses on sale of property, plant and equipment and intangible assets and other losses from investing activities.

#### **3.15 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.

Deferred taxes related to fair value measurement of financial assets at fair value through profit or loss are charged or credited to equity and subsequently recognised in profit or loss together with the deferred gains that are 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.

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#### **3. Significant accounting policies (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 18 November 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.

#### **3.16 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.

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### **3. Significant accounting policies (continued)**

#### **3.17 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.

#### **3.18 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.

#### **3.19 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.

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### **3. Significant accounting policies (continued)**

#### **3.20 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.

#### **3.21 The new standards, amendments and interpretations**

The accounting policies adopted in preparation of the consolidated financial statements as at 31 December 2020 are consistent with those of the previous financial year, except for the adoption of new and amended IFRS and IFRIC interpretations effective as of 1 January 2020. The effects of these standards and interpretations on the Group’s financial position and performance have been disclosed in the related paragraphs.

**i) The new standards, amendments and interpretations which are effective as at 1 January 2020 are as follows:**

##### **Definition of a Business (Amendments to IFRS 3)**

In October 2018, the IASB issued amendments to the definition of a business in IFRS 3 Business Combinations. The amendments are intended to assist entities to determine whether an acquired set of activities assets is a business or not.

The amendments:

- clarify the minimum requirements for a business;
- remove the assessment of whether market participants are capable of replacing any missing elements;
- add guidance to help entities assess whether an acquired process is substantive;
- narrow the definitions of a business and of outputs; and
- introduce an optional fair value concentration test.

The amendments to IFRS 3 are effective for annual reporting periods beginning on or after 1 January 2020 and apply prospectively.

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



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### **3. Significant accounting policies (continued)**

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

The amendments issued to IFRS 9 and IAS 39 which are effective for periods beginning on or after 1 January 2020 provide reliefs which enable hedge accounting to continue. For these reliefs, it is assumed that the benchmark on which the cash flows of hedged risk or item are based and/or, the benchmark on which the cash flows of the hedging instrument are based, are not altered as a result of IBOR reform. in connection with interest rate benchmark reform.

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

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

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

In October 2018, the IASB issued amendments to IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors to align the definition of ‘material’ across the standards and to clarify certain aspects of the definition. The new definition states that, ‘Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity. The amendments clarify that materiality will depend on the nature or magnitude of information, or both. An entity will need to assess whether the information, either individually or in combination with other information, is material in the context of the financial statements.

The amendments to IAS 1 and IAS 8 are required to be applied for annual periods beginning on or after 1 January 2020.

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

#### **Amendments to IFRS 16 – Covid-19 Rent Related Concessions**

In May 2020, the IASB issued amendments to IFRS 16 Leases to provide relief to lessees from applying IFRS 16 guidance on lease modifications to rent concessions arising a direct consequence of the Covid-19 pandemic. A lessee that makes this election accounts for any change in lease payments related rent concession the same way it would account for the change under the standard, if the change were not a lease modification.

The practical expedient applies only to rent concessions occurring as a direct consequence of the Covid-19 pandemic and only if all of the following conditions are met:

- The change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change.
- Any reduction in lease payments affects only payments originally due on or before 30 June 2021
- There is no substantive change to other terms and conditions of the lease.

A lessee will apply the amendment for annual reporting periods beginning on or after 1 June 2020. Early application of the amendments is permitted.

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

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### **3. Significant accounting policies (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.

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

In December 2015, the IASB postponed the effective date of this amendment indefinitely pending the outcome of its research project on the equity method of accounting. Early application of the amendments is still permitted. The Group will wait until the final amendment to assess the impacts of the changes.

#### **IFRS 17 - The new Standard for insurance contracts**

The IASB issued IFRS 17, a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. IFRS 17 model combines a current balance sheet measurement of insurance contract liabilities with the recognition of profit over the period that services are provided. IFRS 17 will become effective for annual reporting periods beginning on or after 1 January 2023; early application is permitted. The standard is not applicable for the Group and will not have an impact on the financial position or performance of the Group.

#### **Amendments to IAS 1- Classification of Liabilities as Current and Non-Current Liabilities**

23 January 2020, the IASB issued amendments to IAS 1 Presentation of Financial Statements. The amendments issued to IAS 1 which are effective for periods beginning on or after 1 January 2023, clarify the criteria for the classification of a liability as either current or non-current. Amendments must be applied retrospectively in accordance with IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors. Early application is permitted.

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

#### **Amendments to IFRS 3 – Reference to the Conceptual Framework**

In May 2020, the IASB issued amendments to IFRS 3 Business combinations. The amendments are intended to replace to a reference to a previous version of the IASB’s Conceptual Framework (the 1989 Framework) with a reference to the current version issued in March 2018 (the Conceptual Framework) without significantly changing requirements of IFRS 3. At the same time, the amendments add a new paragraph to IFRS 3 to clarify that contingent assets do not qualify for recognition at the acquisition date. The amendments issued to IFRS 3 which are effective for periods beginning on or after 1 January 2022 and must be applied retrospectively. Earlier application is permitted if, at the same time or earlier, an entity also applies all of the amendments contained in the Amendments to References to the Conceptual Framework in IFRS standards (March 2018).

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

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### **3. Significant accounting policies (continued)**

#### **Amendments to IAS 16 – Proceeds before intended use**

In May 2020, the IASB issued amendments to IAS 16 Property, plant and equipment. The amendment prohibits entities from deducting from the cost of an item of property, plant and equipment (PP&E), any proceeds of the sale of items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognizes the proceeds from selling such items, and costs of producing those items, in profit or loss. The amendments issued to IAS 16 which are effective for periods beginning on or after 1 January 2022. Amendments must be applied prospectively only to items of PP&E made available for use on or after beginning of the earliest period presented when the entity first applies the amendment.

There is no transition relief for the first time adopters.

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

#### **Amendments to IAS 37 – Onerous contracts – Costs of Fulfilling a Contract**

In May 2020, the IASB issued amendments to IAS 37 Provisions, Contingent Liabilities and Contingent assets. The amendments issued to IAS 37 which are effective for periods beginning on or after 1 January 2022, to specify which costs an entity needs to include when assessing whether a contract is onerous or loss-making and also apply a “directly related cost approach”. Amendments must be applied retrospectively to contracts for which an entity has not fulfilled all of its obligations at the beginning of the annual reporting period in which it first applies the amendments (the date of initial application). Earlier application is permitted and must be disclosed.

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

#### **Interest Rate Benchmark Reform – Phase 2 – Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16**

In August 2020, the IASB issued Interest Rate Benchmark Reform – Phase 2, Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 to provide temporary reliefs which address the financial reporting effects when an interbank offering rate (IBOR) is replaced with an alternative nearly risk-free rate (RFR, amending the followings:

##### ***Practical expedient for changes in the basis for determining the contractual cash flows as a result of IBOR reform***

The amendments include a practical expedient to require contractual changes, or changes to cash flows that are directly required by the reform, to be treated as changes to a floating interest rate, equivalent to a movement in a market rate of interest. Under this practical expedient, if the interest rates applicable to financial instruments change as a result of the IBOR reform, the situation is not considered as a derecognition or contract modification; instead, this would be determined by recalculating the carrying amount of the financial instrument using the original effective interest rate to discount the revised contractual cash flows.

The practical expedient is required for entities applying IFRS 4 Insurance Contracts that are using the exemption from IFRS 9 Financial Instruments (and, therefore, apply IAS 39 Financial Instruments: Classification and Measurement) and for IFRS 16 Leases, to lease modifications required by IBOR reform.

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### 3. Significant accounting policies (continued)

#### *Relief from discontinuing hedging relationships*

- The amendments permit changes required by IBOR reform to be made to hedge designations and hedge documentation without the hedging relationship being discontinued.
- Amounts accumulated in the cash flow hedge reserve are deemed to be based on the RFR.
- For the IAS 39 assessment of retrospective hedge effectiveness, on transition to an RFR, entities may elect on a hedge-by-hedge basis, to reset the cumulative fair value changes to zero.  
The amendments provide relief for items within a designated group of items (such as those forming part of a macro cash flow hedging strategy) that are amended for modifications directly required by IBOR reform. The reliefs allow the hedging strategy to remain and not be discontinued.
- As instruments transition to RFRs, a hedging relationship may need to be modified more than once. The phase two reliefs apply each time a hedging relationship is modified as a direct result of IBOR reform.

#### *Separately identifiable risk components*

The amendments provide temporary relief to entities from having to meet the separately identifiable requirement when an RFR instrument is designated as a hedge of a risk component.

#### *Additional disclosures*

Amendments need additional IFRS 7 Financial Instruments disclosures such as; How the entity is managing the transition to RFRs, its progress and the risks to which it is exposed arising from financial instruments due to IBOR reform, quantitative information about financial instruments that have yet to transition to RFRs and if IBOR reform has given rise to changes in the entity’s risk management strategy, a description of these changes. The amendments are mandatory, with earlier application permitted. While application is retrospective, an entity is not required to restate prior periods.

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

#### **iii) Annual Improvements – 2018–2020 Cycle**

In May 2020, the IASB issued Annual Improvements to IFRS Standards 2018–2020 Cycle, amending the followings:

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

Improvements are effective for annual reporting periods beginning on or after 1 January 2022. Earlier application is permitted for all.

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

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

### Notes to Consolidated Financial Statements

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#### 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. Most of the related party activity is eliminated at consolidation and the remaining activity is not material to the Group.

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. Accordingly, the transactions of Group’s subsidiaries with joint ventures and the balances from joint ventures are not subject to elimination.

#### Related party balances

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

	2020			
	Shareholders	Joint ventures	Other	Total
Trade receivables	-	-	432.431	432.431
Other receivables	630.989	-	41.161	672.150
Cash and cash equivalents	-	-	76.371	76.371
Other payables	(391.564)	-	(54.897)	(446.461)
Trade payables	(5.278)	-	(8.897)	(14.175)
Prepaid expenses	404	-	15	419
Deferred revenue	-	-	(48.278)	(48.278)
<b>Total</b>	<b>234.551</b>	<b>-</b>	<b>437.906</b>	<b>672.457</b>

	2019			
	Shareholders	Joint ventures	Other	Total
Trade receivables	-	-	139.568	139.568
Other receivables	655.596	-	109.280	764.876
Cash and cash equivalents	-	-	23.796	23.796
Other payables	(361.806)	-	(7.786)	(369.592)
Trade payables	(4.117)	-	(2.971)	(7.088)
Deferred revenue	-	-	(61.707)	(61.707)
<b>Total</b>	<b>289.673</b>	<b>-</b>	<b>200.180</b>	<b>489.853</b>

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

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### Notes to Consolidated Financial Statements

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#### 4. Related party disclosures (continued)

Other receivables amounting to TL 630.989 (31 December 2019: TL 655.596) is composed of receivables from Çalık Holding given by the Group's subsidiaries for funding of the operations.

As at 31 December 2020, other payables amounting to TL 446.461 (31 December 2019: TL 369.592) is composed of payables amounting to TL 391.564 (31 December 2019: TL 361.806) is related to funding amounts from related parties and Çalık Holding's recharges including management expenditures and common usage cost.

For the years ended 31 December, deferred revenue is composed of advances taken from Doğu Aras Enerji Yatırımları A.Ş., it is taken for dividend.

As at 31 December 2020, 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 15,22%, 5% and 6,03% respectively (2019: 19,04%, 7,01% and 7,06%, 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 at 31 December 2020 (31 December 2019: None) and no specific allowance has been made for impairment losses on balances with the related parties.

#### Related party transactions

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

	2020			
	Shareholders	Joint ventures	Other	Total
Revenue (*)	-	-	617.735	617.735
Cost of sales	(91)	-	(29.176)	(29.267)
Administrative expenses (**)	(31.585)	-	(15.849)	(47.434)
Research and development expenses	-	-	(4.482)	(4.482)
Net finance income	(462)	-	11.037	10.575
Expense from investing activities, net	12.347	-	14.616	26.963
<b>Total</b>	<b>(19.791)</b>	<b>-</b>	<b>593.881</b>	<b>574.090</b>

	2019			
	Shareholders	Joint ventures	Other	Total
Revenue (*)	-	-	1.224.888	1.224.888
Cost of sales	-	-	(9.703)	(9.703)
Administrative expenses (**)	(27.386)	-	(18.823)	(46.209)
Research and development expenses	(17)	-	(8.030)	(8.047)
Net finance income	-	-	346	346
Expense from investing activities, net	(4.293)	-	(10.446)	(14.739)
<b>Total</b>	<b>(31.696)</b>	<b>-</b>	<b>1.178.232</b>	<b>1.146.536</b>

(\*) For the year ended 31 December 2020, amounting to TL 385.187 of revenue transactions composed of progress billings to TAPP 500 Power Transmission Line FZE within the scope of TAPP project. In addition to this, as at 31 December 2020, revenue transactions composed of progress billings to Mitsubishi Corporation, a related party and prime contractor for the projects, in accordance with ongoing engineering, procurement and construction contracts amounting to TL 210.102 (31 December 2019: TL 1.223.868).

(\*\*) For the year ended 31 December 2020 and 2019, administrative expenses mainly composed of service and insurance billings from Çalık Holding.

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(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)

#### 4. Related party disclosures (continued)

##### Transactions with key management personnel

On a consolidated basis, key management costs included in administrative expenses for the year ended on 31 December 2020 amounted to TL 14.203 (31 December 2019: TL 23.779). The related amount consists of salary and wages, bonus and premiums, attendance fee and such other payments to key management.

#### 5. Cash and cash equivalents

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

	31 December 2020	31 December 2019
Cash on hand	2.254	2.495
Cash at banks	427.944	913.276
-Demand deposits	210.489	143.800
-Time deposits	217.455	769.476
Other cash and cash equivalents (*)	68.912	208
<b>Cash and cash equivalents</b>	<b>499.110</b>	<b>915.979</b>
Restricted bank balances	(222.740)	(381.307)
<b>Cash and cash equivalents in the consolidated statement of cash flows</b>	<b>276.370</b>	<b>534.672</b>

(\*) As at 31 December 2020, other cash and cash equivalents mainly consist of bonds due to 3 months in Çedaş amounting to TL 67.988 and bank balances (Aktifbank) in repo amounting to TL 653 (31 December 2019: None). In addition to this, as at 31 December 2020, other cash and cash equivalents consist of money in transit amounting to TL 95 (31 December 2019: TL 155) and credit card receivables amounting to TL 176 (31 December 2019: TL 53).

As at 31 December 2020, average effective interest rates on TL denominated time deposits is 14,00% (31 December 2019: 8,03%) and maturity of time deposits is 14 days (31 December 2019: 74).

As at 31 December 2020, average effective interest rates on USD denominated time deposits is 1,50% (31 December 2019: 1,88%) and maturity of time deposits is 22 days (31 December 2019: 34 day).

#### 6. Restricted bank balances

At 31 December, restricted bank balances comprised the following:

	31 December 2020	31 December 2019
EPC ve maintenance blocked amount (*)	34.661	3.796
Collateral (*)	127.967	354.963
Pulic case blocked amount (*)	132	125
Takas Bank blocked amount (*)	36.248	22.423
Restricted amounts in bank for online collection (*)	23.732	-
<b>Restricted bank balances</b>	<b>222.740</b>	<b>381.307</b>

(\*) The restricted cash and cash equivalents amounting to TL 222.740 (31 December 2019: TL 381.307) is not available for the Group's daily transactions as at 31 December 2020. The TL 117 (31 December 2019: None) portion of the amount held in banks in Turkey with the contracts related to the engineering services, procurement operations and construction projects. The TL 418 (31 December 2019: None) portion held in bank in Malawi, the TL 29.435 (31 December 2019: None) portion held in bank in Swiss and TL 4.691 (31 December 2019: TL 3.796) portion held in bank in Georgia referring partial maintenance contract, and the portion amounting to TL 127.967 (31 December 2019: TL 354.963) takes place as a mandatory guarantee related to loans in domestic banks. In addition, the TL 132 (31 December 2019: TL 125) portion blocked and held by court referring to the nationalization lawsuits. The TL 36.248 (31 December 2019: TL 22.423) 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. There is no (31 December 2019: None) portion consist of letter of guarantee received from the Aktifbank. There is TL 23.732 (31 December 2019: None) portion amounting held in bank for online collection.

The Group's exposure to currency risks related to cash and cash equivalents are disclosed in Note 28.

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**7. Financial investments**

As at 31 December 2020 and 2019, financial investments comprised the following:

	31 December 2020			31 December 2019		
	Current	Non current	Total	Current	Non current	Total
Financial assets measured at fair value through profit or loss	-	212.547	212.547	-	195.785	195.785
	-	<b>212.547</b>	<b>212.547</b>	-	<b>195.785</b>	<b>195.785</b>

As at 31 December 2020 and 2019, financial assets measured at fair value through profit or loss comprised the following:

	31 December 2020	31 December 2019
<b>Equity instruments</b>		
Equity securities – non-listed	212.547	195.785
<b>Total</b>	<b>212.547</b>	<b>195.785</b>

As of 31 December 2020 and 2019, the details of the investments classified as financial assets at fair value through profit or loss and the shareholding rates are as follows:

	%	31 December 2020	%	31 December 2019
<b>Equity securities - available for sale:</b>				
Bursagaz Bursa Şehiriçi Doğal Gaz Dağıtım Ticaret ve Taahhüt A.Ş. ("Bursagaz")	10	111.532	10,0	112.804
Kayserigaz Kayseri Doğalgaz Dağıtım Pazarlama Ticaret A.Ş. ("Kayserigaz")	10,0	89.943	10,0	68.407
Other	-	11.072	-	14.574
<b>Total</b>		<b>212.547</b>		<b>195.785</b>

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

	2020	2019
<b>At 1 January</b>	<b>195.785</b>	<b>117.904</b>
Fair value increases/decreases (*)	(22.453)	32.116
Capital increases additions (**)	7.003	11.025
Disposals (***)	(13.538)	(4.554)
Translation difference	45.750	39.294
<b>At 31 December</b>	<b>212.547</b>	<b>195.785</b>

(\*) The addition amount realized in 2020 arise from the fair value increase of the shares of Bursagaz and Kayserigaz which are measured at fair value through profit or loss in the consolidated financial statements as at 31 December 2020.

(\*\*) As at 31 December 2020, %33,3 shares of Workindo Technology and Human Resources Consulting Inc. were purchased by the Company.

(\*\*\*) Olimpos Solar Enerji Üretim A.Ş. and Pasifik Solar Enerji Üretim A.Ş. were liquidated as at 31 December 2020 and was Included in the consolidation with the merger of Momentum Enerji.



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

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**7. Financial investments (continued)**

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

<b>31 December 2020</b>						
<b>Name</b>	<b>Total asset</b>	<b>Total equity</b>	<b>Retained earnings attributable to the owners of the Company</b>	<b>Net income/ (loss) for the period</b>	<b>Reviewed/ audited</b>	<b>Period</b>
Bursagaz	1.003.549	437.354	93.870	66.105	Unaudited	31 December 20
Kayseregaz	565.196	223.217	157.153	54.297	Unaudited	31 December 20

<b>31 December 2019</b>						
<b>Name</b>	<b>Total asset</b>	<b>Total equity</b>	<b>Retained earnings attributable to the owners of the Company</b>	<b>Net income/ (loss) for the period</b>	<b>Reviewed/ audited</b>	<b>Period</b>
Bursagaz	981.279	413.818	60.792	78.886	Unaudited	31 December 19
Kayseregaz	494.165	176.584	125.730	40.748	Unaudited	31 December 19

**8. Trade receivables, service concession receivables and trade payables**

**Trade receivables**

**Short-term trade receivables**

As at 31 December 2020 and 2019, short-term trade receivables comprised the following:

	<b>31 December 2020</b>	<b>31 December 2019</b>
Due from related parties (Note 4)	432.431	139.568
Due from third parties	1.062.727	896.082
	<b>1.495.158</b>	<b>1.035.650</b>

As at 31 December 2020 and 2019, short-term trade receivables comprised the following:

	<b>31 December 2020</b>	<b>31 December 2019</b>
Accounts receivable (*)	1.495.158	1.035.650
Doubtful receivables	215.489	151.395
Allowance for doubtful receivables	(215.489)	(151.395)
<b>Total</b>	<b>1.495.158</b>	<b>1.035.650</b>

(\*) As at 31 December 2020 trade receivables of the Group mainly consists of engineering services, supply operations and uncollected portion of progress billings related to EPC agreement to TL 994.359 (31 December 2019: TL 754.447).

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

	<b>2020</b>	<b>2019</b>
<b>Allowance at the beginning of year</b>	<b>151.395</b>	<b>122.768</b>
Provision for impairment (Note 26)	75.319	40.238
Reversal of impairment allowances		
no longer required (-) (Note 26)	(15.239)	(22.021)
Translation differences	4.014	10.410
<b>Total</b>	<b>215.489</b>	<b>151.395</b>

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

##### Long-term trade receivables

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

	31 December 2020	31 December 2019
Due from third parties	8.456	4.301
<b>Total</b>	<b>8.456</b>	<b>4.301</b>

##### Service concession receivables

As at 31 December, service concession receivables comprised the following:

	31 December 2020	31 December 2019
Short term service concession receivables	316.889	290.915
Long term service concession receivables	1.550.967	1.438.021
<b>Total</b>	<b>1.867.856</b>	<b>1.728.936</b>

Maturity of the service concession receivables was as follows:

Receivables subject to redemption		
Redemption	31 December 2020	31 December 2019
Due within one year	316.889	290.915
Due one to three years	832.662	434.332
Due three to five years	498.530	594.502
Due over five years	219.775	409.187
<b>Total</b>	<b>1.867.856</b>	<b>1.728.936</b>

Movement of service concession receivables for the year ended at 31 December was as follows:

	2020	2019
<b>At 1 January</b>	<b>1.728.936</b>	<b>1.732.915</b>
Additions	347.227	141.192
Redemptions related to current year investments	(485.883)	(392.497)
Transfers (*)	(44.007)	-
Financial income	357.888	188.026
Correction at current period regarding revenue caps	(36.305)	59.300
<b>At 31 December</b>	<b>1.867.856</b>	<b>1.728.936</b>

(\*) As at 31 December 2020, the amount TL 44.007 is transferred to property, plant and equipment.

##### Short-term trade payables

As at 31 December 2020 and 2019, short-term trade payables comprised the following:

	31 December 2020	31 December 2019
Due to related parties (Note 4)	14.175	7.088
Due to third parties	514.077	299.095
	<b>528.252</b>	<b>306.183</b>

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

As at 31 December 2020 and 2019, third parties short-term trade payables comprised the following:

	31 December 2020	31 December 2019
Trade payables (*)	475.980	276.854
Expense accruals	38.097	22.241
	<b>514.077</b>	<b>299.095</b>

(\*) Trade payables mainly comprise payables to suppliers the EPC contracts, average maturity of debt is between 30 and 45 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 which comprises the electricity distribution and retail sales amounting to TL 382.624 (31 December 2019: TL 185.976) respectively from the companies Türkiye Elektrik Ticaret Taahhüt Anonim Şirketi arising from the purchases of the electricity and Türkiye Elektrik İletim Anonim Şirketi arising from the usage of the electricity transfer lines.

#### 9. Other receivables and other payables

##### Other short term receivables

As at 31 December 2020 and 2019, other short-term receivables comprised the following:

	31 December 2020	31 December 2019
Due from related parties (Note 4)	206.219	162.421
Due from third parties	70.285	135.045
	<b>276.504</b>	<b>297.466</b>

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

	31 December 2020	31 December 2019
Other receivables (*)	69.096	131.564
Receivables from tax authorities	448	2.857
Deposits and guarantees given	705	564
Receivables from personnel	36	60
	<b>70.285</b>	<b>135.045</b>

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

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#### 9. Other receivables and other payables (continued)

##### Other long term receivables

As at 31 December 2020 and 2019, other long term receivables comprised the following:

	31 December 2020	31 December 2019
Due from related parties (Note 4)	465.931	602.455
Due from third parties	39.773	35.742
<b>Total</b>	<b>505.704</b>	<b>638.197</b>

As at 31 December 2020 and 2019, due from third parties comprised the following:

	31 December 2020	31 December 2019
Deposits and guarantees given	20.945	18.468
Receivables from TEİAŞ	18.828	17.274
<b>Total</b>	<b>39.773</b>	<b>35.742</b>

##### Other short term payables

As at 31 December 2020 and 2019, other short-term payables comprised the following:

	31 December 2020	31 December 2019
Due to related parties (Note 4)	446.461	369.592
Due to third parties	89.840	51.478
<b>Total</b>	<b>536.301</b>	<b>421.070</b>

As at 31 December 2020 and 2019, other short-term payables to third parties comprised the following:

	31 December 2020	31 December 2019
Deposits and guarantees received	31.226	29.398
Others	58.614	22.080
<b>Total</b>	<b>89.840</b>	<b>51.478</b>

##### Other long term payables

As at 31 December 2020 and 2019, other long-term payables comprised the following:

	31 December 2020	31 December 2019
Deposits and guarantees received (*)	385.876	286.531
<b>Total</b>	<b>385.876</b>	<b>286.531</b>

(\*) As at 31 December 2020 and 2019, 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.

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 28.

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#### 10. Inventories

As at 31 December 2020 and 2019, inventories comprised the following:

	31 December 2020	31 December 2019
Raw materials and supplies	45.508	31.085
Trading goods	72.791	986
<b>Total</b>	<b>118.299</b>	<b>32.071</b>

#### 11. Prepayments and deferred income

##### Short term prepayments

As at 31 December 2020 and 2019, current prepayments comprised the following:

	31 December 2020	31 December 2019
Advances given (*)	227.849	43.556
Prepayments for the following months	28.954	12.166
<b>Total</b>	<b>256.803</b>	<b>55.722</b>

(\*) As at 31 December 2020, advances given consists advance balances amounting to TL 7.172 (31 December 2019: TL 2.424) given to EPIAŞ for electricity purchases and advance balances amounting to TL 215.238 (31 December 2019: TL 39.585) given to suppliers and service providers for EPC projects.

##### Long term prepayments

As at 31 December 2020 and 2019, non-current prepayments comprised the following:

	31 December 2020	31 December 2019
Prepayments for the following years	13.580	10.306
<b>Total</b>	<b>13.580</b>	<b>10.306</b>

##### Short term deferred revenue

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

	31 December 2020	31 December 2019
Advances received (*)	557.452	112.317
<b>Total</b>	<b>557.452</b>	<b>112.317</b>

(\*) Advances received are composed of the contract advances received from Türkmenenergo Döwlet Elektroenerget within the scope of the TFM project undertaken by the Group, West African Energy SA within the scope of the SNC project undertaken by the Group and from Mitsubishi Corporation within the scope of the BSR project undertaken by the Group in Iraq.

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#### 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 17 September 2012 with the participation of these three companies by 25%, 25% and 50%, respectively, in the share capital of KÇLE. On 8 May 2013, KÇLE purchased all shares of the state-owned enterprise namely Kompania Per Distribuim Dhe Fumizim Me Energji Elektrike SH.A ("KEDS") which is operating in electricity distribution and procurement in Kosovo for a consideration of TL 61.796 (equivalent of EUR 26.300) within the scope of a tender in the privatisation process initiated by the Government of Republic of Kosovo.

As per Share Transfer Agreement dated 27 April 2015, Çalık Enerji acquired 1.250 number of shares of KÇLE with a nominal value of EUR 12 held by ÇEDAŞ for a total consideration of EUR 17.475, and increased its ownership percent from 25,00% 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 5 May 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 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.

###### LC Electricity

LC Electricity was established on 3 July 2014 in Serbia as a joint venture with a joint agreement between Türkmen Elektrik and Limak Yatırım with the participation of these two companies equally by 50%. The purpose of LC Electricity is trading electricity and sales/purchases of goods and services as part of this operation.

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#### 12. Investments in equity accounted investees (continued)

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

Joint ventures-equity accounted	31 December 2020		31 December 2019	
	Carrying value	% of ownership	Carrying value	% of ownership
<b>Assets</b>				
KÇLE	748.746	50,00	598.956	50,00
Çalık Limak Adi Ortaklığı	13.103	50,00	3.113	50,00
Doğu Aras	746.698	50,00	407.314	50,00
LC Electricity	75	50,00	63	50,00
<b>Total</b>	<b>1.508.622</b>		<b>1.009.446</b>	

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

	2020	2019
Balance at 1 January	<b>1.009.446</b>	<b>658.555</b>
Share of profit of equity accounted investees	257.948	231.638
Translation differences	257.924	119.253
Dividend income from affiliates and jointly controlled partnerships	(16.696)	-
<b>Balance at 31 December</b>	<b>1.508.622</b>	<b>1.009.446</b>

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**12. Investments in equity accounted investees (continued)**

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

<b>31 December 2020</b>															
<b>Company name</b>	<b>Reporting period</b>	<b>Ownership rates (%)</b>	<b>Current assets</b>	<b>Non-current assets</b>	<b>Total assets</b>	<b>Current liabilities</b>	<b>Non-current liabilities</b>	<b>Total liabilities</b>	<b>Net assets</b>	<b>Revenue</b>	<b>Total expenses</b>	<b>Profit/(loss)</b>	<b>Group's share of net assets</b>	<b>Carrying amount</b>	<b>Group's share of profit/(loss)</b>
KÇLE (Joint venture) <sup>(1)</sup>	31 December	50,00	776.904	1.312.452	2.089.356	565.622	85.466	651.088	1.438.268	1.918.413	1.871.970	46.443	719.134	748.746	23.222
Doğu Aras (Joint venture) <sup>(1)</sup>	31 December	50,00	1.203.409	1.072.814	2.276.223	954.118	131.057	1.085.175	1.191.048	2.789.293	2.339.829	449.464	595.524	746.698	224.732
Çalık Limak Adı Ortaklığı A.Ş. (Joint venture)	31 December	50,00	40.622	-	40.622	40.600	-	40.600	22	101.535	81.547	19.988	11	13.103	9.994
LC Electricity (Joint venture)	31 December	50,00	-	-	-	-	-	-	-	-	-	-	-	75	-
<b>Total</b>														<b>1.508.622</b>	<b>257.948</b>

<b>31 December 2019</b>															
<b>Company name</b>	<b>Reporting period</b>	<b>Ownership rates (%)</b>	<b>Current assets</b>	<b>Non-current assets</b>	<b>Total assets</b>	<b>Current liabilities</b>	<b>Non-current liabilities</b>	<b>Total liabilities</b>	<b>Net assets</b>	<b>Revenue</b>	<b>Total expenses</b>	<b>Profit/(loss)</b>	<b>Group's share of net assets</b>	<b>Carrying amount</b>	<b>Group's share of profit/(loss)</b>
KÇLE (Joint venture) <sup>(1)</sup>	31 December	50,00	465.676	915.919	1.381.595	295.673	54.608	350.281	1.031.314	1.919.690	1.888.447	31.243	515.657	598.956	15.622
Doğu Aras (Joint venture) <sup>(1)</sup>	31 December	50,00	705.226	-	705.226	28.501	-	28.501	676.725	2.718.649	2.287.887	430.762	338.363	3.113	215.381
Çalık Limak Adı Ortaklığı A.Ş. (Joint venture)	31 December	50,00	19.674	-	19.674	19.656	-	19.656	18	49.118	47.848	1.270	9	407.314	635
LC Electricity (Joint venture)	31 December	50,00	-	-	-	-	-	-	-	-	-	-	-	63	-
<b>Total</b>														<b>1.009.446</b>	<b>231.638</b>

<sup>(1)</sup> Consolidated financial information is presented.



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**13. Property, plant and equipment**

During the years ended 31 December 2020 and 2019, movements of property, plant and equipment and related accumulated depreciation were as follows:

	<b>Land and buildings</b>	<b>Machines and equipments</b>	<b>Vehicles</b>	<b>Furniture and fixtures</b>	<b>Leasehold improvements</b>	<b>Construction in progress <sup>(*)</sup></b>	<b>Total</b>
<b>Cost</b>							
<b>Balance at 1 January 2019</b>	<b>157.374</b>	<b>421.119</b>	<b>45.818</b>	<b>147.911</b>	<b>22.336</b>	<b>16.466</b>	<b>811.024</b>
Additions	13.367	40.294	34.073	19.934	1.106	284	<b>109.058</b>
Foreign currency differences	47.989	3.783	12.051	9.635	4.744	2.580	<b>80.782</b>
Disposals <sup>(**)</sup>	(32.059)	(4.537)	(3.403)	(24.312)	-	-	<b>(64.311)</b>
Transfers <sup>(*)</sup>	-	13.583	-	-	-	(13.583)	-
<b>Balance at 31 December 2019</b>	<b>186.671</b>	<b>474.242</b>	<b>88.539</b>	<b>153.168</b>	<b>28.186</b>	<b>5.747</b>	<b>936.553</b>
<b>Balance at 1 January 2020</b>	<b>186.671</b>	<b>474.242</b>	<b>88.539</b>	<b>153.168</b>	<b>28.186</b>	<b>5.747</b>	<b>936.553</b>
Additions	140	126	10.064	18.160	2.983	141.062	<b>172.535</b>
Merger and new consolidation effect	49	56.055	-	-	-	-	<b>56.104</b>
Foreign currency differences	37.539	70	13.715	32.049	2.724	3.980	<b>90.077</b>
Disposals <sup>(**)</sup>	-	-	(1.821)	(17.214)	(252)	-	<b>(19.287)</b>
Transfers <sup>(***)</sup>	-	-	-	-	44.007	-	<b>44.007</b>
<b>Balance at 31 December 2020</b>	<b>224.399</b>	<b>530.493</b>	<b>110.497</b>	<b>186.163</b>	<b>77.648</b>	<b>150.789</b>	<b>1.279.989</b>

<sup>(\*)</sup> Construction in progress are mainly related to investments for wind power plants of Çalık Rüzgar which are located in Sarpıncık and investments for solar power plants of Çalık Yenilenebilir Enerji A.Ş.

<sup>(\*\*)</sup> Disposals are mainly related to our completed projects NAV2 and TRC.

<sup>(\*\*\*)</sup> As at 31 December 2020, the amount TL 44.007 is transferred from service concession receivables.

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**13. Property, plant and equipment (continued)**

During the years ended 31 December 2020 and 2019, movements of property, plant and equipment and related accumulated depreciation were as follows:

	<u>Land and Buildings</u>	<u>Machines and equipments</u>	<u>Vehicles</u>	<u>Furniture and fixtures</u>	<u>Leasehold improvements</u>	<u>Construction in progress</u>	<u>Total</u>
<b><u>Accumulated depreciation</u></b>							
<b>Balance at 1 January 2019</b>	<b>(47.335)</b>	<b>(79.453)</b>	<b>(15.528)</b>	<b>(83.407)</b>	<b>(15.986)</b>	-	<b>(241.709)</b>
Current year depreciation	(9.823)	(38.507)	(13.322)	(19.271)	(2.745)	-	<b>(83.668)</b>
Foreign currency differences	(26.254)	(3.516)	(7.213)	(5.514)	(4.721)	-	<b>(47.218)</b>
Disposal	32.059	4.537	3.403	23.354	-	-	<b>63.353</b>
<b>Balance at 31 December 2019</b>	<b>(51.353)</b>	<b>(116.939)</b>	<b>(32.660)</b>	<b>(84.838)</b>	<b>(23.452)</b>	-	<b>(309.242)</b>
<b>Balance at 1 January 2020</b>	<b>(51.353)</b>	<b>(116.939)</b>	<b>(32.660)</b>	<b>(84.838)</b>	<b>(23.452)</b>	-	<b>(309.242)</b>
Current year depreciation	(11.885)	(42.833)	(16.794)	(20.499)	(2.745)	-	<b>(94.756)</b>
Merger and new consolidation effect	-	(7.914)	-	-	-	-	<b>(7.914)</b>
Foreign currency differences	(12.156)	(5.880)	(6.733)	(18.718)	(2.607)	-	<b>(46.094)</b>
Disposal	-	-	847	6.247	-	-	<b>7.094</b>
<b>Balance at 31 December 2020</b>	<b>(75.394)</b>	<b>(173.566)</b>	<b>(55.340)</b>	<b>(117.808)</b>	<b>(28.804)</b>	-	<b>(450.912)</b>
<b>Net carrying amount at 1 January 2019</b>	<b>110.039</b>	<b>341.666</b>	<b>30.290</b>	<b>64.504</b>	<b>6.350</b>	<b>16.466</b>	<b>569.315</b>
<b>Net carrying amount at 31 December 2019</b>	<b>135.318</b>	<b>357.303</b>	<b>55.879</b>	<b>68.330</b>	<b>4.734</b>	<b>5.747</b>	<b>627.311</b>
<b>Net carrying amount at 31 December 2020</b>	<b>149.005</b>	<b>356.927</b>	<b>55.157</b>	<b>68.355</b>	<b>48.844</b>	<b>150.789</b>	<b>829.077</b>

As at 31 December 2020, the Group has no capitalised interest expense on property, plant and equipment (31 December 2019: None).

As at 31 December 2020, the Group has no property, plant and equipment acquired through finance lease contracts (31 December 2019: None).

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14. Intangible assets

During the years ended 31 December 2020 and 2019, movements of intangible assets and related accumulated amortisation were as follows:

	Licences & software	Electric distribution rights	Other intangibles	Total
<b>Cost</b>				
<b>Balance at 1 January 2019</b>	<b>50.975</b>	<b>499.073</b>	<b>4.512</b>	<b>554.560</b>
Additions	493	-	-	493
Disposals	(11)	-	-	(11)
Translation difference	579	(1)	13.457	14.035
<b>Balance at 31 December 2019</b>	<b>52.036</b>	<b>499.072</b>	<b>17.969</b>	<b>569.077</b>
<b>Balance at 1 January 2020</b>	<b>52.036</b>	<b>499.072</b>	<b>17.969</b>	<b>569.077</b>
Additions	175	-	1.177	1.352
Disposals	-	-	-	-
Translation difference	105.991	2	2.185	108.178
<b>Balance at 31 December 2020</b>	<b>158.202</b>	<b>499.074</b>	<b>21.331</b>	<b>678.607</b>
<b>Accumulated amortization</b>				
<b>Balance at 1 January 2019</b>	<b>(37.595)</b>	<b>(153.666)</b>	<b>(2.912)</b>	<b>(194.173)</b>
Current year amortization	(3.374)	(19.197)	(612)	(23.183)
Disposals	(6)	-	-	(6)
Translation difference	(7.212)	140	(10.091)	(17.163)
<b>Balance at 31 December 2019</b>	<b>(48.187)</b>	<b>(172.723)</b>	<b>(13.615)</b>	<b>(234.525)</b>
<b>Balance at 1 January 2020</b>	<b>(48.187)</b>	<b>(172.723)</b>	<b>(13.615)</b>	<b>(234.525)</b>
Current year amortization	(2.052)	(19.196)	(427)	(21.675)
Disposals	-	-	-	-
Translation difference	(105.835)	(138)	(2.092)	(108.065)
<b>Balance at 31 December 2020</b>	<b>(156.074)</b>	<b>(192.057)</b>	<b>(16.134)</b>	<b>(364.265)</b>
<b>Net carrying amount at 1 January 2019</b>	<b>13.380</b>	<b>345.407</b>	<b>1.600</b>	<b>360.387</b>
<b>Net carrying amount at 31 December 2019</b>	<b>3.849</b>	<b>326.349</b>	<b>4.354</b>	<b>334.552</b>
<b>Net carrying amount at 31 December 2020</b>	<b>2.128</b>	<b>307.017</b>	<b>5.197</b>	<b>314.342</b>

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#### 15. Other assets and liabilities

##### Other current assets

As at 31 December 2020 and 2019, other current assets comprised the following:

	31 December 2020	31 December 2019
Deferred VAT	66.776	61.713
Other current assets	49.312	5.324
	<b>116.088</b>	<b>67.037</b>

##### Other current liabilities

As at 31 December 2020 and 2019, other current liabilities comprised the following:

	31 December 2020	31 December 2019
Taxes and funds payable	103.251	81.850
Other liabilities	43.928	41.378
	<b>147.179</b>	<b>123.228</b>

#### 16. 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:

	2020	2019
Due from customers for contract works	44.426	14.571
Due to customers for contract works	(33.796)	(228.163)
<b>Total</b>	<b>10.630</b>	<b>(213.592)</b>

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

	2020	2019
Total costs incurred on uncompleted contracts	3.800.117	7.725.743
Estimated earnings	1.922.438	3.983.371
<b>Total estimated revenue on uncompleted contracts</b>	<b>5.722.555</b>	<b>11.709.114</b>
Less: Billings to date	(5.711.925)	(11.922.706)
<b>Net amounts due to/from customers for contract work</b>	<b>10.630</b>	<b>(213.592)</b>

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**17. Loans and borrowings**

As at 31 December 2020 and 2019, loans and borrowings comprised the following:

<b>Short term loans and borrowings</b>	<b>31 December 2020</b>	<b>31 December 2019</b>
Short term bank loans	253.541	632.007
- USD denominated bank loans	78.676	376.846
- Foreign currency denominated bank loans	174.865	255.161
Short term portion of long term bank loans	229.883	540.677
- USD denominated bank loans	-	288.890
- Foreign currency denominated bank loans	229.883	251.787
Short term portion of long term bonds issued	5.138	-
Short term lease payables	7.959	10.060
	<b>496.521</b>	<b>1.182.744</b>
Long term bank loans	416.560	542.560
- Foreign currency denominated bank loans	416.560	542.560
Long term bonds issued	78.751	-
Long term lease payables	21.773	15.936
	<b>517.084</b>	<b>558.496</b>
<b>Total</b>	<b>1.013.605</b>	<b>1.741.240</b>

At 31 December 2020 and 2019, the terms and conditions of outstanding loans and borrowings were as follows:

<b>31 December 2020</b>					
	<b>Currency</b>	<b>Nominal interest rate (%)</b>	<b>Maturity</b>	<b>Nominal amount</b>	<b>Carrying amount</b>
Secured bank loans	TL	17,09	2023	16.949	13.984
Secured bank loans	TL	Revolving	2021	23.725	19.996
Secured bank loans	EUR	0,49-1,24	2022-2025	52.184	51.596
Unsecured bank loans	TL	Revolving	2021	11.877	9.998
Unsecured bank loans	TL	0,16-18,96	2021-2024	510.114	509.951
Unsecured bank loans	USD	7,18	2021	51.860	51.153
Unsecured bank loans	USD	Revolving	2021	28.129	27.527
Unsecured bank loans	EUR	3,53-7,35	2021-2031	216.648	215.781
Other financial liabilities	TL	12,61		83.887	83.887
				<b>995.373</b>	<b>983.873</b>

<b>31 December 2019</b>					
	<b>Currency</b>	<b>Nominal interest rate (%)</b>	<b>Maturity</b>	<b>Nominal amount</b>	<b>Carrying amount</b>
Secured bank loans	USD	Revolving	2020	28.299	28.293
Secured bank loans	USD	USD Libor+%4,00	2020	80.513	78.482
Secured bank loans	USD	6,08	2020	217.180	210.408
Secured bank loans	EUR	0,53-4,9	2022-2031	120.224	119.398
Secured bank loans	TL	17,88	2023	26.060	19.983
Unsecured bank loans	USD	3,66-7,56	2020	355.574	353.020
Unsecured bank loans	EUR	6,79	2020	67.000	66.916
Unsecured bank loans	TL	Revolving	2020	27.503	25.769
Unsecured bank loans	TL	17,00-20,70	2020-2024	825.242	812.975
				<b>1.747.595</b>	<b>1.715.244</b>

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#### 17. Loans and borrowings (continued)

There are pledges over Çalık Enerji's shares of YEDAŞ, YEPAS and ÇEDAŞ with numbers of 85 (TL 0,085), 115 (TL 0,115), 377.622.000 (TL 377.622), respectively and ÇEDAŞ's shares of YEPAS and YEDAŞ, with numbers of 6.358.770.388 (TL 63.587) and 35.700.685.312 (TL 357.006), as a guarantee for the bank borrowings used or will be used by Çalık Holding, ÇEDAŞ, YEDAŞ and YEPAS from a bank.

As at 31 December 2020 and 2019, maturity profile of the bank borrowings is as follows

	31 December 2020	31 December 2019
Due within one year	483.424	1.172.684
One to two years	187.412	200.149
Two to three years	132.694	155.663
Three to four years	59.003	111.711
Over four years	37.451	75.037
<b>Total</b>	<b>899.984</b>	<b>1.715.244</b>

As at 31 December 2020 and 2019, maturity profile of the issued bond is as follows

	31 December 2020	31 December 2019
Due within one year	5.138	-
One to two years	78.751	-
<b>Total</b>	<b>83.889</b>	<b>-</b>

The Group's exposure to liquidity and currency risks related to borrowings are disclosed in Note 28.

#### *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 31 December 2020 and 2019 are as follows:

	2020	2019
<b>January 1</b>	<b>1.741.240</b>	<b>1.568.946</b>
Current period additions	417.003	617.843
Interest and capital repayments	(1.459.298)	(517.219)
Current period interest accruals	142.505	113.333
Effects of changes in foreign exchange rates	172.155	(41.663)
<b>December 31</b>	<b>1.013.605</b>	<b>1.741.240</b>

#### 18. Payables related to employee benefits

As at 31 December 2020 and 2019, payables related to employee benefits comprised the following:

	31 December 2020	31 December 2019
Social security premiums payable	7.348	6.576
Due to personnel	7.392	24.200
	<b>14.740</b>	<b>30.776</b>

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**19. Provisions**

As at 31 December, provisions comprised the following items:

	<b>31 December 2020</b>	<b>31 December 2019</b>
<b><u>Short term provisions</u></b>		
Short term employee benefits	9.374	8.269
Other short term provisions	118.329	70.748
<b>Total short term provisions</b>	<b>127.703</b>	<b>79.017</b>
<b><u>Long term provisions</u></b>		
Long term employee benefits	21.214	15.486
<b>Total long term provisions</b>	<b>21.214</b>	<b>15.486</b>
<b>Total provisions</b>	<b>148.917</b>	<b>94.503</b>

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

	<b>31 December 2020</b>	<b>31 December 2019</b>
<b><u>Short-term</u></b>		
Vacation pay liability	9.374	8.269
	<b>9.374</b>	<b>8.269</b>
<b><u>Long term</u></b>		
Reserve for severance payments	21.214	15.486
	<b>21.214</b>	<b>15.486</b>

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

	<b>31 December 2020</b>	<b>31 December 2019</b>
<b><u>Short-term</u></b>		
Provision for litigation and claims	88.600	70.748
Other provisions for expenses	29.729	-
	<b>118.329</b>	<b>70.748</b>

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**19. Provisions (continued)**

Movement of provisions for the years ended at 31 December 2020 and 2019 is as follows:

<b>2020</b>	<b>1 January</b>	<b>Provision for the year</b>	<b>Cancelled Provisions Payments / Actuarial differences in current period</b>	<b>Foreign Currency Translation Effect</b>	<b>31 December</b>
Provision for litigation and claims	70.748	13.608	-	4.244	88.600
Other provisions for expenses	-	29.736	-	-	29.736
Vacation pay liability	8.269	1.569	(553)	89	9.374
Reserve for severance payments	15.486	4.013	1.849	(134)	21.214
	<b>94.503</b>	<b>48.926</b>	<b>1.296</b>	<b>4.199</b>	<b>148.924</b>
<b>2019</b>					
Provision for litigation and claims	42.320	25.248	-	3.180	70.748
Vacation pay liability	7.931	-	(658)	996	8.269
Reserve for severance payments	13.620	6.507	(7.021)	2.380	15.486
	<b>63.871</b>	<b>31.755</b>	<b>(7.679)</b>	<b>6.556</b>	<b>94.503</b>

**Reserve for severance payments**

For the years ended 31 December 2020 and 2019, the movements in the reserve for severance payments were as follows:

	<b>2020</b>	<b>2019</b>
Balance at the beginning of the year	<b>15.486</b>	<b>13.620</b>
Interest cost	2.528	2.827
Cost of services	1.485	3.680
Payments during the year	(9.490)	(9.511)
Actuarial difference	11.339	2.490
Currency translation effect	(134)	2.380
<b>Balance at the end of the year</b>	<b>21.214</b>	<b>15.486</b>

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:

	<b>2020</b>	<b>2019</b>
	%	%
Discount rate	3,12	3,60
Interest rate	12,40	12,10
Expected rate of salary/limit increase	9,00	14,00
The range of turnover rate to estimate the probability retirement	1,00-6,00	1,00-6,00

The computation of the liability is predicated upon retirement pay ceiling announced by the Government. As at 31 December 2020, the ceiling amount was TL 7,12 (31 December 2019: TL 6,01).



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

**Notes to Consolidated Financial Statements**

**As at and for the Year Ended 31 December 2020**

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**20. Commitments and contingencies**

Guarantee, pledge and mortgages (“GPM”) given as at 31 December 2020 are as follows:

31 December 2020	Original currency (in thousands)				
	TL equivalent	TL	USD	EURO	OTHER
A Total amount of GPMs given in the name of its own legal personality	934.415	353.076	50.092	23.716	-
B Total amount of GPMs given in the name of the consolidated subsidiaries and joint ventures	798.214	798.214	-	-	-
- Total amount of GPMs given in the name of the consolidated subsidiaries	798.214	798.214	-	-	-
C Total amount of GPMs given to be able to conduct ordinary business transactions to secure payables of third parties	-	-	-	-	-
D Other GPMs given	-	-	-	-	-
<b>Total</b>	<b>1.732.629</b>	<b>1.151.290</b>	<b>50.092</b>	<b>23.716</b>	<b>-</b>

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

GPMs given as at 31 December 2019 are as follows:

31 December 2019	Original currency (in thousands)				
	TL equivalent	TL	USD	EURO	OTHER
A Total amount of GPMs given in the name of its own legal personality	441.006	143.668	42.225	7.000	-
B Total amount of GPMs given in the name of the consolidated subsidiaries and joint ventures	798.214	798.214	-	-	-
- Total amount of GPMs given in the name of the consolidated subsidiaries	798.214	798.214	-	-	-
C Total amount of GPMs given to be able to conduct ordinary business transactions to secure payables of third parties	-	-	-	-	-
D Other GPMs given	-	-	-	-	-
<b>Total</b>	<b>1.239.220</b>	<b>941.882</b>	<b>42.225</b>	<b>7.000</b>	<b>-</b>

The ratio of the Group's GPM to the Group's equity is 34%.

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

### Notes to Consolidated Financial Statements

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#### 20. Commitments and contingencies (continued)

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

	31 December 2020	31 December 2019
TETAŞ and TEİAŞ	227.306	127.483
Given to government agencies for the ongoing EPC contracts	581.173	297.378
Given to EMRA	242	244
Given to others	125.694	15.901
<b>Total letter of guarantees</b>	<b>934.415</b>	<b>441.006</b>
Pledge on shares (*)	798.214	798.214
<b>Total contingent liabilities</b>	<b>1.732.629</b>	<b>1.239.220</b>

(\*) There are pledges over Çalık Enerji’s shares of YEDAŞ, YEPAS and ÇEDAŞ with numbers of 85 (TL 0,085), 115 (TL 0,115), 377.622.000 (TL 377.622), respectively and ÇEDAŞ’s shares of YEPAS and YEDAŞ, with numbers of 6.358.770.388 (TL 63.587) and 35.700.685.312 (TL 357.006), as a guarantee for the bank borrowings used or will be used by Çalık Holding, ÇEDAŞ, YEDAŞ and YEPAS from a bank.

#### **Litigation and claims**

As at 31 December 2020, the expected cash outflow amount for the pending claims filed against to the Group is TL 88.600 (31 December 2019: TL 70.748). As at 31 December 2020, 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 19).

#### **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 31 December 2020, the Group has received letter of guarantees amounting to TL 317.234 from its customers and suppliers (31 December 2019: TL 250.825).

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

### **Notes to Consolidated Financial Statements**

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#### **21. Taxation**

##### Turkey

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

In Turkey, corporate tax rate is 22% as of 31 December 2020 (2019: 22%). According to the Article 91 of the Law numbered 7061 “Legislation on Amendment of Certain Tax Legislation and Other Certain Legislation” which was published on the Official Gazette numbered 30261 on 5 December 2018 and according to the provisional clause 10 added to the Corporate Tax Law numbered 5520; corporate tax rate for the taxation periods of 2018, 2019 and 2020 is amended to 22%, which would later be applied as 20% at the end of these periods. During these periods, Council of Ministers is entitled to decrease the corporate tax rate of 22% to 20%.

The tax legislation provides for a temporary tax of 22% (2019: 22%) to be calculated and paid based on earnings generated for each quarter for the period ended 31 December 2020. The amounts thus calculated and paid are offset against the final corporate tax liability for the year. With the amendment to the Law, corporate rate is set to 22% for the years 2018, 2019 and 2020.

According to the Corporate Tax Law, 75% (2019: 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.

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.

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### **Notes to Consolidated Financial Statements**

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**(Amounts expressed in thousands of Turkish Lira (“TL”) unless otherwise stated.)**

#### **21. Taxation (continued)**

##### *Transfer pricing regulations*

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

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

##### *Tax applications for foreign subsidiaries and joint ventures of the Group*

###### *Republic of Kosovo*

The applicable corporate tax rate in Republic of Kosovo is 10% (31 December 2019: 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 at 31 December 2020, the applicable corporate tax rate for the subsidiaries and branches operating in Iraq is 15% (31 December 2019: 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 at 31 December 2020 and 2019, profit generated from Group's operations in Iraq is not subject to corporate tax.

###### *United Arab Emirates*

As at 31 December 2020, 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 at 31 December 2020 and 2019, 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% (31 December 2019: 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.

###### *Serbia*

The applicable corporate tax rate in Serbia is 15%.

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

### Notes to Consolidated Financial Statements

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(Amounts expressed in thousands of Turkish Lira (“TL”) unless otherwise stated.)

#### 21. Taxation (continued)

##### *Uzbekistan*

The applicable corporate tax rate in Uzbekistan is 17,2%. As at 31 December 2020, 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% (31 December 2019: 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 at 31 December 2020, 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.

#### **Tax recognised in profit or loss**

Income tax expense for the years ended 31 December 2020 and 2019 comprised the following items:

	<b><u>2020</u></b>	<b><u>2019</u></b>
Current corporation and income taxes	224.154	131.549
Deferred taxes on temporary differences	(76.267)	(65.519)
<b>Total income tax expense</b>	<b><u>147.887</u></b>	<b><u>66.030</u></b>

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

### Notes to Consolidated Financial Statements As at and for the Year Ended 31 December 2020

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)

#### 21. Taxation (continued)

##### Reconciliation of effective tax rate

The reported income tax expense for the years ended 31 December 2020 and 2019 are different than the amounts computed by applying statutory tax rate to profit before tax as shown in the following reconciliation:

	<u>2020</u>	<u>2019</u>
	<u>Amount</u>	<u>Amount</u>
Reported profit before taxation	1.736.259	1.185.276
Taxes on reported profit per statutory tax rate	(381.977)	(260.760)
<b>Permanent differences:</b>		
Disallowable expenses	(24.309)	(19.957)
Tax exempt income <sup>(*)</sup>	294.563	282.896
Effect of share of profit of equity-accounted investees	44.948	47.377
Losses for fiscal years	(11.135)	48.829
Tax effect of consolidated adjustments	(108.644)	(170.437)
Effect of change in tax rate	23.812	-
Others, net	14.855	6.022
<b>Tax expense</b>	<b>(147.887)</b>	<b>(66.030)</b>

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

##### Taxes payable on income

Taxes payable on income as of 31 December 2020 and 2019 comprised the following:

	<u>2020</u>	<u>2019</u>
Taxes on income	147.887	66.030
Deferred tax benefit/(expense)	76.267	65.519
Corporation taxes paid in advance	(234.894)	(131.216)
<b>Taxes asset/(liability) on income, net</b>	<b>(10.740)</b>	<b>333</b>

As at 31 December 2020, taxes payable on income amounting to TL 12.582 (31 December 2019: TL 1.247) is not offset with prepaid taxes amounting to TL 1.842 (31 December 2019: TL 1.580) since they are related to different tax jurisdictions.

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

### Notes to Consolidated Financial Statements

As at and for the Year Ended 31 December 2020

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#### 21. 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 at 31 December 2020, deferred tax assets amounting to TL 176.172 (31 December 2019: TL 190.247) have not been recognised with respect to the statutory tax losses carried forward up to 2025. 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, 2025 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>2020</u>	<u>2019</u>
2020	-	8.815
2021	19.093	28.929
2022	56.360	59.242
2023	763.904	757.637
2024	5.593	11.785
2025	35.902	-
	<b>880.852</b>	<b>866.408</b>

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

### Notes to Consolidated Financial Statements As at and for the Year Ended 31 December 2020

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#### 21. Taxation (continued)

##### *Recognised deferred tax assets and liabilities*

According to the Article 91 of the Law numbered 7061 “Legislation on Amendment of Certain Tax Legislation and Other Certain Legislation” which was published on the Official Gazette numbered 30261 on 5 December 2018 and according to the provisional clause 10 added to the Corporate Tax Law numbered 5520; corporate tax rate for the taxation periods of 2020 is amended to 22%, which would later be applied as 20% at the end of the period. Deferred tax assets and liabilities are recognized in the consolidated financial statements as of 31 December 2020 at a rate of %20 for the temporary differences that will have tax effect in 2021 and later.

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 at 31 December 2020 and 2019 are attributable to the items detailed in the table below:

	2020		2019	
	<u>Asset</u>	<u>Liability</u>	<u>Asset</u>	<u>Liability</u>
Vacation pay liability	1.241	-	1.503	-
Employee severance indemnity	499	-	487	-
Provision for litigations	5.564	-	4.651	-
Amortised cost effect on borrowings	264	(132)	903	(77)
Property, plant and equipment and intangible assets	328.862	(7.686)	288.290	(790)
Security deposits	19.283	-	17.827	-
Provision for expenses	24.950	-	10.912	-
Effect of percentage of completion method	-	(499)	-	-
Service concession receivables	-	(373.573)	-	(365.643)
Doubtful receivables	13.793	-	10.122	-
Deferred income	-	(2.099)	-	(2.869)
Other temporary differences	26.455	(1.563)	1.669	(10.212)
<b>Total deferred tax assets/(liabilities)</b>	<b>420.911</b>	<b>(385.552)</b>	<b>336.364</b>	<b>(379.591)</b>
Set off of tax	(342.368)	342.368	(293.173)	293.173
<b>Deferred tax assets/(liabilities), net</b>	<b>78.543</b>	<b>(43.184)</b>	<b>43.191</b>	<b>(86.418)</b>



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

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**21. Taxation (continued)**

*Movements in deferred tax balances during the year:*

	<b>Balance</b>			<b>Balance</b>			<b>Balance</b>
	<b>1 January</b>	<b>Effects of</b>	<b>Recognised in</b>	<b>31 December</b>	<b>Effects of</b>	<b>Recognised in</b>	<b>31 December</b>
	<b>2019</b>	<b>translation</b>	<b>profit or loss</b>	<b>2019</b>	<b>translation</b>	<b>profit or loss</b>	<b>2020</b>
Vacation pay liability	1.367	74	62	1.503	107	(369)	1.241
Employee severance indemnity	382	43	62	487	90	(78)	499
Provision for litigations	8.565	89	(4.003)	4.651	911	2	5.564
Other expense provisions	(13.610)	(1.061)	14.671	-	-	-	-
Amortised cost effect on borrowings	12.390	(465)	(11.099)	826	(12)	(682)	132
Property, plant and equipment and intangible assets	282.457	172	4.871	287.500	1.307	32.369	321.176
Security deposits	15.752	93	1.982	17.827	65	1.391	19.283
Tax losses carried forward	5.963	(273)	(5.690)	-	-	-	-
Expense provisions	-	2.155	8.757	10.912	645	13.393	24.950
Effect of percentage of completion method	2.700	209	(2.909)	-	(23)	(476)	(499)
Service concession receivables	(426.465)	2.755	58.067	(365.643)	(364)	(7.566)	(373.573)
Doubtful receivables	8.641	(1.668)	3.149	10.122	1.637	2.034	13.793
Deferred income	(4.448)	(474)	2.053	(2.869)	(610)	1.380	(2.099)
Other temporary differences	2.085	(6.174)	(4.454)	(8.543)	(1.435)	34.870	24.892
<b>Total deferred tax assets/(liabilities)</b>	<b>(104.221)</b>	<b>(4.525)</b>	<b>65.519</b>	<b>(43.227)</b>	<b>2.318</b>	<b>76.268</b>	<b>35.359</b>

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

### Notes to Consolidated Financial Statements

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#### 22. Capital and reserves

##### *Paid in capital*

At 31 December 2020, the Company's statutory nominal value of authorised and paid-in share capital is TL 108.917 (31 December 2019: TL 108.917) comprising of 10.891.705.225 registered shares (31 December 2019: 10.891.705.225) having per value of TL 0,01 (31 December 2019: TL 0,01) nominal each.

At 31 December 2020 and 2019, the shareholding structure of Çalık Enerji based on the number of shares is presented below:

	2020		2019	
	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
	<b>10.891.705</b>	<b>100,0</b>	<b>10.891.705</b>	<b>100,0</b>

##### *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 31 December 2020, 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 31 December 2020, the total of the legal reserves of the consolidated entities amounted to TL 878.783 as at 31 December 2020 (31 December 2019: TL 685.802).

##### *Dividends*

As per the General Assembly Meeting dated on 30 March 2020, the Company has distributed dividend to its shareholders amounting to TL 896.106 from retained earnings.

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

### Notes to Consolidated Financial Statements

As at and for the Year Ended 31 December 2020

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#### 22. Capital and reserves (continued)

##### *Non-controlling interest*

For the years ended 31 December 2020 and 2019, movements of the non-controlling interest were as follows:

	<b>2020</b>	<b>2019</b>
Non controlling interest at the beginning of the year	16.486	14.126
Effect of accounting policies and other matters	6.160	2.788
Foreign currency translation differences for foreign operations	(7.122)	-
Dividend distribution	(2.595)	(428)
<b>Balance at the end of the year</b>	<b>12.929</b>	<b>16.486</b>

##### *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.

#### 23. Revenue

For the years ended 31 December 2020 and 2019, revenue comprised the following:

	<b>2020</b>	<b>2019</b>
Domestic sales	3.909.663	2.911.908
Export sales	1.662.988	1.469.297
<b>Total</b>	<b>5.572.651</b>	<b>4.381.205</b>

For the years ended 31 December 2020 and 2019, details of the revenue comprised the following:

	<b>2020</b>	<b>2019</b>
EPC	1.662.988	1.469.297
Electricity sale and distribution	3.868.392	2.847.177
Other operations	41.271	64.731
<b>Total</b>	<b>5.572.651</b>	<b>4.381.205</b>

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

### Notes to Consolidated Financial Statements As at and for the Year Ended 31 December 2020

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#### 24. Operating expenses

For the years ended 31 December 2020 and 2019, administrative expenses comprised the following:

	2020	2019
Personnel expenses	253.082	212.567
Outsource expenses (*)	31.144	27.308
Depreciation and amortisation expenses	29.832	25.088
Communication and information expenses	24.498	22.509
Taxes, duties and fees	20.226	19.883
Rent expense	15.637	12.324
Accommodation expenses	10.583	3.840
Travel and accommodation expenses	9.434	10.083
Consulting expenses	8.470	6.130
Insurance expenses	8.341	6.658
Office expenses	6.323	4.950
Maintenance and repair expenses	6.219	6.681
Advertising and promotion expenses	2.304	2.235
Communication expenses	1.065	885
Other	83.979	73.753
	<b>511.137</b>	<b>434.894</b>

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

For the years ended 31 December 2020 and 2019, research and development expenses comprised the following:

	2020	2019
Personnel expenses	11.566	12.698
Consulting expenses	4.347	21.709
Travel and accommodation expenses	3.985	7.758
Other	2.671	3.827
	<b>22.569</b>	<b>45.992</b>

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

### Notes to Consolidated Financial Statements As at and for the Year Ended 31 December 2020

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#### 24. Operating expenses (continued)

For the years ended 31 December 2020 and 2019, the total operating expenses by nature comprised the following:

	<b>2020</b>	<b>2019</b>
Materials and trading goods expenses	3.134.974	2.479.704
Personnel expenses	371.849	462.396
Depreciation and amortisation expenses	121.754	114.819
Outsource expenses	31.256	27.307
Communication and information expenses	25.345	22.980
Taxes, duties and fees	21.626	21.159
Maintenance and repair expenses	20.877	53.723
Rent expenses	18.517	15.318
Consulting expenses	15.772	33.035
Travel and accommodation expenses	13.937	18.460
Insurance expenses	10.127	9.431
Other	129.245	92.415
	<b>3.915.279</b>	<b>3.350.747</b>

For the years ended 31 December 2020 and 2019, depreciation and amortisation expenses comprised the following:

<b>Depreciation and amortisation expenses</b>	<b>2020</b>	<b>2019</b>
Cost of goods sold	91.483	89.351
General administrative expenses	29.832	25.088
Research and development expenses	439	380
	<b>121.754</b>	<b>114.819</b>

For the years ended 31 December 2020 and 2019, personnel expenses comprised the following:

<b>Personnel expenses</b>	<b>2020</b>	<b>2019</b>
Salaries, payments and bonuses	254.257	315.996
Mandatory social security premiums	34.365	34.267
Other	83.227	112.133
	<b>371.849</b>	<b>462.396</b>

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#### 25. Other income and expense from operating activities

For the years ended 31 December 2020 and 2019, other operating income comprised the following:

	2020	2019
Foreign exchange gains	25.541	101.889
Penalty and indemnity gains	21.157	6.994
Incentive gains	11.528	12.000
Gains from services to joint ventures	6.821	6.527
Other	28.109	33.190
	<b>93.156</b>	<b>160.600</b>

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

	2020	2019
Foreign exchange losses	59.137	61.595
Provision expenses	56.048	25.248
Land lease losses	6.268	1.364
Insurance damage losses	1.786	1.513
Other	47.035	60.289
	<b>170.274</b>	<b>150.009</b>

#### 26. Gain and losses from investing activities and IFRS 9 impact

For the years ended 31 December 2020 and 2019, income from investing activities comprised the following:

	2020	2019
Dividend income	48.697	69
Gain on sale of property, plant and equipment	125	176
Fair value difference will be reflected on profit and loss	-	32.116
	<b>48.822</b>	<b>32.361</b>

For the years ended 31 December 2020 and 2019, losses from investing activities comprised the following:

	2020	2019
Loss on other investing activities	22.453	-
Loss on sale of property, plant and equipment	441	6
	<b>22.894</b>	<b>6</b>

For the years ended 31 December 2020 and 2019, losses and gains from IFRS 9:

	2020	2019
Provision from doubtful receivables (Note 8)	75.319	40.238
Collection from doubtful trade receivables (Note 8)	(15.239)	(22.021)
	<b>60.080</b>	<b>18.217</b>

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#### 27. Finance income/(costs)

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

	2020	2019
Interest income from related parties	26.948	73.406
Other interest income	66.413	52.203
Foreign exchange gains on borrowings	34.184	2.853
	<b>127.545</b>	<b>128.462</b>

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

	2020	2019
Interest expense due to related parties	13.108	71.675
Short and long term interest expenses from borrowings	71.487	67.402
Foreign exchange loss on borrowings	71.213	55.725
Letter of guarantees commission expenses	12.182	15.358
Bank commission expenses	18.428	13.656
Other interest expenses	8.918	6.195
	<b>195.336</b>	<b>230.011</b>

#### 28. 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.

##### 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 in order to ensure that its business operations in different industries and regions are not adversely affected as a result of market, operational, liquidity and counterparty risks. Risk Management and internal audit departments within each sector and at the Group level provide and maintain awareness for different types of risks, including emerging risks, and ensure that appropriate risk management mechanisms are in place.

##### 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.

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

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:

<b>Location</b>	<b>31 December 2020</b>	<b>31 December 2019</b>
Turkmenistan	943.079	463.775
Turkey	451.455	267.713
Malawi	73.985	16.633
Iraq	11.407	131.736
Georgia	10.240	725
Libya	8.706	46.114
Dubai	4.742	-
Uzbekistan	-	96.196
Switzerland	-	16.756
Holland	-	303
	<b>1.503.614</b>	<b>1.039.951</b>

In order 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.



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**28. 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 31 December 2020 and 2019 was:

	Receivables						Cash at banks, reverse repurchase agreements and investment funds	Financial investments	Other (*)
	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 (Long+Short)			
<b>31 December 2020</b>									
<b>Maximum credit risk exposure at reporting date (A+B+C+D)</b>	<b>432.431</b>	<b>1.071.183</b>	<b>672.150</b>	<b>110.058</b>	<b>44.426</b>	<b>1.867.856</b>	<b>427.944</b>	<b>-</b>	<b>95</b>
-Portion of maximum risk covered by guarantees	-	-	-	-	-	-	-	-	-
A. Carrying value of financial assets that are neither past due nor impaired	432.431	935.596	672.150	110.058	44.426	1.867.856	427.944	-	95
B. Carrying value of financial assets that are past due but not impaired	-	135.587	-	-	-	-	-	-	-
C. Carrying value of impaired assets	-	-	-	-	-	-	-	-	-
- Past due (gross carrying amount)	-	215.489	-	-	-	-	-	-	-
- Impairment (-)	-	(215.489)	-	-	-	-	-	-	-
- Not past due (gross carrying amount)	-	-	-	-	-	-	-	-	-
- Impairment (-)	-	-	-	-	-	-	-	-	-
- Impairment (-)	-	-	-	-	-	-	-	-	-
D. Elements including credit risk on off statement of financial position	-	-	-	-	-	-	-	-	-

(\*) This amount mainly consists of money in transit presented under cash and cash equivalents.

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

	Receivables						Cash at banks, reverse repurchase agreements and investment funds	Financial investments	Other (*)
	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 (Long+Short)			
<b>31 December 2019</b>									
<b>Maximum credit risk exposure at reporting date (A+B+C+D)</b>	<b>139.568</b>	<b>900.383</b>	<b>764.876</b>	<b>170.787</b>	<b>14.571</b>	<b>1.728.936</b>	<b>913.276</b>	-	-
-Portion of maximum risk covered by guarantees	-	-	-	-	-	-	-	-	-
A. Carrying value of financial assets that are neither past due nor impaired	139.568	801.098	764.876	170.787	14.571	1.728.936	913.276	-	-
B. Carrying value of financial assets that are past due but not impaired	-	99.285	-	-	-	-	-	-	-
C. Carrying value of impaired assets	-	-	-	-	-	-	-	-	-
- Past due (gross carrying amount)	-	151.399	-	-	-	-	-	-	-
- Impairment (-)	-	(151.399)	-	-	-	-	-	-	-
- Not past due (gross carrying amount)	-	-	-	-	-	-	-	-	-
- Impairment (-)	-	-	-	-	-	-	-	-	-
- Impairment (-)	-	-	-	-	-	-	-	-	-
D. Elements including credit risk on off statement of financial position	-	-	-	-	-	-	-	-	-

(\*) This amount mainly consists of money in transit presented under cash and cash equivalents.

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

*Impairment losses*

As at 31 December 2020 and 2019, the aging of trade receivables at the reporting date was:

	Receivables		Cash at banks	Derivative instruments	Other
	Trade receivables	Other receivables			
<b>31 December 2020</b>					
Past due 1-30 days	81.502	-	-	-	-
Past due 1-3 months	36.620	-	-	-	-
Past due 3-12 months	16.746	-	-	-	-
Past due 1-5 years	719	-	-	-	-
More than 5 years	-	-	-	-	-
<b>Total</b>	<b>135.587</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Portion of assets overdue secured by guarantee etc.	-	-	-	-	-

	Receivables		Cash at banks	Derivative instruments	Other
	Trade receivables	Other receivables			
<b>31 December 2019</b>					
Past due 1-30 days	42.716	-	-	-	-
Past due 1-3 months	12.094	-	-	-	-
Past due 3-12 months	22.959	-	-	-	-
Past due 1-5 years	21.516	-	-	-	-
More than 5 years	-	-	-	-	-
<b>Total</b>	<b>99.285</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Portion of assets overdue secured by guarantee etc.	-	-	-	-	-

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**28. 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 31 December 2020 and 2019, the followings are carrying amounts, contractual cash flows and the contractual maturities of financial liabilities;

<b>2020</b>	<b>Carrying amount</b>	<b>Total contractual cash flows</b>	<b>Less than 3 months</b>	<b>3-12 months</b>	<b>1-5 years</b>	<b>More than 5 years</b>
<b>Contractual maturities</b>						
<b>Non-derivative financial liabilities</b>						
Bank loans	899.984	(911.486)	(232.554)	(341.121)	(337.811)	-
Bonds issued	83.889	(83.889)	-	(5.138)	(78.751)	-
<b>Expected maturities</b>						
<b>Non-derivative financial liabilities</b>						
Trade payables	528.252	(528.252)	(528.252)	-	-	-
Other payables	922.177	(922.177)	(536.301)	-	(385.876)	-
Liabilities recognised in employee benefits	14.740	(14.740)	(14.740)	-	-	-

<b>2019</b>	<b>Carrying amount</b>	<b>Total contractual cash flows</b>	<b>Less than 3 months</b>	<b>3-12 months</b>	<b>1-5 years</b>	<b>More than 5 years</b>
<b>Contractual maturities</b>						
<b>Non-derivative financial liabilities</b>						
Bank loans	1.715.244	(1.747.595)	(538.461)	(666.574)	(542.560)	-
Bonds issued	-	-	-	-	-	-
<b>Expected maturities</b>						
<b>Non-derivative financial liabilities</b>						
Trade payables	306.183	(306.183)	(306.183)	-	-	-
Other payables	707.601	(707.601)	(421.070)	-	(286.531)	-
Liabilities recognised in employee benefits	30.776	(30.776)	(30.776)	-	-	-

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#### 28. 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 31 December, the interest rate profile of the Group’s interest-bearing financial instruments was as follows:

	<u>2020</u>	<u>2019</u>
<b>Fixed rate instruments</b>		
Financial assets	217.455	769.476
Financial liabilities	(899.984)	(1.715.244)
<b>Variable rate instruments</b>		
Financial liabilities	-	(78.482)

##### 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.

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

**Currency risk**

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

	31 December 2020					31 December 2019				
	TL equivalent	TL	USD	EURO	Other <sup>(*)</sup>	TL equivalent	TL	USD	EURO	Other <sup>(**)</sup>
1.Trade receivables	104.088	-	-	794	96.990	20.935	14.796	-	923	-
2a.Monetary financial assets (including cash on hand, bank deposits) <sup>(*)</sup>	252.271	176.323	443	1.277	62.468	321.656	3.087	49.751	3.464	-
2b.Other monetary assets	-	-	-	-	-	-	-	-	-	-
3. Other	2.466	-	335	-	147	19	-	2	1	16
<b>4. Current assets (1+2+3)</b>	<b>358.825</b>	<b>176.323</b>	<b>778</b>	<b>2.071</b>	<b>159.605</b>	<b>342.610</b>	<b>17.883</b>	<b>49.753</b>	<b>4.388</b>	<b>16</b>
5. Trade receivables	-	-	-	-	-	-	-	-	-	-
6a. Monetary financial assets	-	-	-	-	-	-	-	-	-	-
6b. Non-monetary financial assets	-	-	-	-	-	-	-	-	-	-
7. Other	-	-	-	-	-	-	-	-	-	-
<b>8. Non-current assets (5+6+7)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>9. Total assets (4+8)</b>	<b>358.825</b>	<b>176.323</b>	<b>778</b>	<b>2.071</b>	<b>159.605</b>	<b>342.610</b>	<b>17.883</b>	<b>49.753</b>	<b>4.388</b>	<b>16</b>
10. Trade payables	(186.610)	(81.151)	(1.052)	(6.121)	(42.604)	(23.047)	(8.290)	(675)	(1.616)	-
11. Financial liabilities	(205.292)	(47.596)	-	(18.444)	-	(572.389)	(186.806)	(50.000)	(13.318)	-
12a. Other monetary liabilities	(475.444)	(437.784)	(2.730)	-	(17.625)	(383.690)	(340.703)	(4.375)	(2.556)	-
12b. Other non-monetary liabilities	-	-	-	-	-	-	-	-	-	-
<b>13. Short term liabilities (10+11+12)</b>	<b>(867.346)</b>	<b>(566.531)</b>	<b>(3.782)</b>	<b>(24.565)</b>	<b>(60.229)</b>	<b>(979.126)</b>	<b>(535.799)</b>	<b>(55.050)</b>	<b>(17.490)</b>	<b>-</b>
14. Trade payables	-	-	-	-	-	-	-	-	-	-
15. Financial liabilities	(113.337)	(7.216)	-	(11.239)	-	(113.389)	(13.889)	-	(14.961)	-
16a. Other monetary liabilities	-	-	-	-	-	-	-	-	-	-
16b. Other non-monetary liabilities	-	-	-	-	-	-	-	-	-	-
<b>17. Long term liabilities (14+15+16)</b>	<b>(113.337)</b>	<b>(7.216)</b>	<b>-</b>	<b>(11.239)</b>	<b>-</b>	<b>(113.389)</b>	<b>(13.889)</b>	<b>-</b>	<b>(14.961)</b>	<b>-</b>
<b>18. Total liabilities (13+17)</b>	<b>(980.683)</b>	<b>(573.747)</b>	<b>(3.782)</b>	<b>(35.804)</b>	<b>(60.229)</b>	<b>(1.092.515)</b>	<b>(549.688)</b>	<b>(55.050)</b>	<b>(32.451)</b>	<b>-</b>
<b>19. Net position of off-statement of financial position derivate instruments (19a+19b)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
19a. Total hedged assets <sup>(**)</sup>	-	-	-	-	-	-	-	-	-	-
19b. Total hedged liabilities <sup>(**)</sup>	-	-	-	-	-	-	-	-	-	-
<b>20. Net statement of financial position (9+18+19)</b>	<b>(621.858)</b>	<b>(397.424)</b>	<b>(3.004)</b>	<b>(33.733)</b>	<b>99.376</b>	<b>(749.905)</b>	<b>(531.805)</b>	<b>(5.297)</b>	<b>(28.063)</b>	<b>16</b>
<b>21. Net statement of monetary items (IFRS 7.b23)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>(=1+2a+5+6a+10+11+12a+14+15+16a)</b>	<b>(624.324)</b>	<b>(397.424)</b>	<b>(3.339)</b>	<b>(33.733)</b>	<b>99.229</b>	<b>(749.924)</b>	<b>(531.805)</b>	<b>(5.299)</b>	<b>(28.064)</b>	<b>-</b>

<sup>(\*)</sup> Consists of the Group’s other receivables in foreign currency with a monetary financial asset nature.

<sup>(\*\*)</sup> Consists of foreign currency derivative instruments that are not subject to hedge accounting.

<sup>(\*\*\*)</sup> TL equivalents are given.

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**28. 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 31 December 2020 and 2019 as follows:

31 December 2020	Profit / (Loss)		Equity	
	Strengthening of USD	Weakening of USD	Strengthening of USD	Weakening of USD
<b>Increase/(decrease) 10% of TL parity</b>				
1-TL net asset / liability	(39.742)	39.742	(39.742)	39.742
2-Hedged portion of TL amounts(-)	-	-	-	-
<b>3-Net effect of USD (1+2)</b>	<b>(39.742)</b>	<b>39.742</b>	<b>(39.742)</b>	<b>39.742</b>
<b>Increase/(decrease) 10% of EUR parity</b>				
4-EUR net asset / liability	(30.386)	30.386	(30.386)	30.386
5-Hedged portion of EUR amounts(-)	-	-	-	-
<b>6-Net effect of EUR (4+5)</b>	<b>(30.386)</b>	<b>30.386</b>	<b>(30.386)</b>	<b>30.386</b>
<b>Increase/(decrease) 10% of other parities</b>				
7-Other foreign currency net asset / liability	9.923	(9.923)	9.923	(9.923)
8-Hedged portion of other foreign currency amounts(-)	-	-	-	-
<b>9-Net effect of other foreign currencies (7+8)</b>	<b>9.923</b>	<b>(9.923)</b>	<b>9.923</b>	<b>(9.923)</b>
<b>TOTAL (3+6+9)</b>	<b>(60.205)</b>	<b>60.205</b>	<b>(60.205)</b>	<b>60.205</b>

31 December 2019	Profit / (Loss)		Equity	
	Strengthening of USD	Weakening of USD	Strengthening of USD	Weakening of USD
<b>Increase/(decrease) 10% of TL parity</b>				
1-TL net asset / liability	(53.181)	53.181	(53.181)	53.181
2-Hedged portion of TL amounts(-)	-	-	-	-
<b>3-Net effect of TL (1+2)</b>	<b>(53.181)</b>	<b>53.181</b>	<b>(53.181)</b>	<b>53.181</b>
<b>Increase/(decrease) 10% of EUR parity</b>				
4-EUR net asset / liability	(6.295)	6.295	(6.295)	6.295
5-Hedged portion of EUR amounts(-)	-	-	-	-
<b>6-Net effect of EUR (4+5)</b>	<b>(6.295)</b>	<b>6.295</b>	<b>(6.295)</b>	<b>6.295</b>
<b>Increase/(decrease) 10% of other parities</b>				
7-Other foreign currency net asset / liability	1.517	(1.517)	1.517	(1.517)
8-Hedged portion of other foreign currency amounts(-)	-	-	-	-
<b>9-Net effect of other foreign currencies (7+8)</b>	<b>1.517</b>	<b>(1.517)</b>	<b>1.517</b>	<b>(1.517)</b>
<b>TOTAL (3+6+9)</b>	<b>(57.959)</b>	<b>57.959</b>	<b>(57.959)</b>	<b>57.959</b>

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

### Notes to Consolidated Financial Statements As at and for the Year Ended 31 December 2020

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)

#### 28. 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:

	<u>2020</u>	<u>2019</u>
Total current liabilities	2.454.526	2.484.745
Less: cash and cash equivalents	499.110	915.979
Less: deferred revenue and contract liabilities	591.248	340.480
Net debt	<u>1.364.168</u>	<u>1.228.286</u>
Equity	<u>4.750.866</u>	<u>3.604.849</u>
Debt to equity ratio at 31 December	<u>0,29</u>	<u>0,34</u>



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### Notes to Consolidated Financial Statements As at and for the Year Ended 31 December 2020

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#### 28. 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**

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**28. 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.

<b>31 December 2020</b>	<b>Financial assets presented from amortized cost</b>	<b>Financial assets measured by reflecting FV difference on profit / loss</b>	<b>Financial liabilities presented at amortized cost</b>	<b>Net carrying amount</b>
Cash and cash equivalents	499.110	-	-	499.110
Financial investments	-	212.547	-	212.547
Trade receivables	1.503.614	-	-	1.503.614
Other receivables	782.208	-	-	782.208
<b>Total assets</b>	<b>2.784.932</b>	<b>212.547</b>	<b>-</b>	<b>2.997.479</b>
Borrowings	-	-	(1.013.605)	(1.013.605)
Trade payables	-	-	(528.252)	(528.252)
Payables related to employee benefits	-	-	(14.740)	(14.740)
Other payables	-	-	(922.177)	(922.177)
<b>Total liabilities</b>	<b>-</b>	<b>-</b>	<b>(2.478.774)</b>	<b>(2.478.774)</b>

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

**Notes to Consolidated Financial Statements**

**As at and for the Year Ended 31 December 2020**

(Amounts expressed in thousands of Turkish Lira (“TL”) unless otherwise stated.)

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

<b>31 December 2019</b>	<b>Financial assets presented from amortized cost</b>	<b>Financial assets measured by reflecting FV difference on profit / loss</b>	<b>Financial liabilities presented at amortized cost</b>	<b>Net carrying amount</b>
Cash and cash equivalents	915.979	-	-	915.979
Financial investments	-	195.785	-	195.785
Trade receivables	1.039.951	-	-	1.039.951
Other receivables	935.663	-	-	935.663
<b>Total assets</b>	<b>2.891.593</b>	<b>195.785</b>	<b>-</b>	<b>3.087.378</b>
Borrowings	-	-	(1.741.240)	(1.741.240)
Trade payables	-	-	(306.183)	(306.183)
Payables related to employee benefits	-	-	(30.776)	(30.776)
Other payables	-	-	(707.601)	(707.601)
<b>Total liabilities</b>	<b>-</b>	<b>-</b>	<b>(2.785.800)</b>	<b>(2.785.800)</b>

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

### Notes to Consolidated Financial Statements

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(Amounts expressed in thousands of Turkish Lira (“TL”) unless otherwise stated.)

#### 28. 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.

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

### **Notes to Consolidated Financial Statements As at and for the Year Ended 31 December 2020**

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#### **28. Financial instruments – Fair values and risk management (continued)**

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.

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.

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

*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
<b>31 December 2020</b>					
<b>Financial assets</b>					
Cash and cash equivalents	-	499.110	-	499.110	499.110
Financial investments	-	-	212.547	212.547	212.547
Trade receivables	-	-	1.503.614	1.503.614	1.503.614
Other receivables	-	-	782.208	782.208	782.208
	-	<b>499.110</b>	<b>2.498.369</b>	<b>2.997.479</b>	<b>2.997.479</b>
<b>Financial liabilities</b>					
Borrowings	-	(1.013.605)	-	(1.013.605)	(1.013.605)
Trade payables	-	-	(528.252)	(528.252)	(528.252)
Payables related to employee benefits	-	-	(14.740)	(14.740)	(14.740)
Other payables	-	-	(922.177)	(922.177)	(922.177)
	-	<b>(1.013.605)</b>	<b>(1.465.169)</b>	<b>(2.478.774)</b>	<b>(2.478.774)</b>
<b>31 December 2019</b>					
<b>Financial assets</b>					
Cash and cash equivalents	-	915.979	-	915.979	915.979
Financial investments	-	-	195.785	195.785	195.785
Trade receivables	-	-	1.039.951	1.039.951	1.039.951
Other receivables	-	-	935.663	935.663	935.663
	-	<b>915.979</b>	<b>2.171.399</b>	<b>3.087.378</b>	<b>3.087.378</b>
<b>Financial liabilities</b>					
Borrowings	-	(1.741.240)	-	(1.741.240)	(1.741.240)
Trade payables	-	-	(306.183)	(306.183)	(306.183)
Payables related to employee benefits	-	-	(30.776)	(30.776)	(30.776)
Other payables	-	-	(707.601)	(707.601)	(707.601)
	-	<b>(1.741.240)</b>	<b>(1.044.560)</b>	<b>(2.785.800)</b>	<b>(2.785.800)</b>

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

### Notes to Consolidated Financial Statements

As at and for the Year Ended 31 December 2020

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#### 29. 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 at 31 December:

Name	<i>Direct controlling interest of Çalık Enerji and its Subsidiaries</i>		<i>Effective ownership of Çalık Enerji and its Subsidiaries</i>	
	31 December 2020	31 December 2019	31 December 2020	31 December 2019
Adacami Enerji	99,95	99,95	99,95	99,95
Ant Enerji	100,00	50,00	100,00	50,00
Atayurt İnşaat	99,50	99,50	99,50	99,50
Çalık Yenilenebilir Enerji	-	100,00	-	100,00
ÇEDAŞ	99,90	99,90	99,90	99,90
ÇED	-	100,00	-	100,00
Çalık Energy Swiss AG	100,00	100,00	100,00	100,00
Çalık Enerji Dubai	100,00	100,00	100,00	100,00
Çalık Güneş Enerjisi Üretim A.Ş.	-	100,00	-	100,00
Çalık NTF	-	100,00	-	100,00
Çalık Rüzgar	95,00	95,00	95,00	95,00
Demircili Rüzgar	85,00	95,00	85,00	95,00
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
Technological Energy N.V.	100,00	100,00	100,00	100,00
Technovision Mühendislik	99,99	90,00	99,99	90,00
Türkmen Elektrik	95,50	95,50	95,50	95,50
TCB İnşaat Yatırım A.Ş.	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
Taşkent Merkez Park	100,00	100,00	100,00	100,00
Uztur	100,00	-	100,00	-
CE Solaire 1 SAS	95,00	-	95,00	-
CE Solaire 2 SAS	95,00	-	95,00	-

<sup>1</sup>First consolidated under ÇEDAŞ, then consolidated under the Group.

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

### Notes to Consolidated Financial Statements

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(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)

#### 29. Group enterprises (continued)

##### Joint ventures

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

Name	Direct controlling interest of Çalık Enerji and its Subsidiaries		Effective ownership interest of Çalık Enerji and its Subsidiaries	
	31 December 2020	31 December 2019	31 December 2020	31 December 2019
Çalık Limak Adi Ortaklığı	50,00	50,00	25,50	25,50
Doğu Aras	50,00	50,00	50,00	50,00
KÇLE	50,00	50,00	50,00	50,00
LC Electricity	50,00	50,00	47,75	47,75

#### 30. 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. In this regard the Group management monitors the developments in Libya closely and follows the process and collection for projects in this country. Segment information of the Group's subsidiaries operating in Turkey and abroad, which are presented in Note 1, comprised the following:

31 December 2020						
	Construction and contract services	Electricity sales	Electricity distribution	Other	Eliminations	Total
Revenue	1.923.617	214.843	3.808.876	-	(374.685)	5.572.651
Gross profit	999.588	126.853	1.064.937	(300)	-	2.191.078
Share of profit of equity accounted investees	247.955	-	9.993	-	-	257.948
Interest income	1.282	1.008	64.123	-	-	66.413
Other income/ (expense), net	(145.554)	(8.810)	(522.811)	(62)	-	(677.237)
<b>Operating profit/(loss)</b>	<b>1.103.271</b>	<b>119.051</b>	<b>616.242</b>	<b>(362)</b>	<b>-</b>	<b>1.838.202</b>
Gains/(losses) from investing activities	275.045	252	91	-	(249.460)	25.928
Interest expense	(57.302)	(1.029)	(13.156)	-	-	(71.487)
Other finance income and expense, net	(21.273)	(42.392)	7.385	(104)	-	(56.384)
<b>Profit/(loss) before tax</b>	<b>1.299.741</b>	<b>75.882</b>	<b>610.562</b>	<b>(466)</b>	<b>(249.460)</b>	<b>1.736.259</b>
Tax (expense)/benefit	23.816	(16.108)	(155.406)	(189)	-	(147.887)
<b>Net profit/(loss)</b>	<b>1.323.557</b>	<b>59.774</b>	<b>455.156</b>	<b>(655)</b>	<b>(249.460)</b>	<b>1.588.372</b>
Segment assets	8.272.523	514.664	3.722.727	2.327	(4.339.491)	8.172.750
Segment liabilities	(1.474.692)	(303.845)	(1.820.760)	(2.914)	180.327	(3.421.884)
Capital expenditures	158.487	1.058	14.342	-	-	173.887
Depreciation and amortization	40.795	45.410	35.549	-	-	121.754



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**30. Segment information (continued)**

<b>31 December 2019</b>						
	<b>Construction and contract services</b>	<b>Electricity sales</b>	<b>Electricity distribution</b>	<b>Other</b>	<b>Eliminations</b>	<b>Total</b>
Revenue	1.510.017	142.217	2.802.452	-	(73.481)	4.381.205
Gross profit	512.944	67.941	930.417	42	-	1.511.344
Share of profit of equity accounted investees	231.003	-	635	-	-	231.638
Interest income	1.587	130	50.486	-	-	52.203
Other income/ (expense), net	(106.907)	3.516	(418.789)	(318)	-	(522.498)
<b>Operating profit/(loss)</b>	<b>638.627</b>	<b>71.587</b>	<b>562.749</b>	<b>(276)</b>	<b>-</b>	<b>1.272.687</b>
Gains/(losses) from investing activities	137.493	48.137	193	-	(153.468)	32.355
Interest expense	(28.640)	-	(38.762)	-	-	(67.402)
Other finance income and expense, net	(25.441)	(22.186)	(4.668)	(69)	-	(52.364)
<b>Profit/(loss) before tax</b>	<b>722.039</b>	<b>97.538</b>	<b>519.512</b>	<b>(345)</b>	<b>(153.468)</b>	<b>1.185.276</b>
Tax (expense)/benefit	1.860	(1.934)	(66.183)	227	-	(66.030)
<b>Net profit/(loss)</b>	<b>723.899</b>	<b>95.604</b>	<b>453.329</b>	<b>(118)</b>	<b>(153.468)</b>	<b>1.119.246</b>
Segment assets	6.044.664	1.316.740	3.541.256	2.483	(3.868.618)	7.036.525
Segment liabilities	(1.432.372)	(491.890)	(1.856.004)	(2.839)	351.429	(3.431.676)
Capital expenditures	23.779	48.046	37.726	-	-	109.551
Depreciation and amortization	39.244	37.209	38.366	-	-	114.819

**31. Subsequent events**

None.