



GAP iNŞAAT

INTEGRATED ANNUAL REPORT 2022

**Toward the future
With our strong
impact...**

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**We continue to
add value to life**

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ABOUT THE REPORT

SCOPE OF THE REPORT

Integrated report addresses economic, environmental and social performance of Gap İnşaat for the period between 1 January 2022 and 31 December 2022 with a holistic approach. This report contains information about Gap İnşaat 's activities in Turkey, Qatar and Turkmenistan.

In this report, Gap İnşaat's corporate strategy, future outlook and goals, as well as long-term value creating ability, were addressed with a well-rounded and integrated perspective.

2022 integrated report of Gap İnşaat was prepared in accordance with GRI Standards 2021 and Integrated Reporting Framework within IFRS Foundation. The content of the report was compiled based on the methods of defining the content explained in guidance, particularly the materiality principle. Performance statements were basically presented within the scope of GRI Standards.

The report includes detailed information about Gap İnşaat's governance approach, sustainability approach, interaction built with stakeholders, material issues and economic, social and environmental value created by the Company. In this report, the Company's operations were classified under six separate capital components in line with the capital components prescribed by the IFRS Foundation. Moreover, components Gap İnşaat has direct or indirect contribution within the scope of United Nations Sustainable Development Goals (SDG) were reflected in the report.

Financial indicators within the report are from the audited consolidated financial statements of Gap İnşaat.

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REPORTING PERIOD

Unless otherwise indicated, this report includes information about the period between 1 January 2022 and 31 December 2022 Data in this report forms a basis for comparison for the integrated reports of Gap İnşaat which will be issued in the following periods.

REPORTING CYCLE

As a principle, Gap İnşaat issues its integrated report on an annual basis.

FEEDBACK

All opinions and suggestions can be sent to Gap İnşaat's e-mail address: surdurulebilirlik@gapinsaatt.com

01

AT FIRST GLANCE



ÇALIK HOLDİNG IN BRIEF
ABOUT GAP İNŞAAT
VISION, MISSION, CORPORATE VALUES
CORPORATE VALUES
GAP İNŞAAT'S FOOT PRINTS IN TURKEY AND IN THE WORLD
SERVICES AND SOLUTIONS
KEY FINANCIAL AND ESG INDICATORS
AWARDS

ÇALIK HOLDİNG IN BRIEF

ÇALIK HOLDİNG

As a reputable international company, known with its entrepreneurship and prestige in business areas it operates, Çalık Holding grows continuously and profitably as a result of operational and financial performance and contributes to the society and environment without any interruption.

With a foundation going back to 1930's, Çalık Holding was founded in 1997 with the purpose of bringing all the companies under one roof of management. Creating value for all its stakeholders since that date with its business model based on its vision, mission and strategies, the Company continues its consistent growth performance under the guidance of its modern management approach, its know-how and experience.



The main objective of Çalık Holding is to identify corporate strategy and policies, to expand and adopt them in Group companies.



STRATEGY

non-stop
contribution
to society and
environment



GROWTH

strategy focused
on continuous
and profitable
growth



DEVELOPMENT

Confident steps
on the path
to becoming a
global company

Entrepreneur



REPUTABLE AND PRESTIGIOUS

The objective of Çalık Holding is to identify corporate strategy and policies, to expand and adopt them in Group companies.

The Company is focused on creating permanent value through investments that not only trigger and accelerate its growth in the regions surrounding Turkey, but also aim to make its current portfolio more efficient and profitable.

The main purpose and responsibility of Çalık Holding is to coordinate financial and administrative functions of all companies operating under its umbrella, to direct their investments, to establish standards in application and cost areas and to identify corporate strategy and policies, to expand and adopt them in Group companies.

With headquarters in Istanbul, Çalık Holding subsidiaries provide goods and services to a wide range of customers from multi-national companies to individuals in global quality.

As a signatory of United Nations Global Compact in 2022, Çalık Holding puts diversity, sustainability and resilience first in all sectors and regions it operates at; acts with an equal opportunity principle for all cultures, beliefs, ethnic origins and genders and adopts an environmentally respectful business approach.



ÇALIK HOLDİNG IN BRIEF

As a signatory of United Nations Global Compact in 2022, Çalık Holding puts diversity, sustainability and resilience first in all sectors and regions it operates at; acts with an equal opportunity principle for all cultures, beliefs, ethnic origins and genders and adopts an environmentally respectful business approach.

The Holding aims to realize pioneering projects and initiatives that add value to society and business world with the business processes, products and services developed under its sustainability approach at all countries of its operations.

Operating Areas

With strategic investments in energy, construction, textile, finance, mining and digital industries in 30 countries, 16 thousand competent employees, a rich portfolio of products and services, Çalık Holding is at a strong position in Turkey and the world.



ENERGY

With subsidiaries operating in energy sector, Çalık Holding provide services in EPC Power Systems, Electrical Production, Electric and Natural Gas Distribution, Electric Retail Sales, Oil and Gas.

One of the largest players of the international energy market, the Holding continuously increases its effectiveness, particularly in Middle East and Africa and pioneers its sector with numerous projects.

Companies Operating in the Sector

- Çalık Enerji
- YEDAŞ
- YEPAS
- KEDS
- Aras EDAŞ
- Aras EPSAŞ
-

CONSTRUCTION

Çalık Group's representative in construction sector, GAP İNŞAAT operates in contracting and real estate areas which include infrastructure, superstructure, health and industrial facilities both in Turkey and abroad.

The Company plays an important role in building a sustainable future with its global scale projects in many countries around the world, particularly in Turkey, Turkmenistan, Iraq, Qatar and Saudi Arabia.

Companies Operating in the Sector

- Gap İnşaat

TEXTILE

Çalık Group conducts its operations in textile sector through its subsidiaries Çalık Denim and Gap Pazarlama.

Çalık Holding's first industrial investment Çalık Denim is among the leading producers of premium denim fabric in the world. Gap Pazarlama operates as a supplier of factories managed by Çalık Group and projects realized in Turkey and international markets.

Companies Operating in the Sector

- Çalık Denim
- Gap Pazarlama

FINANCE

Çalık Group achieves many significant successes in the finance sector with its subsidiaries in Turkey and close geography. Aktif Bank, having the largest financial technologies ecosystem in Turkey with a banking license, one of Albania's long-established banks Banka Kombetare Tregtare (BKT Albania) and BKT Kosovo which is the fastest growing bank in its sector in Kosovo are growing rapidly thanks to the support of the Group's well-established background and innovative vision.

Companies Operating in the Sector

- Aktif Bank
- Banka Kombetare Tregtare (BKT Albania)
- Banka Kombetare Tregtare (BKT Kosovo)

MINING

Çalık Group established Lidya Madencilik by realizing the first large international partnership in Turkish mining industry with the purposes of mining for metal and mineral products and investing in mining companies. Through its high standard operations in Turkey and the region, Lidya Madencilik aims to become the most valuable mining company in Euroasia and conducts project assessments in the continent of Africa.

Companies Operating in the Sector

- Lidya Madencilik

DIGITAL

In today's world where digital transformation is expanding in every area, Çalık Group develops products and services to increase efficiency in industrial area and reduce operational costs by investing in new technologies. The Group's subsidiary operating in digital sector, Çalık Digital structures the digital transformation from production to all operations in health, energy, production, telecom and corporate areas; it designs new business models and working methods with its strong infrastructure.

In today's world where digital transformation is expanding in every area, Çalık Group develops products and services to increase efficiency in industrial area and reduce operational costs by investing in new technologies. The Group's subsidiary operating in digital sector, Çalık Digital structures the digital transformation from production to all operations in health, energy, production, telecom and corporate areas; it designs new business models and working methods with its strong infrastructure.

Companies Operating in the Sector

- Çalık Digital

ABOUT GAP İNŞAAT

Value to People, Value for the Future

Gap İnşaat continues in its path decisively to build a sustainable future with projects conducted in three continents as a leading brand of the Turkish construction sector.

Founded in 1996, Gap İnşaat is one of the reputable and prestigious contracting companies in the world. With headquarters in Istanbul, Gap İnşaat conducts projects in three continents to build a sustainable future adopting the motto "Value to People, Value to the Future".

Since 2006, the Company is ranked in "The World's Largest Contractors" ranking announce annually by ENR Magazine (USA) and completed 136 projects with a total contract value of USD 6 billion as of 2022 year-end.



FOCUSING ON ENGINEERING OF THE FUTURE

Gap İnşaat is building the future today with its professional management team, employees competent in their areas, turnkey project capability both inside and outside the country and projects successfully completed.

Providing qualified and innovative solutions to its customers in infrastructure, superstructure, healthcare and industrial facilities, Gap İnşaat makes use of modern technology at the maximum level.

Gap İnşaat is a pioneering, innovative, environment and nature-friendly solution partner that internalizes its corporate competences with a focus on engineering of the future.

Gap İnşaat made a name for itself as the contractor of challenging projects in challenging areas and it completes all types of projects without compromising on time and quality.

ÇALIK HOLDİNG CORPORATE CULTURE

As a group company of Çalık Holding, Gap İnşaat conducts its business under the guidance of the Group's strong corporate culture and values.

In addition to Turkey, the Company conducts projects in Turkmenistan, Germany, Russia and Qatar. As of 2022 year-end Gap İnşaat's business portfolio is comprised of 9 projects with a total value of USD 1.24 billion. The Company also has joint projects with Çalık Enerji and Japanese Mitsubishi Corporation in Iraq.

SUSTAINABILITY AND ESG

Differentiating itself with its technological, financial and corporate structure required for global competition, Gap İnşaat is an active stakeholder of global sustainability and ESG (environmental, social, governance) agenda.

The Company is focused on balancing the ecological foot prints of the projects conducted through their life cycles at a minimum level and works on increasing the positive impact created in terms of UN Sustainable Development Goals (SDG) through interactive stakeholder relations.

Gap İnşaat continues in its path decisively to build a sustainable future with projects conducted in three continents as a leading brand of the Turkish construction sector.



VISION, MISSION, CORPORATE VALUES

GAP İNŞAAT

VISION

To grow fourfold on four continents by our 44th anniversary in 2025, adding value to the lives we touch in all our areas of operation, with reliable teams motivated by our entrepreneurial spirit focused on innovativeness.

GAP İNŞAAT

MISSION

To contribute to rising prosperity by generating solutions that add value to human life in all our regions of operation with our skills and energy.

GAP İNŞAAT**CORPORATE VALUES****VALUES WE OWN ARE WORTH TO BE PROUD OF**

Gap İnşaat acts in accordance with corporate values and business principles of Çalık Group at all regions of operation. All values adopted and overseen by Çalık Holding constitutes the distinctness of Gap İnşaat and its employees.

FAIRNESS

At work and in our principles, we are a family that is motivated by what is right and fair.

PEOPLE-ORIENTED

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

OWNERSHIP STRUCTURE**GAP İNŞAAT IS 100% SUBSIDIARY OF ÇALIK HOLDİNG.****REPUTATION**

We put our reputation above all else.

WORK FROM THE HEART

Regardless of the conditions, we work diligently for our company, for our goals and for our projects that we believe will add value to human life.

INNOVATION

We constantly improve our solutions and business model and discover what will make us different.

AGILITY

We have the flexibility and speed to overcome all challenges.

SUSTAINABILITY

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



GAP İNŞAAT'S FOOT PRINTS IN TURKEY AND IN THE WORLD

COUNTRIES WHERE PROJECTS ARE CONDUCTED AS OF 2022 YEAR-END

Turkmenistan

Ashgabat Rehabilitation Center

International Physiology Center

Qatar

Qatar Military Training Facility Project

Turkey

Taksim360 Residences and Offices
Project

Russia

Volgograd Potassium Facility

Germany

Fiber Optic Infrastructure Project



Projects

GAP İNŞAAT
CONTINUES TO CREATE
VALUE WITH THE
PROJECTS DEVELOPED IN
3 CONTINENTS.





TURKMENISTAN

- International Turkmenbashi Port Project
- Healthcare Projects (27 Projects)
- Garabogaz Fertilizer Production Facility
- Tejen Fertilizer Production Facility
- Petronas Gas and Energy Plant
- Kelete Cement Factory
- Yaşlık Paper and Cellulose Complex
- Energy Plant Projects
- Turkmenbashi Textile Complex
- Turkmenbashi Jean Complex
- Turkmenistan Ministry of Energy Central Building Project
- Turkmenistan Ministry of Healthcare Central Building Project
- Arçabil Şayolu Motorway Project
- Ministers' Residences
- Turkmenistan Civilization Complex

TÜRKİYE

- Metropol İstanbul
- Şehirizar Mansions
- Zincirlikuyu Tower Project
- Malatya Waste Water Treatment Project
- Çöpler Sulfide Expansion Project
- Sapanca-Yuvacık Water Treatment Project
- Gediktepe Gold Mine Oxide Project

IRAQ

- Baghdad International Airport Road Rehabilitation and Landscape Project
- Basra Port Extension Project

UAE

- Turkish Republic Embassy Building
- Turkmenistan Embassy Building

SUDAN

- Sudan Telecommunication Building

SERVICES AND SOLUTIONS

EFFECTIVE BOTH INSIDE AND OUTSIDE THE COUNTRY

Increasing trade volume

Gap İnşaat contributes to a sustainable and livable world with its professional management team, employees competent in their areas, turnkey project capability both inside and outside the country and projects successfully completed.

SERVICE AREAS OF GAP İNŞAAT

- include the following segments:
- Infrastructure
- Superstructure
- Industrial
- Healthcare

Until today, Gap İnşaat successfully completed 136 projects with a total contract value of USD 6.36 billion.



AMBITIOUS SOLUTIONS IN INFRASTRUCTURE PROJECTS

Gap İnşaat provides solutions for rapidly changing and developing needs of the world using the latest technology at its infrastructure operations and introduces its stakeholders with tomorrow's world through its infrastructure projects today.

VALUE ADDED TO PEOPLE'S LIVES WITH SUPERSTRUCTURE PROJECTS

Within the scope of its superstructure projects, Gap İnşaat builds structures and buildings which add value to daily life and business cycles, designed with modern architectural lines using latest technology and stand out with their sustainable features.

COMPLEX SOLUTIONS IN INDUSTRIAL AREA

Gap İnşaat designs complex solutions that bring mobility and abundance to the globalized world with its projects in the industrial area and opens the doors of a more efficient world. Projects conducted in the industrial area range from energy efficiency to water treatment and energy plants; create added value for the countries' economies.

PROJECTS THAT COMPLY WITH WHO CRITERIA

Gap İnşaat takes justified pride of serving humankind with its projects implemented in healthcare area. Most of these facilities are structured in accordance with World Health Organization's criteria and contributes strongly to community health in those regions.

Examples of the Company's project portfolio can be reached at Gap İnşaat web site.

Gap İnşaat designs complex solutions that bring mobility and abundance to the globalized world with its projects in the industrial area and opens the doors of a more efficient world.

GAP İNŞAAT'S QUALITY STANDARDS AND CERTIFICATES

Standard	Name of the Certificate
ISO 9001:2015	Quality Management System
ISO 14001:2015	Environment Management System
ISO 45001:2018	Occupational Health and Safety Management System
UKAS United Kingdom Accreditation Service	LEED BD+C (Building Design + Construction) Gold Certificate
TSE COVID-19	Safe Service Certificate



KEY FINANCIAL AND ESG INDICATORS

FINANCIAL INDICATORS

Total Assets TL 17.6 billion	Net sales TL 3.2 billion	Total Equity TL 6.3 billion	EBITDA TL 0.2 billion
EBITDA Margin 6.6%	Total Number of Projects 136	Total Number of Customers 5	

HUMAN RESOURCES

Total Number of Employees 1,402	Employee Satisfaction Ratio 60%	Ratio of Women Employees ¹ 15%	Number of Employees with Disabilities 3
Employee turnover 14%			

OHS

Total Number of Accidents 11	Number of Accidents Involving Death 0	The Lost Time Injury Frequency Rate (LTIFR) 0.07	Total Recorded Injury Frequency Rate (TRIFR) 0.19%
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TRAINING ACTIVITIES

Trainings for Employees 2,871 man hours	Environmental Trainings for the Employees 7,533 man hours	Total Number of Suppliers 549 (Local suppliers 218)	Local Procurement Rates Qatar 96%, Turkmenistan 24%
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SUPPLIER RELATIONS

Total Payments to Suppliers 75,885	Payments to Local Suppliers TL 2,567 million
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ENVIRONMENT

Total Carbon Emission 7,281 ton CO₂e	Scope 1 Emission 5,504 ton CO₂e	Scope 2 Emission 1,404 ton CO₂e	Scope 3 Emission 373 ton CO₂e
Hazardous Waste Quantity 283 ton	Total Waste Quantity 1,279 ton		

¹At the Headquarters and project operations

AWARDS

Gap İnşaat was granted the "Success" award by its ranking as the 21st at the international contracting services awards given by the Turkish Contractors Association.



**TÜRKİYE
MÜTEAHHİTLER
BİRLİĐİ**

02

**MESSAGE
FROM THE
CHAIRMAN OF
THE BOARD OF
DIRECTORS**



ÇALIK HOLDING



CHAIRMAN OF THE BOARD OF DIRECTORS

“
**We provide
 contribution for
 building a sustainable
 future.**”

In a rapidly transforming global market, we create solutions using the latest construction technologies; we prepare cities, countries and people to future world from today through our infrastructure and superstructure projects.



CONSISTENT GROWTH

Gap İnşaat continues its preparations and investments for the future with its agile corporate structure.



SUSTAINABLE PROFITABILITY

Based on the data of Ministry of Trade, our contractors produced a new business volume of USD 17.8 billion with 454 projects in 2022.



HIGH PERFORMANCE

Ranked at 168th place at ENR's "World's Largest 250 International Contractors" based on 2022 performance.

CHAIRMAN OF THE BOARD

Ahmet Çalık

Esteemed Stakeholders,
 February 2023 brought challenging times for our country, resulting in earthquakes that affected 11 provinces, including Malatya where our Çalık Denim factory is located. I want to emphasize that we still feel the profound sorrow caused by this disaster. As Çalık Group, which contributes significantly to employment and economic development in the region, we have mobilized all our resources since the first day of the earthquake. Presently, we continue our active efforts to provide all kinds of support to the residents in the region.

After the global pandemic, recovery in global economic activity has been observed; however, 2022 has been a challenging year globally, marked by extraordinary events and developments, leading to increased uncertainties. Faced with inflationary conditions, there has been a trend towards interest rate hikes in the United States, United Kingdom, Canada, Australia, and recently in the European Union. While consumer confidence has declined, the slowdown in global trade volume, coupled with global geopolitical risks, has led to a reconsideration of expectations regarding a global recession.

OUR COUNTRY DIFFERENTIATED ITSELF POSITIVELY WITH A STRONG GROWTH PERFORMANCE.

The Turkish economy, supported by increasing domestic and external demand in the first half of 2022, was minimally affected by supply chain disruptions and the rise in raw material and energy prices, thereby sustaining its growth. Despite the observed slowdown in industrial production in the final quarter of the year, the continued increase in private consumption expenditure led to a growth rate of 5.6% in GDP by the end of 2022. Consequently, our country achieved the third-highest growth performance among G-20 countries.



WE ARE A MEMBER OF AN EYEFUL SECTOR WITH GLOBAL SUCCESS.

Based on the analysis report of the Turkish Contractors Association, construction in Turkish construction sector continued in 2022. Decrease in investments and increase in cost of input were the main triggers of the problem. Regional war and negativities in the investment environment presented temporary challenges in foreign contracting services as well.

Despite all these unfavorable conditions, our sector once again demonstrated resilience required with the support of profound experience and strong corporate structure built for many years; by using its competence to act in compliance with the world conjuncture, our sector continued to create added value for our country and its stakeholders and grow by signing new contracts in international contracting markets.

To counterbalance the projects delayed due to the global pandemic, our sector had a busy schedule in 2022. Based on the data of the Ministry of Trade, our contractors provided a new business volume of USD 17.8 billion with 454 projects in 2022.

Gap İnşaat maintained its determined progress towards becoming a regional company spanning three continents throughout 2022.

Our sector is preferred globally due to its ability to execute projects in a timely and cost-effective manner following international standards. It stands out with its experience in challenging and risky geographical areas, as well as its skills in developing strategic partnerships. Ultimately, international contracting services hold significant importance for the economy in terms of foreign currency input, exports, employment and sectoral competitiveness.

In 2021, 42 Turkish firms were listed among the "World's Top 250 International Contractors" based on their performance, marking their presence and success in this prestigious list.

GAP İNŞAAT IS PROUD TO BE A STAKEHOLDER OF THIS SECTORAL SUCCESS WHICH POINTS OUT TO SECOND PLACE IN THE WORLD!

Gap İnşaat maintained its determined progress towards becoming a regional company spanning three continents throughout 2022.

Our Company, which has competent human resources, know-how, corporate structuring, financial power and long-term strategic partnerships required by global competition, creates value for its stakeholders and provides permanent contribution to the countries it operates, through successful infrastructure, superstructure, industrial and healthcare projects realized.

Gap İnşaat took its place at the "International Contracting Services Success Awards" list published by the Turkish Association of Contractors, and was ranked at the 168th place at "World's Largest 250 International Contractors" list of ENR based on its 2022 performance.

CHAIRMAN OF THE BOARD OF DIRECTORS

For Gap İnşaat, sustainable growth and development means contribution for providing a healthier and more prosperous world for today's and future generations.

SUSTAINABILITY IS THE FOCUS OF OUR CORPORATE STRATEGY.

Gap İnşaat's Corporate Strategy is built around three main themes.

Focusing on designing its operations in line with Turkey's growth and development strategies and goals, Gap İnşaat aims to achieve the followings:

- Developing its presence as a trend-setter player in international contracting markets,
- Increasing its competitive strength,
- Developing its contribution to global fight against climate crisis.
- In this context, our Company also defined its focus on guidance for ESG.

These focuses foresee providing contribution for fight against climate crisis and building a low-carbon future in a determined and multidimensional way in terms of environment, continuing to share value with stakeholders from suppliers to customers, from employees to society through sustainability practices along

Gap İnşaat value chain in terms of social areas, supporting value creation cycle in governance area through ethical behavior, corporate governance structure and business model based on honesty and transparency.

For Gap İnşaat, sustainable growth and development means contribution for providing a healthier and more prosperous world for today's and future generations. We believe that a sustainable ecosystem will balance the needs of people, environment and the economy.

Our Company which comply with the regulations of the countries where we conduct our operations, sees making low-carbon economy possible, protecting finite natural resources, promoting social progress of the personnel and local communities in these countries as its main goals.

GAP İNŞAAT DESIGNS ITS FUTURE STRATEGIES CONSIDERING THE FACTS OF THE CLIMATE CRISIS WHICH IS THE GREATEST CHALLENGE OF THE EARTH.

As a company that aims to reduce its environmental footprint with the environment-friendly applications, we not only contribute to an economically active and low-carbon future, but also implement technical solutions to protect the world's natural resources with an approach forcing the limits of technology and use them intensely in project application processes.

We evaluate short, medium and long-term impacts of climate crisis on our operations with alternative scenarios and prepare for development and increase of our corporate and physical resilience.

When we make our assessment globally, our Company adopts the agenda defined by 2030 UN Sustainable Development Goals as guidance at all areas of operations and continue to develop and strengthen its contribution to these Goals.

Building tomorrow's world in Turkey and its hinterland, Gap İnşaat continues its preparations and investments for the future with its agile corporate structure.

Dear stakeholders,
After the issuance of our first sustainability report in 2021, I am pleased to present our first integrated report as of 2022 for your review.

Gap İnşaat's Value Creating Business Model presents the implementation framework of corporate strategy based on 6 capital elements proposed by <IR> focusing on the Company's mission, vision and values; outputs and results during the year are reviewed in detail.

CHANGE WILL CONTINUE TOMORROW

Our sector is going through a big change due to rapid urbanization, scarcity of resources and increasing talent gap, thus those and similar risk topics need to be considered proactively.

Changes in customer demand, nature and economy of construction and facts of the modern supply chain are expected to cause major changes in business manners in the medium and long run.

Construction will not only be creating perfect infra- and superstructures. We believe that trends that will push us explore new ways of creating value are smart operations, prefabrication and modular structures, data and advanced analytics, future of business and use of strategic resources.

In this new normal, an integrated and automated operational foundation, an open and dynamic network infrastructure which allows access to knowledge and insight will be critically important and will define rules of success.

Building tomorrow's world in Turkey and its hinterland through projects realized, Gap İnşaat continues its preparations and investments for the future with its agile corporate structure.

Gap İnşaat plans to increase its infrastructure and superstructure projects in Europe which is a developed market in the following period; additionally it will focus on African and Middle Asian markets to grow in a wider geographical area.

We will continue to add value to our stakeholders and our country in the future while celebrating the 100th anniversary of our Republic.

On behalf of our Board of Directors and myself, I would like to express my gratitude for all our stakeholders, particularly our employees who have made a great contribution to the success of Gap İnşaat.

Kind regards,

Ahmet Çalık

Chairman of the Board

GAP İNŞAAT

Gap İnşaat plans to increase its infrastructure and superstructure projects in Europe which is a developed market in the following period; additionally it will focus on African and Middle Asian markets to grow in a wider geographical area.

03

**STRATEGY
AND
PERFORMANCE**

**ECONOMIC ENVIRONMENT AND GLOBAL RISKS
2022 CONSTRUCTION SECTOR OVERLOOK
RISKS AND OPPORTUNITIES
GAP İNŞAAT'S SUSTAINABILITY STRATEGY
SUSTAINABILITY MANAGEMENT
BUSINESS MODEL AND VALUE CREATION MODEL
STAKEHOLDER ANALYSIS AND MATERIALITY WORK
CONTRIBUTION TO SUSTAINABLE DEVELOPMENT GOALS (SDGs)
VALUE CREATED**

ECONOMIC ENVIRONMENT AND GLOBAL RISKS

On its "Global Trade Outlook and Statistics" report published in 2023, World Trade Organization stated that growing pace of trade volume in 2022 was 2.7% that was slower than expected.

GLOBAL AND TURKISH ECONOMY

GLOBAL ECONOMY CONTINUED TO FACE VARIOUS CHALLENGES IN 2022.

In many countries, challenges such as increasing inflation, tightened financial conditions, continuing Russian- Ukrainian war and increasing Covid-19 cases in China continued to apply pressure on global economy during the year, global economic activity slowed down way more than the expected deceleration.



At the report, global growth forecast was stated at 3.4% for 2022, whereas projections for 2023 and 2024 were 2.9% and 3.1%, respectively.

FLUCTUATING COMMODITY PRICES HAD A STRONG IMPACT ON GLOBAL INFLATION AND TRADE VOLUMES IN 2022.

2022 was a year when highest inflation rates since 1980s were recorded because of fluctuations in commodity prices and valuation of US Dollar.

On its "Global Trade Outlook and Statistics" report published in 2023, World Trade Organization (WTO) stated that growing pace of trade volume in 2022 was 2.7% that was slower than expected.

At its Global Economic Outlook Report published in January 2023, IMF updated its growth forecasts for 2022 upward for global economy and developed countries, whereas they were updated downward for developing countries.



DESPITE THE GLOBAL OUTLOOK, TURKISH ECONOMY EXHIBITED A RATHER HIGH PERFORMANCE.

Despite the global outlook which relatively recovered after the pandemic but distorted again due to geopolitical risks and high inflation, Turkish economy continued its strong growth.

The Russian-Ukrainian war which started toward the end of February 2022, disruptions in regional supply chains jeopardized the supply of raw material and food products that are supplied in significant amounts by these two countries. Despite increasing global raw material and food

prices exposing risk for production units in Turkey, these factors impact on growth of Turkish economy was limited.

Turkish economy, closing 2021 with a growth of 11.4%, sustained its growth pace in 2022. Based on chained volume index, Turkish economy grew at the rates of 7.6%, 7.8%, 4.0% and 3.5% on a quarterly basis and annual growth was realized as 5.5%.

Based on the mentioned report of WTO, global commodity trade value increased by 12% to reach USD 25.3 trillion in 2022 partly due to high global prices. During the same year, global service trade increased by 15% to reach USD 6.8 trillion and digital service exports were realized as USD 3.82 trillion.



VALUE OF GLOBAL COMMODITY TRADE

The value of global commodity trade increased by 12% in 2022 to reach USD 25.3 trillion.



GLOBAL SERVICE TRADE

Global service trade increased by 15% in 2022 and reached USD 6.8 trillion.



DIGITAL SERVICE TRADE

Digital service exports was recorded as USD 3.82 trillion in 2022.



ECONOMIC ENVIRONMENT AND GLOBAL RISKS

INFLATION WAS THE MOST SIGNIFICANT AGENDA ITEM IN 2022.

Consumer Price Index continued to increase throughout the year with the effects of increase in foreign currency reflecting on prices and increases in global energy and food prices; it was at its highest level at 85.5% in October.

With the relative decrease of cost-based pressure, stabilized currency, decrease in commodity prices and high base effect, Consumer Price Index saw its lowest level in 9 months at the end of the year and was below the Central Bank's expectations with a rate of 64.3%.

During this period, Domestic Producer Price Index was down to its lowest level since January, at 97.72% with the effect of downward trend in energy prices in addition to base effect.

DESPITE INCREASE IN EXPORTS, FOREIGN TRADE DEFICIT WAS LOW.

Based on the general trade system, Turkey's exports increased by 12.9% in 2022 to reach USD 254.2 billion and imports increased by 34% to reach USD 363.7 billion. Foreign trade volume increased by 24.6% to reach USD 618.6 billion.

With the impacts of fluctuating course in commodity prices, primarily energy, and gold imports, foreign trade deficit increased by 137% and realized as USD 109.5 billion. Export/import ratio which was 81.9% in January-December 2021 went down to 68.7% in 2022.

ENERGY CRISIS

ENERGY CRISIS DEVELOPED RIGHT AFTER RUSSIAN-UKRAINIAN CONFLICT PUT ITS MARK ON 2022.

In February 2022, after the geopolitical tension between Russia and Ukraine transformed into a hot conflict, European Union and USA applied tough sanctions on Russia, a leading energy producer and exporter.

This process that developed instantly caused disruption in energy supply and increase in prices. Supply crisis in natural gas and excessive increases in all energy prices accelerated inflationary trends which were observed after the pandemic.

Global risk High energy prices

International Energy Agency (IEA) stated at the World Energy Outlook 2022 report that global economy is going through a global energy crisis that caused a shock at an unprecedented scale. As a result of this development which caused a chain reaction all over the world, coal deliveries to India reached a record high level whereas economies like Japan and South Korea started discussing going back to nuclear energy in their agenda. Based on IEA's Oil Market Report, a deficit may be experienced in crude oil during the third quarter of 2023, hence a new increase process may be possible in prices.

At the World Bank's Commodity Markets Outlook Report, the projection is that energy prices will decrease by 11% in 2023 and 12% in 2024, but they will cruise around 50% above last five years' average. High energy prices will impact companies and people's lives through secondary channels such as higher transportation and electric costs and will continue to trigger inflationary pressures.

RENEWABLE ENERGY CAPACITY INVESTMENTS KEEP THEIR PRIORITY.

It is anticipated that high energy prices will accelerate the transition in energy around the world, primarily in Europe and will promote transformation to renewable energy.

As part of Repower EU plan, EU announced that it will make an additional investment of EUR 210 billion to green transition before 2027, including diversification of energy resources and accelerating renewable energy investments that will replace fossil fuel.

It is anticipated that renewable energy capacity increase will nearly double between 2022-2027 all over the world; Wind and Solar Energy Plant investments will constitute more than 90% of the renewable energy capacity that will be added to the portfolio in the following five years.

High energy prices will impact companies and people's lives through secondary channels such as higher transportation and electric costs and will continue to trigger inflationary pressures.

TURKEY FACES THE OPPORTUNITIES OF ITS GEOPOLITICAL ADVANTAGES.

As a result of the balancing policies adopted, our country has an increasing cyclical significance in energy supply. Natural gas stream to Europe is possible by means of pipelines passing through Turkey (TANAP, Turk Stream-2 and Blue Stream).

Turkish geopolitics has a great potential in terms of new supply pipelines.

With 7 international natural gas pipelines, 4 LNG plants, 2 of them floating facilities, 2 underground natural gas storage facilities, Turkey provides a secure supply of energy.

Activities to connect Turkmenistan gas to Trans Anatolian Natural Gas Pipeline (TANAP), following Azerbaijan, to stream it through Turkey and then to Europe are being conducted by Turkey, Azerbaijan and Turkmenistan. Moreover, carrying Russian gas through this channel to Europe is also on the agenda.

Turkey is a candidate to be a global distribution center where natural gas reference price will be determined by supplying LNG from various countries, in addition to natural gas through pipelines.

Silivri Natural Gas Storing Facility, one of the giant investments of Turkey, was launched with a new capacity of 4.6 billion m³ after capacity increasing activities were completed. With this capacity increase, the facility became the largest natural gas storing facility of Europe.

As part of the efforts of reducing the impacts of the energy crisis Europe faces, energy pipelines currently existing in Turkey are planned to be used in full capacity and also capacity increases are planned.

ECONOMIC ENVIRONMENT AND GLOBAL RISKS

Transition to a low-carbon economy is based on numerous driving forces and limitations that are closely related with each other.

CLIMATE CRISIS

GLOBAL GREENHOUSE GAS EMISSIONS (GHG) KEEP ITS INCREASE TREND AROUND THE WORLD.

Transition to a low-carbon economy is based on numerous driving forces and limitations that are closely related with each other. Even though noteworthy progress in alternative development policies and deep decarbonization technologies during the last ten years are promising hope, limiting the negative impacts of the climate crisis requires strengthening of the policies implemented, coordination

of efforts and collaborations among sectors in addition to collaborations among countries.

Paris Agreement signed in 2015 addressing solutions for climate crisis established a common language right around this need. While fight against climate crisis accelerated, companies started to declare net zero emission and carbon neutral targets beside the signatory countries.

Short, medium and long-term physical and transition risks resulting from climate change and their appropriate management has great significance. This risks concern all private sector initiatives and industry branches as well as governments.

Activities in terms of combat against climate crisis are discussed by the governments at COP (UN Conference of the Parties) meetings on an annual basis; new decisions are taken and agreed by the parties.

COP27 organized in Egypt in 2022 fall was realized at the presence of negative geopolitical and global economic outlook, hence its results were limited. COP27's most concrete result was the resolution of establishing a Loss and Damage Fund for the most climate-vulnerable countries. This Fund will provide support for developing countries that are most vulnerable against negative impacts of the climate changes.

Another outcome of the COP27 was the start of a package including 25 new collaborative actions by the participating countries. The package includes actions to prevent loss of forests and distortion of land until 2030; it aims to coordinate and combine the activities of governments, companies and leaders of the societies.



EU GREEN DEAL FORESEES EUROPE BECOMING THE FIRST CARBON NEUTRAL CONTINENT BY THE YEAR 2050.

The "European Green Deal," published by the European (EU) Commission in 2019, aims to lead the European continent towards a cleaner environment, more affordable energy, smarter transportation, new employment opportunities, and an overall improved quality of life.



The "Green Deal" anticipates green transformation in numerous industries from agriculture to industry, energy to transportation, presenting the vision for Europe to become a carbon-neutral continent by 2050. One of the tools foreseen to implement this vision is the "Carbon Border Adjustment Mechanism" (CBAM), which proposes additional financial burdens based on the amount of greenhouse gas emissions produced in manufacturing of imported goods.

Within the framework of the "Fit for 55 Package" published by the EU Commission in 2021, the implementation of the Carbon Border Adjustment Mechanism is planned to begin initially as an emission reporting obligation for five carbon-intensive sectors (cement, electricity, fertilizers,

iron and steel, and aluminum) starting in 2023, followed by the introduction of a tax scheme based on this reporting mechanism from 2026 onwards.

As Turkey exports nearly half of its goods to the EU, it is inevitable that Turkey will be affected by the EU's green transformation. The carbon border adjustment planned as a tax equivalent measure will incur additional costs on Turkey's GDP. It is anticipated that the implementation will significantly raise costs in sectors such as cement, electricity, fertilizers, iron and steel, aluminum. However, the primary problem is that Turkish companies might face difficulties accessing finance unless they establish permanent policies and practices to address the climate crisis.

Planning for the sectoral impacts of the EU Green Deal and a smooth transition to compliance is important. Under the leadership of the Ministry of Trade, an Action Plan containing 32 objectives and 81 actions under 9 fundamental criteria has been announced.

This plan is a road map for Turkey and aims to facilitate Turkey's continued competitiveness and strengthening in the international arena, increasing green investments within Turkey, and positioning the country as an attractive center for green investments.

Although the carbon border adjustment may impose a burden on Turkish exporters, it is critical for our country to perceive this window as an opportunity for transitioning to a circular economy

2022 CONSTRUCTION SECTOR OVERLOOK

Innovative infrastructure investments

Turkish Construction Sector

With the experience and knowledge acquired both domestically and internationally, Turkish Construction Sector has the necessary flexibility to act according to the conditions suitable for the global conjuncture. Thanks to this skill, the recovery in the construction sector continued in 2022.



DEPARTURE FROM ECONOMIC GROWTH DESPITE THE INCREASE IN GENERAL ECONOMIC ACTIVITY

According to the current analysis report of the Turkish Contractors Association, the contraction that has been ongoing uninterruptedly since the third quarter of 2021 in the Turkish construction sector deepened in 2022, and the problem of declining sector investments and increasing input costs continues.

This scenario also indicates that despite the increase in general economic activity, the sector is diverging from economic growth.

Despite positive seasonality domestically in the past quarter, a decline in new projects has been noticed, and issues in traditional markets abroad have also emerged. High inflation domestically, increased input costs, and insufficient allocations, in addition to the ongoing Russia-Ukraine war in international contracting services, continue to present a risk factor for the sector's activities and business volume for the remainder of the year.

The ongoing war and unfavorable conditions in the investment climate have created various challenges for international contracting services. On the other hand, with widespread vaccination against the Covid-19 pandemic and rising oil prices, Turkey, based on its performance in 2021, re-acquired its position as the world's second largest country in the "World's Largest 250 International Contractors" with 42 companies, a list defined as the "world giants league".



**454
PROJECTS**

—



**133
COUNTRIES**

—



**11,605
PROJECTS**

—



**NEW BUSINESS VOLUME
OF USD 17.8 BILLION**

—

According to the Ministry of Trade data, Turkish contractors reached a new business volume of USD 17.8 billion with 454 projects in 2022. Since Turkish contractors first entered foreign markets with Libya in 1972, the project portfolio size they have achieved has grown to 11,605 projects in 133 countries. Since then, a total volume of USD 472 billion has been reached.

There was a heavy workload in 2022 to complete the projects postponed due to the pandemic.

RISKS AND OPPORTUNITIES

GLOBAL WARMING

Climate crisis struggle

It has become an inevitable necessity for buildings, which constitute a significant portion of total carbon emissions, to be designed and constructed in accordance with the green building concept.

The increased frequency and intensity of weather events deviating from the normal course, due to global warming, present themselves as a climate crisis. Climate change, increasing its impact more, nurtures powerful storms, deadly floods, intense heatwaves, and long droughts, contributing to the rise of sea levels.



CONTINUOUS DEVELOPMENT

With the rising awareness in this topic, new methods are being developed within the construction sector to build structures enduring increased temperatures, sudden intense rain, powerful winds and other changing climate events.



GROWTH

As for Turkey's construction sector, it is estimated to grow by 4-5% in 2023, based on domestic growth.

As urbanization rapidly expands, the issue of housing cannot be entirely addressed without cement, a widely used material, making concrete production globally necessitate significant natural resource use. Approximately 7% of global carbon emissions originate from the cement sector. When considering the contribution of the construction and building industry, this figure rises to 39% of carbon emissions.

Investments made to address climate issues have an impact on real estate prices both in our country and globally. The rising trend of technologically advanced construction on a global scale may lead construction producers to support this movement, assuming that properties built with new technology could be more valuable.





Climate Change



Rising Sea Levels



Drought



Natural Disasters



High Costs



Change in Work Force Market

Impact of Climate Change

1. In the initial phases of using new technologies in constructions, building prices are expected to be considerably high
2. While Turkey may not be in a primary position to be significantly affected by rising sea levels, coastal cities such as Istanbul, Izmir, and Muğla are expected to experience increases in real estate prices.
3. It is predicted that the rise in sea levels will cause significant economic loss in the construction sector. This situation not only directly impacts life in coastal areas but also creates an adverse situation for those living close to the coast due to events like floods and storms. Particularly, the condition of buildings constructed in lower coastal areas is the primary concern regarding this issue.
4. The mentioned buildings will inevitably either need to be demolished or reconstructed to be restructured with adjustable building foundations in the near future.
5. To prevent this economic loss, cities, infrastructure, buildings, and construction materials must be designed in preparation for negative scenarios and adjusted according to the risks posed by weather events. All these developments and efforts will be reflected as high costs on the sector's economy.

RISKS AND OPPORTUNITIES

In a rapidly evolving world, new approaches are determined in every sector over the years, and priorities change. The construction sector inevitably gets affected by these approaches and priorities.

FOR 2023 AND BEYOND, SUSTAINABILITY WILL BE THE FOREMOST TOPIC AMONG CONSTRUCTION SECTOR TRENDS.

In a rapidly evolving world, new approaches are determined in every sector over the years, and priorities change. The construction sector inevitably gets affected by these approaches and priorities. The dynamics of the construction industry, where time, quality, and cost must be addressed together, evolve around advancements toward the future and technological innovations. Shaped by the needs and expectations, the primary topic in the 2023 construction sector trends will undoubtedly be sustainability.

Sustainability, which has become one of the most critical criteria in almost every sector, from daily life to production processes in recent years, holds a significantly influential position in shaping the future of the construction sector.

This sustainability concept, including all phases from material supply to the use of buildings, emerges with the primary objective of combating carbon emissions and the climate crisis. It has become an inevitable necessity

for buildings, which constitute a significant portion of total carbon emissions, to be designed and constructed in accordance with the green building concept. Many criteria, such as using environmentally friendly materials that do not increase the carbon footprint in structures, adapting renewable energy sources for daily use, ensuring energy and water efficiency, reducing household waste, and utilizing environmentally friendly heating and cooling systems, are among the major responsibilities of the construction sector in 2023.

One of the trends in line with the necessity of ensuring efficiency not only during the usage phase of buildings but also during the construction process is the increased integration of digitalization into the construction industry. Technologies such as artificial intelligence, drones, data automation, Building Information Modeling (BIM), and augmented reality, are becoming more widespread each day in. The construction sector which is quite experienced in using new technologies.

These technologies digitalize the modeling process, determine the most efficient working order encompassing all teams, identify potential disruptions and necessary changes before construction begins. This leads to increased efficiency and reduced costs in the construction sector.

Furthermore, there's an increasing use of robot technologies and wearable technologies to maximize efficiency and safety during the construction process. Construction robots, used in various areas from transporting heavy materials to performing hazardous tasks, elevate job safety significantly, while wearable technologies ensure that construction personnel work more securely and efficiently.

The global construction sector, which grew by 17% in 2022, is predicted to maintain its current growth in 2023 despite ongoing financial crises and expected contractions in economies.

As for Turkey's construction sector, it is estimated to grow by 4-5% in 2023, based on domestic growth.

“

In the trends shaping the construction sector according to expectations, undoubtedly, sustainability will be the foremost topic.”

Construction Industry Future Sustainability



GAP İNŞAAT'S SUSTAINABILITY STRATEGY

GAP İNŞAAT'S CORPORATE STRATEGY

Gap İnşaat is focused on developing its presence as a trend setter in international contracting markets, increasing its competitive edge in global competition and contributing to global fight against climate crisis by shaping its operations in accordance with growth and development strategies and goals of Turkey.

GAP İNŞAAT, DEFINES ITS GUIDING FOCUS IN TERMS OF ESG.



ENVIRONMENTAL
Multidimensional and determined contribution to combat the climate crisis and build a low-carbon future

SOCIAL
Facilitating value sharing across the social value chain from suppliers to customers, employees to the community through sustainability practices

GOVERNANCE
Supporting the value creation cycle through an organizational governance structure and business model structured on ethical behavior, honesty, and transparency

For Gap İnşaat, sustainable growth and development means contribution for providing a healthier and more prosperous world for today's and future generations.

Sustainability is at the center of Gap İnşaat's corporate purpose and value it creates for its stakeholders. For the company, sustainable growth and development mean contributing to the present and future generations living in a healthier and more prosperous world.

GAP İNŞAAT BELIEVES THAT A SUSTAINABLE ECOSYSTEM WILL BALANCE THE NEEDS OF THE ENVIRONMENT AND ECONOMY.

Based on this plain fact, Gap İnşaat includes sustainability in its value chain.

The company generates opportunities for the development of its value chain by implementing approaches that integrate its suppliers, customers, and business partners into its sustainability strategy.

GAP İNŞAAT'S FOCUS ON SUSTAINABILITY POINTS OUT TO ITS LOYALTY TO RESPONSIBLE BUSINESS APPLICATIONS.

Gap İnşaat's corporate governance structure and business model are supported by ethical behavior, honesty, and transparency. This balanced and risk-sensitive structure plays a significant role in generating sustainable stakeholder value for the company. Applying an effective governance model in the regions it operates, Gap İnşaat develops projects contributing to social prosperity and shapes the future.

The Company ensures full compliance with applicable regulations in the various countries where it operates, aiming to enable a low-carbon economy, preserve natural resources, and include the promotion of social progress for its personnel and local communities in these countries among its fundamental objectives.

GAP İNŞAAT DESIGNS ITS FUTURE STRATEGIES TO INTERNALIZE THE GREATEST CHALLENGES THE WORLD FACES.

As an innovative contracting company, Gap İnşaat focuses on areas that can create the largest impact.

The Company aims to reduce its environmental footprint through eco-friendly practices, contributing to an economically vibrant, low-carbon future. It implements technical solutions that push the boundaries of technology to ensure the preservation of the world's natural resources. These solutions are extensively used throughout project implementation processes.

Gap İnşaat aims to develop its contribution to 2030 UN Sustainable Development Goals (SDG) in all regions it operates.

GAP İNŞAAT EVALUATES HOW AND AT WHICH SCALE ITS BUSINESS WILL BE AFFECTED BY THE CLIMATE CHANGE WITH A SCIENTIFIC AND SYSTEMATIC APPROACH AND TAKES PRECAUTIONS ACCORDINGLY.

Gap İnşaat evaluates the potential effects of the climate crisis on its activities in the short, medium, and long term within the scope of alternative scenarios, and plans to enhance and improve its corporate resilience.

The Value-Creating Business Model of the Gap İnşaat, centered around the company's mission, vision, and values, sets out the framework for implementing corporate strategy based on the 6 capital elements proposed by <IR>.

The model describes how the teams, fueled by the company's innovation-focused entrepreneurial spirit, develop and implement projects and solutions that add value to human life and economic cycles in all geographies where the company operates and how shareable value creation takes place.

Gap İnşaat aims to develop its contribution to 2030 UN Sustainable Development Goals (SDG) in all regions it operates.

Within the framework of the main processes of the Company, the Value-Creating Business Model emphasizes the importance of risk management and corporate governance while also demonstrating SDGs directly or indirectly contributed to by the Company.

Gap İnşaat is determined to enhance its leadership, its assets, competencies and take its performance to new heights by pushing the boundaries of technology and including sustainability into everything it does. The values it adopts, its governance framework, and its strong brand make Gap İnşaat transparent and efficient, while the performance culture supports value creation for all stakeholders.



SUSTAINABILITY MANAGEMENT

GAP İNŞAAT

Members of Gap İnşaat's Sustainability Team play active roles in embracing the sustainability approach by the employees and incorporating it in their business manners.

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Gap İnşaat extended the responsible corporate citizen approach that prioritizes environment, people and society.”



STRATEGIC AND HOLISTIC SUSTAINABILITY MANAGEMENT

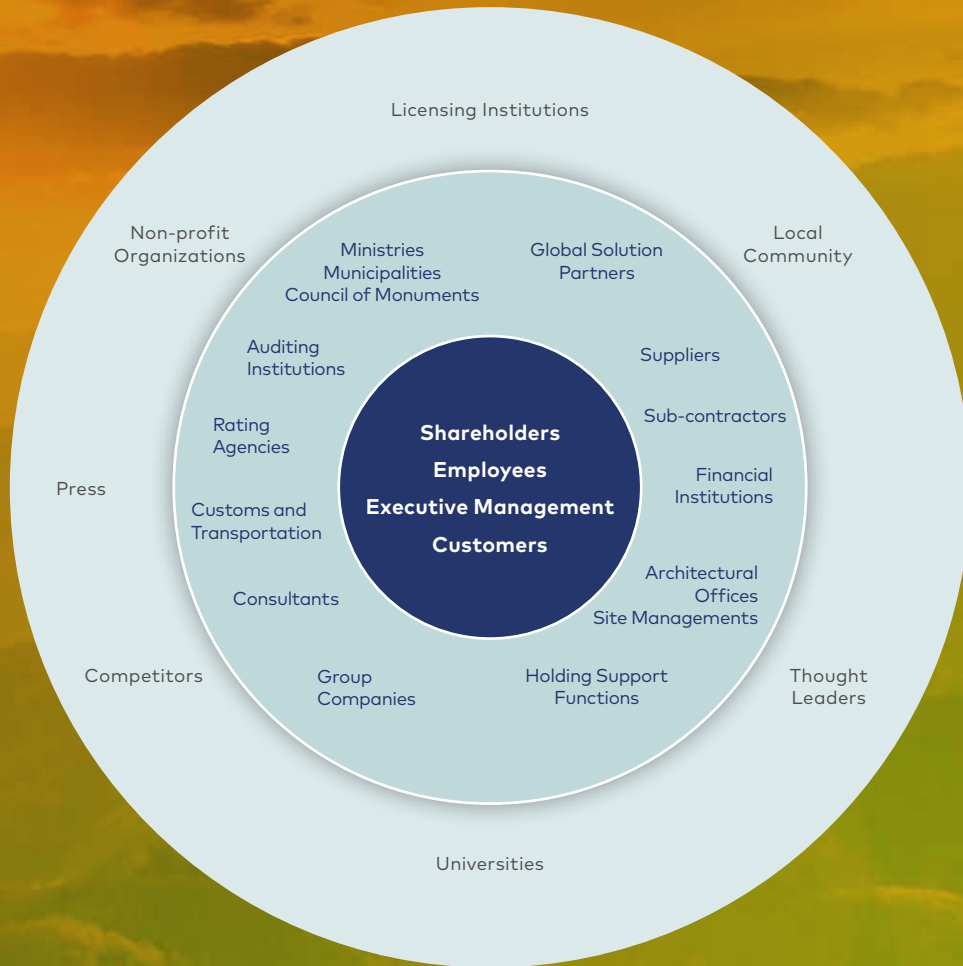
Gap İnşaat internalized and expanded the responsible corporate citizenship approach that prioritizes environment, people and society across the whole organization starting from the highest level.

The company has established the necessary infrastructure within the scope of its sustainability management, created with a strategic and holistic approach, to measure, manage, and monitor its direct and indirect environmental and social impacts.

At Gap İnşaat, which aims to create long-term value in the economic, environmental, and social areas, sustainability initiatives are managed by the Integrated Management Systems Department under the General Directorate. The Sustainability Team comprises employees from various departments of Gap İnşaat and operates under the leadership of the Integrated Management Systems Department. Both the headquarters and sustainability representatives at project sites support sustainability efforts.

DEPARTMENTS COMPRISING GAP İNŞAAT'S SUSTAINABILITY TEAM

- Integrated Management Systems Department (Leader)
- Proposal Department
- Project Control Department
- Purchasing Department
- Business Development Department
- Corporate Communications Department
- Human Resources Department
- Budgeting and Reporting Department
- Accounting Department
- Project Representatives

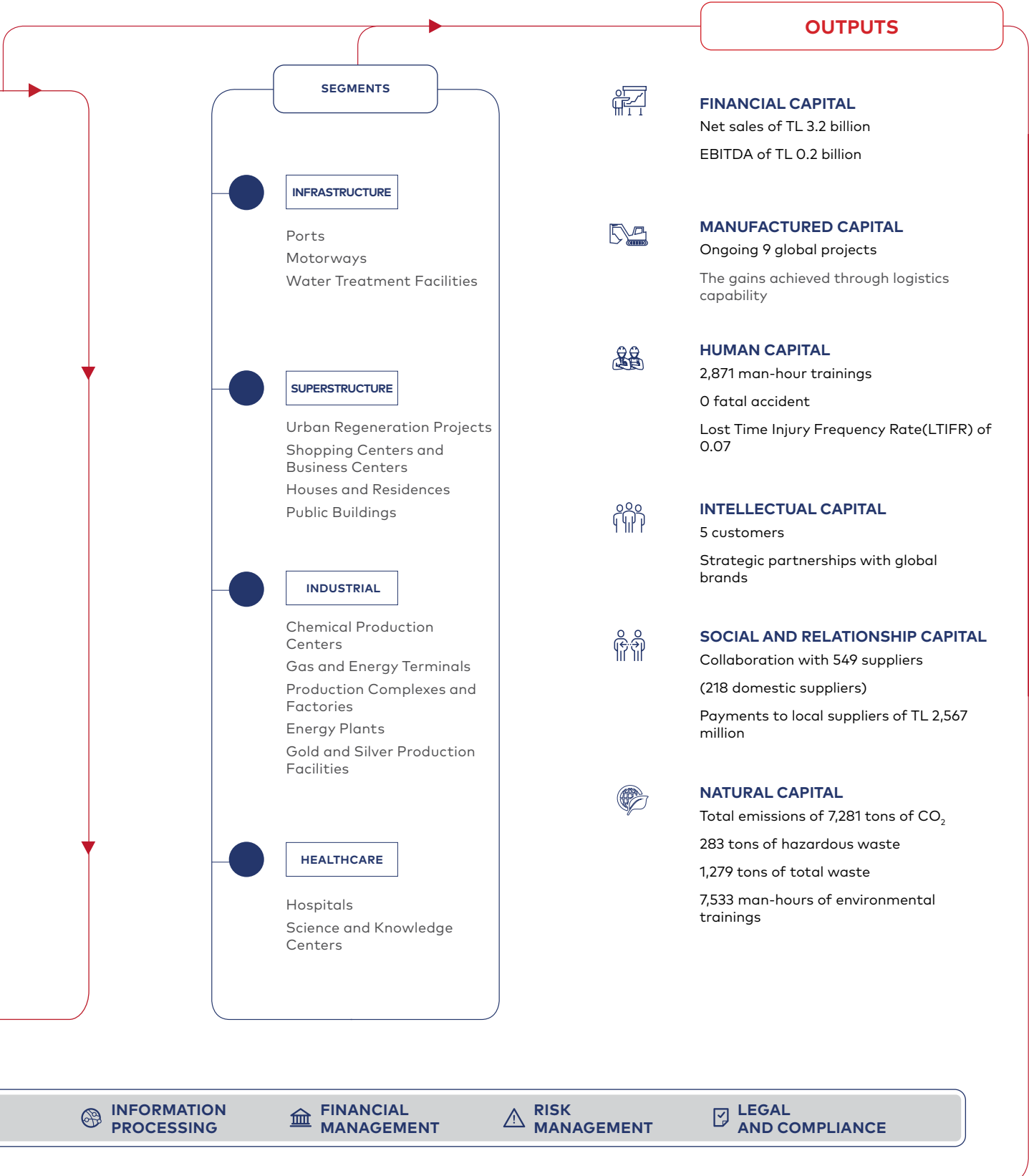


Sustainability efforts at Gap İnşaat, which aims to create long-term value in economic, social areas, are managed by the Integrated Management Systems Department affiliated with the General Directorate.

BUSINESS MODEL AND VALUE CREATION MODEL

Gap İnşaat business model comprises of simultaneous, continuous and integrated project development and application processes.





STAKEHOLDER ANALYSIS AND MATERIALITY WORK

GAP İNŞAAT CONDUCTS RELATIONSHIPS WITH STAKEHOLDERS IN ITS IMPACT AREA BASED ON INTERACTION AND RESPECT.

Gap İnşaat's stakeholder map encompasses all individuals and entities affected by or having an influence on the company's activities. Gap İnşaat categorizes its stakeholders into three groups, considering the frequency of communication. The central group represents stakeholders with whom continuous communication is maintained. The second circle includes groups communicated with frequently, while those in the outer circle are stakeholders with limited interaction.

COMMUNICATION METHODS WITH STAKEHOLDERS

Gap İnşaat operates in an interactive and collaborative manner with its stakeholders. The substantial stakeholder communication, predominantly within the production, employment, trade, and logistics cycles, provides a valuable platform for the Company to accurately understand, measure, and assess stakeholders' demands and expectations.

Stakeholder Group	Communication Channel	Frequency of Communication
Public Institutions	Gap İnşaat Web Site (www.gapinsaat.com), Mailing, Online and in-person Meetings as Necessary, E-mail, Press Bulletins, Annual Reports, Sustainability Report	As needed
International Strategic Partners	Gap İnşaat Web Site (www.gapinsaat.com), Mailing, Online and in-person Meetings as Necessary, E-mail, Press Bulletins, Annual Reports, Sustainability Report	During partnership processes
Financial Institutions	Gap İnşaat Web Site (www.gapinsaat.com), Mailing, Online and in-person Meetings as Necessary, E-mail, Press Bulletins, Annual Reports, Sustainability Report	During partnership processes
Customers	Gap İnşaat Web Site (www.gapinsaat.com), Mailing, Online and in-person Meetings as Necessary, E-mail, Press Bulletins, Annual Reports, Sustainability Report	Continuous
Non-profit Organizations	Gap İnşaat Web Site (www.gapinsaat.com), Mailing, Online and in-person Meetings as Necessary, E-mail, Press Bulletins, Corporate Social Responsibility Campaigns, Annual Reports, Sustainability Report	During partnership processes
Universities	Gap İnşaat Web Site (www.gapinsaat.com), Mailing, Online and in-person Meetings as Necessary, E-mail, Press Bulletins, Awareness and Personal Development Trainings, Experiments, Scientific Topics, Academic Activities, Internships	During partnership processes

Stakeholder Group	Communication Channel	Frequency of Communication
Media Institutions	Gap İnşaat Web Site (www.gapinsaat.com), Mailing, Online and in-person Meetings as Necessary, E-mail, Press Bulletins, Tours for Press Members, Advertising Campaigns, Annual Report, Sustainability Report	Within the framework of Strategic Communication Plan
Licensing Institutions	Gap İnşaat Web Site (www.gapinsaat.com), Mailing, Online and in-person Meetings as Necessary, E-mail, Press Bulletins, Annual Reports, Sustainability Report	During partnership processes
Licensing Institutions	Gap İnşaat Web Site (www.gapinsaat.com), Mailing, Online and in-person Meetings as Necessary, E-mail, Press Bulletins, Annual Reports, Sustainability Report	Continuous
Çalık Holding	Gap İnşaat Web Site (www.gapinsaat.com), Mailing, Online and in-person Meetings as Necessary, E-mail, Press Bulletins, Annual Reports, Sustainability Report, Supplier Briefing Meetings, SRM Systems	Continuous
Central Service Functions	Gap İnşaat Web Site (www.gapinsaat.com), Mailing, Online and in-person Meetings as Necessary, E-mail, Notice Boards, Trainings, Ethics Statement, Activities for Employees' Families, Employee Motivation Events, Annual Report, Sustainability Report	Daily, weekly
Suppliers	Gap İnşaat Web Site (www.gapinsaat.com), Mailing, Online and in-person Meetings as Necessary , E-mail, Press Bulletins, Annual Report, Sustainability Report	Monthly, as needed
Employees	Gap İnşaat Web Site (www.gapinsaat.com), Mailing, Online and in-person Meetings as Necessary , E-mail, Press Bulletins, Annual Report, Sustainability Report	As needed

GAP İNŞAAT'S CORPORATE MEMBERSHIPS

- DEİK – Foreign Economic Relations Board
- İMEAK – Chamber of Shipping
- HİB – Association of Service Exporters
- İTO - İstanbul Chamber of Commerce
- TABA – Turkish American Businessman Association
- TMB – Association of Turkish Contractors
- GYODER – Real Estate Investors Association
- Ministry of Environment, Urbanization and Climate Change

STAKEHOLDER ANALYSIS AND MATERIALITY WORK

GAP İNŞAAT'S MATERIAL TOPICS

MATERIAL TOPICS ARE FUNDAMENTAL INPUTS OF GAP İNŞAAT'S BUSINESS MODEL.

Materiality analysis not only identifies changing stakeholder expectations but also allows for a better assessment of risks and trends, providing the Company's management with healthy data in the strategy and goal-setting processes. The materiality matrix presented in this section reflects the results of stakeholder workshops conducted in 2021. Through this evaluation, the primary issues of stakeholders and Gap İnşaat's management were collectively addressed, reaching conclusions based on external stakeholder expectations and internal stakeholder expectations.



PRIORITIZATION MATRIX


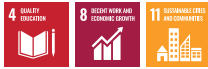


CONTRIBUTION TO SUSTAINABLE DEVELOPMENT GOALS (SDGs)

The 17 Sustainable Development Goals (SDGs) adopted by United Nations member countries in 2016 set forth objectives that need to be achieved by 2030 to attain peace and prosperity, serving as a plan for authorities and the private sector.

Gap İnşaat continues to align its sustainability strategy with the SDGs that have the greatest or potentially greatest impact on itself.

In 2022, Gap İnşaat became an active participant in the global effort to contribute to the SDGs by supporting improvements in energy efficiency in industries and buildings, and endorsing initiatives that promote industry-specific sustainable technologies.

	SDG	CONTRIBUTION PROVIDED
ECONOMIC		<p>Gap İnşaat, one of the leading participants in the construction sector, which plays a key role in the Turkish economy, contributes to SDGs 1, 3, and 8 through its economic performance.</p> <p>The employment provided by the company supports local development, contributes to poverty alleviation by enhancing prosperity in the international regions of operation, and plays a role in ensuring health and quality living conditions.</p>
ENVIRONMENTAL		<p>Operating with the goal of leaving a more livable world for future generations, Gap İnşaat conducts all its activities while considering their environmental impacts. In this context, the Company executes numerous projects ranging from energy usage to waste recycling. Through these systematic efforts, Gap İnşaat contributes to climate action and demonstrates tangible support for limiting global warming to the target of 2 Celsius, as envisaged in the Paris Climate Agreement.</p>
SOCIAL		<p>In the social dimension of sustainability, Gap İnşaat reaches a broad audience in both Turkey and international regions, contributing positively to people's lives. Alongside providing its employees with opportunities for dignified work and economic growth, the Company also contributes to quality education. Furthermore, through urban renewal projects that generate social value, Gap İnşaat supports the goal of sustainable cities and communities</p>
GOVERNANCE		<p>As part of its performance in the managerial dimension of sustainability, Gap İnşaat places great importance on compliance with ethical principles, proper management of corporate governance processes and adherence to relevant legislation and international rules governing relationships in the geographies where it operates.</p>

VALUE CREATED

ESTABLISHED COMPETENCIES AND STRONG INFRASTRUCTURE BREATHING LIFE INTO SIGNATURE PROJECTS.

Gap İnşaat is a strong global representative of the Turkish construction-contracting sector.

With the integrated management system approach adopted, strong team and strong financial structure, the Company develops "signature projects" in various geographies it operates.

Taking "Engineering of the Future" concept at its operating focus, Gap İnşaat aims to build a safe future and carries standards further with all the projects developed.

Among the leading companies in the construction sector with the capability to deliver turnkey projects in industrial, infrastructure, superstructure, and healthcare fields, Gap İnşaat has consistently ranked among the world's largest contractors since 2006, proudly operating as a source of national pride for Turkey on a global scale.

Managing a broad spectrum of stakeholders and a substantial value chain, Gap İnşaat continued to add value to life and benefit humanity through its projects in 2022.

“

Gap İnşaat aims to prioritize the concept of "future engineering" as the focal point of its activities, aiming to construct safe tomorrows.”

Turkey's Source of Pride on a Global Scale

Gap İnşaat undertook nine separate projects worth a total of USD 1.24 billion based on contracts in the year 2022.

2022 DEVELOPMENTS AND NEW PROJECTS

In 2022, Gap İnşaat successfully added two strategic new markets to its operational geography: a fiber optic infrastructure renewal project in Germany and a superstructure project in an industrial facility in Russia, stepping into markets that offer significant development and potential. Additionally, the company secured two separate hospital projects in Turkmenistan, within its primary area of activity.

Throughout 2022, Gap İnşaat undertook nine separate projects with a total value of USD 1.24 billion.

Having stamped its mark on 136 projects across three continents thus far, Gap İnşaat continues its projects in Turkey, Turkmenistan, Qatar, Russia, and Germany. The Company forms strategic partnerships with globally renowned companies in engineering, equipment, and know-how transfer. Moreover, it is engaged in intensive discussions regarding project undertakings in Africa, a geography identified as strategic by Çalık Holding, to expand its project portfolio.

TURKMENISTAN ASHGABAT REHABILITATION CENTER

The contract for the Ashgabat Rehabilitation Center was signed in 2021, which was the 26th healthcare facility constructed by Gap İnşaat in Turkmenistan. The Rehabilitation Center, spanning an area of 68,700 square meters and accommodating 400 beds, is planned to be completed within 36 months. All phases of the project, including architectural design, engineering, construction, medical planning, and equipment procurement, will be executed under a turnkey contract. The facility, which includes an educational center and a parking lot for 240 vehicles, will be Turkmenistan's first rehabilitation center.



VALUE CREATED



TURKMENİSTAN INTERNATIONAL PHYSIOLOGY CENTER

In 2021, Gap İnşaat signed a contract for the Turkmenistan International Physiology Center project, which will be built on an area of 67,225 square meters. The Turkmenistan International Physiology Center, consisting of 250 beds and aiming for completion within three years, will include 6 operating rooms and 26 intensive care units. The turnkey project, including architectural design, engineering, construction, medical planning, and equipment procurement, also includes the construction of a 500-vehicle parking lot. Upon completion, the center will hold the distinction of being Turkmenistan's and Central Asia's first and most modern physiology center.

QATAR MILITARY TRAINING FACILITY PROJECT

The Qatar Military Training Facility Project, construction of which began in 2019 in the capital city of Doha, is the most prestigious project undertaken by Gap İnşaat in the Gulf Region. Upon completion in 2023, the project, equipped with state-of-the-art technology, will become one of the world's leading simulation and training centers.

TAKSİM360 RESIDENCE AND OFFICE PROJECT

Taksim360 project, featuring as the first urban renewal project conducted in partnership between the public and private sectors in Turkey, comprises a total of nine blocks and 824 units. It consists of residential areas, offices, commercial sections, shopping zones, and concept streets serving social life. Spanning across 155,000 square meters, the project stands out with its 220-meter facade facing the boulevard and traffic-free streets extending up to 1.4 kilometers.

Recognized as one of Turkey's largest restoration projects, Taksim360 was honored as "Europe's Best Urban Renewal Project" by the European Property Awards. The project is being constructed in compliance with LEED Gold criteria.

In 2022, Gap İnşaat signed an agreement with the Hilton Group concerning the hotel section of the Taksim360 project. Under this agreement, Hilton decided to open its 100th hotel in Turkey within the Taksim360 project area. Thus, Hilton has introduced a brand new luxury boutique hotel concept, operating under the name Canopy by Hilton, to our country. The project is scheduled to be completed by the end of 2023.



RUSSIA VOLGOGRAD POTASSIUM FACILITY

This project holds strategic importance as Gap İnşaat's first project in the Russian Federation. It involves the construction of superstructure buildings within an industrial facility.

GERMANY FIBER OPTIC INFRASTRUCTURE PROJECT

Gap İnşaat has started fiber optic infrastructure installation work within a project spanning six different locations, marking its first involvement in an advanced country market.

Additionally, the Company is making plans to actively participate in 5G investments set to commence in 2023.

SMART CLIMATE SOLUTIONS, DIGITALIZATION AND INNOVATION

Valuing automation significantly, Gap İnşaat continues its investments in digital transformation involving information technologies such as BIM and Revit. The Company employs innovative solutions in the process management of superstructure, industrial, and infrastructure projects, successfully executing projects of all types without compromising

on time or quality through robust logistical, engineering, and procurement capabilities.

Gap İnşaat prioritizes integration with digital technologies in its business processes to achieve the industry 4.0 objectives set in the global construction sector. The Company has established an integrated management approach, creating a business model and value creation model encompassing its stakeholders.

Recognized as one of Turkey's largest restoration projects, Taksim360 was honored as "Europe's Best Urban Renewal Project" by the European Property Awards. The project is being constructed in compliance with LEED Gold criteria.



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PROJECTS

5 Customers were served in 2022.

Region	Status	Sector	Project Name and Location	Customer	Contract Value (USD)
Turkmenistan	In progress	Contracting	International Burn Treatment Center	Turkmenistan Ministry of Healthcare and Drug Industry	110 million
Turkmenistan	In progress	Contracting	International Aesthetic Center (EST)	Turkmenistan Ministry of Healthcare and Drug Industry	44.5 million
Turkmenistan	In progress	Contracting	Parking with a Capacity of 240 Vehicles (OT2)	Turkmenistan Ministry of Healthcare and Drug Industry	6.5 million
Qatar	In progress	Contracting	Qatar Special Forces Training Facility	Qatar Military Force	361.6 million
Turkmenistan	In progress	Contracting	Physiology Center	Turkmenistan Ministry of Healthcare and Drug Industry	213.8 million
Turkmenistan	In progress	Contracting	Ashgabat Rehabilitation Center	Turkmenistan Ministry of Healthcare and Drug Industry	222.85 million
Turkmenistan	In progress	Contracting	Ashgabat Doctor State Administration Center	Turkmenistan Ministry of Healthcare and Drug Industry	-
Russia	In progress	Contracting	Volgakaliy Potassium Facility	Eurochem-VolgaKaliy	21.7 million
Germany	In progress	Contracting	Germany Fiber Optic Project	Deutsche GigaNetz	7.9 million
Germany	In progress	Contracting	Beilstein Fiber Optic Project	Deutsche GigaNetz	5.2 million
Germany	In progress	Contracting	Kirchhardt Fiber Optic Project	Deutsche GigaNetz	4.6 million
Germany	In progress	Contracting	Löwenstein Fiber Optic Project	Deutsche GigaNetz	3.9 million

ESG FOCUSED APPROACH IN SUPPLY CHAIN

GAP İNŞAAT CONSIDERS ITS SUPPLIERS AS STAKEHOLDERS IN ALL THE GEOGRAPHIES WHERE IT OPERATES, REQUESTING THEIR WORK TO ALIGN WITH THE COMPANY'S CORPORATE VALUES AND ETHICAL PRINCIPLES.

In selecting suppliers, Gap İnşaat expects its business partners to be sensitive about:

- Fighting against corruption,
- Adherence to human rights,
- Non-employment of child labor,
- Employee rights and environmental protection

In this context, the Company helps its suppliers about best practices and conducts active audits at the project sites.

In order to effectively manage the procurement and supply chain, the Supplier Lifecycle (SLC) Module and Supplier Bid Module have been introduced on the Çalık Supplier portal by Gap İnşaat. E-procurement has commenced in a significant portion of the procurement processes, and achieving at least a 50% rate of e-procurement on a consistent basis has been set as a Key Performance Indicator (KPI) for 2022.

In line with this, the central purchasing department has achieved the 50% target in 2022.



RELATIONSHIPS WITH SUPPLIERS IN INTERNATIONAL PROJECTS

By the end of 2022, Gap İnşaat has achieved a strong synergy with its suppliers, within the framework of international projects in Turkmenistan and Qatar. In Turkmenistan, within the projects of the Aesthetic Center Hospital (EST), Physiology Center Project (FIZ), Ashgabat Rehabilitation

Center Project (ARM), Ashgabat Healthcare State Administration Building (HKB), Oncology Hospital (ONK), and Burn Hospital Project (YAN), Gap İnşaat attained a total of 23.55% local procurement rate. The Company has conducted regular audits to ensure that suppliers operate in compliance with Turkmenistan's laws and Çalık Holding's values.

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LOCAL PROCUREMENT RATE AT QATAR PROJECTS WAS REALIZED AS 96.23%.

Holding regular meetings with suppliers from Qatar, the Company has incorporated occupational health and safety (OHS) and good faith clauses into contracts.

As of the end of 2022, Gap İnşaat and its subsidiaries, operating in Turkey as well as in Turkmenistan and Qatar, fulfill all business processes seamlessly with their robust logistical capabilities. They ensure that all logistical activities are carried out in accordance with the construction sites' deadlines, under the most economical conditions, and in a healthy manner. This includes the procurement of products and the shipment processes being executed according to specified rules..

CENTRAL LOGISTICS MANAGEMENT

All international transportation for projects managed by Gap İnşaat is conducted by the central office's logistics department. There are coordinated logistics teams in each construction site, working in coordination with the central office's logistics department.

The transports are tracked through the SAP TM module, allowing access to detailed information about each transported material, its daily location, loading/unloading, customs entry/exit dates, and other essential details through this system. As this system is accessible to both the requestors of transported materials and the site teams whenever needed, it enhances interdepartmental communication speed, providing

LOCAL/FOREIGN PROCUREMENT TABLE (USD)

	Local	Foreign	Total	Local Procurement
Qatar	16,190,363	632,961	16,823,324	96.23%
Turkmenistan	18,942,623	61,484,640	80,427,264	23.55%



employees with efficiency and convenience. Furthermore, Gap İnşaat's logistics activities are monitored through this system, enabling performance tracking and generating annual reports.

GOAL OF DEVELOPING AND DIVERSIFYING THE SUPPLY CHAIN

Gap İnşaat conducts its logistics activities covering service, product, and equipment procurement processes in line with ethical principles and the United Nations Sustainable Development Goals. Ensuring uninterrupted and high-quality procurement processes, Gap İnşaat expands its value chain day by day.

Considering its suppliers in all the regions where it operates as stakeholders, Gap İnşaat mandates that its collaborating suppliers align with the Company's

corporate values and ethical principles. This approach facilitates the assurance of occupational health and safety measures and environmental conservation, both in construction and operational phases. Suppliers' alignment with Gap İnşaat's values holds significant importance for the sustainability of the Company's corporate reputation.

Operating in the fields of EPC (Engineering, Procurement, Construction) and real estate development, Gap İnşaat pays attention to correct planning and timely delivery of materials to project sites while preserving the local environment.

VALUE CREATED THROUGH QUALIFIED HUMAN RESOURCE MANAGEMENT

WITH 1,402 EMPLOYEES, GAP İNŞAAT IS A BIG FAMILY.

Gap İnşaat aims to make a difference with its highly competent, motivated, and high-performing employees. The Company motivates individuals to take responsibility, use initiative, and take ownership of their work and its outcomes.

The core objective of Gap İnşaat's Human Resources Policy is to invest in human resources that prioritize commitment, corporate and ethical values, continuously enhancing their competencies, in order to achieve maximum success and ensure sustainability.

Highlights

- Gap İnşaat employs a total of 1,402 employees, with 15% of them being women across its Headquarters and project operations. In the General Headquarters roles, there were 237 employees in 2022, with 44 being women, representing a rate of 19%.
 - 228 employees are white-collar and 9 are blue-collar workers.
 - All Headquarters employees are covered by a collective bargaining agreement.
 - The entire staff at the Headquarters are between the ages of 30 and 50.
 - The total number of disabled employees is 3.
 - The labor turnover rate was 14% in 2022.
 - Number of employees hired was 69.

Gap İnşaat aims to make a difference with its highly competent, motivated, and high-performing employees. The Company motivates individuals to take responsibility, use initiative, and take ownership of their work and its outcomes.

In the evolving business world, Gap İnşaat aims to maintain its competitive edge through a qualified workforce. As of the end of 2022, the Company, provides services with its 1,402 employees. Gap İnşaat has shaped its Human Resources Policy and practices based on the values of Çalık Holding.

In this context, Gap İnşaat takes care to ensure that the values applicable to Çalık Holding and all Group companies, justice, human-focus, reputation, sincere dedication, innovation, agility, and sustainability, are embraced by each employee and taken into account in every task performed.

- Gap İnşaat aims to secure its competitive advantage in the rapidly changing business world through its qualified workforce, guided by its Human Resources Policy.
- The Company operates in line with Çalık Holding's values of "justice" and "human-focus."
- It focuses on performance management, career development, and succession planning, aiming to provide equal job opportunities to all employees.
- Aligning with another core value of Çalık Holding, "agility," Gap İnşaat complies not only with the labor and social security laws of Turkey but also with the regulations in all the countries where it operates.

- It establishes organizations with the ability to quickly adapt to the demands of different countries while contributing to local employment.
- The company embraces Çalık Holding's corporate business principles that contribute to its sustainable growth and development.
- It ensures that its principles allow an understanding of today's realities and prepare for the potential developments of the future.

THROUGH THESE EFFORTS, GAP İNŞAAT CONTINUES TO BUILD ROBUST AND DYNAMIC STRUCTURES!

Gap İnşaat's corporate business principles comprise of the followings:

- An open work approach based on transparency
- Creative, efficient, and effective business management
- An environment of effective communication and continuous education
- Innovative and developmental ways of doing business
- Use of current technology
- Customer-oriented work approach
- A working environment based on love and respect
- A work process that is sensitive and respectful to the beliefs and core values of society

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HUMAN RESOURCES PROCESSES

The Company ensures sustainable workforce productivity through professionally managed human resource processes. In 2022, a hybrid working model was implemented within the Company, prioritizing digitalization processes.

DEVELOPMENTS IN MAIN HUMAN RESOURCES PROCESSES OF GAP İNŞAAT

RECRUITMENT PROCESS

Gap İnşaat aims to attract highly qualified, internationally experienced, and similarly-sized project-experienced workforce in the countries where it operates and in Turkey.

Competencies, education, and experience are taken into account in the recruitment process. There's no gender discrimination between field and headquarters staff. The philosophy is to match the right person with the right job, considering compliance with the Company's basic processes, regulations, laws, and other legal obligations. Processes are established based on the principle of superiority, protecting the legal rights of employees in each country, taking into account both Turkish and the collaborating country's laws.

In addition to human resources interviews, technical/expertise interviews are conducted by interview committees based on related procedures.

Candidates who pass the interviews successfully are subject to inventories, English tests, and similar applications. Hiring may vary between Turkish employees, local employees, and foreign citizens based on the host country's foreign worker employment processes. Priority is given to Turkish employees; however, international workforce is accessed based on the requirements and criteria of the country, aiming to ensure local employment. Recruitment platforms are used to reach candidates; announcements are managed through these platforms. Orientation programs are prepared within the scope of the orientation procedure for hired employees. The orientation program aims to accelerate the adaptation process of new employees to the Company's culture, work environment, processes, and practices, maximizing their contribution to the company and fostering loyalty. As part of the orientation process, individuals start their orientation journey with an assigned mentor.

The orientation training begins with a group introduction film, a group presentation, the "Smiling Faces of Çalık" film, and a company presentation, presented to the employee by the Recruitment Officer. Subsequently, they are introduced to intranet usage and, if applicable, the company's social media accounts, and the Company's organizational chart is shared.

Employees complete Occupational Health and Safety training and participate in scheduled department visits. On their first day, new employees are welcomed with a "welcome" kit at their desks.

Dynamic Performance Management

Performance management is the entirety of processes that enable the implementation of vision and strategy by ensuring sustainable alignment between individual goals and performance with company strategy.

Adapting all processes to rapidly changing world requirements compared to the previous year, striving for continuous improvement each year in line with Company strategies and vision, reviewing employees' competencies annually, and achieving excellence through rising performance in processes are the primary objectives. Annual interim evaluations are conducted, and at the year-end, these assessments are reviewed as the performance and goals of the year.

The results achieved by employees and the Company within a year are evaluated by the Board of Directors as corporate performance, forming Gap İnşaat's overall performance evaluation. Employees work based on the principle of superior performance in processes that contribute value to their own performance and the Company's results.

Performance Management System is conducted through the digital Human Resources Platform called ÇalıkZone. Within Gap İnşaat, where all human resources processes are digitalized, performance results constitute one of the inputs for talent management processes. The digital platform is reviewed annually for all employees, updating high potential and potential distinctions based on reserved positions and self-reserved positions, and keeping all employee information (attended trainings, obtained certifications, projects worked on, language skills, etc.) within the talent management module and is transparently monitored by the top management.

In parallel with talent management processes, personal development plans are created annually for employees to enhance their knowledge, skills, and required qualifications.

Performance evaluations are conducted regularly each year, and the outcomes support career and succession planning processes.

In May 2022, a promotion process was initiated, resulting in the promotion of 9 Gap İnşaat employees to higher roles.

CAREER MANAGEMENT OPEN TO CONTINUOUS DEVELOPMENT

Employees: The career management process aims to help employees achieve their career goals, strengthen the Company's image, increase motivation and commitment, and ensure alignment with the organizational culture.

Universities: Gap İnşaat aims to provide employment opportunities for university graduates and young talents through the New Graduate Recruitment Program, which is conducted in collaboration with Çalık Holding and Group companies and is repeated every two years. Recent graduates are placed in suitable positions regardless of domestic or international placements.

In 2022, process-oriented and systematic improvements were made by integrating expected competencies from all employees into the recruitment, performance, and career management processes.



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At Gap İnşaat, remuneration management is determined and implemented with the aim of acquiring, retaining, rewarding, and motivating the human resources necessary for sustainable success within the Company.

REMUNERATION MANAGEMENT

At Gap İnşaat, remuneration management is determined and implemented with the aim of acquiring, retaining, rewarding, and motivating the human resources necessary for sustainable success within the Company.

As a principle, a salary policy specific to the Company is established within the framework of confidentiality. Through this policy, initial salaries upon employment and the rate of salary increases for existing employees are determined.

Salary increases occur once a year during the period designated by the Company and are based on multiple criteria. Factors such as internal/external developments, performance ratings for the period, promotion/appointment processes, among others, are taken into consideration. The Human Resources Department and relevant department managers come together to determine salaries. Following approval, the new salaries are communicated to the employees.

The remuneration policy and benefits are impartially and equally applied to all employees in compliance with Çalık Holding policies.

Market scales serve as a basis for salary evaluations for both domestic and international projects.

EFFECTIVE INTERNAL COMMUNICATION PROCESSES

Gap İnşaat implements effective internal communication practices within its structure.

An Open Door policy is employed to maintain continuous communication. Employee motivation within the Company is enhanced by celebrating employees' birthdays, and the celebration of a new-born baby of an employee is shared with all Gap İnşaat employees through personalized email design.

On official special occasions, unique email designs are shared with the Company employees via email, and relevant posts are made on the Company's social media accounts.

The Company conducts a "Growing with Ideas" meeting every two months.

Meetings involving employees, managers, and HR are organized within this framework. Additionally, Gap İnşaat participates in the annual Managers' Meeting held at the Holding level once a year.

DURING THE EMPLOYEE SATISFACTION SURVEY CONDUCTED IN 2022, A SATISFACTION SCORE OF 60% WAS ACHIEVED¹.

CONTINUOUS TRAINING ACTIVITIES

For Gap İnşaat, human resources development holds significant importance in ensuring efficient operations and employee effectiveness. In this context, training activities are conducted for the development of human resources. Training needs analyses are conducted to enhance employees' competencies, and training plans are prepared for the following year. Based on these training needs analyses, new training and development PLANS are formulated, and discussions are held with expert training institutions.



¹193 men and 44 women employees participated the survey.

Training programs are categorized into two main sections: personal development and professional growth.

MAJOR TRAININGS OFFERED TO EMPLOYEES BY GAP İNŞAAT

- Entry to Work and Onboarding Training
- Orientation Training
- Technical Trainings
- Sustainability Training
- Occupational Health and Safety Training
- Environmental Training
- Emergency Response Trainings
- Carbon Footprint Training
- Human Resources Trainings
- Process-related Trainings

AT GAP İNŞAAT, 426 HOURS OF TRAININGS WERE DELIVERED TO 616 EMPLOYEES IN 2022.

During the same period;

- 4 employees have received PMP training, 4 employees have earned specialized certifications.
- 4 employees have received training in International Contract and Claim Management and obtained certification.

Gap İnşaat employees have benefitted from the content offered by Çalık Academy, established in 2021. The training provided by Turkey's top instructors on the digital platform continued throughout 2022.

In 2022, Gap İnşaat has incurred training expenses amounting to TL 180,000.²

²Headquarters training activities

DISTRIBUTION OF TRAININGS DELIVERED AT GAP İNŞAAT TO EMPLOYEES AS EXTERNAL AND INTERNAL TRAININGS (2022)

	Number of Trainings	Man/Hour
External training	70	1,276
Internal training	60	1,595
Total	130	2,871

Gap İnşaat believes that training is of great importance for the development of human resources, efficient job execution and employee effectiveness.



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VALUE CREATED THROUGH OCCUPATIONAL HEALTH AND SAFETY

GAP İNŞAAT MANAGES OCCUPATIONAL HEALTH AND SAFETY ACTIVITIES IN LINE WITH THE ZERO ACCIDENT TARGET.

Occupational health and safety is a high-priority and continuously evolving area and value for the Company.

Gap İnşaat has established a framework aimed at achieving the best Occupational Health & Safety and Environmental (OHSE) performance for all its employees worldwide.

HIGHLIGHTS

Working Hours	Unit	2019	2020	2021	2022
Total working hours	hours	7,727,058	5,045,489	6,093,687	11,553,339

OHS Indicator	Unit	2019	2020	2021	2022
Number of Accidents	Number	7	11	8	11
Number of fatal accidents	Number	0	0	0	0
Number of occupational sickness	Number	0	0	0	0
Absence due to an accident	Days	20	80	68	39
Absence	Days	0	0	0	0
Loss time Injury Frequency Rate (LTIFR)	%	0.1	0.32	0.16	0.07
Total Recorded Injury Frequency Rate (TRIFR)	%	0.18	0.59	3.12	0.19
Work days lost	%	1	3.171149516	2.231817945	0.675129502

Gap İnşaat, which conducts all its business processes with a zero-accident principle, implements various initiatives to eliminate or mitigate risks.

The Company reflects its corporate culture concerning occupational health and safety through its OHS Policy.

The Occupational Health and Safety Policy is a high-level document that guides Gap İnşaat's management systems and practices in the field of occupational health and safety. This policy is reviewed annually during Management Review meetings held under the leadership of the management.



OHS AND ENVIRONMENTAL POLICY

Gap İnşaat commits to acting according to the following principles to eliminate or minimize potential adverse impacts on customers, employees, subcontractors, suppliers, other third parties and the environment during its activities.

Purpose

This policy establishes a framework for achieving the best Occupational Health & Safety and Environmental (OHSE) performance for all employees of Gap İnşaat worldwide.

Commitment

One of our core values is our commitment to demonstrating an exceptional level of performance in protecting our employees and the environment. Keeping our employees and the environment safe is the most crucial indicator of success. We strive to excel in this regard in all our businesses and in the countries where we operate.

To advance our OH&SE program, we commit to the following:

- Providing healthy and safe working conditions to ensure that individuals entering the Gap İnşaat site due to our activities are not harmed or adversely affected and planning activities to ensure environmental protection based on the "Zero Accident" principle.
- Setting and monitoring Occupational Health, Safety

and Environmental objectives in line with the "Zero Accident" principle.

- Implementing a highly effective OHSE management system that allows for continuous review and improvement.
- Proactively identifying and managing workplace risks and opportunities.
- Complying with employer requirements and meeting all Occupational Health, Safety and Environmental laws, regulations, and standards at sectoral, local, international, and national levels appropriately.
- Developing a safety culture with high awareness where our employees accept responsibility for their own and others' safety.
- Enhancing pollution prevention, conserving natural resources, and improving our environmental sustainability goals.
- Setting and meeting effective OHSE performance targets to encourage the philosophy of continuous improvement.
- Encouraging collaboration between our employees and stakeholders for continuous improvement in OHSE performance.
- Recognizing and rewarding those contributing to excellent OHSE performance.
- Striving to make Gap İnşaat a globally preferred supplier known for conducting construction and contracting operations safely.

Gap İnşaat leaders', management's, and employees' commitment to this policy forms the foundation for a safe and environmentally conscious workplace, operational excellence, and long-term business success.

Expectations

Safety and environmental consciousness stand as the principal value of Gap İnşaat and the golden key to its success. As a company, we expect everyone to be dedicated to the culture of "Zero Accidents," committed to health, safety, and environmental excellence, joining us on our journey of continuous improvement.

With this objective, we expect the followings:

- Leaders, managers, and employees demonstrating their commitment in their decisions and practices to ensure everyone safely returns home every day.
- Employees embracing the protection of occupational health, safety, and the environment as a core value both within and outside the workplace.
- Each employee committing to ensuring their own safety and that of their colleagues.
- Every employee integrating Gap İnşaat's life-saving principles into all work processes and practices.
- Proactive identification and management of risks and opportunities in the workplace.
- Ensuring that employees are trained and prepared with the knowledge, skills, competencies, and equipment necessary to safely carry out their activities.

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- Stopping work legally until it can be carried out safely if activities cannot be safely performed, or conditions and behaviors are unsafe.
- Taking action to review outcomes of changes that could create potential risks or opportunities for reducing adverse effects and/or leveraging opportunities.
- Encouraging all employees to report safety, health, and environmental incidents, near misses, unsafe conditions, and at-risk behaviors to their supervisors immediately and carefully working within their authority to resolve the issue.

Our HSE expectations are achieved through demonstrated leadership, compliance with legal and other requirements, and the involvement of Gap İnşaat employees. This Policy is reviewed at least once a year to ensure it meets the needs of Gap İnşaat and made available for everyone's use.

GAP İNŞAAT OCCUPATIONAL HEALTH AND SAFETY PRACTICES

Regarding occupational health and safety, Gap İnşaat always invests in the necessary resources for construction sites and work environments to provide secure equipment and create safe working spaces with a belief in the zero-accident goal and awareness in preventing occupational diseases in all its activities.

Gap İnşaat is aware of the great contribution of training to employees' perspectives on OHS and to the highest point of their technical competence.

Gap İnşaat is aware of the significant contribution of education to improving employees' perspectives on HSE and enhancing their technical competencies. In this context, Gap İnşaat implements comprehensive training programs tailored to the needs of employees, not only providing the training required by legal regulations.

The training begins with HSE orientation provided to employees on their first day at the Company and continues with field training in the working areas, along with regular technical training sessions.

Technical training sessions are designed to raise awareness among all field personnel for safer work practices during activities such as working at heights, in confined spaces, or excavation areas.

Moreover, the HSE Center Department prepares and conducts project-specific training plans for Gap İnşaat projects according to the scope of work. These training sessions, as included in the plan, are delivered by experienced internal and external instructors specialized in their fields.

Besides OHS training, Gap İnşaat conducts drills related to emergency situations and their management, encouraging all stakeholders to contribute to the HSE system and aims to increase HSE awareness.

ISO 45001:2018 REQUIREMENTS OF OCCUPATIONAL HEALTH AND SAFETY MANAGEMENT SYSTEM

Gap İnşaat complies with the legal requirements of each country it operates in, both domestically and internationally, while also implementing the ISO 45001:2018 Occupational Health and Safety Management System requirements.

Gap İnşaat has established a risk-based thinking system in the field of occupational health and safety, anticipating potential emergencies and accidents. It prioritizes the assessment of emergency risks, the development of activities to reduce these risks, and the adoption of preventive measures.

Comprehensive analysis is conducted on all potential hazards, risks, environmental, and social impacts that may arise during operations. Risk management is then applied according to the outcomes of these analyses.

During the identification of risks, Gap İnşaat adheres to the "risk-based approach" principle emphasized in the ISO 45001:2018 standard. Measures identified through risk analysis are proactively implemented.

PROJECT-BASED ASSESSMENT APPROACH

Gap İnşaat conducts general risk assessments specific to each project with the participation of project implementation groups prior to the project execution phase. In addition to the content of general risk assessments, specific risk assessments for individual tasks and hazardous work analyses are conducted in collaboration with relevant department managers and field teams under the leadership of the HSE unit.

To ensure the accurate identification of hazards and risks, emphasis is placed on the involvement of employees, allowing them to share their experiences related to the tasks.

For identified risks, measures are taken in accordance with the risk management hierarchy. The measures follow the hierarchy by attempting to eliminate the risk at its source, substituting it, isolating individuals from the hazard, applying engineering controls, implementing administrative controls or providing personal protective equipment, respectively.

After the measures have been determined by the relevant departments and the HSE department, assurance is sought to ensure that the risks are at an acceptable level and following the approval from the project management, both the identified risks and the measures taken are shared with all employees.



GAP İNŞAAT HAS IMPLEMENTED NUMEROUS REGULATIONS TO ENSURE MAXIMUM EFFICIENCY AND SAFETY AT WORK ENVIRONMENTS IN ALL ITS PROJECTS.

The Company also monitors the OHS performance of its subcontractors.

It demonstrates transparency by sharing acquired corporate knowledge with relevant parties.

Gap İnşaat periodically assesses its Occupational Health and Safety Management System through internal and external audits. Findings from these audits are followed up with corrective action procedures. Evaluation activities continue within the scope of Occupational Health and Safety standardization efforts and ongoing improvement activities.

To ensure that its subcontractors and suppliers provide suitable services in terms of OHS, Gap İnşaat conducts controls.

OCCUPATIONAL HEALTH AND SAFETY COMMITTEE

Within Gap İnşaat, monthly Occupational Health and Safety Committee meetings are held at its headquarters and project sites in accordance with the regulations set forth by Law No. 6331 on Occupational Health and Safety.

Employees' views on OHS topics are obtained through employee representatives.

During these committees, the relevant term's OHS performances and identified risks are reviewed, methods to mitigate these risks are determined, discussions are held for feedback and suggestions, and actions to be taken in the next period are decided.

Gap İnşaat conducts regular OHS coordination meetings led by project managements and project OHS departments across all its projects.

In order to achieve the "Zero Accident Goal," these meetings regularly review the project's OHS performance on a weekly and monthly basis, deciding on key actions to be taken. Representatives of subcontractors' OHS supervisors and managers also participate in these meetings.

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Believing that all accidents are preventable, Gap İnşaat thoroughly investigates every unwanted incident despite the measures taken. Following these investigations and analyses, corrective activity plans are devised and their implementation is monitored. Lessons learned to prevent similar incidents from recurring are shared for informational purposes across all projects and departments.

AUDITS OF SUPPLIERS

Gap İnşaat complies with legal regulations in all its business processes.

Having executed numerous projects in CIS countries, the Middle East, and the Gulf regions, Gap İnşaat strictly prohibits the employment of child labor within its subcontractor staff.

The Company does not discriminate based on religion, language, or race among its local and foreign employees, providing equal opportunities to all its staff.



HEALTH AND SAFETY PRACTICES IMPLEMENTED BY PROJECTS

Qatar

Gap İnşaat has achieved approximately 4 million man-hours without any accidents at the Qatar Special Forces Integrated Training Centre Project (QTC) as of December 2022.

This success has been acknowledged by the employer and is frequently highlighted in meetings. At the Qatar project site, new hires receive on-the-job orientation training, daily and monthly training according to the annual training plan, and weekly safety field walks continue to be conducted.

All risk analyses are revisited by examining each work item individually; occupational OHS audits are conducted at the subcontractor workers' camp within a program framework. Acceptance checks for heavy machinery are conducted in the field, and weekly occupational health and safety coordination meetings are held with subcontractors.

The Occupational Health, Safety and Environment handbook prepared for the Qatar project is distributed to all project personnel. Inspections on the storage and use of materials classified as hazardous on the construction site are ongoing. Environmental compliance audits are conducted monthly.

Turkmenistan

Gap İnşaat, undertaking construction and contracting works for public projects in Turkmenistan for a long period, continued its commitment to occupational health and safety by adhering to pioneering innovative approaches and creating lasting values in Turkmenistan in the 2022 operational period, while leveraging modern technologies to the fullest.

In 2016, the Company relocated to a human-focused new building with a modern design. The lighting, ventilation, heating, and cooling systems inside the building focus on minimal energy consumption, enabling easy adaptation to evolving technology and rapid adjustment to regulations.

Highlights from implemented OHS practices in projects:

- Annual Occupational Safety compliance certificates have been obtained for projects in accordance with Turkmenistan State Standards. Internal audits for Integrated Management Systems were successfully conducted in 2022.
- Weekly toolbox talks (job site meetings) are conducted with the participation of all construction site workers. Safety orientation sessions are provided upon entry and recorded on a quarterly basis.
- Weekly OHSE site visits are carried out with site management. OHSE committee meetings for projects are held monthly.
- Training sessions are provided and recorded according to the annual OHSE training plan. Emergency response training and drills are conducted according to the annual plan.
- HSE manuals (in Turkish, Russian, and Turkmen) are

distributed to all employees on-site. Safety slogans in Turkish, English, and Turkmen are displayed in visible areas.

- Safety warning signs (in Turkish and Turkmen) are placed in visible areas at construction sites.
- Waste areas have been established at the construction site as part of environmental measures, and environmental education and drills continue. Additionally, measures and controls related to hazardous materials are ongoing in compliance with regulations, with separate hazardous material storage areas established.
- Daily OHSE non-compliances are identified, actions are taken, and improvements are implemented. Safety and environmental checks for machinery and equipment continued in 2022.
- Electrical safety measures have been implemented with periodic checks conducted for grounding, measurements, equipment control, color coding, panel locks, etc. Similarly, fire prevention checks are ongoing.
- Personal protective equipment has been provided to all employees and its usage is ensured. Road layouts for vehicles and pedestrians at the construction site continue, and preventive measures have been taken around excavation areas.
- Gap İnşaat aims to maintain maximum efficiency and safety by closely monitoring workplace compliance with pioneering, innovative, environmentally friendly solutions and practices.



Taksim360

- At the Taksim360 construction site, orientation training has been provided to newly employed personnel. Daily inspection forms for equipment such as tower cranes, scaffolding, slings, etc., have been implemented before each work shift, ensuring that damaged or faulty equipment is not used on-site.
- Monthly color-coded applications for electrical equipment and panels continue at the construction site. All electrical equipment is checked monthly, and only those suitable are permitted for use on-site.
- Daily field inspections are conducted on-site, and daily HSE reports are prepared to track site non-compliances, plan corrective/preventive measures, and take necessary actions.
- For equipment subject to periodic inspection on-site, tracking forms have been established. Periodic inspections are repeated based on risk assessment outcomes and within legal frameworks. Every equipment entering the construction site is brought in under the control of the occupational safety unit.
- A weekly toolbox training plan is created and training sessions are conducted daily throughout

the week. The emergency response plan is continuously updated according to ongoing construction activities and regular drills are scheduled.

- Fire extinguishers and emergency equipment are checked monthly. Waste is removed from the site daily, roads are watered for dust control, and annual environmental measurements are conducted.
- Gap İnşaat, which implements all its projects in line with international environmental standards, has earned the LEED certification for the office block of the Taksim360 project. The LEED BD+C (Building Design + Construction) Gold certificate, covering newly constructed or extensively renovated projects, is pioneering in Turkey.

Child Labor Inspection for Suppliers

- In accordance with the Calik Holding and Group Companies' Code of Business Ethics and Compliance Regulation, suppliers are subject to strict scrutiny against the possibility of employing child labor with sanctions being applied when necessary.
- During the reporting period, there have been no instances of child labor in any project undertaken by Gap İnşaat.
- Under the scope of

VALUE CREATED

VALUE CREATED THROUGH EFFECTIVE ENVIRONMENTAL MANAGEMENT

Environmental Management at Gap İnşaat, activities include the management of air-polluting emissions, water management, noise management, effective energy usage management and awareness-raising initiatives among employees to enhance environmental consciousness.

- OHSE Policy represents the tangible embodiment of Gap İnşaat's institutional culture concerning the environment. The OHSE Policy has been developed in compliance with the ISO 14001 Environmental Management System Standard.
- The Environmental Policy serves as a high-level document guiding Gap İnşaat's management systems and practices, reflecting the management's commitment to environmental concerns. This policy is reviewed annually during Management Review Meetings under the leadership of the management.

GAP İNŞAAT IMPLEMENTS MEASURES AND REGULATIONS AIMED AT MINIMIZING ENVIRONMENTAL RISKS.

Within the framework of environmental management, Gap İnşaat includes activities such as managing air-polluting emissions, water, noise, and effective energy usage, along with awareness-raising initiatives to enhance employees' environmental consciousness. These activities are monitored through internal and external audits.

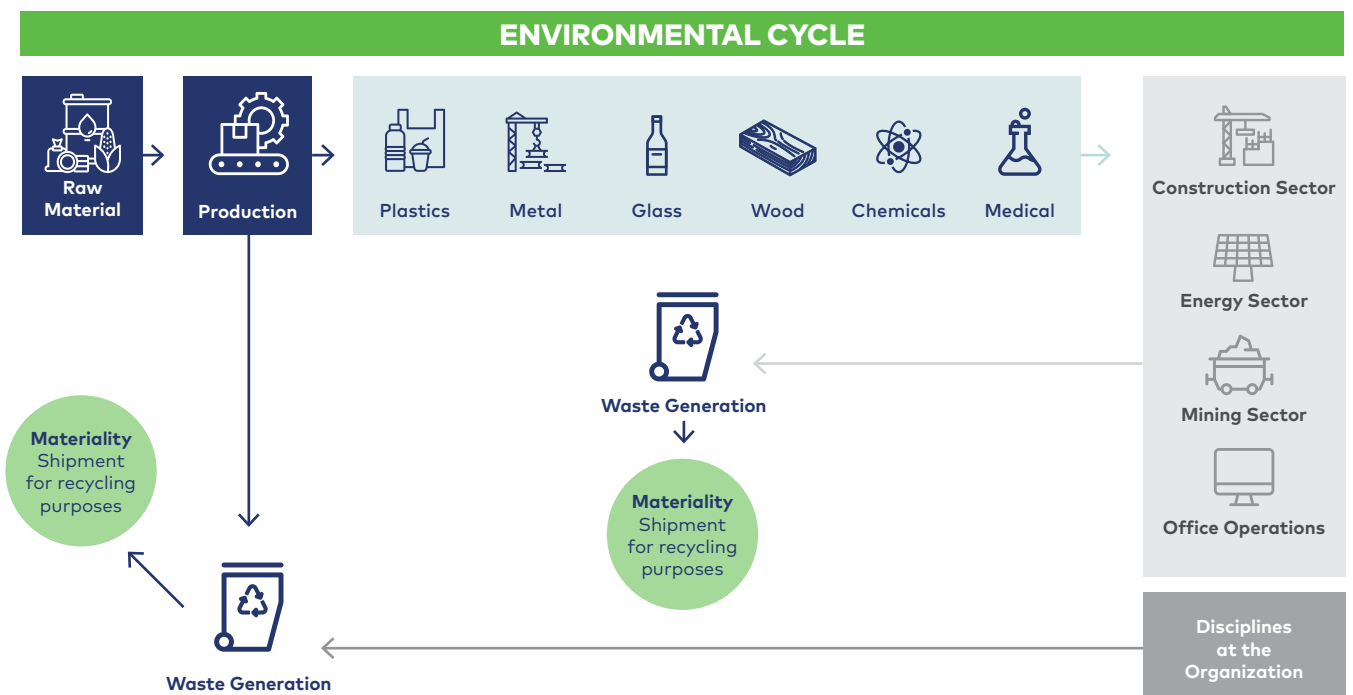
As part of independent external audits, compliance with the ISO 14001 Environmental Management System Standard is reviewed annually.

The Company places importance on environmental training

processes, aiming to increase awareness in its operations by enhancing sensitivity toward the environment.

Upon commencing employment, orientation programs for new employees include environmental awareness and waste management training. Additionally, training sessions are conducted on environmental accidents, emergency environmental management, the disposal process of hazardous materials, environmental risks, preventive measures, environmental legislation, waste management, and natural resource management to promote awareness and consciousness.

AT GAP İNŞAAT, A TOTAL OF 7,533 MAN-HOURS OF ENVIRONMENTAL EDUCATION WERE CONDUCTED IN 2022.



WASTE MANAGEMENT

FOR A LIVABLE WORLD

Gap İnşaat demonstrates an eco-friendly approach in all its activities, supporting the reduction of environmental pollution and waste while aiming to preserve the environment for future generations.

Implementing effective natural resource management strategies, Gap İnşaat conducts active waste management efforts in the regions where it operates. The Company views its waste management policy as a prerequisite for combating global climate change and preserving the life cycle.

Gap İnşaat has defined waste categories as follows:

- Hazardous Waste
- Non-Hazardous Waste
- Inert Waste

WASTE MANAGEMENT PRACTICES

Gap Construction conducts waste management based on the following principles:

- Ensuring that all employees receive informative training on waste management and adopting the globally recognized Waste Management Hierarchy,
- Implementing efforts primarily aimed at preventing waste generation in all applicable work areas, followed by reducing waste generation if prevention isn't possible,
- Creating a waste management matrix to list generated wastes,
- Conducting analyses of the location and quantity of generated wastes to identify existing environmental risks and

Gap İnşaat demonstrates an eco-friendly approach in all its activities, supporting the reduction of environmental pollution and waste while aiming to preserve the environment for future generations.

- performing an Environmental Risk Analysis to define preventive measures.
- To minimize the quantity of hazardous waste and facilitate recycling, Gap İnşaat promotes waste segregation. All generated waste is classified as hazardous or non-hazardous, and hazardous or non-hazardous wastes are segregated.
- Efforts are made to reduce the use of hazardous substances, including chemicals and petroleum products.
- Reuse of materials and, when possible, waste is encouraged.
- Materials are collected separately for possible recycling and sent to relevant facilities.
- Available fuel types are recycled for reuse.
- Waste liquids are treated using packaged treatment systems to meet legal requirements before discharge into authorized areas.
- Waste management is conducted in compliance with the legal requirements of the Republic of Turkey and the countries where projects are located.
- Proper disposal of generated wastes is ensured through the selection of suitable procedures and technology by licensed organizations.
- Only competent individuals oversee waste management.
- Relevant parties are informed about waste collection points and methods.
- Before the transport of harmless or non-hazardous wastes is given to third parties for reuse or disposal, possible effects are evaluated.
- A "Leak Prevention Procedure" is followed to prevent the spread of hazardous liquids (e.g., oil, diesel fuel, and chemicals) to contain all spills.

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OVERALL WASTE INDICATORS

Waste Management	Unit	2019	2020	2021	2022
Total amount of hazardous waste	ton	17	6	0	283 ³
Total amount of non-hazardous waste	ton	0	2	2	996 ⁴
Total Waste	ton	17	8	2	1,279
Waste water ⁵	kton	9	4.8	3.6	6.9

The empty toner cartridges, which constitute almost all of the hazardous waste in Istanbul Center, were returned to the supplier for refilling in 2022, contributing to the recycling process and reducing the formation of hazardous waste rather than being disposed of.

³Headquarters office, Taksim360 and Turkmenistan operations.

⁴Headquarters office, Taksim360 and Turkmenistan operations.

⁵Headquarters office operations

Gap İnşaat's scope of reporting for general waste indicators, excluding wastewater, expanded in the year 2022.

WASTE MANAGEMENT APPLICATIONS WITHIN THE SCOPE OF PROJECTS

Turkmenistan

As part of the projects carried out in Turkmenistan, Gap İnşaat has implemented the following waste management activities.

Household Waste: Food waste generated in projects and at the Headquarters building is collected daily in separate containers to be regularly given to stray animals on the streets.

Other household wastes have been transported to waste disposal sites approved by the country's legal authorities by authorized waste collection agencies.

Recyclable Materials: Paper, plastic, metal, etc., are collected in waste containers with nationally designated color codes and stored labeled for transportation to recycling facilities.

Hazardous Wastes: Hazardous wastes generated from machinery replenishment processes such as batteries, oils, etc., have been collected by authorized organizations.

Medical Wastes: Items like syringes and needles generated in these areas have been first disinfected with disinfectant materials such as "Superbenziden" and its equivalents, then collected in special bags and delivered to the relevant official government institutions.

Within the projects conducted in Turkmenistan, Gap İnşaat has implemented waste management activities as detailed on page 69.



TURKMENİSTAN HEADQUARTERS

Waste water	2019	2020	2021	2022
Waste Water Quantity (m ³)	56,024	51,448	61,345	110,251

QATAR

Gap İnşaat has implemented successful waste management in the project conducted in Qatar by ensuring the segregation of 8,000 m³ of hazardous waste into waste oils, contaminated waste, and medical waste

Waste Water	2020	2021	2022
Waste Water Quantity (m ³)	3,276.4	13,112.6	1,046.9

Various Waste	2020	2021	2022
Medical Waste (g)	2,700	13,000	22,910
Waste filter (number)	60	174	940
Waste oil (lt)	6,750	2,950	8,510
Mixed non-hazardous waste (m ³)	4,588.5	30,703.5	30,298



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EFFECTIVE AIR QUALITY

MINIMIZING AIR POLLUTION

Gap İnşaat monitors the air quality impacts resulting from its activities under the supervision of expert professionals.

At least once a year, Gap İnşaat conducts measurements for noise, lighting, and thermal comfort, and it has been determined that no limit values have been exceeded.

The measurements for noise, lighting, and thermal comfort at the Company's headquarters are carried out at least once a year under the coordination and control of occupational health and safety professionals. In addition to these measurements in our projects, both personal exposure to dust and ambient dust measurements are conducted. This process, carried out by experts within the legal framework, is part of our environmental impact assessment activities. Throughout the year,

Gap İnşaat monitors the air quality impacts resulting from its activities under the supervision of expert professionals.

it has been observed that no limit values have been exceeded in these measurements, and the monitoring of our environmental sensitivity activities has been maintained throughout our operations.

Highlights from key measures taken by Gap İnşaat in combating air pollution in the regions where it undertakes projects include:

- Utilizing technological and modern construction equipment and materials.
- Regular maintenance schedules for daily, weekly and monthly checks on equipment.
- Replacement of worn, loose, or unbalanced machine parts causing vibration.
- Fitting high-quality mufflers/silencers to motorized equipment.
- Ensuring machine parts are well lubricated to minimize friction.
- Establishing acoustic enclosures and barriers around generators.
- Planning activities that may cause noise pollution to take place during the most appropriate time slots.



EFFECTIVE WATER MANAGEMENT

PROPER USE OF A FINITE RESOURCE

Gap İnşaat ensures consensus by engaging in discussions with local communities and public institutions in the regions where it operates, before utilizing water resources, and strictly refrains from drawing water from areas designated for fishing.

Water is required during the construction process and for dust prevention activities. In this context, Gap İnşaat initially examines the water situation in the regions where it operates to utilize water resources. Following the assessment, the amount of water that can be used is determined.

Gap İnşaat ensures consensus by engaging in discussions with local communities and public institutions in the regions where it operates, before utilizing water resources, and strictly refrains from drawing water from areas designated for fishing.



Once the required amount of water is identified, discussions are held with local communities and public institutions within the scope of environmental impact assessment processes to reach mutual agreement. After completing the agreements on water usage rights and obtaining permits, the utilization of water resources takes place. No water intake occurs from areas designated for fishing.

HEADQUARTERS OFFICE

Water Consumption	2019	2020	2021	2022
Quantity of Water Used (Network, underground water-m ³)	11,400	6,000	4,373	6,906

QATAR

Water Consumption	2020	2021	2022
Quantity of Water Used (Network-m ³)	12,216	55,386	1,046.9

TURKMENİSTAN HEADQUARTERS

Water Consumption	2019	2020	2021	2022
Quantity of Water Used (Network-m ³)	56,024	51,448	61,345	110,251

Taksim360

Water Consumption	2019	2020	2021	2022	
Quantity of Water Used (Network-m ³)	Construction site	6,256.00	7,441.00	0 ⁶	15,344
	360-361-1	2,640.00	1,294.00	1,543	
	385-386	-	552.00	3,065	
	Total	9,223.00	9,287.00	4,548	

⁶In the water consumption data of the Taksim360 Project for the year 2021, the water consumption attributed to GAP Construction activities was reported as '0' under the section labeled 'Construction Site' due to the subcontractor being responsible for the execution of activities

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EFFECTIVE NOISE MANAGEMENT

ACTIVITIES REDUCING NOISE POLLUTION

Gap İnşaat involves stakeholder groups in efforts to determine the noise situation surrounding the construction area before the construction process begins.

In an effort to control potential environmental noise risks arising from its activities and eliminate associated damages, Gap İnşaat takes measures. With this awareness, the Company involves stakeholder groups in assessing the noise situation around the activity area and endeavors to eliminate risks before commencing the construction process.

The workplace environmental measurements at Gap İnşaat Headquarters are conducted under the supervision and coordination of occupational health and safety professionals.

Gap İnşaat involves stakeholder groups in efforts to determine the noise situation surrounding the construction area before the construction process begins.

The Company's activities aimed at preventing noise pollution in its operational areas include:

- Using technological and modern construction equipment and materials.
- Regular maintenance schedules for weekly and monthly checks on equipment.
- Replacement of worn, loose, or unbalanced machine parts causing vibration.
- Fitting high-quality mufflers/silencers to motorized equipment.
- Ensuring machine parts are well lubricated to minimize friction.
- Establishing acoustic enclosures and barriers around generators.
- Planning activities that may cause noise pollution to take place during the most appropriate time slots.



NOISE COMBATTING APPLICATIONS WITHIN THE SCOPE OF TAKSİM360 PROJECT

Taksim360 Project is located in the central district of Istanbul, Beyoğlu. To prevent noise pollution resulting from construction activities, regular frequency measurements are conducted and monitored. Additionally, throughout the project, acoustic glass is utilized with the aim of minimizing the impact of city noise upon the project's completion.



EFFECTIVE ENERGY AND EMISSION MANAGEMENT

CONTRIBUTION TO COMBAT AGAINST CLIMATE CHANGE AS A GLOBAL STAKEHOLDER

Minimum energy consumption for a sustainable world

Gap İnşaat continues its efforts to minimize its negative impact on the environment and climate by focusing on reducing energy consumption. The Company strives to utilize the latest advancements in construction technology to enhance energy efficiency.

With a commitment to leaving a more sustainable world for future generations, Gap İnşaat endeavors to minimize energy consumption in its operations. The Company remains dedicated to ongoing initiatives aimed at reducing its environmental footprint, utilizing the most recent developments in construction technology to boost energy efficiency.

CARBON EMISSION INDICATORS

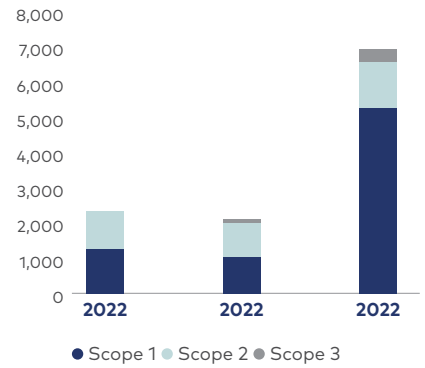
Gap İnşaat's carbon footprint calculations encompass four selected premises of the Organization: the Istanbul Headquarters, Turkmenistan Headquarters, Qatar Special Forces Integrated Training Center Project, and Taksim360 Project. The greenhouse gas emissions resulting from these activities have been calculated in total carbon dioxide equivalent.

For the calculations, Gap İnşaat included Scope 1 direct greenhouse gas emissions from its 2022 activities, Scope 2 electricity consumption-derived indirect energy-related greenhouse gas emissions, and Scope 3 other indirect greenhouse gas emissions, including "Flights and Personnel Services."

The Scope 1 direct greenhouse gas emissions constitute approximately 75% of the total emissions.

Within Scope 1 emissions, greenhouse gas emissions from fuel consumption, refrigerants, and fire extinguishers make up a significant percentage of Gap İnşaat's 2022 carbon footprint. The Scope 1 emissions for the year 2022 amount to 5,504.43 metric tons in terms of CO₂ equivalent.

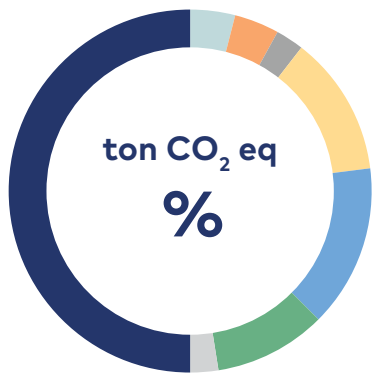
GREENHOUSE GAS EMISSION CHANGE (ton CO₂ eq)



Gap İnşaat continues its efforts to minimize its negative impact on the environment and climate by focusing on reducing energy consumption. The Company strives to utilize the latest advancements in construction technology to enhance energy efficiency.

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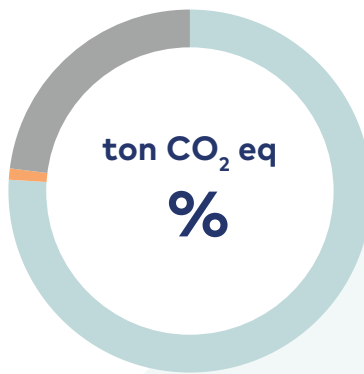
HEADQUARTERS



Stationary Combustion - Natural Gas	8
On Road- Diesel	8
On Road- Gasoline	5
Refrigerants	25
Purchased Electricity	29
Business Travels	20
Personnel Services	5
Total	100



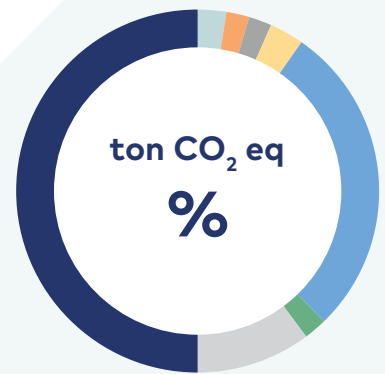
QATAR



Steady Combustion - Diesel	76
Refrigerants	1
Business Travels	23
Total	100



TURKMENISTAN



Stationary Combustion - Natural Gas	5
Steady Combustion - Diesel	4
On Road- Diesel	4
On Road- Gasoline	6
Off Road- Diesel	55
Refrigerants	4
Purchased Electricity	20
Total	100





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GAP İNŞAAT 2022 GREENHOUSE GAS RESULTS

Category	Emission type	Emission source	Location	Ton CO ₂ eq
Scope 1 Direct Greenhouse Gas Emissions	Fixed Combustion	Natural Gas	İstanbul Headquarters	57.23
			Taksim360 Project	166.97
			Qatar Special Forces Integrated Training Center Project (QTC)	-
			Turkmenistan Headquarters	317.33
	Fixed Combustion - Overall	Diesel	İstanbul Headquarters	-
			Taksim360 Project	-
			Qatar Special Forces Integrated Training Center Project (QTC)	482.6
			Turkmenistan Headquarters	257.29
	Other Fixed Combustion	Diesel	İstanbul Headquarters	-
			Taksim360 Project	-
			Qatar Special Forces Integrated Training Center Project (QTC)	-
			Turkmenistan Headquarters	2.13
	Mobile Combustion - On Road	Diesel	İstanbul Headquarters	57.68
			Taksim360 Project	23.82
			Qatar Special Forces Integrated Training Center Project (QTC)	-
			Turkmenistan Headquarters	222.6
		Gasoline	İstanbul Headquarters	37.99
			Taksim360 Project	13.54
			Qatar Special Forces Integrated Training Center Project (QTC)	-
			Turkmenistan Headquarters	361.93
	Mobile Combustion - Off Road	Diesel	İstanbul Headquarters	-
			Taksim360 Project	-
			Qatar Special Forces Integrated Training Center Project (QTC)	-
			Turkmenistan Headquarters	3182.54
Mobile Combustion - Off Road	Gasoline	İstanbul Headquarters	-	
		Taksim360 Project	-	
		Qatar Special Forces Integrated Training Center Project (QTC)	-	
		Turkmenistan Headquarters	19.46	
Leak Emissions	Refrigerant Gas Leaks	İstanbul Headquarters	55.81	
		Taksim360 Project	-	
		Qatar Special Forces Integrated Training Center Project (QTC)	3.91	
		Turkmenistan Headquarters	241.47	
Leak Emissions	Fire Extinguishing Gas	İstanbul Headquarters	0.07	
		Taksim360 Project	-	
		Qatar Special Forces Integrated Training Center Project (QTC)	-	
		Turkmenistan Headquarters	0.06	
Scope 1 Total				5,504.43

Category	Emission type	Emission source	Location	Ton CO ₂ e
Scope 2 Indirect Energy-Related Greenhouse Gas Emissions	Electricity Purchased		İstanbul Headquarters	219.54
			Taksim360 Project	5.16
			Qatar Special Forces Integrated Training Center Project (QTC)	-
			Turkmenistan Headquarters	1179.18
		Scope 2 Total		
Scope 3 Indirect Greenhouse Gas Emissions	Waste Transportation		İstanbul Headquarters	-
			Taksim360 Project	0.58
			Qatar Special Forces Integrated Training Center Project (QTC)	-
			Turkmenistan Headquarters	-
			İstanbul Headquarters	0.04
	Waste Disposal		Taksim360 Project	1.17
			Qatar Special Forces Integrated Training Center Project (QTC)	0.01
			Turkmenistan Headquarters	12.19
			İstanbul Headquarters	161.1
			Taksim360 Project	-
	Business Travels		Qatar Special Forces Integrated Training Center Project (QTC)	145.58
			Turkmenistan Headquarters	15.42
			İstanbul Headquarters	36.15
			Taksim360 Project	0.84
			Qatar Special Forces Integrated Training Center Project (QTC)	-
Personnel Services		Turkmenistan Headquarters	-	
	Scope 3 Total			373.08
	TOTAL EMISSION			7,281.39

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OVERALL ENERGY CONSUMPTION INDICATORS

İSTANBUL HEADQUARTERS

	2019	2020	2021	2022
Electricity Consumption Indicators (kWh)	676,145	506,470	449,120	498,945
Fuel Consumption Indicators				
Natural Gas (m ³)	1,250	1,351,000	253,484	29,523
Diesel (lt)	44,559.54	21,482	41,352	0
Gasoline (lt)	-	1,245	4,289	0

QATAR

	2020	2021	2022
Fuel Consumption Indicators Diesel (lt)	819,159	128,753	181,890

TAKSİM360

	2019	2020	2021	2022
Electricity Consumption Indicators (kWh)	557,922	374,286	88,550	11,731
Natural Gas Consumption Indicators (kWa)	112,888	160,162	692,253	86,143

TURKMENİSTAN HEADQUARTERS

	2019	2020	2021	2022
Electricity Consumption Indicators (kWh)	1,071,160	1,011,896	1,073,275	2,679,960
Fuel Consumption Indicators Diesel				
Diesel (lt)	343,142	483,814	7,598	1,173,174
Gasoline (lt)	63,214	110,913	44,520	162,515
Gas Consumption Indicators (m ³)	221,850	223,500	108,837	163,713



BIODIVERSITY

FOR THE SAFE FUTURE OF THE ECOSYSTEM

The 3.1 million m² artificial island within the Turkmenistan Port Project has become a sanctuary for migrating birds.

Operating all its activities under the light of environmental impact assessment, Gap İnşaat constructed the USD 1.5 billion Turkmenistan Port Project in Turkmenistan with an eco-friendly approach. In compliance with environmentally friendly port standards, the project transformed nesting areas along the migratory route of birds into a special bird sanctuary, demonstrating respect for nature.

The artificial island of 3.1 million square meters built for the freer flight of migratory birds, stands as an exemplary project in the transfer of biodiversity to future generations.

Gap İnşaat not only enhances the pace of work with the International Turkmenbashi Port Project but also safeguards nesting areas along the migratory path for a sustainable world.

At the location of the project, an artificial island has been constructed by pumping material extracted from the sea for port dredging to another area. Consequently, migratory birds continue their lives on this island, specifically designated for them, while on the sea.

The 3.1 million m² artificial island within the Turkmenistan Port Project has become a sanctuary for migrating birds.



04

CORPORATE GOVERNANCE



**BOARD OF DIRECTORS
EXECUTIVE MANAGEMENT
COMMITTEES
CORPORATE GOVERNANCE APPROACH
INTEGRATED MANAGEMENT SYSTEMS
RISK MANAGEMENT
ETHICAL PRINCIPLES AND COMPLIANCE POLICY**

BOARD OF DIRECTORS

AHMET ÇALIK

Chairman of the Board

Ahmet Çalık, one of the important business leaders of Turkey and the nearby geography, is the Chairman of Çalık Holding, which is currently operating in the energy, construction, mining, finance and textile sectors.

As a member of a family operating in the field of textiles since 1930, Ahmet Çalık started his personal initiatives in this field in 1981 and established a denim factory which is one of the largest industrial investment in Eastern Anatolia. Çalık, who started his commercial ventures abroad in Central Asia following the independence of the Turkic Republics in the 1990s, has made investments in all sectors in which the Holding operates, aiming sustainable growth.

Acting with the aim of producing added value for the operation countries, Ahmet Çalık established Çalık Holding in 1997 to unite all Group companies under one roof. Holding operates in five main sectors in 30 countries with its 15 thousand employees. Çalık Holding is the first Turkish company to become a member of the Japanese Business Federation Keidanren.

Focusing on projects that benefit people and society with its visionary investments, Ahmet Çalık prioritizes diversity, sustainability and resilience while investing in all sectors and geographies. At the same time, he acts with the principle of equality for all cultures, beliefs, ethnicities and genders, he adopts a business approach that respects the environment, and he supports social responsibility projects.

Ahmet Çalık established the Ahmet Çalık Foundation in 2022 to promote scientific research, educational studies, intellectual activities that will enable young people, scientists and

entrepreneurs to participate in technology development processes in education, science and social fields, and to contribute to the development of the entrepreneurship ecosystem.

Fields of Operation

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

Significant Investments

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

Awards and Honors

- Order of State of Turkmenistan - 1997
- Turkmenistan Mahdum Guli Award - 1997
- Order of Merit of the Turkish Republic - 1999
- Order of Merit of the Turkish Republic, Ministry of Foreign Affairs - 2002
- Order of Merit of the Grand National Assembly of Turkey - 2006

- Honorary Consul of the Republic of Kazakhstan in Bursa - 2012
- USA Ellis Island Medal of Honor - 2014
- Honorary Ph.D. from Albania Tiran University - 2014
- Honorary Ph.D. from Matsumoto Dental University, Japan - 2014
- Turkmenistan "Garaşsyz, Baky, Bitarap Turkmenistan" Medal - 2015
- Honorary Ph.D. from Kindai University, Japan - 2016
- Order of State of Japan (Order of the Rising Sun, Gold Rays with Neck Ribbon) - 2019
- Honorary Ph.D. from Malatya Turgut Özal University - 2020
- Order of the Knight of the Flag of Albania - 2022

Some of the Social Responsibility Projects

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

İZZETİYE KEÇECİ**Board Member**

Born in 1975, İzzetiye Keçeci graduated from the International Relations Department of Istanbul University Faculty of Economics in 1997. In the same year, he started his professional career at Gap Tekstil, a company within Çalık Holding. Subsequently, he held various roles in Human Resources departments across Group companies. From 2009 to 2016, Keçeci served as the Human Resources Director at Çalık Holding. Between 2017 and 2022, within Çalık Holding, he undertook roles as Operation Group President responsible for Human Resources, Organization, Process Development and Project Management. As of September 2022, Keçeci continued his role as an Advisor to the Chairman of the Board of Directors at Çalık Holding. Additionally, he serves as a Board Member at Group companies, Gap İnşaat, Çalık Enerji, BKT, and YEDAŞ.

ALİ İHSAN KURALKAN**Board Member**

Ali Kuralkan graduated from the Department of Electronic Engineering at Eastern Mediterranean University. He holds an International Management MBA degree and a diploma in Telecommunications Marketing from INSEAD. He began his career in Belgium and worked for approximately 14 years at Alcatel-Lucent. After his role as Commercial Director at Alcatel-Lucent, he led the service provider business for the Middle East Europe region at Cisco Systems and served as the General Manager for Central Asia. Between 2012 and 2018, he was the General Manager for International Markets at Netaş and subsequently served as the CEO of MTH Technologies B.V. As of October 2020, Ali Kuralkan holds the position of General Manager and Board Member at Çalık Digital.

MUSTAFA FATİH GENÇ**Board Member**

Fatih Genç completed his undergraduate degree in Civil Engineering at the Middle East Technical University in 1978. He worked at various levels within the STFA Construction Group for over 34 years, undertaking the role as the General Manager. Subsequently, he assumed positions such as General Manager at İçtaş & Astaldi partnership, Board Membership at IC İçtaş and the Country Manager for Taca Construction in Saudi Arabia. In 2017, Fatih Genç's path crossed again with STFA Construction Group, where he worked as a Project Management Committee Member in Kuwait. As of 2019, he serves as a Board Member for Çalık Enerji and Gap İnşaat.

ORHAN GÜNDÜZ**Board Member**

Orhan Gündüz obtained two separate undergraduate degrees with honors; one in International Relations in 1993 and the other in Business Administration in 1995 from Bilkent University. He completed his MBA at the Kellogg School of Management at Northwestern University in the United States in 2001, specializing in Finance, General Management, and Strategy. He started his professional career at PwC and subsequently held roles including Manager at JPMorgan Chase Bank in the United States, Senior Credit Portfolio Manager at Deutsche Bank Turkey and Credit Portfolio Manager at Lehman Brothers. From 2008 to 2012, he concurrently served as CFO and General Manager at Akfen GYO. Following this, he undertook roles such as Managing Director of Galataport Port Management and Investments from 2013 to 2015, and as the General Manager of Eczacıbaşı Real Estate Development and Investment from 2016 to 2020. As of 2020, Orhan Gündüz holds a senior executive position responsible for real estate investments at Çalık Holding and serves as a Board Member at Gap İnşaat.

EXECUTIVE MANAGEMENT

Name-Surname	Title
Rıza Ađın	Deputy General Manager of Finance
Sadettin Korkmaz	Deputy General Manager of Technical Affairs
Kaan Alkan	Deputy General Manager of Industrial Projects
Aziz engel	Deputy General Manager of Business Development and Qatar Country Manager
Gonca zgül	Deputy General Manager of Sales and Marketing
Ömer Aydın	Turkmenistan Country Director
Mehmet Dernek	Board of Directors Real Estate Advisor- Director
Cüneyt Altınok	Director of Implementation
Hamit Mehmet Eşigök	Director of Implementation
Berna Nalciođlu	Director of Human Resources
Mehmet Gel	Director of Corporate Communications

COMMITTEES

The committees established at Gap İnşaat provide support for the effective functioning of business processes and systems to ensure the Board of Directors fulfills its duties and responsibilities comprehensively.

The committees operating under Gap İnşaat's Board of Directors include:

- Audit Committee
- Discipline Committee
- OHS Committee
- HR Committee
- Procurement Committee

AUDIT COMMITTEE

Gap İnşaat's Audit Committee oversees the compliance of accounting and reporting activities within the framework of relevant laws and regulations, the disclosure of financial information to the public, and the functioning and effectiveness of independent auditing and internal control systems. The committee convenes at least four times a year, with meetings held at intervals of no less than three months. The outcomes of these meetings are documented and presented to the Board of Directors.

Throughout 2022, the Audit Committee continued its effective efforts to review matters related to corporate governance, ensuring that the Board of Directors fulfills its duties and responsibilities regarding supervision and oversight in a healthy manner.

MEMBERS OF THE AUDIT COMMITTEE

Chairman of the Committee

Mustafa Fatih Genç
Board Member

Committee Member

Saim Üstündağ
Head of Audit Group

Committee Member

Ayşe Nilüfer Türkçü Hıra
Director of Legal Affairs

Committee Member

Veysel Şahin
Board Member

CORPORATE GOVERNANCE APPROACH

Gap İnşaat's corporate governance process, a vital element contributing to its success, advances under Çalık Holding's visionary approach, driven by the goal of full compliance with prevailing regulations and laws.

Corporate governance, supporting the establishment and implementation of a robust risk management system, enables accurate and effective decision-making through processes, practices, and policies.

Structured centrally within Çalık Group, corporate governance practices ensure that Group companies conduct their operations in alignment with the Holding's strategies, values, ethical standards and defined objectives.

Recognizing the significance of corporate governance practices alongside financial performance, Gap İnşaat demonstrates meticulousness in regulating its relations with stakeholders and determining the roles, authorities, and responsibilities at various management levels.

As an organization operating on project-based approaches, the Company efficiently manages its risks and opportunities through data-driven analysis, adopting a proactive stance to swiftly address potential issues.

Benefiting from Çalık Holding's visionary management approach, Gap İnşaat boasts strong leadership, taking robust steps towards the future.

The Board of Directors, led by the Chairman Ahmet Çalık, leverages their extensive experience and expertise, providing guidance across all business processes.

INTEGRATED MANAGEMENT SYSTEMS

Gap İnşaat consistently reflects its high health and safety standards, its meticulous care for environmental preservation and the globally recognized technical expertise it brings to every project it undertakes.

Focusing not only on financial success, Gap İnşaat effectively continues to succeed in aspects such as human resources, reducing environmental impact, improving technical infrastructure, nurturing intellectual capital and engaging stakeholders within the value chain.

Structuring its management systems under an integrated framework, Gap İnşaat conducts internal audits within this scope and implements corrective actions based on the findings.

In line with national and international standards, Gap İnşaat conducts all its activities under the ISO 9001 Quality Management System, ISO 14001 Environmental Management System and ISO 45001 Occupational Health and Safety Management System. These management systems, working systematically and in an integrated manner towards common goals and policies, contribute to Gap İnşaat's performance and support the sustainability of its operational cycle.

The Company maintains its management systems by investing in multifaceted projects, periodically reviewing its processes in terms of audit, evaluation and improvement and taking steps aligned with global trends.

Gap İnşaat undergoes audits by independent auditing firms to maintain the validity of its certifications through re-certification audits every three years based on national and international standards. Its design, construction, and contracting services undergo interim audits both at the headquarters and project levels.

In 2022, Gap İnşaat successfully completed the re-certification audits for ISO 9001:2015, ISO 14001:2015, and ISO 45001:2018 Quality, Environmental, and Occupational Health and Safety Management Systems, meeting all the requirements and standards for certification renewal.

Additionally, Gap İnşaat Istanbul Headquarters, during the COVID-19 pandemic, adhered to the Turkish Standards Institution (TSE) "COVID-19 Hygiene, Infection Prevention, and Control Certification Program," and obtained the "TSE COVID-19 Safe Service Certificate" after passing the audit.

Gap İnşaat undergoes regular inspections by the Turkish Ministry of Labor and Social Security concerning occupational health and safety in domestic projects, as well as compliance with environmental legislation by the Turkish Ministry of Environment, Urbanization and Climate Change. The Company conducts all its activities in compliance with the regulations of the Occupational Health and Safety Law No. 6331, the Environmental Law No. 2872 and the laws and regulations of the countries in which it operates.

STANDARD, CERTIFICATES AND LICENSES

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

ACCREDITATIONS

- UKAS (United Kingdom Accreditation Service)

INTEGRATED MANAGEMENT SYSTEMS

QUALITY MANAGEMENT

Gap İnşaat maintains its corporate quality standards by considering the needs and expectations of its customers and all other stakeholders in all projects it undertakes.

The Company reflects its corporate culture regarding quality across all domestic and international locations through its Quality Policy. This policy is revisited and re-evaluated every year during Management Review meetings, led by the management.

QUALITY POLICY

Gap İnşaat's Quality Policy establishes a framework for the continuous and effective application of a quality approach across all business processes to achieve the Company's strategic objectives.

The principles committed to for minimizing or eliminating negative effects on product quality in the Company's dealings with employers, employees, subcontractors, suppliers and other stakeholders in their work are outlined below:

- Commitment of company leaders, management and employees to this policy along with the utilization of a process approach, forming the foundation for long-term business success across all processes.
- Enhancing employer satisfaction by meeting employer requirements and expectations and achieving profitable growth through applicable services.
- Increasing competitive capacity by establishing harmonious collaborations based on mutual trust with employers, subcontractors, suppliers, employees and other stakeholders regarding sustainability.
- Delivering structures, products, and services built for specific purposes in compliance with feasible time, cost, occupational safety, environmental and quality conditions.
- Embracing innovative and pioneering advancements in the industry, learning and developing

advanced technologies, competing through knowledge and system superiority.

- Documenting the Quality Management System in a development-oriented approach, reviewing, continuously improving, and enhancing it to meet its requirements.
- Publishing management systems and controls, ensuring understanding by employees, and complying with applicable conditions.
- Setting and meeting quality objectives based on the fundamental principles of continuous improvement.
- Identifying, evaluating, monitoring and taking action, when necessary, on risk elements and opportunities that may affect achieving company goals within the framework of corporate risk management.
- Enhancing employees' competencies and career development through professional and personal development training programs to ensure more effective and efficient work.
- Identifying and preserving corporate knowledge, maintaining and sustaining corporate culture, valuing and safeguarding corporate assets.

QUALITY APPLICATIONS

Gap İnşaat aims to conduct its processes and operations in a progressively systematic manner. The Company's business processes progress according to internationally recognized procedures. It considers its ISO 9001:2015 Quality Management System, ISO 14001:2015 Environmental Management System and ISO 45001:2018 Occupational Health and Safety Management System certifications as binding agreements. All processes from engineering stages to implementation are handled meticulously, meeting and exceeding the conditions specified in these certifications.

Through continuously reviewed business processes, the implementation plan, procedures, specifications, and the outline of designs incorporate the best and most current practices. Every engineering detail in completed and ongoing projects is continuously scrutinized, reevaluated, and innovative engineering solutions are continuously researched and developed for better and more effective outcomes.

Adhering to the adopted "zero accident" policy, Gap İnşaat prioritizes occupational safety as the primary principle of its work. It ensures safe working environments for its employees, supports them with periodic training, and conducts regular inspections to safeguard their well-being.

Furthermore, Gap İnşaat closely monitors the quality performance of subcontractors. The Company exhibits transparency in sharing corporate information with relevant parties, performs checks to ensure that subcontractors and suppliers deliver appropriate services regarding quality.

To maintain the effectiveness of its Quality Management System, Gap İnşaat periodically conducts internal and external audits to control its processes. Findings from audits are tracked through a corrective action system. Continuous improvement activities are ongoing in evaluation and quality standardization efforts as part of the development process.

GAP İNŞAAT'S QUALITY STANDARDS

- Evaluation of Compliance (Standards and Other Specifications)
- Quality Objectives
- Quality Performance Indicators
- Monitoring Defined Processes
- Quality Audits
- Continuous Improvement
- Risk and Opportunity Management
- Trainings
- Customer Satisfaction
- Management Review
- Corporate Knowledge/ Accumulated Experiences and Practices
- Project Management and Process Improvement
- Change Management

RISK MANAGEMENT

Risk management has always been an integral part of the decision-making process within Çalık Holding companies, including Gap İnşaat, which operate in different geographies and sectors.

In Çalık Holding, risk management initiatives are conducted by the top management teams of each company under the supervision and oversight of the Holding Board of Directors. Through a corporate and centralized risk management approach, risks are identified within the companies, their impact and likelihood are analyzed, and measures are devised to mitigate risks and identify opportunities.

GROUP'S RISKS ARE CLASSIFIED AS FOLLOWS:

Financial risks encompass asset-liability risk, credit risk, capital/debt ratio, exchange rate risk and other risk factors that may impact the Company's financial position.

Operational risks refer to factors that may affect the effectiveness, efficiency, profitability, reputation and business continuity of operations in line with the Company's objectives.

Strategic risks are related to the country, geography, and competitive environment where the company operates, influencing the Company's existence and sustainable growth.

Extraordinary circumstances and disasters such as fire, earthquake, and flood are risk factors that can adversely affect business continuity.

These risks are evaluated from a portfolio perspective at the Holding level and risk management approaches are developed by the Holding's top management. Risk management activities of group companies are carried out by the respective Boards of Directors and risk management teams in coordination with the sector-specific members of the Holding's top management.

Gap İnşaat manages its financial, operational, strategic, compliance, reputation, and reporting risks through an internally established Risk Committee under the supervision of the Çalık Holding Board of Directors.

INTERNAL AUDIT APPLICATIONS

As a company engaged in international operations, Gap İnşaat prioritizes effective risk management and internal audit activities as part of its responsibility. Therefore, internal audits within Gap İnşaat and other companies under the umbrella of Çalık Holding are conducted by the Holding Audit Group Presidency to ensure a more independent oversight by a higher authority.

Within this framework, risks are regularly reviewed and risk management plans are prepared based on the outcomes of the conducted activities. The annual audit plan prepared within the framework of an internationally compliant risk assessment model and a risk-focused audit approach is implemented upon approval by the Chairman of the Board and the Audit Committee.

The Çalık Holding Audit Group Presidency is responsible for conducting audit activities in financial, operational, information systems, and technical matters within Çalık Holding and its group companies in line with the annual audit plan and providing advisory services when necessary.

Operating under the principle of independence, the Çalık Holding Audit Group Presidency operates directly under the authority of the Chairman of the Board and the Audit Committee within the organizational structure to ensure the ability to carry out activities independently.

The Audit Group assesses the Internal Control System of Çalık Holding and its subsidiaries in line with COSO standards and best practices to evaluate its effectiveness.

ETHICAL PRINCIPLES AND COMPLIANCE POLICY

Gap İnşaat adopts Çalık Holding's Code of Ethics as a guiding principle in its business approach and conducts all its activities based on principles such as fairness, human-focus, integrity, dedication, innovation, agility and a perspective of sustainability.

Ethical rules establish boundaries and deter negative behaviors of individuals within the Company or society. They encompass not only the distinction between right and wrong but also the commitment to doing what is ethical.

Gap İnşaat adopts an approach focused on creating value for its stakeholders across all the regions it operates in. With this perspective, the Company strives for customer satisfaction, contributes to the development and progress of the countries and regions it operates in, delivers products and services at international standards and quality, and endeavors to be fair to all its stakeholders.

The Company conducts all its activities with a focus on justice, agility, wholehearted dedication, human-focus, reputation, sustainability, and innovation. Both the Company and its employees meticulously adhere to their responsibilities towards laws, customers, fellow employees, shareholders, suppliers, subcontractors, business partners, stakeholders, competitors, society, humanity and the Company itself. Employees are expected to act in accordance with shared values and defined behavioral standards while carrying out their duties and transactions.

ORGANIZATIONAL STRUCTURE OF THE ETHICS BOARD

Gap İnşaat's business approach is shaped within the framework of the Çalık Holding Business Ethics Rules and Compliance Regulation prepared for the Çalık Group.

The oversight of ethical principles is carried out by the Ethics Board established within Çalık Holding, operating under the authority of the Chairman of Çalık Holding's Board of Directors. The Ethics Board is composed of the following individuals:

- Chairman - Head of Çalık Holding Audit Group
- Member - Head of Çalık Holding Operations Group
- Member - Legal Director of Çalık Holding

The Head of Strategy and Financial Relations Group and the Head of Financial Affairs Group serve as substitute members. In case a member is unable to attend a meeting due to force majeure or due to a conflict of interest involving a colleague from the same department, the substitute member is required to attend the meeting on behalf of the absent member.

Employees are expected to comply with this regulation in their tasks and operations. In the event of ethical violations, disciplinary measures outlined in the Discipline Penalties and Implementation Regulation are enforced by the Ethics Board.

"ZERO TOLERANCE" IN COMPLIANCE WITH LAWS AND ANTI-CORRUPTION

Gap İnşaat has prohibited bribery and corruption acts in all its activities, including internal procedures, particularly within business contracts. All employees and third parties acting on behalf of Gap İnşaat are obliged to adhere to anti-corruption rules and legal requirements of the countries they operate in, including the Republic of Turkey. These requirements include laws and regulations related to corruption and bribery, such as the Turkish Penal Code (Law No. 5237), Administrative Offenses Law (Law No. 5326) and Law No. 5549 on the Prevention of Laundering Proceeds of Crime.

BUSINESS ETHICS RULES AND COMPLIANCE REGULATION

Gap İnşaat successfully continues its efforts in conducting investigations regarding unethical actions that come to its attention, updating the Business Ethics Rules and Compliance Regulations, providing ethical and compliance training to employees and increasing awareness related to the Ethics Hotline.

ETHICAL PRINCIPLES AND COMPLIANCE POLICY

COMMUNICATION CHANNELS FOR STAKEHOLDER EXPECTATIONS AND SUGGESTIONS

Gap İnşaat accepts stakeholder suggestions and expectations regarding ethics through the communication channels listed below:

- Web: <https://etik.calik.com/>
- E-mail Address: etikhat@calik.com
- 0212 306 58 78 numbered Ethics Communication Hotline
- Çalık Holding Notification Supervisor, Büyükdere Cad. No: 163 34394 Zincirlikuyu Şişli-İstanbul

ETHICAL DECISION-MAKING

Gap İnşaat employees are required to follow the steps below to make ethical decisions while performing their duties:

Understanding the incident, decision or issue:

- Have you been asked to do something that you think might be wrong?
- Are you aware of any employee engaging in behavior or attitudes that are illegal or unethical?
- Do you know the relevance of the Business Ethics Rules to the decision/action you are about to take?

Deciding on the course of action:

- Review all relevant facts and information.
- Design the most appropriate course of action.

Testing the decisions:

- List the questions that you need to consider.
- Check the alignment of your decision with the Company's values.

Questions for employees to ask themselves to avoid behaving contrary to Business Ethics Rules in their decisions and actions:

- Does my decision feel right to me?
- Is my decision in line with Business Ethics Rules?
- Is there any legal obstacle?
- Could it have negative reflections for myself or the Group?
- Who else might be affected by this decision or action?
- Is there an alternative decision or action that wouldn't conflict with Business Ethics Rules?
- Consulting the relevant individuals

RISK MANAGEMENT POLICIES TO PREVENT CONFLICT OF INTEREST

Conflict of interest refers to any material or immaterial interest that affect or could affect employees in carrying out their duties in an unbiased manner, as well as any personal interest related to these.

At Gap İnşaat, it is essential for employees to refrain from any activity that could create a conflict of interest. The Ethics Board and Gap İnşaat Discipline Committee conduct investigations, audits, and inquiries into matters falling within their respective domains, in accordance with their procedures and relevant public regulations.

The methods for communicating these matters are defined in the regulations as follows:

Firstly, notification to their immediate supervisors.

If the issue concerns the immediate supervisor or Top Management, notification should be made to the Holding Compliance Officer/Company Compliance Officer and the Ethics Hotline.

If no action is taken regarding the matter, notification should be made to one or more members of the Holding Ethics Board.

According to Company procedures, all forms of conflict of interest are prohibited and in case of any contrary instances, it is recorded that action will be taken in accordance with the Business Ethics Rules and Compliance Regulation, as well as the Discipline Penalties and Implementation Regulation.

ACCEPTING OR GIVING GIFTS

Gap İnşaat has established strict rules for its employees regarding their relationships with external stakeholders such as customers and suppliers. According to these rules, employees are prohibited from accepting any form of gift, gain, assistance, hospitality, special discount or commission that may influence their own interests or their impartiality, decisions, and behaviors.

Non-cash offers from customers and suppliers, such as free holidays, discount vouchers or gift vouchers are also considered as gifts and should not be accepted. However, in cases where rejecting gift offers from customers and suppliers is deemed incompatible with commercial traditions, customs, or practices, a limit of Euro 150 has been set for the value of the accepted gift. If the value of the gift exceeds Euro 150 or if there is a possibility that its value may exceed this limit due to its unknown value, the employee is required to inform their reporting manager and the Company Compliance Officer. The received gift is then handed over to the Human Resources Department to be registered as company property. When determining these amounts, the total value of gifts received directly or indirectly from the same real person or legal entity during a calendar year is taken into account.

Employees are allowed to give or receive hospitality or meals among themselves, provided that it complies with commercial traditions, customs or practices.

However, employees are prohibited from accepting cash regardless of the amount, borrowing from suppliers, competitors or customers, having their travel expenses, event expenditures, or similar payments covered. Employees are not allowed to engage in mutual lending relationships with other employees.

PROTECTION OF COMMERCIAL SECRETS AND CONFIDENTIALITY

Employees of the Company are obliged to protect confidential information, undisclosed information not yet made public, information covered by "confidentiality agreements" signed with third parties, employees' personal rights and the intellectual property rights belonging to the Company. These obligations persist indefinitely even after the termination of the employment relationship with the Company. Employees are not allowed to use or disclose any information they acquire for their own benefit or that of third parties.

Company employees, whether related to their duties or not, must take care to protect confidential information, including those belonging to suppliers, customers, and stakeholders. Employees, aware that confidential information is the property of the Company and must remain within the corporate environment, may only share it with authorized individuals within the scope of their authority, in line with the Company's objectives, as required by their work, and when legally mandated.

Passwords, user codes, authorizations and similar identifying information used to access the Company's information systems are kept confidential, not disclosed to anyone other than authorized users, and not taken outside. It is the responsibility of the employees to be aware of all policies related to the secure management, distribution, transportation, storage or destruction of confidential information.

POLITICAL ACTIVITIES

Regarding political activities, demonstrations, propaganda and similar purposeful movements are not permitted within the premises of the workplace. Company resources such as vehicles, computers, emails, etc., are not allocated for political purposes or activities.

ETHICAL PRINCIPLES AND COMPLIANCE POLICY

UNFAIR COMPETITION

Employees are expected to fully comply with competition rules and laws in the countries where the Company operates, upholding the principles of fairness and honesty in competition without compromise. It is of utmost importance to maintain fairness and treat suppliers and subcontractors with accuracy and respect in relationships. The Company selects its collaborators based on criteria such as performance, price, technical and financial capabilities, as well as quality.

While the service relationship continues, employees are not permitted to provide services to third parties for compensation that would breach their loyalty obligation, especially engaging in competition with the Company.

It is essential that the employment contracts or other written agreements between the Company and its employees include clauses that adhere to the "laws of the Republic of Turkey" and/or the "relevant legislation in the country of operation" concerning competition restrictions.

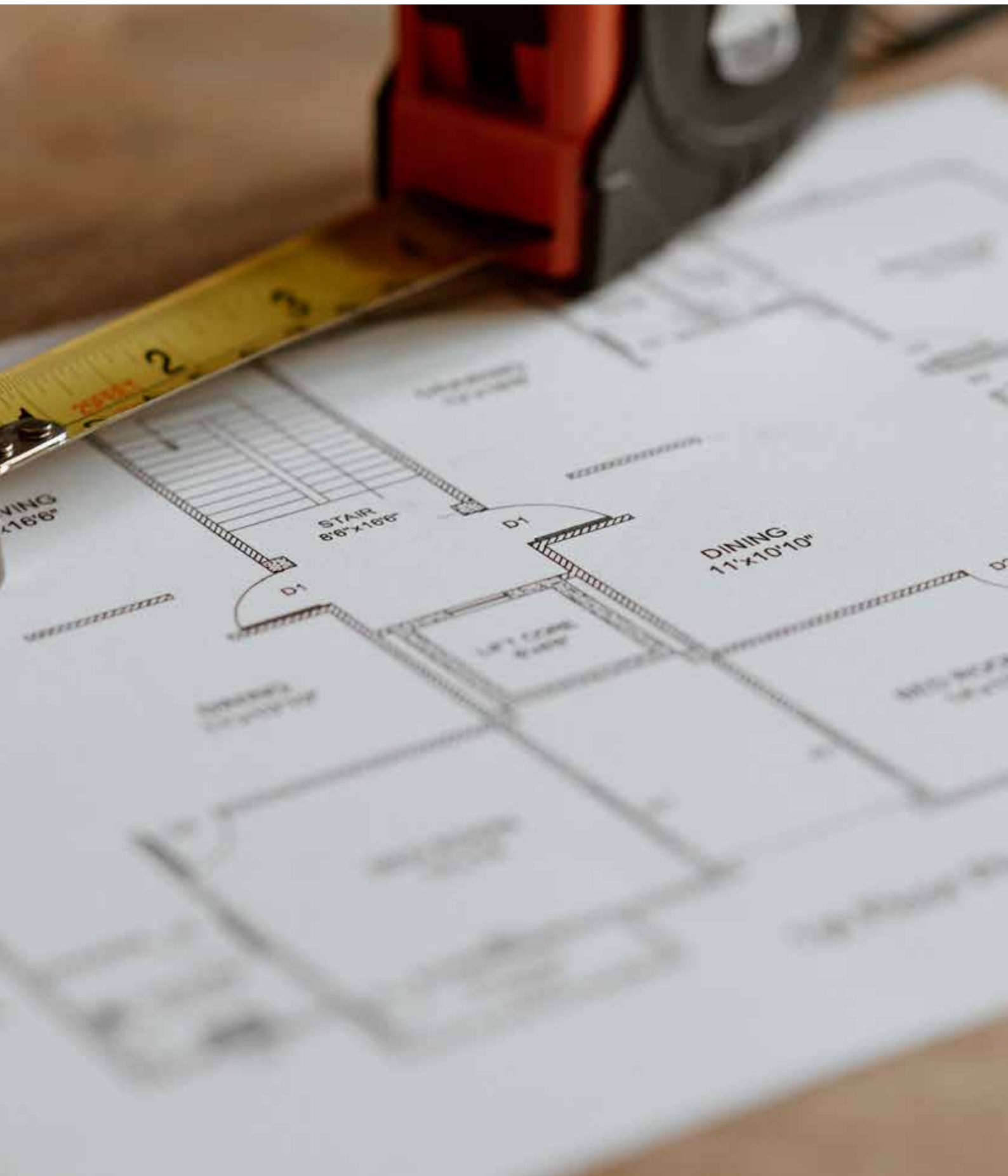
MEDIA RELATIONS AND EXTERNAL COMMUNICATION

Gap İnşaat prioritizes open and transparent communication with the media, maintaining an impartial stance towards media organizations. Care is taken to ensure that corporate messages, information and statements are not misleading to the public and efforts are made to have communications with the media in written form.

Requests for financial or industry-related information regarding the Company from the media are responded to by authorized individuals coordinated by the Corporate Communications Department. Communication regarding Company policies, practices, and procedures is carried out only by authorized individuals, also coordinated through the Corporate Communications Department. Providing statements to any media outlet, conducting interviews, participating as a speaker in seminars, conferences, etc., involving Company top management requires approval. These activities do not yield any personal gain.

PERSONAL DATA PRIVACY

All employees are obliged to comply with the "Personal Data Protection Law," the published "Çalık Group Personal Data Protection and Processing Policy", "Information Systems Usage Instruction" and the requirements outlined in rules, processes, procedures and related application instructions concerning the use of technology, ensuring the protection of personal data.



VING
x16'6"

STAIR
6'6" x 16'6"

DINING
11' x 10' 10"

LET CLERK
6' x 6'

STAIR
6'6" x 16'6"

STAIR
6'6" x 16'6"

**GAP İNŞAAT YATIRIM VE DIŞ TİCARET ANONİM ŞİRKETİ AND ITS SUBSIDIARIES
CONSOLIDATED FINANCIAL STATEMENTS AS AT AND
FOR THE YEAR ENDED 31 DECEMBER 2022
WITH INDEPENDENT AUDITOR'S REPORT**

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of Gap İnşaat Yatırım ve Dış Ticaret Anonim Şirketi,

Report on the audit of the consolidated financial statements

Opinion

We have audited the consolidated financial statements of Gap İnşaat Yatırım ve Dış Ticaret Anonim Şirketi ("the Company") and its subsidiaries ("the Group"), which comprise the consolidated statement of financial position as at 31 December 2022, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the 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 31 December 2022, 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 a separate opinion on these matters.

The Key Audit Matter	How the matter was addressed in our audit
<p data-bbox="113 461 368 495">Revenue Recognition</p> <p data-bbox="113 510 651 696">Revenue from construction projects constituted 63% of the Group's total revenue. The revenue from construction contracts of the companies in construction sector is amounting to TL 2.758.929 thousands and total construction cost is amounting to TL 2.603.855 thousands.</p> <p data-bbox="113 725 671 1070">The construction projects are complex and exposes the Group to various business and financial reporting risks. The revenue from construction contracts is calculated using the input method, and the Group recognizes revenue when it satisfies the performance obligation in accordance with IFRS 15 "Revenue from Contracts with Customers". The Group recognises revenue in accordance with input method to compare proportion of contract costs incurred for performance obligation with expected total contract costs of related performance obligation.</p> <p data-bbox="113 1099 655 1413">The recognition of revenue and the expectation of the outcome of construction contracts with project specific terms require significant management judgement, in particular with respect to expectation the cost to complete and the amounts of variation orders and claims to be recognised. Due to the significance of the estimates, assumptions, the level of judgements and its complex structure, revenue recognition on construction contracts has been identified key audit matter.</p>	<p data-bbox="791 510 1270 573">Our audit procedures performed for testing the revenue recognition include the following:</p> <ul data-bbox="791 584 1353 1648" style="list-style-type: none"> - The terms and conditions of the important construction contracts were examined in terms of evaluating the estimates used by the management and determining whether the revenue was recognized in the relevant periods. - The status of the ongoing projects was discussed with the Group's financial and technical teams was discussed and supporting documents were provided. - The ongoing projects of the Group were visited and the estimated completion rates were observed. - The processes related to the determination of the accuracy and timing of the revenue included in the financial statements were examined and the design, implementation and effectiveness of the controls on the processes were examined. - The ones selected by the sampling method among the costs incurred by the Group in ongoing construction projects have been tested with supporting documents. - Revenues from construction contracts are recalculated by us using the input method. - Comparison of the cost budgets and prospective estimates of construction contracts with the results of the past year was evaluated and the current assumptions of the management regarding the progress levels of construction projects and the change of cost budgets were examined by us. - The explanations in the consolidated financial statement footnotes related to revenue were examined and the adequacy of the information and explanations in the footnotes were evaluated in terms of IFRS.

INDEPENDENT AUDITOR'S REPORT

The Key Audit Matter	How the matter was addressed in our audit
<p>Valuation of Investment Properties</p> <p>As disclosed in Note 2.3 and 14, the Group recognizes its investment properties at their fair values, after the initial recognition. As of 31 December 2022, fair value amount of the investment properties disclosed in the consolidated financial statements has been valued at TL 2.190.669 thousand by a POA licensed independent appraisal company and details of the valuation have been disclosed in Note 14.</p> <p>Due to the fact that investment properties are significant part of the Group's assets and applied valuation methods contain significant judgements and assumptions, we have considered the valuation of investment properties as a key audit matter.</p>	<p>We assessed the qualifications, competencies and independence of the professional appraisers engaged by the management:</p> <ul style="list-style-type: none"> - In our audit, we assessed whether the valuation methods as applied by appraisers are acceptable for valuation of the underlying investment property. We reconciled the appraised values in the valuation report with disclosed amount in Note 14. - Among the other audit procedures we performed, we verified the assumptions (including real discount rate and market data) used by the external appraisers in their valuations against external data. For this assessment we involved valuation experts of a firm which is in our audit network to our audit procedures. - Due to the high level of judgment in the valuation of investment property and the existence of alternative assumptions and valuation methods, we assessed if the result of the external valuation is within an acceptable range. - We also examined the suitability of the information in the financial statements and explanatory note, given the importance of this information for users of the financial statements.

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

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS, 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 consolidated financial reporting process.

Auditors' 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 auditors' 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.

INDEPENDENT AUDITOR'S REPORT

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' 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 auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

Kaan Birdal
Partner
March 27, 2023
Istanbul, Turkey

GAP İNŞAAT YATIRIM VE DIŞ TİCARET ANONİM ŞİRKETİ AND ITS SUBSIDIARIES
**AS AT 31 DECEMBER 2022 CONSOLIDATED STATEMENT
 OF FINANCIAL POSITION**

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

	Note	Current Period Audited 31 December 2022	Prior Period Audited 31 December 2021
ASSETS			
Current assets			
Cash and cash equivalents	5	389.376	331.716
Financial Investments		13.312	-
Trade receivables	7	309.906	200.462
- Due from related parties	4	24.218	45.475
- Due from third parties		285.688	154.987
Other receivables	8	1.969.327	1.246.043
- Due from related parties	4	1.149.066	429.350
- Due from third parties		820.261	816.693
Contract assets		1.097.759	696.448
- Contract assets from ongoing construction and contracting projects	16	1.097.759	696.448
Inventories	9	2.628.473	1.498.647
Prepaid expenses	10	697.274	326.933
Current tax assets	21	5.360	11.252
Other current assets	15	113.663	84.824
Total current assets		7.224.450	4.396.325
Non-current assets			
Trade receivables	7	10.723	581.591
- Due from related parties		-	-
- Due from third parties	7	10.723	581.591
Other receivables	8	6.160.997	4.465.532
- Due from related parties	4	5.983.456	4.265.280
- Due from third parties		177.541	200.252
Financial investments		1.724.779	195
- Financial assets measured at fair value	4	1.724.584	-
- Other financial investments		195	195
Investment properties	14	2.190.669	1.382.868
Property, plant and equipment	12	247.862	223.046
Intangible assets	13	1.234	748
Prepaid expenses	10	6.772	6.487
Deferred tax assets	21	4.198	3.618
Total non-current assets		10.347.234	6.664.085
Total assets		17.571.684	11.060.410

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

GAP İNŞAAT YATIRIM VE DIŞ TİCARET ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

AS AT 31 DECEMBER 2022 CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)

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

	Note	Current Period Audited 31 December 2022	Prior Period Audited 31 December 2021
LIABILITIES			
Current liabilities			
Short-term loans and borrowings	17	397.604	533.746
Short-term portion of long-term loans and borrowings	17	1.340.634	514.836
Trade payables	7	788.632	1.611.615
- Due to related parties	4	15.200	17.341
- Due to third parties		773.432	1.594.274
Payables related to employee benefits	19	14.907	41.086
Other payables	8	127.475	128.781
- Due to related parties	4	66.511	3.280
- Due to payables to third parties		60.964	125.501
Contract liabilities		644.732	150.883
- Contract liabilities from ongoing construction and contracting projects	20	644.732	150.883
Deferred revenue	11	682.288	205.818
Short term provisions	18	34.103	23.464
- Short-term employee benefits		11.878	7.449
- Other-short term provisions		22.225	16.015
Other short-term liabilities	15	33.741	12.936
Total current liabilities		4.064.116	3.223.165
Non-current liabilities			
Long-term loans and borrowings	17	3.419.059	2.508.259
Other payables	8	307.756	125.277
- Due to third parties		307.756	125.277
Contract liabilities		1.512.122	409.056
- Contract liabilities from ongoing construction and contracting projects	20	1.512.122	409.056
Deferred revenue	11	1.758.093	1.227.093
Long-term provisions	18	20.196	12.061
- Long-term employee benefits		20.196	12.061
Deferred tax liabilities	21	234.471	118.963
Total non-current liabilities		7.251.697	4.400.709
Total liabilities		11.315.813	7.623.874

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

GAP İNŞAAT YATIRIM VE DIŞ TİCARET ANONİM ŞİRKETİ AND ITS SUBSIDIARIES
**AS AT 31 DECEMBER 2022 CONSOLIDATED STATEMENT
 OF FINANCIAL POSITION (continued)**

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

	Note	Current Period Audited 31 December 2022	Prior Period Audited 31 December 2021
Equity			
Paid-in capital	22	896.512	696.512
Other comprehensive income or expense not to be reclassified to profit or loss			
- Defined benefit plans re-measurement loss/profit		(3.619)	(221)
- Revaluation and measurement gain/loss			-
Other comprehensive income or expense to be reclassified to profit or loss			
- Currency translation differences		3.639.210	2.366.072
Restricted reserves	22	239.078	239.078
Business combination under common control		293.286	293.286
Retained earnings		(158.191)	98.847
Profit/(loss) for the period		1.349.595	(257.038)
Total Equity		6.255.871	3.436.536
Total Equity and Liabilities		17.571.684	11.060.410

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

GAP İNŞAAT YATIRIM VE DIŞ TİCARET ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2022

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

	Note	Current Period Audited 1 January - 31 December 2022	Prior Period Audited 1 January - 31 December 2021
Revenue	23	3.185.825	2.206.364
Cost of sales (-)	23	(2.766.184)	(2.175.174)
Gross profit		419.641	31.190
General administrative expenses (-)	24	(158.799)	(80.170)
Marketing expenses (-)	24	(125.688)	(30.047)
Other income	25	80.999	7.340
Other expenses (-)	25	(147.321)	(209.021)
Operating profit/(loss)		68.832	(280.708)
Gains from investing activities	26	988.550	226
Losses from investing activities (-)	26	(17.214)	(500.349)
Operating profit/(loss) before finance expense		1.040.168	(780.831)
Finance income	27	887.068	782.551
Finance expenses (-)	27	(517.537)	(357.506)
Profit/(loss) before tax		1.409.699	(355.786)
Current tax expense for the period (-)	21	-	(3.737)
Deferred tax (expense)/income	21	(60.104)	102.485
Profit/(loss) for the period		1.349.595	(257.038)
Other comprehensive income/expense			
Items not to be reclassified to profit or loss			
Defined benefit plans re-measurement loss/profit	18	(3.722)	(2.116)
Defined benefit plans re-measurement loss/profit, tax effect	21	324	277
Revaluation and measurement gain/loss			-
Items to be reclassified to profit or loss			
Currency translation differences		1.273.138	1.397.626
Other comprehensive income		1.269.740	1.395.787
Total comprehensive income		2.619.335	1.138.749

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

GAP İNŞAAT YATIRIM VE DIŞ TİCARET ANONİM ŞİRKETİ AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2022

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

	Other comprehensive income or expense not to be reclassified to profit or loss			Other comprehensive income or expense to be reclassified to profit or loss
	Paid in capital	Defined benefit plans re-measurement loss/profit	Revaluation and measurement gain/loss	Currency translation differences
Balances at 1 January 2021	508.780	1.618	(1.325)	968.446
Total comprehensive income/expense				
Loss for the period	-	-	-	-
Other comprehensive income/expense	-	(1.839)	-	1.397.626
Total comprehensive income	-	(1.839)	-	1.397.626
Transfers	-	-	1.325	-
Capital increase	187.732	-	-	-
Balances at 31 December 2021	696.512	(221)	-	2.366.072
	Other comprehensive income or expense not to be reclassified to profit or loss			Other comprehensive income or expense to be reclassified to profit or loss
	Paid in capital	Defined benefit plans re-measurement loss/profit	Revaluation and measurement gain/loss	Currency translation differences
Balances at 1 January 2022	696.512	(221)	-	2.366.072
Total comprehensive income/expense				
Profit for the period	-	-	-	-
Other comprehensive income/expense	-	(3.398)	-	1.273.138
Total comprehensive income	-	(3.398)	-	1.273.138
Capital increase	200.000	-	-	-
Transfers	-	-	-	-
Balances at 31 December 2022	896.512	(3.619)	-	3.639.210

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

Accumulated Profits				
Restricted reserves	Business combinations under common control	Retained earnings	Net profit/loss for the period	Total equity
239.078	293.286	404.533	(304.361)	2.110.055
-	-	-	(257.038)	(257.038)
-	-	-	-	1.395.787
-	-	-	(257.038)	1.138.749
-	-	(305.686)	304.361	-
-	-	-	-	187.732
239.078	293.286	98.847	(257.038)	3.436.536

Accumulated Profits				
Restricted reserves	Business combinations under common control	Retained earnings	Net loss for the period	Total equity
239.078	293.286	98.847	(257.038)	3.436.536
-	-	-	1.349.595	1.349.595
-	-	-	-	1.269.740
-	-	-	1.349.595	2.619.335
-	-	-	-	200.000
-	-	(257.038)	257.038	-
239.078	293.286	(158.191)	1.349.595	6.255.871

GAP İNŞAAT YATIRIM VE DIŞ TİCARET ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2022

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

	Note	Current Period Audited 1 January - 31 December 2022	Prior Period Audited 1 January - 31 December 2021
A. CASH FLOWS FROM OPERATING ACTIVITIES		636.196	134.645
Profit/(loss) for the period		1.349.595	(257.038)
Adjustments to reconcile cash flow generated from operating activities:		1.212.696	2.431.820
Adjustments for depreciation and amortization	12, 13	75.286	66.991
Adjustments for provision for litigation	18	3.454	6.463
Adjustments for provisions for employee benefits	18	5.736	4.879
Adjustments for interest expenses	17, 27	486.443	329.215
Adjustments for interest income		(75.457)	(7.257)
Adjustments for impairment (reversal) of other financial assets or investments		17.061	-
Adjustments for fair value losses (gains) of financial assets		(30.587)	-
Adjustments related to fair value (gains)/losses of investment property	14	(663.049)	500.346
Adjustments for losses (gains) from the disposal of investment property		(294.785)	-
Adjustments to tax expense/(income)	21	60.104	(98.748)
Adjustment related to unrealized foreign currency translation differences		1.628.385	1.630.047
Adjustments for the loss on sales of property, plant and equipment, net	26	105	(116)
Changes in working capital		(1.930.727)	(2.029.405)
Adjustments related to (increase)/decrease in inventories		(1.129.826)	(674.244)
Adjustments related to (increase)/decrease in trade receivables		461.424	39.303
Adjustments related to (increase)/decrease in other current assets		(28.840)	(39.838)
Adjustments related to (increase)/decrease in other receivables		(2.418.749)	(2.239.543)
Adjustment for change in payables related to employee benefits		(26.179)	22.720
Adjustments related to increase/(decrease) in other liabilities		20.805	9.397
Adjustments related to increase/(decrease) in trade payables		(822.983)	476.549
Adjustments related to increase/(decrease) in prepayments		(370.626)	27.345
Adjustments related to increase/(decrease) in deferred income		1.007.470	606.774
Adjustments related to increase/(decrease) in other payables		181.173	22.356
Adjustments related to (increase)/decrease in contract assets		(401.311)	(219.711)
Adjustments related to increase/(decrease) in contract liabilities		1.596.915	(60.513)
Cash Flows From/(Used in) Operating Activities		631.564	145.377
Employee termination indemnity paid		(1.260)	(144)
Taxes paid/return		5.892	(10.588)
B. Cash Flows From/(Used in) Investing Activities		(934.724)	(8.226)
Proceeds from sale of property and equipment		3.455	2.770
Cash inflows from the sale of investment property		738.226	-
Acquisition of investment properties	14	-	(7.208)
Purchase of other long term financial investments		(1.690.060)	-
Other cash outflows		(19.257)	-
Acquisition of property, plant and equipment	12	(19.998)	(5.758)
Acquisition of intangible assets	13	(1.586)	(781)
Adjustments for decrease (increase) in financial investments		(13.312)	-
Interest received		67.808	2.751
C. Cash Flows From/(Used in) Financing Activities		356.188	(84.685)
Proceeds from loans and borrowings	17	2.536.357	1.423.521
Repayment of loans and borrowings	17	(1.822.729)	(1.333.135)
Interest paid	17, 27	(565.089)	(367.309)
Capital increase	22	200.000	187.732
Interest received	27	7.649	4.506
Effect of Foreign Currency Translation Differences on Cash and Cash Equivalents(A + B + C)		57.660	41.734
D. Cash and Cash Equivalents at the Beginning of the Period		331.716	289.982
Cash and Cash Equivalents at the End of the Period (A+B+C+D)	5	389.376	331.716

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

GAP İNŞAAT YATIRIM VE DIŞ TİCARET ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2022

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

1. Group's organisation and nature of operations

Gap İnşaat Yatırım ve Dış Ticaret Anonim Şirketi (the "Company" or "Gap İnşaat") was established in 1996 in Istanbul, Turkey to operate in construction, contracting and decoration businesses sectors within Turkey and abroad. The address of the registered office is Büyükdere Caddesi No:163 Zincirlikuyu-İstanbul/Türkiye. The Company also operates in mining of all kinds of minerals, marble, lime, clay, coal and stone quarries and trading of stone cutter, spare parts and glazed ceramic tiles within the country and abroad provided that the necessary permits are granted. Gap İnşaat has three branches in Turkmenistan, Qatar and Russia in order to carry out various construction projects. As of 31 December 2022, the major shareholder of the Company is Çalık Holding Anonim Şirketi ("Çalık Holding").

At 31 December 2022, Gap İnşaat has 11 subsidiaries (31 December 2021: 11 subsidiaries) (referred as "the Group"). The consolidated financial statements of the Group as at and for the year ended 31 December 2022 comprises Gap İnşaat and its subsidiaries.

As at 31 December 2022, the number of employees of the Group is 275 (31 December 2021: 223).

As of 31 December 2022 and 2021, Gap İnşaat's subsidiaries included in the scope of consolidation and their countries' activities, fields of activity and partnership rates are as follows:

Company Name	Country	Ownership (%)	
		31 December 2022	31 December 2021
Gap İnşaat Construction and Investment Co. Ltd. ("Gap İnşaat Sudan")	Sudan	80	80
Gap İnşaat Dubai FZE ("Gap İnşaat Dubai")	UAE - Dubai	100	100
Gap İnşaat Ukraine Ltd. ("Gap İnşaat Ukraine")	Ukraine	99	99
Gap Construction Co. (Gap İnşaat Libya)	Libya	100	100
Kentsel Dönüşüm İnşaat Anonim Şirketi ("Kentsel Dönüşüm")	Turkey	99	99
Çalık İnşaat Anonim Şirketi ("Çalık İnşaat")	Turkey	99	99
Gap Construction Invest. and Foreign Trade LLC-Qatar ("Gap İnşaat Qatar")	Qatar	100	100
White Construction N.V. ("White Construciton")	Netherlands	100	100
Innovative Construction Technologies Trading FZE ("Innovative Construction")	UAE - Dubai	100	100
OOO Gap İnşaat (Gap İnşaat Russia)	Russia	100	100
Deutsche Tiefbau Gesellschaft für Infrastrukturentwicklung mbH ("Deutsche Tiefbau")	Germany	100	100

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

Gap İnşaat and its subsidiaries will be referred as the "Group".

GAP İNŞAAT YATIRIM VE DIŞ TİCARET ANONİM ŞİRKETİ AND ITS SUBSIDIARIES
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS AT
AND FOR THE YEAR ENDED 31 DECEMBER 2022 (continued)**

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

2. Basis of presentation of consolidated financial statements

2.1 Basis of presentation

a) Statement of compliance

Group entities operating in Turkey maintain 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.

Group's foreign entities maintain their books of account and prepare their statutory financial statements in accordance with the related legislation and generally accepted accounting principles applicable in the countries where they operate. The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS").

Approval of consolidated financial statements:

The consolidated financial statements have been approved for issue by the Group management on 27 March 2023. General Assembly and the related regulatory bodies have the authority to modify the consolidated financial statements.

b) Basis of measurement

The consolidated financial statements have been prepared on the historical cost basis except for the significant items:

- Investment properties are measured at fair value.

The methods used to measure the fair values are discussed further in Note 2.3.

GAP İNŞAAT YATIRIM VE DIŞ TİCARET ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2022 (continued)

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

2. Basis of presentation of consolidated financial statements (continued)

c) Functional and presentation currency

The Company's current currency was Turkish Lira (TL) until 30 June 2018. Due to Group's revenue has almost completed their projects in Turkey and focused on foreign projects. In addition, the main operation of the Company concentrated abroad where potential dividend income also can be obtained. Therefore, the management of the Company has decided to change TL to US Dollars as current currency and the current currency of the Company has been changed to US Dollars as of 1 July 2018 in accordance with IAS 21 - "Effects of Changes in Foreign Exchange Rates". Although functional currency has been changed to US Dollars as of 1 July 2018, the presentation currency of the Group has continued to be used in TL and consolidated financial statements are presented in TL.

The accompanying consolidated financial statements are presented in "TL" Except as otherwise indicated, financial information presented in TL has been rounded to the nearest thousand.

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

- As of 31 December 2022, balance sheet accounts have been issued by T.C. The Central Bank (TCMB), has been converted into TL with the US Dollar buying rate of 1 USD =18,6983 TL (31 December 2021: 1 USD =13,3290 TL).
- Paid-in capital and restricted reserves are shown in the accompanying consolidated financial statements with their values in the historic records. Other accounts under equity have been converted to TL based on the exchange rate at 1 July 2018 (1 USD = 4,5607 TL) which is the date of functional currency change and the equity movements after this date are followed as TL by the average year rate.
- Profit or loss and other comprehensive income statements for the period ended 31 December 2022 have been converted to TL with an annual average of 1 USD = 16,5659 (31 December 2021 annual average rate 1 USD=8,8719 TL).

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

GAP İNŞAAT YATIRIM VE DIŞ TİCARET ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2022 (continued)

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

2. Basis of presentation of consolidated financial statements (continued)

2.1 Basis of the presentation (continued)

d) Basis of consolidation

i) Non-controlling interest

Non-controlling interest are measured at the proportional amount of the net asset value at the date of acquisition of the subsidiary.

Changes in the Group's shares in subsidiaries that do not result in loss of control are accounted for as equity transactions.

The non-controlling interest of the Group on its subsidiaries are calculated by taking into consideration the proportional amounts over the net asset values as of the balance sheet date. It is not included in the consolidated financial statements because it is not significant.

ii) Subsidiaries

Subsidiaries are entities controlled by the Group. 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 align them with the policies adopted by the Group.

iii) Loss of control

On the loss of control, 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. Subsequently it is accounted for as an equity-accounted investee or as an available-for-sale financial asset depending on the level of influence retained.

GAP İNŞAAT YATIRIM VE DIŞ TİCARET ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2022 (continued)

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

2. Basis of presentation of consolidated financial statements (continued)**2.1 Basis of the presentation (continued)****d) Basis of consolidation (continued)****iv) 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 Company'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 Company and dividends arising from these shares has been eliminated in equity and profit or loss accounts.

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

e) Foreign currency**i) Foreign currency transactions**

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

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

The annual changes in the exchange rates that the Group is affected as of the end of the reporting period are as follows:

	31 December 2022	31 December 2021
USD	18,6983	13,3290
EUR	19,9349	15,0867

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

2. Basis of presentation of consolidated financial statements (continued)

ii) Foreign operations

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

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

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

f) Adjustment of the financial statements in high inflation periods

IAS 29 Financial Reporting in Hyperinflation Economies requires entities whose functional currency is that of a hyperinflationary economy to prepare their financial statements in terms of the measuring unit current at the end of the reporting period. The functional currency of the Group is USD, therefore, IAS 29 application has not been made.

g) Going concern

The consolidated financial statements of the Group are prepared on a going concern basis, which presumes the realization of assets and settlement of liabilities of the Company and its consolidated subsidiaries, jointly controlled entities and associates in the normal course of operations and in the foreseeable future.

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

2. Basis of presentation of consolidated financial statements (continued)

2.1 Basis of the presentation (continued)

h) Changes and errors in accounting estimates

The effect of changes in accounting estimates affecting the current period is recognized in the current period; the effect of changes in accounting estimates affecting current and future periods is recognized in the current and future periods. The accounting estimates used in the preparation of these consolidated financial statements for the period ended 31 December 2022 are consistent with those used in the preparation of financial statements for the year ended 31 December 2021 except for the change of the seniority ceiling used in the calculation of severance pay.

While the Company management is calculating severance pay in the financial statements of 31 December 2022, 31 based on the seniority ceiling announced in December 2021. In the financial statements of 31 December 2022 re-evaluated the seniority ceiling used for the calculation of severance pay seniority, the Company started to use the announced seniority ceiling in the calculation due to adjustments made in salaries due to economic conditions, 1 January 2022 in order to reflect the effect of the changes in the ceiling on the correct period.

2.2 Changes in accounting policies

Significant changes in the accounting policies are applied to prior periods and financial statements of prior periods are restated. The accounting policies applied in the preparation of the consolidated financial statements as of 31 December 2022 are consistent with those applied in the preparation of the consolidated financial statements of 31 December 2021.

2.3 Use of estimates and judgements

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

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

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

- Note 3 (c) and (d) - Useful lives of property, plant and equipment and other intangible assets
- Note 14 - Investment property-fair value measurement
- Note 18 - Provisions
- Note 21 - Taxation
- Note 28 - Financial instruments - Fair values and risk management

Measurement of fair value

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):

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

2. Basis of presentation of consolidated financial statements (continued)

2.3 Use of estimates and judgements

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.

(a) Investments properties

An external, independent valuation company, having appropriate recognised professional qualifications and recent experience in the location and category of property being valued, values the Group's investment property portfolio every year. The fair values are based on market values, being the estimated amount for which a property could be exchanged on the date of the valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably.

In the absence of current prices in an active market, the valuations are prepared by considering the estimated rental value of the property. A market yield is applied to the estimated rental value to arrive at the gross property valuation. When actual rents differ materially from the estimated rental value, adjustments are made to reflect actual rents.

Valuations reflect, when appropriate, the type of tenants actually in occupation or responsible for meeting lease commitments or likely to be in occupation after letting vacant accommodation, the allocation of maintenance and insurance responsibilities between the Group and the lessee, and the remaining economic life of the property. When rent reviews or lease renewals are pending with anticipated reversionary increases, it is assumed that all notices, and when appropriate counter-notices, have been served validly and within the appropriate time.

Investment property under construction is valued by estimating the fair value of the completed investment property and then deducting from that amount the estimated costs to complete construction, financing costs and a reasonable profit margin.

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

2. Basis of presentation of consolidated financial statements (continued)

2.3 Use of estimates and judgements (continued)

(b) Trade and other receivables

The fair value of trade and other receivables, except for the ongoing construction contracts, is estimated as the present value of future cash flows by discounting the market interest rates at the reporting date. The fair value is determined for disclosure purposes or for the first time recording.

(c) Non-derivative financial liabilities

For the purpose of disclosure or for the first time, the fair value is determined by discounting the future principal and interest cash flows to the present value at the market rate of interest at the reporting date.

2.4 Comparative financial information and correction of previous year's financial information

The Group's financial statements are prepared in comparison with the previous period to enable clarification of changes in financial position and performance. The comparable information is reclassified, and material differences are explained when required to provide conformity with current year's financial information. There is no reclassification made on the statement of financial position.

3. Significant accounting policies

The accounting policies described below have been applied consistently by all the companies of the Group presented in the accompanying consolidated financial statements.

The accompanying consolidated financial statements include the accounts of the parent company, Gap İnşaat, its subsidiaries 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.

a) Financial instruments

i. Financial assets

The Company shall recognize a financial asset or a financial liability in its statement of financial position when, and only when, the entity becomes party to the contractual provisions of the instrument. A regular way purchase or sale of financial assets shall be recognized and derecognized, as applicable, using trade date accounting or settlement date accounting. Purchase and sale transactions of securities are accounted at the settlement date. The classification of financial instruments at initial recognition depends on the contractual conditions and the relevant business model. Except for the assets in the scope of IFRS 15 Revenue from contracts with customers, at initial recognition, the Bank measures financial asset or financial liabilities at fair value plus or minus, in the case of a financial asset or financial liability not at fair value through profit/loss, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

Financial investments, except financial assets classified at fair value through profit or loss and financial assets initially recognized at fair value, are recognized at fair value net of directly attributable transaction costs. Investments are recognized and derecognized on a trade date where the purchase or sale of an investment is under a contract whose terms require delivery of the investment within the timeframe established by the market concerned.

Financial assets are classified into the following specified categories: "financial assets at fair value through profit or loss ("FVTPL")", "financial assets measured at amortized cost", and "financial assets at fair value through other comprehensive income ("FVTOCI)".

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

3. Significant accounting policies (continued)

a) Financial instruments (continued)

ii. Financial assets at FVTPL

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short-term. Derivatives are also categorized as financial assets at fair value through profit or loss unless they are designated for hedging purposes.

iii. Financial assets measured at amortized cost

Financial assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are classified as financial assets measured at amortized cost. Financial assets measured at amortized cost are initially recognized at acquisition cost including the transaction costs which reflect the fair value of those instruments and subsequently recognized at amortized cost by using effective interest rate method. Interest income obtained from financial assets measured at amortized cost is accounted in income statement.

iv. Financial assets at FVTOCI

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

Financial assets at fair value through other comprehensive income are measured at fair value subsequent to their initial recognition. However, if the fair values cannot be reliably measured, then those Financial assets at fair value through other comprehensive income with fixed maturity are measured at amortised cost by using effective interest rate model and those available for sale investment securities without fixed maturity are measured by using fair value pricing models or discounted cash flow techniques. Unrecognized gains or losses derived from the changes in fair value of Financial assets at fair value through other comprehensive income and the difference between their fair value and the discounted values calculated per effective interest rate method are recorded in "Fair value reserve" under equity. At the disposal of available for sale investment securities, value increases/decreases recorded in the fair value reserve under equity are transferred to profit or loss.

v. Recognition and Derecognition of Financial Assets and Liabilities

The Group reflects the financial asset or liabilities to the financial statements when it becomes a party to the relevant financial instrument contracts. A financial asset is derecognized when the control over the contractual rights from that asset is lost. A financial liability is derecognized when its contractual obligations are discharged, cancelled or expire.

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

3. Significant accounting policies (continued)

a) Financial instruments (continued)

vi. Impairment of Financial Assets/Expected Credit Loss

At each reporting date, the Group shall assess whether the credit risk on a financial instrument has increased significantly since initial recognition. The Group considers the changes in the default risk of financial instrument, when making the assessment. The expected credit loss estimates are required to be unbiased, probability-weighted and include supportable information about past events, current conditions, and forecasts of future economic conditions.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables where the carrying amount is reduced through the use of a provision account. When a trade receivable is uncollectible, it is written off against the provision account. Changes in the carrying amount of the provision are recognized in profit or loss. With the exception of FVOCI equity instruments, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

In respect of FVOCI equity securities, any increase in fair value subsequent to an impairment loss is recognized directly in equity.

vii. Trade receivables

Trade receivables that are created by way of providing goods or services directly to a debtor are measured at amortized cost, using the effective interest rate method, Short duration receivables with no stated interest rate are measured at the original invoice amount unless the effect of imputing interest is significant.

Group has preferred to apply "simplified approach" defined in TFRS 9 for the recognition of impairment losses on trade receivables, carried at amortised cost and that do not comprise of any significant finance component (those with maturity less than 12 months). In accordance with the simplified approach, Group measures the loss allowances regarding its trade receivables at an amount equal to "lifetime expected credit losses" except incurred credit losses in which trade receivables are already impaired for a specific reason.

If the amount of the impairment subsequently decreases due to an event occurring after the write-down, the release of the provision is credited to other operating income.

viii. Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits and other short-term highly liquid investments which their maturities are three months or less from date of acquisition and that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

ix. Financial liabilities

Financial liabilities are initially measured at fair value. Financial liabilities other than fair value through profit or loss are initially measured at fair value, net of transaction costs. Financial liabilities are subsequently measured at amortized cost using the effective interest method, with interest expense recognized on an effective yield basis.

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3. Significant accounting policies (continued)

b) Revenue

General model for accounting of revenue

In accordance with IFRS 15, a five-stage approach is followed in recognising revenue for all contracts with customers.

Step 1: Identify the contract with a customer

A contract with a customer is in the scope of the new standard when the contract is legally enforceable and certain criteria are met. If the criteria are not met, then the contract does not exist for purposes of applying the general model of the new standard, and any consideration received from the customer is generally recognized as a deposit (liability). Contracts entered into at or near the same time with the same customer (or a related party of the customer) are combined and treated as a single contract when certain criteria are met.

Step 2: Identify the performance obligations in the contract

An entity identifies a

An entity determines whether it promises to transfer either goods or services that are distinct, or a series of distinct goods or services that meet certain conditions. A 'performance obligation' is the unit of account for revenue recognition. An entity assesses the goods or services promised in a contract with a customer and identifies as a performance obligation either a:

(a) good or service (or a bundle of goods or services) that is distinct; or

(b) series of distinct goods or services that are substantially the same and that have the same pattern of transfer to the customer.

An entity may define a contract or a service separately from other contractual obligations and define it as a different commodity or service if the customer makes use of such goods or services alone or in combination with other resources available for use. A single contract may contain promises to deliver to the customer more than one good or service. At contract inception, an entity evaluates the promised goods or services to determine which goods or services (or bundle of goods or services) are distinct and therefore constitute performance obligations.

Step 3: Determine the transaction price

When determining the transaction price, an entity assumes that the goods or services will be transferred to the customer based on the terms of the existing contract. In determining the transaction price, an entity considers variables considerations and significant financing components.

Significant financing component

To estimate the transaction price in a contract, the Group adjusts the promised amount of consideration to reflect the time value of money if the contract contains a significant financing component. Significant financing component exists if the timing of payments agreed to by the parties to the contract (either explicitly or implicitly) provides the customer or the Group with a significant benefit of financing the transfer of goods or services to the customer. The Group does not have sales transactions which includes significant financing component.

Variable consideration

An entity assesses whether discounts, rebates, refunds, rights of return, credits, price concessions, incentives, performance bonuses, penalties, or similar items may result in variable consideration.

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3. Significant accounting policies (continued)

b) Revenue (continued)

General model for accounting of revenue (continued)

Step 4: Allocate the transaction price to the performance obligations in the contract

The transaction price is allocated to each performance obligation - generally each distinct good or service - to depict the amount of consideration to which an entity expects to be entitled in exchange for transferring the promised goods or services to the customer.

Step 5: Recognise revenue when or as the entity satisfies a performance obligation

An entity recognises revenue over time when one of the following criterias are met:

- The customer simultaneously receives and consumes the benefits provided by the entity's performance as the entity performs
- The entity's performance creates or enhances an asset that the customer controls as the asset is created or enhanced
- The entity's performance does not create an asset with an alternative use to the entity and the entity has an enforceable right to payment for performance completed to date

For each performance obligation that is satisfied over time, an entity applies a single method of measuring progress toward complete satisfaction of the obligation. The objective is to depict the transfer of control of the goods or services to the customer. To do this, an entity selects an appropriate output or input method. It then applies that method consistently to similar performance obligations and in similar circumstances.

If a performance obligation is not fulfilled in time, then the Company recognizes revenue when the control of goods or services is transferred to the customer.

In cases where the cost to be incurred by the Company exceeding the expected economic benefits to be incurred to fulfill the contractual obligations exceeds the expected economic benefit, the Company provides a provision in accordance with IAS 37 Provisions, Contingent Liabilities and Contingent Assets.

Contract modifications

A 'contract modification' occurs when the parties to a contract approve a change in its scope, price, or both. The accounting for a contract modification depends on whether distinct goods or services are added to the arrangement, and on the related pricing in the modified arrangement

Construction contracts in progress represent the gross unbilled amount expected to be collected from customers for contract work performed to date. It is measured at cost plus profit recognised to date less progress billings and recognised losses. Cost includes all expenditures related directly to specific projects and an allocation of fixed and variable overheads incurred in the Group's contract activities based on normal operating capacity.

Construction contracts in progress is presented as part of trade receivables in the consolidated statement of financial position for all contracts in which costs incurred plus recognised profits exceed progress billings. If progress billings exceed cost incurred plus recognised profits, then the difference is presented as deferred income in the consolidated statement of financial position.

The asset, "Due from contract assets" represents revenues recognised in excess of amounts billed. The liability, "Due to contract liabilities" represents billings in excess of revenue recognised.

When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognized as an expense immediately.

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3. Significant accounting policies (continued)

b) Revenue (continued)

General model for accounting of revenue (continued)

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.

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.

Transfers of risks and rewards vary depending on the individual terms of the contract of sale but it usually takes place when delivery of the goods is made to the customers or in the case of trading properties, it takes place at the earliest of the delivery or with the transfer of the title deeds. Revenue from the services rendered is recognized in profit or loss in proportion to the stage of completion of the transaction at the reporting date.

Dividend income

Dividend income is recognised when the collection right of dividend is obtained.

Rent income

In operating lease, the leased assets are classified under investment properties in the balance sheet and the rental income obtained is reflected in the income statement in equal amounts during the lease period. Rent income is reflected to the income statement by linear method during the rental period.

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3. Significant accounting policies (continued)**c) Property, plant and equipment****i) Recognition and measurement**

The costs of items of property, plant and equipment of Gap İnşaat's Turkish entities purchased before 1 January 2005 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 recorded at their historical cost. Accordingly, property, plant and equipment of the Group are carried at costs, less accumulated depreciation and impairment losses, if any.

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

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

ii) Reclassification to investment property

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

iii) Subsequent costs

Subsequent expenditure is capitalised only if it is probable that the future economic benefits associated with the expenditure will flow to the Group.

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. Land is not depreciated.

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

Description	Year
Land and buildings	10-50
Machinery and equipment	4-20
Leasehold improvements	3-15
Motor vehicles	5-25
Furniture and fixtures	5-10
Other tangibles	5

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

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

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3. Significant accounting policies (continued)

d) Intangible assets

i) Recognition and measurement

Intangible assets of the Group consist of software programs and licenses 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 and brands 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.

Other intangible assets including computer software are amortised between 3 and 15 years.

Amortisation methods and useful lives are reviewed at each reporting date and adjusted if appropriate.

e) Investment property

Investment property is property held either to earn rental income or for capital appreciation or for both but not for sale in the ordinary course of business, use in the production or supply of goods or services or for administrative purposes. Investment property is measured at fair value with any change therein recognised in profit or loss. Property that is being constructed for future use as investment property is accounted for at fair value.

Cost includes expenditure that is directly attributable to the acquisition of the investment property. The cost of self-constructed investment property includes the cost of materials and direct labour, any other costs directly attributable to bringing the investment property to a working condition for their intended use and capitalised borrowing costs.

Any gain or loss on disposal of an investment property (calculated as the difference between the net proceeds from disposal and the carrying amount of the item) is recognised in other income and other expenses. When an investment property that was previously classified as property, plant and equipment is sold, any related amount included in the revaluation surplus is transferred to retained earnings.

When the use of a property changes such that it is reclassified as property, plant and equipment or inventories, its fair value at the date of reclassification becomes its cost for subsequent accounting.

The Group is the lessor in operating leases. Rental income arising from operating leases on investment property is accounted for on a straight-line basis over the lease terms including lease incentives granted and is included in revenue in profit or loss. Rent income from other real estates are recognized in other income.

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3. Significant accounting policies (continued)

f) Inventories

Inventories are measured at the lower of cost and net realisable value. Except as discussed in the following paragraphs, the cost of inventories is mainly based on the weighted average, and includes expenditure incurred in acquiring the inventories, production or conversion costs and other costs incurred in bringing them to their existing location and condition. Cost of trading properties are determined on cost or deemed cost method by the entities operating in construction business and includes capitalized borrowing costs. Trading properties comprised lands that are held for construction projects and cost of buildings that are constructed or held for trading purposes.

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and estimated costs necessary to make the sale.

g) 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 entities operating in Turkey 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 19,98 and TL 10,84 at 31 December 2022 and 2021, respectively.

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

	December 31, 2022	December 31, 2021
Interest rate increase expected in the coming years %	21,44	19,10
Salary increase expected in the coming years % ^(*)	48,5-18,90	39,00 - 16,60

^(*)It is taken as 48,5% for 2023 and 18,90% for the following years.

Actuarial gains/losses are comprised of adjustment of difference between actuarial assumptions and realised and change in actuarial assumptions.

i) Reserve for employee severance indemnity (continued)

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

ii) Vacation pay liability

Short-term employee benefit obligations are consisting of reserve for the vacation pay liability for the entities reporting in Turkey, 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.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2022 (continued)

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

3. Significant accounting policies (continued)

h) Right of use asset and lease liability

i) Right of use

The Group accounts its right of use assets at the date of the financial lease agreement (for example, as of the date the relevant asset is available for use. The right of use assets is calculated by deducting the accumulated depreciation and impairment losses from the cost value. In case the financial leasing debts are revalued, this figure is corrected.

The cost of the right of use assets includes:

- the first measurement of the lease liability
- the amount obtained from all lease payments made before or before the lease actually started, by deducting all lease incentives received and
- all initial costs incurred by the Group.

Unless the transfer of the ownership of the underlying asset to the Group is reasonably finalized at the end of the lease term, the Group depreciates its right of use asset until the end of the useful life of the underlying asset.

Right of use assets are subject to impairment assessment.

ii) Lease liability

The Group measures its lease liability at the present value of the lease payments, which were not paid on the date the lease started.

The lease payments included in the measurement of the lease liability at the date of the lease consist of the following payments to be made for the right of use of the underlying asset during the lease period and not paid at the date when the lease started:

- fixed payments,
- variable rental payments based on an index or rate, made using an index or rate at the date when the first measurement was actually started,
- amounts expected to be paid by the Group within the scope of residual value commitments
- the price of use of this option if the Group is reasonably sure that it will use the purchase option and
- in case the rental period shows that the Group will use an option to terminate the lease, penalties for termination of the lease.

Variable lease payments that do not depend on an index or rate are recorded as expenses in the period when the event or condition that triggered the payment occurred.

In case the revised discount rate and the implicit interest rate in the lease can be easily determined for the remainder of the group lease period, this rate is; In case it cannot be determined easily, it determines the alternative borrowing interest rate on the date of the Group's re-evaluation.

The group measures the lease liability after the lease starts as follows:

- increases the carrying value to reflect the interest on the lease liability and
- reduces the carrying value to reflect the rent payments made.

In addition, if there is a change in lease duration, a change in substance of fixed lease payments or a change in the assessment of the option to purchase an underlying asset, the value of financial lease liabilities is re-measured.

GAP İNŞAAT YATIRIM VE DIŞ TİCARET ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2022 (continued)

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

3. Significant accounting policies (continued)

h) Right of use asset and lease liability (continued)

iii) Short-term leases and leases of low-value assets

The Group applies its short-term lease registration exemption to short term machinery and equipment lease contracts (i.e. assets with a lease period of 12 months or less from the start date and without a purchase option). At the same time, it applies the exemption of accounting for low-value assets to office equipment, the rental value of which is low-value. Short term lease agreements and lease agreements of low value assets are recorded as expense according to the linear method during the lease period.

i) Finance income and finance cost

Finance income comprises interest income obtained from related parties is recognised as it accrues, using the effective interest method and foreign currency gain (excluding those on trade receivables and payables).

Finance costs comprise interest expense on borrowings and due to related parties, and foreign currency losses (excluding those on trade receivables and payables).

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use. Investment income earned on the temporary investment of specific borrowing pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization.

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.

ii) Other income and expenses from operating activities

Other income from operating activities comprises recoveries from provision for doubtful receivables, rediscount gains on payables and foreign currency gains (excluding those on borrowings).

Other expense from operating activities comprises provision expense for doubtful receivables, rediscount expenses on payables, foreign currency losses (excluding those on borrowings) and other operating expenses.

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

k) Income and losses from investing activities

Income from investing activities comprises gain on sale of property, plant and equipment and intangible assets, fair value gain on revaluation of investment properties, dividend income from equity accounted investees and other income from investing activities.

Losses from investing activities comprises gain on sale of property, plant and equipment, intangible assets and fair value loss on revaluation of investment properties.

GAP İNŞAAT YATIRIM VE DIŞ TİCARET ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2022 (continued)

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

3. Significant accounting policies (continued)

1) Income tax

Income tax expense comprises current and deferred tax. It is recognised in profit or loss except to the extent that it relates to a business combination, or items recognised directly in equity or in OCI.

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.

The Group has determined that interest and penalties related to income taxes, including uncertain tax treatments, do not meet the definition of income taxes, and therefore accounted for them under IAS 37 Provisions, Contingent Liabilities and Contingent Assets.

i) Current tax

Current tax comprises the expected tax payable or receivable on the taxable income or loss for the year and any adjustment to the tax payable or receivable in respect of previous years. The amount of current tax payable or receivable is the best estimate of the tax amount expected to be paid or received that reflects uncertainty related to income taxes, if any. It is measured using tax rates enacted or substantively enacted at the reporting date. Current tax also includes any tax arising from dividends.

Current tax assets and liabilities are offset only if certain criteria are met.

ii) Deferred tax

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

Deferred tax is not recognised for:

- temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss;
- temporary differences related to investments in subsidiaries, associates and joint arrangements to the extent that the Group is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future; and

Deferred tax assets are recognised for unused tax losses, unused tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be used. Future taxable profits are determined based on the reversal of relevant taxable temporary differences. If the amount of taxable temporary differences is insufficient to recognise a deferred tax asset in full, then future taxable profits, adjusted for reversals of existing temporary differences, are considered, based on the business plans for individual subsidiaries in the Group. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised; such reductions are reversed when the probability of future taxable profits improves.

Unrecognised deferred tax assets are reassessed at each reporting date and recognised to the extent that it has become probable that future taxable profits will be available against which they can be used.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date.

The measurement of deferred tax reflects the tax consequences that would follow from the way the Group expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities. For this purpose, the carrying amount of investment property measured at fair value is presumed to be recovered through sale, and the Group has not rebutted this presumption.

Deferred tax assets and liabilities are offset only if certain criteria are met.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2022 (continued)

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

3. Significant accounting policies (continued)

m) Provisions, contingent liabilities, contingent assets

Provisions are recognised when the Group has a present obligation as a result of a past event, and it is probable that The Group will be required to settle that obligation.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the balance sheet date, taking into account the risks and uncertainties surrounding the obligation.

Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all the economic benefits required to settle a provision are expected to be recovered from a third party, receivable is recognized as an asset if it is virtually certain that reimbursement will be received, and the amount of receivable can be measured reliably.

n) Subsequent events

Subsequent events represent the events after reporting date comprising any event between the reporting date and the date of authorization 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 are disclosed in the notes to the consolidated financial statements.

o) Statement of cash flows

The Group presents statement of cash flows as an integral part of other consolidated financial statements to inform the users of consolidated financial statements about the changes in its net assets, its financial structure and its ability to manage the amount and timing of its cash flows under new conditions.

In the statement of cash flows, cash flows are classified according to operating, investment and financing activities. Cash flows from operating activities reflect cash flows mainly generated from main operations of the Group. Cash flows from investment activities express 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 express sources of financial activities and payment schedules of the Group. Cash and cash equivalents comprise cash on hand and demand deposits, and other bank deposits whose maturities are three months or less from date of acquisition. Any restricted cash and cash equivalents that are not ready for the Group's use as at the reporting date, are excluded from the sum of the cash and cash equivalent in the consolidated statement of cash flows.

GAP İNŞAAT YATIRIM VE DIŞ TİCARET ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2022 (continued)

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

3. Significant accounting policies (continued)

p) 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.

r) The new standards, amendments and interpretations

The accounting policies adopted in preparation of the consolidated financial statements as at 31 December 2022 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 2022 and thereafter. The effects of these standards and interpretations on the Group's financial position and performance have been disclosed in the related paragraphs.

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

- Amendments to IFRS 3 - Reference to the Conceptual Framework
- Amendments to IAS 16 - Proceeds before intended use
- Amendments to IAS 37 - Onerous contracts - Costs of Fulfilling a Contract
- Annual Improvements - 2018-2020 Cycle

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

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2022 (continued)

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

3. Significant accounting policies (continued)**r) The new standards, amendments and interpretations (continued)****ii) Standards issued but not yet effective and not early adopted**

Standards, interpretations and amendments to existing standards that are issued but not yet effective up to the date of issuance of the consolidated financial statements are as follows. The Group will make the necessary changes if not indicated otherwise, which will be affecting the consolidated financial statements and disclosures, when the new standards and interpretations become effective.

- Amendments to IFRS 10 and IAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture
- IFRS 17 - The new Standard for insurance contracts
- Amendments to IAS 1- Classification of Liabilities as Current and Non-Current Liabilities
- Amendments to IAS 8 - Definition of Accounting Estimates
- Amendments to IAS 1 and IFRS Practice Statement 2 - Disclosure of Accounting Policies
- Amendments to IAS 12 - Deferred Tax related to Assets and Liabilities arising from a Single Transaction
- Amendments to IFRS 16 - Lease Liability in a Sale and Leaseback

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

4. Related party disclosures**Related party balances**

As at 31 December 2022 and 2021, the Group had the following balances outstanding from/to its related parties:

	December 31, 2022	December 31, 2021
Short-term trade receivables		
Emlak Girişim Danışmanlığı Anonim Şirketi ⁽²⁾	14.179	10.871
Çalık Hava Taşımacılık Sanayi ve Ticaret Anonim Şirketi ⁽²⁾	3.863	-
Çalık Enerji Sanayi ve Ticaret Anonim Şirketi ⁽²⁾	2.031	763
Çalık Holding Anonim Şirketi ⁽¹⁾	1.746	-
Çalık Pamuk Doğal ve Sentetik Elyaf Ticaret Anonim Şirketi ⁽²⁾	1.587	1.131
CLK İpekyolu Lojistik Ve Ticaret Anonim Şirketi ⁽⁵⁾	399	24
Aktif Yatırım Bankası Anonim Şirketi ⁽²⁾	132	69
Çalık Engineering Danışmanlık Ticaret Anonim Şirketi ⁽²⁾	126	220
Yeşilirmak Elektrik Dağıtım Anonim Şirketi ⁽²⁾	25	2
Çalık Petrol Arama Üretim Sanayi Ve Ticaret Anonim Şirketi ⁽²⁾	18	33
Enrich Teknoloji Yazılım Anonim Şirketi ⁽⁵⁾	12	76
Çalık Dijital ve Bilişim Hizmetleri Anonim Şirketi ⁽²⁾	2	281
Polimetal Madencilik Sanayi ve Ticaret Anonim Şirketi ⁽²⁾	-	24.368
Ant Filo Hizmetleri Anonim Şirketi ⁽⁵⁾	-	7.258
Anagold Madencilik Sanayi ve Ticaret Anonim Şirketi ⁽³⁾	-	354
Other	98	25
Total	24.218	45.475

GAP İNŞAAT YATIRIM VE DIŞ TİCARET ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2022 (continued)

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

4. Related party disclosures (continued)**Related party balances (continued)**

	December 31, 2022	December 31, 2021
Short-term trade payables		
Çalık Holding Anonim Şirketi ⁽¹⁾	7.503	2.177
Gap Pazarlama Anonim Şirketi ⁽²⁾	3.364	9.972
GAP Pazarlama FZE ⁽²⁾	1.479	813
CLK Transport and Trading FZE ⁽⁵⁾	1.381	3.457
Yeşilirmak Elektrik Perakende Satış Anonim Şirketi ⁽²⁾	813	-
Lidya Madencilik Sanayi ve Ticaret Anonim Şirketi ⁽²⁾	358	-
CLK İpekyolu Lojistik Ve Ticaret Anonim Şirketi ⁽⁵⁾	302	-
SECOM Aktif Elektronik Güvenlik Çözümleri Anonim Şirketi ⁽²⁾	-	734
Aras Elektrik Perakende Satış Anonim Şirketi ⁽³⁾	-	188
Total	15.200	17.341

	December 31, 2022	December 31, 2021
Short-term other receivables		
Ahmet Çalık ⁽⁴⁾	1.045.475	143.594
Çalık Holding Anonim Şirketi ⁽¹⁾	91.848	282.419
Gap Pazarlama Anonim Şirketi ⁽²⁾	9.524	2.292
Çalık Denim Tekstil Sanayi ve Ticaret Anonim Şirketi ⁽²⁾	1.171	669
Çalık Enerji Sanayi ve Ticaret Anonim Şirketi ⁽²⁾	691	299
Çalık Dijital Ve Bilişim Hizmetleri ⁽²⁾	357	-
Other	-	77
Total	1.149.066	429.350

⁽¹⁾ Parent company⁽²⁾ Subsidiary of the parent company⁽³⁾ Business partnership of the parent company⁽⁴⁾ Shareholder of the parent company⁽⁵⁾ Business partnership of the members of the Board of Directors

	December 31, 2022	December 31, 2021
Long-term other receivables		
Delta Netherlands BV ⁽²⁾	5.983.456	4.265.280
Total	5.983.456	4.265.280

	December 31, 2022	December 31, 2021
Short-term other payables		
Çalık Enerji Turkmenistan Branch ⁽²⁾	54.990	3.280
Lidya Madencilik Sanayi ve Ticaret Anonim Şirketi ⁽²⁾	11.510	-
Çalık Holding Anonim Şirketi ⁽¹⁾	11	-
Total	66.511	3.280

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2022 (continued)

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

4. Related party disclosures (continued)**Related party balances (continued)**

Borrowings	Currency	December 31, 2022	December 31, 2021
Aktif Bank Sukuk Varlık Kiralama Anonim Şirketi ^{(*) (2)}	USD	2.228.280	1.588.205
Aktif Bank Sukuk Varlık Kiralama Anonim Şirketi ^{(*) (2)}	TL	428.384	433.092
Total		2.656.664	2.021.297

^(*)In accordance with sukuk agreement between Aktif Bank Sukuk Varlık Kiralama Anonim Şirketi and the Group on 11 January 2017 and 26 March 2020, the Group received USD 118.000 and TL 420.000 thousand from Aktif Bank Sukuk Varlık Kiralama Anonim Şirketi respectively.

There is no impairment for the Group's balances with related parties for the year ended 31 December 2022 (31 December 2021: None)

Private sector bonds - non listed	Currency	31 December 2022		
		Nominal Value	Carrying Value	Interest rate%
Çalık Holding Anonim Şirketi ⁽¹⁾	USD	188.247	206.846	7,02
Aktif Bank Sukuk Varlık Kiralama Anonim Şirketi ⁽²⁾	USD	1.443.532	1.517.738	4,54-7,11
		1.631.779	1.724.584	

⁽¹⁾ The bond have been obtained on 29 June 2022 having a due date of 25 November 2025.

⁽²⁾ The bond have been obtained on 24 June 2022 having a due date of 10 May 2024.

⁽¹⁾ Parent company

⁽²⁾ Subsidiary of the parent company

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2022 (continued)

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

4. Related party disclosures (continued)**Related party transactions**

For the years ended 31 December 2022 and 2021, the revenues earned, and expenses incurred by the Group in relation to transactions with its related parties as summarised below:

	2022						Total
	Revenue	Purchase	Finance income/ (costs)	General administrative expenses	Other income	Other expenses	
Mükafat Portföy Yönetimi A.Ş. ⁽²⁾ (Note 7)	-	-	-	-	294.785	-	294.785
Çalık Enerji Irak Branch ⁽²⁾	86.474	-	-	-	-	-	86.474
Çalık Enerji Sanayi ve Ticaret A.Ş. ⁽²⁾	16.874	-	3.055	(1.108)	2.204	-	21.025
Technovision Mühendislik Danışmanlık ve Dış Tic.Ltd.Şti. ⁽²⁾	3.620	-	37	-	5	-	3.662
Emlak Girişim Danışmanlığı A.Ş. ⁽²⁾	-	-	2.119	-	-	-	2.119
Ahmet Çalık ⁽⁴⁾	-	-	891	-	-	-	891
Enrich Teknoloji Yazılım Anonim Şirketi ⁽⁵⁾	389	-	-	-	-	-	389
Yeşilirmak Elektrik Dağıtım A.Ş. ⁽³⁾	194	-	-	-	-	-	194
Çalık Denim Tekstil Sanayi ve Ticaret A.Ş. ⁽²⁾	-	-	183	-	2	-	185
GAP Pazarlama A.Ş. ⁽²⁾	-	-	135	-	-	-	135
Sigortayeri Sigorta ve Reasürans Brokerliği A.Ş.	-	-	-	-	135	-	135
Momentum Enerji Elektrik Üretim Sanayi ve Ticaret A.Ş.	90	-	-	-	-	-	90
Çalık Dijital ve Bilişim Hizmetleri A.Ş.	22	-	66	(6)	-	-	82
Çalık Elektrik Dağıtım A.Ş. ⁽³⁾	18	-	-	-	48	-	66
Çalık Hava Taşımacılık Turizm Sanayi ve Ticaret A.Ş. ⁽²⁾	18	-	37	-	-	-	55
Çalık Petrol Arama Üretim Sanayi ve Ticaret A.Ş. ⁽²⁾	18	-	-	-	-	-	18
İkideniz Petrol ve Gaz Sanayi ve İnşaat Ticaret A.Ş. ⁽²⁾	18	-	-	-	-	-	18
Kızılırmak Enerji Elektrik A.Ş. ⁽²⁾	18	-	-	-	-	-	18
Başak Yönetim Sistemleri A.Ş. ⁽²⁾	18	-	-	-	-	-	18
Çalık Limak Adi Ortaklığı ⁽²⁾	18	-	-	-	-	-	18
Atayurt İnşaat A.Ş. ⁽²⁾	18	-	-	-	-	-	18
Adacami Enerji Elektrik Üretim Sanayi ve Ticaret A.Ş. ⁽²⁾	18	-	-	-	-	-	18
Çalık Rüzgar Enerjisi Elektrik Üretim Limited Şirketi ⁽²⁾	18	-	-	-	-	-	18
Demircili Rüzgar Enerjisi Elektrik Üretim A.Ş. ⁽²⁾	18	-	-	-	-	-	18
Cetel Telekom İletişim Sanayi ve Ticaret A.Ş. ⁽²⁾	18	-	-	-	-	-	18
CL Enerji Üretim ve İnşaat Anonim Şirketi ⁽²⁾	18	-	-	-	-	-	18
İrmak Yönetim Sistemleri A.Ş. ⁽²⁾	18	-	-	-	-	-	18
Taşkent Merkez Park Gayrimenkul Yatırım A.Ş. ⁽²⁾	18	-	-	-	-	-	18
Türkmen'in Altın Asrı Elektrik Enerjisi Toptan Satış A.Ş. ⁽²⁾	18	-	-	-	-	-	18
TCB İnşaat Yatırım A.Ş. ⁽²⁾	18	-	-	-	-	-	18
Yeşilçay Enerji Elektrik Üretim Sanayi ve Ticaret A.Ş. ⁽²⁾	18	-	-	-	-	-	18
Ant Enerji Sanayi ve Ticaret Limited Şirketi ⁽⁵⁾	18	-	-	-	-	-	18
CLK Transport and Trading FZE ⁽⁵⁾	-	-	-	(33)	-	-	(33)
Secom Aktif Güvenik Yatırım Anonim Şirketi ⁽²⁾	-	-	-	(49)	-	-	(49)
CLK İpekyolu Lojistik A.Ş. ⁽⁵⁾	1.612	(743)	39	(1.120)	12	-	(200)
Onyx Trading Innovation FZE ⁽²⁾	-	-	-	(246)	-	-	(246)
Gap Pazarlama FZE Jebel Ali Free Zone ⁽²⁾	447	-	(65)	(782)	-	-	(400)
Çalık Denim B.V. ⁽²⁾	-	-	-	(1.076)	-	-	(1.076)
Yeşilirmak Elektrik Perakende Satış A.Ş. ⁽³⁾	112	(2.138)	-	-	-	-	(2.026)
Çalık Enerji Türkmenistan Branch ⁽²⁾	-	(994)	-	(7.206)	-	-	(8.200)
Lıdy Madencilik Sanayi ve Ticaret A.Ş. ⁽²⁾	2.966	-	(9.952)	(2.908)	-	-	(9.894)
Çalık Holding A.Ş. ⁽¹⁾	18.572	-	(4.095)	(34.950)	29	-	(20.444)
Aktif Yatırım Bankası A.Ş. ⁽²⁾	5.116	-	(102.703)	-	-	-	(97.587)
Aktif Bank Sukuk Varlık Kiralama A.Ş. ⁽²⁾	-	(510)	(231.447)	-	-	-	(231.957)
Total	136.830	(4.385)	(341.700)	(49.484)	297.220	-	38.481

⁽¹⁾ Parent company⁽²⁾ Subsidiary of the parent company⁽³⁾ Business partnership of the parent company⁽⁴⁾ Shareholder of the parent company⁽⁵⁾ Business partnership of the members of the Board of Directors

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4. Related party disclosures (continued)

Related party transactions (continued)

	2021						Total
	Revenue	Purchase	Finance income/ (costs)	General administrative expenses	Other income	Other expenses	
Adacami Enerji Elektrik Üretim Sanayi ve Ticaret A.Ş. ⁽²⁾	13	-	-	(1)	-	-	12
Aktif Bank Sukuk Varlık Kiralama A.Ş. ⁽²⁾	-	-	(161.427)	-	426	-	(161.001)
Aktif Yatırım Bankası A.Ş. ⁽²⁾	3.298	-	(88.872)	-	28	-	(85.546)
Ant Enerji Sanayi ve Ticaret Limited Şirketi ⁽⁵⁾	13	-	-	-	5	-	18
Artmin Madencilik Sanayi ve Ticaret A.Ş. ⁽³⁾	2.440	-	-	-	1	-	2.441
Atayurt İnşaat A.Ş. ⁽²⁾	13	-	-	-	-	-	13
Başak Yönetim Sistemleri A.Ş. ⁽²⁾	13	-	2	-	-	-	15
Calik Denim B.V. ⁽²⁾	-	-	-	(442)	-	-	(442)
Çalık Denim Tekstil Sanayi ve Ticaret A.Ş. ⁽²⁾	-	-	64	-	-	-	64
Çalık Dijital ve Bilişim Hizmetleri A.Ş. ⁽²⁾	15	-	41	-	-	-	56
Çalık Elektrik Dağıtım A.Ş. ⁽²⁾	13	-	-	-	-	-	13
Çalık Enerji A.Ş.-Malavi	-	-	-	-	2	-	2
Çalık Enerji Dubai FZE ⁽²⁾	-	-	-	(635)	-	-	(635)
Çalık Enerji Irak Branch ⁽²⁾	2.662	-	-	-	-	-	2.662
Çalık Enerji Özbekistan (Representative Office) ⁽²⁾	-	-	-	-	-	(6)	(6)
Çalık Enerji Özbekistan Taşkent PE ⁽²⁾	-	-	-	-	-	(8)	(8)
Çalık Enerji Sanayi ve Ticaret A.Ş. ⁽²⁾	7.841	-	297	(700)	486	(4)	7.920
Çalık Enerji Turkmenistan Branch ⁽²⁾	-	-	-	(3.105)	1.153	-	(1.952)
Çalık Hava Taşımacılık Turizm Sanayi ve Ticaret A.Ş. ⁽²⁾	13	-	479	(1.658)	-	-	(1.166)
Çalık Holding A.Ş. ⁽¹⁾	9.935	-	244	(20.189)	23	(3)	(9.990)
Çalık Limak Adi Ortaklığı ⁽³⁾	13	-	-	-	-	-	13
Çalık Petrol Arama Üretim San. ve Tic. A.Ş. ⁽²⁾	13	-	-	-	-	-	13
Çalık Rüzgar Enerjisi Elektrik Üretim Limited Şirketi ⁽²⁾	13	-	-	-	-	-	13
Cetel Telekom İletişim Sanayi ve Ticaret A.Ş. ⁽²⁾	13	-	2	-	-	-	15
CL Enerji Üretim ve İnşaat Anonim Şirketi ⁽²⁾	13	-	-	-	-	-	13
CLK İpekyolu Lojistik ve Tic. A.Ş. ⁽⁵⁾	935	61	(28)	(750)	116	(411)	(77)
CLK Transport and Trading FZE ⁽⁵⁾	-	9	-	-	-	-	9
Demircili Rüzgar Enerjisi Elektrik Üretim A.Ş. ⁽²⁾	13	-	-	-	-	-	13
Emlak Girişim Danışmanlığı A.Ş. ⁽²⁾	-	-	1.406	-	-	-	1.406
Enrich Teknoloji Yazılım Anonim Şirketi ⁽⁵⁾	260	-	4	(26)	6	-	244
GAP Pazarlama A.Ş. ⁽²⁾	-	-	(27)	-	-	-	(27)
Gap Pazarlama FZE Jebel Ali Free Zone ⁽²⁾	239	-	(11)	(272)	-	-	(44)
İkideniz Petrol ve Gaz Sanayi ve İnşaat Ticaret A.Ş. ⁽²⁾	13	-	-	-	-	-	13
Irmak Yönetim Sistemleri A.Ş. ⁽²⁾	13	-	2	-	-	-	15
Kızılırmak Enerji Elektrik A.Ş. ⁽²⁾	13	-	-	-	-	-	13
Lidya Madencilik Sanayi ve Ticaret A.Ş. ⁽²⁾	1.106	-	50	-	4	(230)	930
Momentum Enerji Elektrik Üretim Sanayi ve Ticaret A.Ş. ⁽²⁾	64	-	-	-	-	-	64
Polimetal Madencilik San. Ve Tic. A.Ş. ⁽⁵⁾	164.086	-	-	-	-	-	164.086
Secom Aktif Elektronik Güvenlik Çözümleri ⁽²⁾	-	-	-	-	-	(3)	(3)
Taşkent Merkez Park Gayrimenkul Yat. A.Ş. ⁽²⁾	13	-	-	-	-	-	13
TCB İnşaat Yatırım A.Ş. (Eski Ünvan:Atagas Doğalgaz Tic. A.Ş.) ⁽²⁾	13	-	-	-	-	-	13
Technovision Mühendislik Danışmanlık ve Dış Ticaret Limited Şirketi ⁽²⁾	1.409	-	-	(20)	-	-	1.389
Türkmen'in Altın Asrı Elektrik Enerjisi Toptan Satış A.Ş. ⁽²⁾	13	-	-	-	-	-	13
Yeşilçay Enerji Elektrik Üretim Sanayi ve Ticaret A.Ş. ⁽²⁾	13	-	-	-	-	-	13
Yeşilirmak Elektrik Dağıtım A.Ş. ⁽²⁾	114	-	-	-	11	-	125
Yeşilirmak Elektrik Perakende Satış A.Ş. ⁽²⁾	65	-	-	-	-	-	65
Total	194.716	70	(247.774)	(27.798)	2.261	(665)	(79.190)

⁽¹⁾ Parent company⁽²⁾ Subsidiary of the parent company⁽³⁾ Business partnership of the parent company⁽⁴⁾ Shareholder of the parent company⁽⁵⁾ Business partnership of the members of the Board of Directors

Transactions with key management personnel

On a consolidated basis, key management costs included in general administrative expenses for the year ended 31 December 2022 amounted to TL 25.226 (2021: TL 14.667).

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5. Cash and cash equivalents

At 31 December 2022 and 2021, cash and cash equivalents comprised the following:

	31 December 2022	31 December 2021
Cash on hand	1.300	421
Cash at banks	388.076	331.295
- Demand deposits	122.168	161.105
- Time deposits	265.908	170.190
Cash and cash equivalents	389.376	331.716

As of 31 December 2022, interest rate of time deposits of the Group in Qatar Riyal is 0,25%. The maturity of time deposits is 1 day (31 December 2021: 0,25%).

As at 31 December 2022 and 31 December 2021, there is no restriction on bank accounts.

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

6. Financial investments

As at 31 December 2022 and 2021, financial investments comprised the following:

Short term financial investments:

Financial investments to be held until maturity

	31 December 2022	31 December 2021
Time deposits - Longer than 3 months	13.312	-
Total	13.312	-

Long term financial investments:

As at 31 December 2022 and 2021, financial investments at fair value through profit or loss comprised the following:

Financial investments measured at fair value through profit or loss:

	31 December 2022	31 December 2021
Financial investments measured at fair value through profit or loss (Note 28)	1.724.584	-
Total	1.724.584	-

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6. Financial investments (continued)**Available-for-sale financial investments**

As at 31 December 2022 and 2021, available-for-sale financial investments comprised the following:

	Ownership (%)	2022	Ownership (%)	2021
Other	-	195	-	195
Total	-	195	-	195

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

As at 31 December 2022, investments in equity securities amounting to TL 195 (31 December 2021: TL 195) are measured at cost less impairment, if any, as these equity securities are not traded in an active market and have no quoted market price to estimate their fair value reliably.

7. Trade receivables and trade payables**Trade receivables****Short-term trade receivables**

As at 31 December 2022 and 2021, short-term trade receivables comprised the following:

	31 December 2022	31 December 2021
Due from third parties	285.688	154.987
Due from related parties (Note 4)	24.218	45.475
Total	309.906	200.462

As at 31 December 2022 and 2021, short-term trade receivable from third parties comprised the following:

	31 December 2022	31 December 2021
Accounts receivables	247.186	135.177
Notes receivables	38.502	19.810
Total	285.688	154.987

As of 31 December 2022 and 2021, there is no doubtful receivables.

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7. Trade receivables and trade payables (continued)

Long-term trade receivables

As at 31 December 2022 and 2021, long-term trade receivables comprised the following:

	31 December 2022	31 December 2021
Due from third parties ^(*)	10.723	581.591
Total	10.723	581.591

As at 31 December 2022 and 2021, long-term trade receivable from third parties comprised the following:

	31 December 2022	31 December 2021
Accounts receivables ^(*)	10.723	581.591
Total	10.723	581.591

^(*)Consists of receivables from Tarlabası Project. The Group makes a preliminary contract for sale against these receivables. When the areas subject to sale are delivered to the customers, they are recognized as sales. For this reason, the due date of the receivables is the days when the sale will take place. Since sales on these receivables have not been realized yet, such receivables are not included in the provision analysis.

The Group's exposure to currency risks related to trade receivables are disclosed in Note 28.

Trade Payables

Short-term trade payables

As at 31 December 2022 and 2021, short-term trade payables comprised the following:

	31 December 2022	31 December 2021
Due to third parties	773.432	1.594.274
Due to related parties (Note 4)	15.200	17.341
Total	788.632	1.611.615

As at 31 December 2022 and 2021, short-term trade payables to third parties comprised the following:

	31 December 2022	31 December 2021
Accounts payables	773.432	1.522.245
Notes payables	-	72.029
Total	773.432	1.594.274

The Group's exposure to credit and currency risks related to trade receivables and payables and liquidity and currency risks of trade payables are disclosed in Note 28.

GAP İNŞAAT YATIRIM VE DIŞ TİCARET ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

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

8. Other receivables and other payables**Other Receivables****Other short-term receivables**

As at 31 December 2022 and 2021, other short-term receivables comprised the following:

	31 December 2022	31 December 2021
Due from third parties	820.261	816.693
Due from related parties (Note 4)	1.149.066	429.350
Total	1.969.327	1.246.043

As at 31 December 2022 and 2021, short-term other receivables from third parties comprised the following:

	31 December 2022	31 December 2021
Deposits and guarantees given ^(*)	427.401	439.732
Other various receivables	392.860	376.961
Total	820.261	816.693

^(*)It includes the deposit and guarantees given over progress invoices by the Group for its ongoing projects in Turkmenistan, Qatar and Russia.**Other long-term receivables**

As at 31 December 2022 and 2021, other long-term receivables comprised the following:

	31 December 2022	31 December 2021
Due from related parties (Note 4) ^(**)	5.983.456	4.265.280
Deposits and guarantees given ^(*)	177.541	200.252
Total	6.160.997	4.465.532

^(*)It includes the deposit and guarantees given over progress invoices by the Group for its ongoing project in Qatar and Turkmenistan.^(**)Maturity for due from related parties is 2024.

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8. Other receivables and other payables (continued)**Other Payables****Other short-term payables**

As at 31 December 2022 and 2021, other short-term payables comprised the following:

	31 December 2022	31 December 2021
Due to related parties (Note 4)	66.511	3.280
Due to third parties	60.964	125.501
Total	127.475	128.781

As at 31 December 2022 and 2021, other short-term payables due to third parties comprised the following:

	31 December 2022	31 December 2021
Deposits and guarantees received	60.870	125.201
Other	94	300
Total	60.964	125.501

Other long-term payables

	31 December 2022	31 December 2021
Deposits and guarantees received ^(*)	307.756	125.277
Total	307.756	125.277

^(*)It includes retention received over the subcontractor progress payments by the Group for its ongoing project in Qatar. The maturity is 2024.**9. Inventories**

As at 31 December 2022 and 2021, inventories comprised the following:

	31 December 2022	31 December 2021
Trading properties ^(*)	2.269.377	1.387.344
Raw materials	357.214	110.512
Trading goods	1.882	791
Total	2.628.473	1.498.647

^(*)Trading properties comprise under development residential and office buildings, the completion periods of which are no longer than 48 months, in Istanbul for "Taksim 360" project. The Group capitalized interest expense amounting to TL 1.272.720 accumulated on inventories as at 2022 (31 December 2021: TL 745.192 accumulated).

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10. Prepaid expenses**Short-term prepaid expenses**

As at 31 December 2022 and 2021, current prepayments comprised the following:

	31 December 2022	31 December 2021
Advances given	689.302	323.609
Prepaid expenses for the following months	7.972	3.324
Total	697.274	326.933

Long-term prepaid expenses

As at 31 December 2022 and 2021, non-current prepayments comprised the following:

	31 December 2022	31 December 2021
Prepaid expenses for the following years	6.772	6.487
Total	6.772	6.487

11. Deferred revenue**Short-term deferred income**

As at 31 December 2022 and 2021, short-term deferred income comprised the following:

	31 December 2022	31 December 2021
Short-term deferred income ^(*)	682.288	205.818
Total	682.288	205.818

Included in the deferred income balance at the beginning of the period, the amount of revenue recognized in the financial statements during the reporting period is TL 288.062 in the period ending on December 31, 2022.

Long-term deferred income

As at 31 December 2022 and 2021, long-term deferred income comprised the following:

	31 December 2022	31 December 2021
Long-term deferred income ^(*)	1.758.093	1.227.093
Total	1.758.093	1.227.093

^(*)As of 31 December 2022, it consists of the preliminary sales of the Tarlabası urban transformation project of Gap İnşaat.

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12. Property, plant and equipment

Movements of property, plant and equipment and related accumulated depreciation during the years ended 31 December 2022 and 2021 are as follows:

	Land and buildings	Machinery and equipment	Motor vehicles	Furniture and fixtures	Leasehold improvements	Total
Cost						
Balance at 1 January 2022	51.878	744.060	112.685	174.602	9.958	1.093.183
Additions	9	4.491	1.267	9.491	4.740	19.998
Foreign currency translation differences	20.704	300.094	44.126	61.565	4.622	431.111
Disposals	(1.514)	(2.147)	(11.060)	(76.875)	-	(91.596)
Balance at 31 December 2022	71.077	1.046.498	147.018	168.783	19.320	1.452.696
Accumulated depreciation						
Balance at 1 January 2022	(20.740)	(606.866)	(75.778)	(166.070)	(683)	(870.137)
Charge for the year	(1.663)	(59.543)	(2.752)	(9.854)	(186)	(73.998)
Foreign currency translation differences	(10.177)	(249.394)	(29.605)	(59.303)	(286)	(348.765)
Disposals	1.216	2.123	9.904	74.823	-	88.066
Balance at 31 December 2022	(31.364)	(913.680)	(98.231)	(160.404)	(1.155)	(1.204.834)
Net carrying values	39.713	132.818	48.787	8.379	18.165	247.862

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12. Property, plant and equipment (continued)

	Land and buildings	Machinery and equipment	Motor vehicles	Furniture and fixtures	Leasehold improvements	Total
Cost						
Balance at 1 January 2021	28.585	409.889	65.036	103.112	4.750	611.372
Additions	-	716	667	3.488	887	5.758
Foreign currency translation differences	23.311	341.546	51.250	72.455	4.321	492.883
Disposals	(18)	(8.091)	(4.268)	(4.453)	-	(16.830)
Balance at 31 December 2021	51.878	744.060	112.685	174.602	9.958	1.093.183
Accumulated depreciation						
Balance at 1 January 2021	(7.625)	(300.780)	(39.025)	(88.446)	(318)	(436.194)
Charge for the year	(1.877)	(46.095)	(2.024)	(16.331)	(184)	(66.511)
Foreign currency translation differences	(11.256)	(268.074)	(36.888)	(65.209)	(181)	(381.608)
Disposals	18	8.083	2.159	3.916	-	14.176
Balance at 31 December 2021	(20.740)	(606.866)	(75.778)	(166.070)	(683)	(870.137)
Net carrying values	31.138	137.194	36.907	8.532	9.275	223.046

For the year ended 31 December 2022, depreciation amounting to TL 3.640 was allocated to general administrative expenses (31 December 2021: TL 2.034).

For the year ended 31 December 2022, depreciation amounting to TL 70.358 was allocated to cost of sales (31 December 2021: TL 64.477).

As 31 December 2022, property, plant and equipment were insured amounting to TL 1.130.534 (31 December 2021: TL 1.141.445).

As 31 December 2022, there is no mortgages over property, plant and equipments against its borrowings (31 December 2021: None).

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13. Intangible assets

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

Cost	Licences and other intangible assets
Balance at 1 January 2022	9.035
Foreign currency translation differences	3.688
Additions	1.586
Disposals	(53)
Balance at 31 December 2022	14.256
Amortisation	
Balance at 1 January 2022	(8.287)
Charge for the year	(1.288)
Foreign currency translation differences	(3.470)
Disposals	23
Balance at 31 December 2022	(13.022)
Net carrying value	1.234
Cost	Licences and other intangible assets
Balance at 1 January 2021	4.438
Foreign currency translation differences	3.816
Disposals	781
Balance at 31 December 2021	9.035
Amortisation	
Balance at 1 January 2021	(4.197)
Charge for the year	(480)
Foreign currency translation differences	(3.610)
Disposals	-
Balance at 31 December 2021	(8.287)
Net carrying value	748

For the year ended 31 December 2022, amortisation amounting to TL 63 was allocated to general administrative expenses (31 December 2021: TL 15).

For the year ended 31 December 2022, amortisation amounting to TL 1.225 was allocated to cost of sales (31 December 2021: TL 465).

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14. Investment properties

As at 31 December 2022 and 2021, investment properties comprised the followings:

	31 December 2022	31 December 2021
Investment property under development	1.088.700	825.000
Investment property in use	1.101.969	557.868
Total	2.190.669	1.382.868

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

	2022	2021
Balance at 1 January	1.382.868	1.169.585
Additions	-	7.208
Disposals ^(*)	(443.441)	-
Changes in fair value (Note 26)	663.049	(500.346)
Foreign currency translation differences	588.193	706.421
Balance at 31 December	2.190.669	1.382.868

^(*)The company has sold 43% of its investment property with a value of USD 61.895 (TL 825,000) to Mükafat Portföy Yönetimi A.Ş. İkinci Gayrimenkul Yatırım Fonu. The sale price is USD 44.410 (TL 739.242) and the profit from sale amounting to USD 17.795 (TL 294.785) has been recognized in income from investment activities.

The Group obtained independent appraisal reports for each item of investment property and measured them at their fair values. Fair value information for all investment property within the scope of IFRS 13 based on fair value hierarchy are as follows:

31 December 2022	Level 1	Level 2	Level 3	Total
Investment property	-	2.190.669	-	2.190.669
Total	-	2.190.669	-	2.190.669
31 December 2021	Level 1	Level 2	Level 3	Total
Investment property	-	1.382.868	-	1.382.868
Total	-	1.382.868	-	1.382.868

As at 31 December, fair value of the investment properties is calculated by using a peer comparison by independent appraisal.

Peer comparison method determines recently listed or sold properties in market and takes into consideration of other factors for the adjustment of value based on size of land of property with current condition and location. For current market outlook the appraisers contact with the property sale intermediaries.

The Group has no mortgages over its investment properties (31 December 2021: TL 2.665.800) against its borrowings.

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15. Other assets and liabilities

Other current assets

As at 31 December 2022 and 2021, other current assets comprised the following:

	31 December 2022	31 December 2021
VAT carried forward	61.106	49.817
Deductible VAT	51.955	26.399
Advances given to employees	602	8.608
Total	113.663	84.824

Other short-term liabilities

As at 31 December 2022 and 2021, other short-term liabilities comprised the following:

	31 December 2022	31 December 2021
Taxes and funds payable	29.169	10.098
Other liabilities	4.572	2.838
Total	33.741	12.936

16. Contract assets and liabilities

As at 31 December 2022 and 2021, the details of uncompleted contracts were as follows:

	31 December 2022	31 December 2021
Total costs incurred on uncompleted contracts	8.465.229	11.167.801
Estimated earnings/(costs)	1.026.891	1.219.993
Total estimated revenue on uncompleted contracts	9.492.120	12.387.794
Less: Billings to date	(8.711.380)	(11.691.346)
Net amounts due from customers for contract works (*)	780.740	696.448

(*) Contract assets from ongoing construction and contracting projects, contract liabilities from ongoing construction and contracting projects and advance received from the ongoing construction and contracting projects amounting to TL 1.097.759, TL 317.019 ve TL 1.839.835 respectively. Net contract liability is TL 1.059.095.

The contract assets primarily relate to the Group's rights to consideration for work completed but not billed at the reporting date on made-to-order trading goods and trading properties. The contract assets are transferred to receivables when the rights become unconditional. This usually occurs when the Group issues an invoice to the customer.

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

17. Loans and borrowings

As at 31 December 2022 and 2021, loans and borrowings comprised the following:

	31 December 2022	31 December 2021
Short-term loans and borrowings	397.604	422.240
Short-term bonds	-	111.506
Short-term portion of long term loans and borrowings	991.176	462.985
Short-term portion of long term bonds	349.458	51.851
Short-term loans and borrowings	1.738.238	1.048.582
Long-term loans and borrowings	2.750.252	2.207.486
Long-term bonds	668.807	300.773
Long-term loans and borrowings	3.419.059	2.508.259
Total	5.157.297	3.556.841

At 31 December 2022 and 2021, the terms and conditions of outstanding loans and borrowings were as follows:

2021					
	Currency	Nominal interest rate %	Maturity	Nominal value	Carrying amount
Unsecured bank loans	TL	10,50-22,90	2022-2025	601.873	593.830
Unsecured bank loans	USD	6,35-7,00	2022	199.935	199.947
Unsecured bank loans	EUR	2,32-4,20	2022	277.276	277.637
Sukuk agreement	USD	7,00	2024	1.572.822	1.588.205
Sukuk agreement	TL	-	2030	420.000	433.092
Bonds	TL	-	2022-2024	487.000	464.130
Total				3.558.906	3.556.841
2022					
	Currency	Nominal interest rate %	Maturity	Nominal value	Carrying amount
Unsecured bank loans	TL	10,50-35,25	2022-2025	521.067	528.160
Unsecured bank loans	USD	8,50-9,00	2022-2023	411.363	414.385
Unsecured bank loans	EUR	3,86-8,25	2023	527.458	529.138
Unsecured bank loans	TMT	12,00	2023	10.685	10.685
Sukuk agreement	USD	7,00	2024	2.206.399	2.228.280
Sukuk agreement	TL	-	2030	420.000	428.384
Bonds	TL	-	2023-2025	1.025.000	1.018.265
Total				5.121.972	5.157.297

There is no mortgage on investment properties against the bank borrowings (31 December 2021: TL 2.665.800).

As 31 December 2022, there is no mortgage on property, plant and equipment against the bank borrowings (31 December 2021:Nil).

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17. Loans and borrowings (continued)

The redemption schedule of loans and borrowings are as follows:

	2022	2021
2022	-	1.048.582
2023	1.738.238	279.311
2024	2.577.804	1.788.118
2025	412.871	7.738
2026 and after	428.384	433.092
Total	5.157.297	3.556.841

Change of Group's liabilities from borrowing activities between 1 January - 31 December 2022 are presented below:

	1 January 2022	Cash inflow	Cash outflows	Non-cash transactions	Interest expense	Interest paid	31 December 2022
Financial borrowings	3.556.841	2.536.357	(1.822.729)	965.474	471.629	(550.275)	5.157.297

Change of Group's liabilities from borrowing activities between 1 January - 31 December 2021 are presented below:

	1 January 2021	Cash inflow	Cash outflows	Non-cash transactions	Interest expense	Interest paid	31 December 2021
Financial borrowings	2.531.462	1.423.521	(1.333.135)	973.087	328.787	(366.881)	3.556.841

18. Provisions, commitments and contingencies

As at 31 December 2022 and 2021, provisions comprised the following items:

	31 December 2022	31 December 2021
Short-term provisions		
Short-term employee benefits	11.878	7.449
Other short-term provisions	22.225	16.015
Total short-term provisions	34.103	23.464
Long-term provisions		
Long-term employee benefits	20.196	12.061
Total long-term provisions	20.196	12.061
Total provisions	54.299	35.525

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18. Provisions, commitments and contingencies (continued)

As at 31 December 2022 and 2021, short-term and long-term employee benefits comprised the following items:

	31 December 2022	31 December 2021
Short-term		
Vacation pay liability	11.878	7.449
Total	11.878	7.449
Long term		
Reserve for severance payments	20.196	12.061
Total	20.196	12.061

As at 31 December 2022 and 2021, movement of vacation pay liability is below:

	2022	2021
Opening balance	7.449	3.141
Additions/(reversals), net	1.412	1.372
Translation differences	3.017	2.936
Closing balance	11.878	7.449

As at 31 December 2022 and 2021, other provisions comprised the following items:

	31 December 2022	31 December 2021
Short-term		
Provision for litigation	22.225	16.015
Total	22.225	16.015

As at 31 December 2022 and 2021, movement of litigation provision is below:

	2022	2021
Opening balance	16.015	8.365
Additions/(reversals), net	3.454	6.463
Translation differences	2.756	1.187
Closing balance	22.225	16.015

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18. Provisions, commitments and contingencies (continued)**Reserve for severance payments**

In accordance with the existing labour law in Turkey, the Group entities operating in Turkey are required to make lump-sum payments to employees who have completed one year of service and whose employment is terminated without cause or who retire (age of 58 for women, age of 60 for men) or completed service years of 20 for women or 25 for men, are called up for military service or die.

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

	2022	2021
Balance at the beginning of the year	12.061	4.944
Interest cost	2.125	1.742
Service cost	2.199	1.765
Paid during the year	(1.260)	(144)
Actuarial difference	3.722	2.116
Foreign currency translation differences	1.349	1.638
Balance at the end of the year	20.196	12.061

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 difference arises due to the change in interest rate and expected salary increase. Actuarial difference is recognized in other comprehensive income.

The computation of the liability is predicated upon retirement pay ceiling announced by the Government. As at 31 December 2022, the ceiling amount was TL 19,98 thousand (31 December 2021: TL 10,84 thousand).

Commitments and contingencies

Guarantee, pledge and mortgages ("GPM") in respect of commitment and contingencies realised in the ordinary course of business were given as at 31 December 2022 and 2021 are as follows:

	31 December 2022			31 December 2021		
	USD	Other (*)	TI Equivalents	USD	Other (*)	TI Equivalents
A. Total amount of GPMs given in the name of its own legal personality	84.385	155.307	1.733.172	203.745	119.258	2.834.970
B. Total amount of GPMs given in the name of the consolidated subsidiaries and joint ventures	-	-	-	-	-	-
C. Total amount of GPMs given to be able to conduct ordinary business transactions to secure payables of third parties	-	-	-	-	-	-
D. Other GPMs given	-	-	-	-	-	-
Total GPM	84.385	155.307	1.733.172	203.745	119.258	2.834.970

(*) TL equivalents are given.

The Group gives letter of guarantees amounting to TL 1.557.865 (31 December 2021: TL 169.170) for the construction projects to suppliers.

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19. Payables related to employee benefits

As at 31 December 2022 and 2021, payables related to employee benefits comprised the following:

	31 December 2022	31 December 2021
Payable to employees	12.230	40.036
Social security payables	2.677	1.050
Total	14.907	41.086

20. Contract liabilities

The details of short term contract liabilities as of December 31, 2022 and 2021 are as follows:

	31 December 2022	31 December 2021
Contract liabilities resulting from ongoing construction and contracting works	644.732	150.883
Total	644.732	150.883

The details of long-term contract liabilities as of December 31, 2022 and 2021 are as follows:

	31 December 2022	31 December 2021
Contract liabilities resulting from ongoing construction and contracting works	1.512.122	409.056
Total	1.512.122	409.056

The amount of revenue recognised in the period ended 31 December 2022 from performance obligations satisfied (or partially satisfied) is amounting TL 2.156.854 The contract liabilities primarily relate to the advance consideration received from customers for ongoing construction projects located in Turkmenistan and Qatar where revenue is recognised over time. These amounts will be recognised as revenue when the projects are delivered to customers, which is expected to be completed within 1 to 2 years.

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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, the corporate tax rate is 25%. However, in accordance with the addition of temporary 10th article to the Corporate Tax Law, 23% corporate tax rate will be applied to the profits of the entities related to 2023 tax periods and after 2023, 20% corporate tax rate will be applied to the profits of the entities. (for the entities with special accounting period, tax periods commenced in the related year) rather than 25%. This rate is applicable to the tax base derived upon exemptions and deductions stated in the tax legislation and by addition of disallowable expenses to the commercial revenues of the companies with respect to the tax legislation. Corporate tax is required to be filed by the twenty-fifth day of the fourth month following the balance sheet date and taxes must be paid by the end of the fourth month.

The tax legislation provides for a temporary tax of 25% (23% for 2022, 20% for 2023 and after 2023 tax periods) to be calculated based on earnings generated for each quarter. Temporary tax is declared by the 14th day of the second month following each quarter and corresponding tax is payable by the 17th day of the same month. The amounts thus calculated and paid are offset against the final corporate tax liability for the year. If there is excess temporary tax paid even if it is already offset, this amount may be refunded or offset.

75 percent of the income derived by entities from the sale of participation shares, immovable property, preferential rights, founders' shares and redeemed shares which are carried in assets at least for two years is exempt from corporate tax as of 31 December 2018. However, according to the amendments by Law numbered 7061, this rate is reduced from 75 percent to 50 percent and tax declarations starting from 2019 will be calculated using 50 percent for the properties held. In order to be able to benefit from the exemption, the relevant income should be kept under a fund account in the liabilities and should not be withdrawn from the enterprise for 5 years. The sales amount should be collected by the end of the second calendar year following the year of sale. However companies engaged in developing and selling or rental of properties are not entitled to this exemption.

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

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

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

21. Taxation (continued)

Turkey (continued)

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.

Corporate tax losses can be carried forward for a maximum period of five years following the year in which the losses were incurred. The tax authorities can inspect tax returns and the related accounting records for a retrospective maximum period of five years.

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

Transfer pricing regulations

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

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

Tax applications for foreign subsidiaries of the Group

United Arab Emirates

As at 31 December 2022, the Group has two subsidiaries in the United Arab Emirates located in Dubai. There is no federal corporate tax in United Arab Emirates. However, similar taxes are implemented in different sectors in different emirates. As at 31 December 2022, the Group's subsidiary operating in Dubai is not subject to corporate tax.

Turkmenistan

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

Qatar

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

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21. Taxation (continued)

Deferred tax

Deferred income tax is provided in full, using the liability method, on all temporary differences arising between the tax bases of assets and liabilities and their carrying values in the consolidated financial statements. Currently enacted tax rates are used to determine deferred income tax at the balance sheet date.

In the deferred tax calculation for the period of 1 January-31 December 2022; Deferred tax assets or liabilities, which are included in the measurement heading of TAS-12 "Income Taxes" standard, "are based on tax rates (and tax laws) that are in force as of the end of the reporting period (and tax laws), which are expected to be applied in the periods when assets are converted into income or liabilities are paid." calculated using the In the deferred tax calculation of the Company and its subsidiaries in Turkey, 23% for short-term assets and liabilities and 20% for long-term assets and liabilities for 2022 are taken into account.

Tax recognised in profit or loss

Income tax expense for the years ended 31 December 2022 and 2021 comprised the following items:

	2022	2021
Current year tax expense	-	(3.737)
Deferred tax income	(60.104)	102.485
Tax expenses recognised in profit or loss	(60.104)	98.748
Tax recognised in other comprehensive income	324	277
Total income tax benefit	(59.780)	99.025

As at December 31, 2022 and 2021, all of the deferred tax income recognized in other comprehensive income is related to actuarial differences in the provision for severance pay.

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21. Taxation (continued)**Reconciliation of effective tax rate**

The reported income tax expense for the years ended 31 December 2022 and 2021 are different than the amounts computed by applying statutory tax rate to profit before tax as shown in the following reconciliation:

	1 January- 31 December 2022	1 January- 31 December 2021
Profit/(loss) before taxation	1.409.699	(355.786)
Tax rate	23%	25%
Taxes on profit or loss per statutory tax rate	(324.231)	88.947
Disallowable expenses	(31.423)	(31.386)
Current period previous year losses for which no deferred tax asset is recognized	319.330	76.179
Carry forward tax losses used in the current period for which deferred tax not booked in previous periods	15.647	-
Current period previous year losses for which deferred tax asset is recognized	446	862
Previous year losses used in the current period for which no deferred tax asset is recognized	-	(25.847)
Tax exempt income	35.096	19.529
Unrecognized deferred tax over temporary differences	(13.190)	(21.255)
Effect of change in tax rate and other	(61.779)	(8.281)
Tax income	(60.104)	98.748

Taxes payable on income

	31 December 2022	31 December 2021
Prepaid taxes and funds	5.360	11.252
Prepaid taxes, net	5.360	11.252

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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.

Recognised deferred tax assets and liabilities

Deferred tax assets and deferred tax liabilities at 31 December 2022 and 2021 are attributable to the items detailed in the table below:

	Assets		Liabilities		Net	
	31 December 2022	31 December 2021	31 December 2022	31 December 2021	31 December 2022	31 December 2021
Provision for severance payment	1.121	706	-	-	1.121	706
Property, plant and equipment and intangible assets	-	-	(188)	(607)	(188)	(607)
Inventories	-	-	(79.677)	(37.776)	(79.677)	(37.776)
Investment property	-	-	(183.106)	(94.778)	(183.106)	(94.778)
IAS 39 effect on loans and borrowings	-	-	(1.563)	(11.503)	(1.563)	(11.503)
Contract Progress	-	-	(13.185)	-	(13.185)	-
Tax losses carried forward	24.873	24.485	-	-	24.873	24.485
Deferred revenue	20.343	642	-	-	20.343	642
Other temporary differences	1.109	3.486	-	-	1.109	3.486
Total deferred tax assets/ (liabilities)	47.446	29.319	(277.719)	(144.664)	(230.273)	(115.345)
Set off of tax	(43.248)	(25.701)	43.248	25.701	-	-
Deferred tax assets/ (liabilities), net	4.198	3.618	(234.471)	(118.963)	(230.273)	(115.345)

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21. Taxation (continued)**Deferred tax assets and liabilities (continued)**

According to the Tax Procedural Law in Turkey, statutory losses can be carried forward maximum for five years. Consequently, 2027 is the latest year for recovering the deferred tax assets arising from such tax losses carried forward. At the end of the reporting period, the Group has a financial loss of TL 980.765 (31 December 2021: TL 1.152.003) that can be offset against future profits. The table below shows the expiration date of the tax losses (deferred tax effect) carried forward:

Date of expire	2022	2021
2023	6.791	67.142
2024	1.494	1.494
2025	4.686	49.484
2026	965.854	1.033.883
2027	1.940	-
Total	980.765	1.152.003

(*) As at December 31, 2022 deferred tax asset recognized from tax losses carried forwards is amounting to TL 124.367 (31 December 2021: TL 122.427).

22. Capital and reserves***Paid in capital***

At 31 December 2022, the Company's statutory nominal value of authorised and paid-in share capital is TL 1.001.502 (31 December 2021: TL 801.502) comprising of 1.001.502.262 registered shares (31 December 2021: 801.502.262) having per value of TL 1 full (31 December 2021: TL 1 full) nominal each. Business combination under common control account includes paid-in share capital amounting to TL 109.580.

The Company has increased the share capital from TL 801.502 to TL 1.001.502 by TL 200.000 in accordance with the decision taken in extraordinary general assembly meeting on 22 November 2022.

At 31 December, the shareholding structure of Gap İnşaat based on the number of shares is presented below:

	31 December 2022		31 December 2021	
	TL	%	TL	%
Çalık Holding Anonim Şirketi	889.211	99,7	689.211	99,6
Other	2.711	0,3	2.711	0,4
	891.922	100%	691.922	100%
Inflationary effect	4.590		4.590	
Total	896.512		696.512	

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22. Capital and reserves (continued)**Legal reserves**

The legal reserves are established by annual appropriations amounting to 5 percent of income disclosed in the Group's statutory accounts until it reaches 20 percent of paid-in share capital (first legal reserve). Without limit, a further 10 percent of dividend distributions in excess of 5 percent of share capital is to be appropriated to increase legal reserves (second legal reserve). The first legal reserve is restricted and is not available for distribution as dividend unless it exceeds 50 percent of share capital. In the accompanying consolidated financial statements, the total of the legal reserves of the consolidated entities amounted to TL 239.078 as at 31 December 2022 (31 December 2021: TL 239.078).

Translation reserve

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

23. Revenue and cost of sales

For the years ended 31 December 2022 and 2021, revenue comprised the following:

	1 January- 31 December 2022	1 January- 31 December 2021
Revenue	3.185.825	2.206.364
Export sales	2.845.761	1.999.780
Domestic sales	340.064	255.227
Sales discounts (-)	-	(48.643)
Cost of sales (-)	(2.766.184)	(2.175.174)
Gross profit	419.641	31.190

For the years ended 31 December 2022 and 2021, details of the revenue comprised the following:

	1 January- 31 December 2022	1 January- 31 December 2021
Revenue from customer contracts	2.758.929	1.380.555
Revenue from sales of real estates	288.062	69.294
Rental income	128.470	25.960
Revenue from sales of trading goods	-	727.023
Other operations	10.364	3.532
Total	3.185.825	2.206.364

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23. Revenue and cost of sales (continued)

For the years ended 31 December 2022 and 2021, cost of sales comprised the following:

	1 January- 31 December 2022	1 January- 31 December 2021
Change in inventories and materials used	2.235.366	1.923.479
Personnel expenses	368.544	145.349
Depreciation and amortisation expenses (Note 12,13)	71.583	64.942
Taxes, duties and fees	20.237	10.084
Maintenance and repair expenses	17.044	5.398
Travel and accommodation expenses	11.075	1.856
Rent expenses	9.282	6.640
Representation expenses	7.068	4.536
Consultancy expenses	5.792	1.032
Office expenses	3.767	1.406
Insurance expenses	3.239	1.505
Other	13.187	8.947
Total	2.766.184	2.175.174

24. General administrative, marketing expenses and expenses by nature

	1 January- 31 December 2022	1 January- 31 December 2021
General administrative expenses	158.799	80.170
Marketing expenses	125.688	30.047
Total	284.487	110.217

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24. General administrative expenses, marketing expenses and expenses by nature (continued)**General administrative expenses**

For the years ended 31 December 2022 and 2021, general administrative expenses comprised the following:

	1 January- 31 December 2022	1 January- 31 December 2021
Personnel expenses	66.476	37.561
Service expenses	33.999	13.307
Travel and accommodation expenses	23.336	8.375
Consultancy expenses	12.265	9.518
Rent expenses	6.694	3.206
Representation expenses	6.630	2.555
Depreciation and amortisation expenses (Note 12, 13)	3.703	2.049
Taxes, duties and fees	571	309
Maintenance and repair expenses	419	563
Communication and information expenses	113	47
Other	4.593	2.680
Total	158.799	80.170

Marketing expenses

For the years ended 31 December 2022 and 2021, marketing expenses comprised the following:

	1 January- 31 December 2022	1 January- 31 December 2021
Commission expenses	82.737	13.382
Personnel expenses	12.047	2.462
Advertisement and promotion expenses	11.131	7.996
Travel and accommodation expenses	7.590	2.085
Consultancy expenses	6.916	2.792
Representation expenses	2.790	243
Taxes, duties and fees	713	424
Rent expenses	527	133
Communication and information expenses	229	187
Other	1.008	343
Total	125.688	30.047

GAP İNŞAAT YATIRIM VE DIŞ TİCARET ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2022 (continued)

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

24. General administrative expenses, marketing expenses and expenses by nature (continued)**Expenses by nature**

For the years ended 31 December 2022 and 2021, expenses by nature comprised the following:

	1 January- 31 December 2022	1 January- 31 December 2021
Change in inventories and materials used	2.235.366	1.923.479
Personnel expenses	447.067	185.372
Commission expenses	82.737	13.382
Depreciation and amortisation expenses (Note 12, 13)	75.286	66.991
Travel and accommodation expenses	42.001	12.316
Service expenses	33.999	13.307
Consultancy expenses	24.973	13.342
Taxes, duties and fees	21.521	10.817
Maintenance and repair expenses	17.463	5.961
Rent expenses	16.503	9.979
Representation expenses	16.488	7.334
Advertising and promotion expenses	11.131	7.996
Office expenses	3.767	1.406
Insurance expenses	3.239	1.505
Communication and information expenses	342	234
Other	18.788	11.970
Total	3.050.671	2.285.391

For the years ended 31 December 2022 and 2021, personnel expenses comprised the following:

	1 January- 31 December 2022	1 January- 31 December 2021
Personnel expenses		
Wage and salaries	445.807	185.228
Severance compensations (note 18)	1.260	144
Total	447.067	185.372

For the years ended 31 December 2022 and 2021, depreciation and amortisation expenses were allocated as follows:

	1 January- 31 December 2022	1 January- 31 December 2021
Depreciation and amortisation expenses		
Cost of sales	71.583	64.942
General administrative expenses	3.703	2.049
Total	75.286	66.991

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2022 (continued)

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25. Other income and expenses

For the years ended 31 December 2022 and 2021, other income comprised the following:

	1 January- 31 December 2022	1 January- 31 December 2021
Provisions no longer required ^{(*) (**)}	73.245	-
Foreign exchange gains	4.486	4.372
Other income from operating activities	3.268	2.968
Total	80.999	7.340

^(*) Within the scope of the Turkmenbaşı Port Project, there was a dispute between the Company and the subcontractor, Bedeschi SPA, an Italian company. In accordance with the relevant clause in the contract, the parties took the dispute to the International Chamber of Commerce Paris. The result of the arbitration was processed by Bedeschi as an recognition and enforcement action in Turkey in accordance with international law. During the enforcement proceedings, the parties reached an external agreement. Since Bedeschi waived its lawsuit, the court decided to dismiss the lawsuit. Since the amount paid to Bedeschi is less than the liability in the Company's financial statements, TL 19.195 is recognized as income.

^(**) The Company signed an agreement with Mikrocerrahi Sağlık Hizmetleri A.Ş. (Mikrocerrahi) for the lease of the Company's own building located in Mecidiyeköy 115 parcel as a hospital. As Mikrocerrahi withdraw the agreement without the consent of the Company, the Company filed a lawsuit against Mikrocerrahi for the compensation of the expenses incurred for the use of the building as a hospital. Mikrocerrahi also filed a counterclaim for the return of USD 1,000, which it had given as an advance payment at the beginning of the transactions. During the course of the lawsuits, the Company won the lawsuit and while the process continued at the Court of Cassation, the settlement request from Mikrocerrahi was evaluated and an agreement was reached to eliminate all mutual receivables and debts. As a result of the related settlement, an income amounting to TL 54.050 has been recognized in the consolidated financials of the Group.

For the years ended 31 December 2022 and 2021, other expenses comprised the following;

	1 January- 31 December 2022	1 January- 31 December 2021
Foreign exchange losses	107.086	193.975
Other expense from operating activities	22.261	14.674
Provision expenses	16.353	-
Rediscount interest expenses	1.621	372
Total	147.321	209.021

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

26. Gains and losses from investing activities

For the years ended 31 December 2022 and 2021, gains from investing activities comprised the following:

	1 January- 31 December 2022	1 January- 31 December 2021
Increase in the fair value of investment properties (Note 14)	663.049	-
Gain on sales of investment property (Note 14)	294.785	-
Fair value gains of financial assets	30.587	-
Gain on sale of property, plant and equipment	48	119
Dividend income	81	107
Total	988.550	226

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

	1 January- 31 December 2022	1 January- 31 December 2021
Impairment of other investments	17.061	-
Decrease in the fair value of investment properties (Note 14)	-	500.346
Loss on sale of property, plant and equipment	153	3
Total	17.214	500.349

27. Finance income/(expense)**Finance income**

For the years ended 31 December 2022 and 2021, finance income comprised the following:

	1 January- 31 December 2022	1 January- 31 December 2021
Foreign exchange gains on loans and financing	811.611	775.294
Interest income	67.808	2.751
Interest income from receivables	7.649	4.506
Total	887.068	782.551

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

27. Finance income/(expense) (continued)

Finance expenses

For the years ended 31 December 2022 and 2021, finance expense comprised the following:

	1 January- 31 December 2022	1 January- 31 December 2021
Interest expenses on borrowings	471.629	328.787
Bank commission expenses	18.409	11.672
Other bank charges	11.453	10.414
Foreign exchange losses on loans and financing	893	4.115
Expenses on letters of guarantee obtained	339	2.090
Interest expenses	14.814	428
Total	517.537	357.506

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 level management.

Group acts proactively in terms of risk management in order to ensure that its business operations in different industries and regions are not adversely affected as a result of market, operational, liquidity and counterparty risks. Risk Management and internal audit departments within Çalık Holding Anonim Şirketi, the Company 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.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2022 (continued)

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

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

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the Group's receivables from customers and investment securities.

The Group's principal financial assets are cash and cash equivalents, financial investments, trade receivables and other receivables. The Group requires a certain amount of collateral in respect of its accounts receivable. Credit evaluations are performed on all customers requiring credit over a certain amount on individual level.

On a certain real estate development project in Turkey, the Group works with state-owned enterprise and for the abroad construction projects, the customers of the Group are state-owned enterprises. Therefore, the Group assess its credit risk as low for those customers. Also, the Group places its cash at reputable banks.

At reporting date, there were significant concentrations of credit risk which are derived from receivables state owned enterprises. The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the consolidated statement of financial position.

Exposure to credit risk

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at 31 December 2022 is:

	Receivables					
	Trade receivables		Other receivables		Cash and cash equivalent	Contract Asset
	Related party	Third party	Related party	Third party		
31 December 2022						
Maximum credit risk exposure at reporting date (A+B+C+D)	24.218	296.411	7.132.522	997.802	388.077	1.097.759
- Portion of maximum risk covered by guarantees	-	-	-	-	-	-
A. Carrying value of financial assets that are neither past due nor impaired	24.218	266.575	7.132.522	997.802	388.077	1.097.759
B. Carrying value of financial assets that are past due but not impaired	-	29.836	-	-	-	-
C. Carrying value of impaired assets	-	-	-	-	-	-
- Past due (gross carrying amount)	-	-	-	-	-	-
- Impairment (-)	-	-	-	-	-	-
- The part of net value under guarantee with collateral etc.	-	-	-	-	-	-
- Not past due (gross carrying amount)	-	-	-	-	-	-
- Impairment (-)	-	-	-	-	-	-
D. Elements including credit risk on off statement of financial position	-	-	-	-	-	-

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2022 (continued)

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

28. Financial instruments - Fair values and risk management (continued)**Credit risk (continued)****Exposure to credit risk (continued)**

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at 31 December 2021 was:

31 December 2021	Receivables					
	Trade receivables		Other receivables		Cash and cash equivalent	Contract Asset
	Related party	Third party	Related party	Third party		
Maximum credit risk exposure at reporting date (A+B+C+D)	45.475	736.578	4.694.630	1.016.945	331.295	696.448
- Portion of maximum risk covered by guarantees	-	-	-	-	-	-
A. Carrying value of financial assets that are neither past due nor impaired	45.475	682.949	4.694.630	1.016.945	331.295	696.448
B. Carrying value of financial assets that are past due but not impaired	-	53.629	-	-	-	-
C. Carrying value of impaired assets	-	-	-	-	-	-
- Past due (gross carrying amount)	-	-	-	-	-	-
- Impairment (-)	-	-	-	-	-	-
- The part of net value under guarantee with collateral etc.	-	-	-	-	-	-
- Not past due (gross carrying amount)	-	-	-	-	-	-
- Impairment (-)	-	-	-	-	-	-
D. Elements including credit risk on off statement of financial position	-	-	-	-	-	-

Impairment losses

The aging of trade receivables at the reporting date was:

	31 December 2022		31 December 2021	
	Trade receivables	Other receivables	Trade receivables	Other receivables
Past due 0-30 days	4.205	-	24.713	-
Past due 31-120 days	4.343	-	10.837	-
Past due 121-365 days	4.594	-	1.009	-
More than one year	16.694	-	17.070	-

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2022 (continued)

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

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 2022 and 2021, the followings are carrying amounts, contractual cash flows and the contractual maturities of financial liabilities;

	31 December 2022					
	Carrying amount	Contractual cash flows	3 months or less	3-12 months	1-5 years	More than five year
Non-derivative financial liabilities						
Borrowings	4.139.032	4.805.241	548.361	1.110.892	2.607.607	538.381
Bonds	1.018.265	1.484.432	53.724	336.065	1.094.643	-
Trade payables	788.632	788.632	-	788.632	-	-
Other payables	435.231	435.231	-	435.231	-	-
Employee benefit obligations	14.907	14.907	-	14.907	-	-
	6.396.067	7.528.443	602.085	2.685.727	3.702.250	538.381
	31 December 2021					
	Carrying amount	Contractual cash flows	3 months or less	3-12 months	1-5 years	More than five year
Non-derivative financial liabilities						
Borrowings	3.092.711	4.130.852	393.777	721.731	2.319.822	695.522
Bonds	464.130	619.231	140.895	54.462	423.874	-
Trade payables	1.611.615	1.611.615	-	1.611.615	-	-
Other payables	254.058	254.058	-	128.781	125.277	-
Employee benefit obligations	41.086	41.086	-	41.086	-	-
	5.463.600	6.656.842	534.672	2.557.675	2.868.973	695.522

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2022 (continued)

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

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 parameters, 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 reprice 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 repricing 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 2022 and 2021, the interest rate profile of the Group's interest-bearing financial instruments was as follows:

		2022	2021
Fixed-rate instruments			
Financial liabilities	TL	528.160	593.830
Financial liabilities	USD	2.642.665	1.788.152
Financial liabilities	EUR	529.138	277.637
Financial liabilities	TMT	10.685	-
Variable-rate instruments			
Financial liabilities	TL	428.384	433.092
Financial liabilities	TL	1.018.265	464.130

Fair value sensitivity analysis for variable rate instruments

The Group is exposed to interest rate risk due to bonds and sukuk agreements with variable interest rate. A change of 1% points in interest rates as at 31 December 2022 would have increased/(decreased) profit or loss by TL 2.431 (31 December 2021: TL 1.222). This analysis assumes that all other variables, in particular foreign currency rates, remain constant.

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

Market risk (continued)

Currency risk

The Group is exposed to currency risk on sales, purchases and borrowings that are denominated in a currency other than the respective functional currencies of Group entities. The currencies in which these transactions primarily are denominated are TL and Euro.

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.

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

28. Financial instruments - Fair values and risk management (continued)**Market risk (continued)****Currency risk (continued)**

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.

At 31 December 2022, the currency risk exposures of the Group in TL equivalents are as follows:

CURRENCY POSITION STATEMENT		31 December 2022			
		TL equivalent	TL	EUR	Other ^(*)
1.	Trade receivables	23.723	20.055	184	-
2a.	Monetary financial assets (including cash on hand, bank deposits) ^(*)	1.381.630	971.409	1.226	385.781
2b.	Non-monetary financial assets	-	-	-	-
3.	Other	125.070	59.396	473	56.245
4.	Current assets (1+2+3)	1.530.423	1.050.860	1.883	442.026
5.	Trade receivables	-	-	-	-
6a.	Monetary financial assets	-	-	-	-
6b.	Non-monetary financial assets	-	-	-	-
7.	Other	-	-	-	-
8.	Non-current assets (5+6+7)	-	-	-	-
9.	Total assets (4+8)	1.530.423	1.050.860	1.883	442.026
10.	Trade payables	(238.891)	(46.254)	(1.083)	(171.048)
11.	Financial liabilities	(1.323.847)	(784.030)	(26.543)	(10.685)
12a.	Other monetary liabilities	(80.880)	(34.010)	(292)	(41.050)
12b.	Other non-monetary liabilities	-	-	-	-
13.	Short term liabilities (10+11+12)	(1.643.618)	(864.294)	(27.918)	(222.783)
14.	Trade payables	-	-	-	-
15.	Financial liabilities	(1.190.779)	(1.190.779)	-	-
16a.	Other monetary liabilities	-	-	-	-
16b.	Other non-monetary liabilities	-	-	-	-
17.	Long term liabilities (14+15+16)	(1.190.779)	(1.190.779)	-	-
18.	Total liabilities (13+17)	(2.834.397)	(2.055.073)	(27.918)	(222.783)
19.	Net position of off-statement of financial position derivative instruments (19a+19b)	-	-	-	-
19a.	Total hedged assets ^(**)	-	-	-	-
19b.	Total hedged liabilities ^(**)	-	-	-	-
20.	Net statement of financial position (9+18+19)	(1.303.974)	(1.004.213)	(26.035)	219.243
21.	Net statement of monetary items (IFRS 7.b23) (=1+2a+5+6a+10+11+12a+14+15+16a)	(1.429.044)	(1.063.609)	(26.508)	162.998

^(*) TL equivalents are given.

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28. Financial instruments - Fair values and risk management (continued)**Market risk (continued)****Currency risk (continued)**

At 31 December 2021, the currency risk exposures of the Group in TL equivalents are as follows:

CURRENCY POSITION STATEMENT		31 December 2021			
		TL equivalent	TL	EUR	Other ^(*)
1.	Trade receivables	25.376	23.971	72	319
2a.	Monetary financial assets (including cash on hand, bank deposits) ^(*)	715.718	299.583	999	401.063
2b.	Non-monetary financial assets	-	-	-	-
3.	Other	87.455	72.938	765	2.975
4.	Current assets (1+2+3)	828.549	396.492	1.836	404.357
5.	Trade receivables	7.067	7.067	-	-
6a.	Monetary financial assets	-	-	-	-
6b.	Non-monetary financial assets	-	-	-	-
7.	Other	-	-	-	-
8.	Non-current assets (5+6+7)	7.067	7.067	-	-
9.	Total assets (4+8)	835.616	403.559	1.836	404.357
10.	Trade payables	(1.154.354)	(81.278)	(70.304)	(12.421)
11.	Financial liabilities	(848.638)	(570.997)	(18.403)	-
12a.	Other monetary liabilities	(18.612)	(14.299)	(244)	(632)
12b.	Other non-monetary liabilities	-	-	-	-
13.	Short term liabilities (10+11+12)	(2.021.604)	(666.574)	(88.951)	(13.053)
14.	Trade payables	-	-	-	-
15.	Financial liabilities	(920.055)	(920.055)	-	-
16a.	Other monetary liabilities	-	-	-	-
16b.	Other non-monetary liabilities	-	-	-	-
17.	Long term liabilities (14+15+16)	(920.055)	(920.055)	-	-
18.	Total liabilities (13+17)	(2.941.659)	(1.586.629)	(88.951)	(13.053)
19.	Net position of off-statement of financial position derivate instruments (19a+19b)	-	-	-	-
19a.	Total hedged assets ^(**)	-	-	-	-
19b.	Total hedged liabilities ^(**)	-	-	-	-
20.	Net statement of financial position (9+18+19)	(2.106.043)	(1.183.070)	(87.115)	391.304
21.	Net statement of monetary items (IFRS 7.b23) (=1+2a+5+6a+10+11+12a+14+15+16a)	(2.193.498)	(1.256.008)	(87.880)	388.329

(*) TL equivalents are given.

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

28. Financial instruments - Fair values and risk management (continued)**Market risk (continued)****Currency risk (continued)****Sensitivity analysis**

In the event that the US Dollar depreciates/gains 10 percent against the following currencies as of December 31, 2022 and 2021, profit or loss and equity before tax will increase (decrease) in the amounts shown below. In this analysis, it is assumed that other variables, especially interest rates, remain constant.

Currency risk sensitivity analysis table		
31 December 2022		
	Profit/(loss)	
	Strengthening of foreign currency	Weakening of foreign currency
Increase/(decrease) 10% of Eur parity		
1- Eur net asset/liability	(51.901)	51.901
2- Hedged portion of Eur amounts(-)	-	-
3- Net effect of Eur (1+2)	(51.901)	51.901
Increase/(decrease) 10% of other parity		
4- Other net asset/liability	21.924	(21.924)
5- Hedged portion of other amounts(-)	-	-
6- Net effect of other (4+5)	21.924	(21.924)
Increase/(decrease) 10% of TL parity		
7- TL net asset/liability	(100.420)	100.420
8- Hedged portion of TL amounts(-)	-	-
9- Net effect of TL (7+8)	(100.420)	100.420
Total (3+6+9)	(130.397)	130.397

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28. Financial instruments - Fair values and risk management (continued)**Market risk (continued)****Currency risk (continued)****Sensitivity analysis (continued)**

Currency risk sensitivity analysis table		
31 December 2021		
	Profit/(loss)	
	Strengthening of foreign currency	Weakening of foreign currency
Increase/(decrease) 10% of Eur parity		
1- Eur net asset/liability	(131.428)	131.428
2- Hedged portion of Eur amounts(-)	-	-
3- Net effect of Eur (1+2)	(131.428)	131.428
Increase/(decrease) 10% of other parity		
4- Other net asset/liability	39.131	(39.131)
5- Hedged portion of other amounts(-)	-	-
6- Net effect of other (4+5)	39.131	(39.131)
Increase/(decrease) 10% of TL parity		
7- TL net asset/liability	(118.307)	118.307
8- Hedged portion of TL amounts(-)	-	-
9- Net effect of TL (7+8)	(118.307)	118.307
Total (3+6+9)	(210.604)	210.604

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:

	2022	2021
Total debts including loans and borrowings	5.157.297	3.556.841
Less: cash and cash equivalents	(389.376)	(331.716)
Net debt	4.767.921	3.225.125
Equity	6.255.871	3.436.536
Debt to equity ratio at 31 December	76%	94%

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2022 (continued)

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

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.

Investment property

An external, independent valuation company, having appropriate recognised professional qualifications and recent experience in the location and category of property being valued, values the Group's investment property portfolio every year. The fair values are based on market values, being the estimated amount for which a property could be exchanged on the date of the valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably.

In the absence of current prices in an active market, the valuations are prepared by considering the estimated rental value of the property. A market yield is applied to the estimated rental value to arrive at the gross property valuation. When actual rents differ materially from the estimated rental value, adjustments are made to reflect actual rents.

Valuations reflect, when appropriate, the type of tenants actually in occupation or responsible for meeting lease commitments or likely to be in occupation after letting vacant accommodation, the allocation of maintenance and insurance responsibilities between the Group and the lessee, and the remaining economic life of the property. When rent reviews or lease renewals are pending with anticipated reversionary increases, it is assumed that all notices, and when appropriate counter-notices, have been served validly and within the appropriate time.

Investment property under construction is valued by estimating the fair value of the completed investment property and then deducting from that amount the estimated costs to complete construction, financing costs and a reasonable profit margin.

GAP İNŞAAT YATIRIM VE DIŞ TİCARET ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2022 (continued)

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

28. Financial instruments - Fair values and risk management (continued)**Investment property (continued)**

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

31 December 2022	Financial assets at amortised cost	Fair value difference to profit/loss measured by reflection financial assets	Other financial liabilities	Total carrying amount
Cash and cash equivalents	389.376	-	-	389.376
Financial investments	13.312	1.724.779	-	1.738.091
Trade receivables	320.629	-	-	320.629
Other receivables	8.130.324	-	-	8.130.324
Total assets	8.853.641	1.724.779	-	10.578.420
Borrowings	-	-	5.157.297	5.157.297
Trade payables	-	-	788.632	788.632
Other payables	-	-	435.231	435.231
Total liabilities	-	-	6.381.160	6.381.160
31 December 2021	Financial assets at amortised cost	Fair value difference to profit/loss measured by reflection financial assets	Other financial liabilities	Total carrying amount
Cash and cash equivalents	331.716	-	-	331.716
Financial investments	-	195	-	195
Trade receivables	782.053	-	-	782.053
Other receivables	5.711.575	-	-	5.711.575
Total assets	6.825.344	195	-	6.825.539
Borrowings	-	-	3.556.841	3.556.841
Trade payables	-	-	1.611.615	1.611.615
Other payables	-	-	254.058	254.058
Total liabilities	-	-	5.422.514	5.422.514

GAP İNŞAAT YATIRIM VE DIŞ TİCARET ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2022 (continued)

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

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

Fair value information (continued)

Fair value hierarchy

The fair value hierarchy consists of three levels, depending upon whether fair values are determined based on quoted prices in an active market (Level 1), valuation techniques with observable inputs (Level 2) or valuation techniques that incorporate inputs which are unobservable, and which have significant impact on the fair value of the instrument (Level 3):

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.

GAP İNŞAAT YATIRIM VE DIŞ TİCARET ANONİM ŞİRKETİ AND ITS SUBSIDIARIES
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS AT
AND FOR THE YEAR ENDED 31 DECEMBER 2022 (continued)**

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

29. Fees for services received from an independent audit firm/independent auditor

The Company's explanation of the fees for services received from the independent audit firms, which is prepared due to Board Decision published in the Official Gazette on March 30, 2022 by POA and preparation principles are based on the letter dated August 19, 2022 of POA, are as follows:

	31 December 2022	31 December 2021
Independent audit fee for the reporting period ^(*)	1.671.761	902.768
Total	1.671.761	902.768

^(*)The foreign currency fees of the foreign subsidiary are translated into TL using the annual average rate of the relevant year.

The above fees determined to include all subsidiaries' statutory audit and other related service fees.

30. Subsequent events

An earthquake occurred in the southeastern part of Turkey that affected many of our cities. Considering the region in which the Group operates, no direct impact is expected on Group operations.

The regulation dismantling the retirement age requirement for employees who started their working life before 8 September 1999 was published in the Official Gazette on 3 March 2023. Accordingly, the employees who have completed the number of premium days and social insurance period are entitled to retirement. The regulation is expected to have an impact on the timing and probability of settlement of severance payments. Efforts to measure the impact of the regulation on the Group's financial position and financial performance continue and no a significant impact on the Group's financial position and financial performance.

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