ÇALIK HOLDİNG
ANNUAL REPORT 2019

ÇALIK HOLDİNG

Contents

MORE TO COME...

We work in different geographic areas with diversified capabilities to design a better future for people. As we execute our business operations in 20 countries across Central Asia, the Balkans and the MENA region, we create employment opportunities for more than 23 thousand persons.

Moving steadily forward with the values we have embraced from our past to the present, we are growing stronger each day with our ever-expanding experience and know-how.

We will design the future with our innovative approach, an ability to adapt to change and our forward-looking strategies. We will continue to record outstanding achievements, as we have from the beginning.

ÇALIK HOLDİNG

A QUICK GLANCE AT ÇALIK GROUP

Carrying out activities in a wide geography, Çalık Group continued to perform successful projects to achieve a better world with important developments it has realized in 2019.

ENERGY

Çalık Group realizes investments and undertakes EPC projects in wide geography including Middle East, Central Asia, Africa and the Balkans for a better and sustainable future with its subsidiary engaged in the energy sector, Çalık Enerji since its foundation in 1998.

NET SALES
4.2 TL Billion

EQUITY
3.6 TL Billion

ENERGY TOTAL ASSETS (TL BILLION)

'17	7.1
'18	7.3
'19	7.0

See page 32 for detailed information

CONSTRUCTION

Çalık Group's subsidiary engaged in the construction sector Gap İnşaat was listed for the fourth time since 2016 in the Top 250 list of the American-based ENR Magazine, which ranks the world's largest contracting companies.

NET SALES
1.24 TL Billion

EQUITY
2.0 TL Billion

CONSTRUCTION TOTAL ASSETS (TL BILLION)

'17	7.2
'18	5.8
'19	6.5

See page 62 for detailed information

TEXTILE

Producing 44 million meters of fabric in 2019, Çalık Denim brought all sustainable business processes together by creating the "Passion for Denim, Passion for Life" sustainability strategy, and determined its sustainability targets for 2025.

NET SALES
1.1 TL Billion

EQUITY
307 TL Billion

TEXTILE TOTAL ASSETS (TL BILLION)

'17	1.4
'18	1.7
'19	2.1

See page 72 for detailed information

MINING

Alacer Gold, partner of Lidya Madencilik transferred its 50% share in Balıkesir Polimetal Project in July. Therefore Lidya Madencilik started to control 100% shares of a project for the first time.

CAPITAL
332 TL Billion

EQUITY
0.9 TL Billion

MINING TOTAL ASSETS (TL BILLION)

'17	0.8
'18	1.0
'19	1.4

See page 86 for detailed information

TELECOMMUNICATIONS

Holding its leading position in the Albanian market, ALBtelecom always distinguishes itself from its competitors, thanks to its robust infrastructure, data quality and continuous investments,. After having now obtained the 4G license, the company aims for leadership in this market as well.

NET SALES
406 TL Million

EQUITY
0.3 TL Billion

TELECOMMUNICATIONS TOTAL ASSETS (TL BILLION)

'17	0.9
'18	1.1
'19	1.4

See page 96 for detailed information

FINANCE

Mediating approximately USD 400 million foreign trade transactions to 70 different countries in different geographies, mainly in Sub-Saharan Africa, Middle East and CIS countries, Aktif Bank provides foreign trade solutions to Turkish exporters in these geographies.

NET SALES
3.6 TL Billion

EQUITY
5.2 TL Billion

FINANCE TOTAL ASSETS (TL BILLION)

'17	24.9
'18	34.8
'19	44.3

See page 104 for detailed information

DIGITAL

Çalık Digital continued its cooperation for "Digital Transformation in Industry" with the Istanbul Chamber of Industry initiated in 2018 with the signature of the Phase 2 agreement in 2019. Within the scope of this cooperation, around 30 companies affiliated to the Chamber of Industry were provided with consultancy services in the fields of Industry 4.0 and digital transformation.

CAPITAL
16 TL Million

EQUITY
11 TL Million

See page 128 for detailed information

Our Vision, Mission, Values

OUR VISION

To grow four-fold on four continents by our 44th anniversary in 2025, adding value to every life we touch in all areas that we operate in, with reliable teams enlivened by our entrepreneurial spirit focused on innovation.

OUR MISSION

To contribute to an increasing prosperity through the generation of solutions that provide value to human life in all the regions that we operate in with our skills and drive.

OUR VALUES

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 priority is always the development and happiness not only of our employees and customers but of all the people touched by the value we generate.

Reputation: Our good reputation comes before anything else.

Work from the Heart: Irrespective of the conditions, we put our hearts into our organization, as well as our goals and the projects we undertake through which we add value to humanity.

Innovation: We continuously develop and improve our solutions and business models, identifying those that will differentiate us.

Agility: We have the flexibility and speed to meet every challenge.

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

Message from the Chairman

We achieved significant progress in the past year of 2019 owing to our ability to adapt to an ever-changing environment, coupled with our long-standing corporate values and our goal of sustainable success.

Esteemed Stakeholders,

2019 was marked by a global economic slowdown and uncertainties, as well as developments in trade wars, volatility in financial markets, interest rate cuts and the novel Coronavirus (Covid-19) outbreak in Wuhan, China in December. During the previous year, U.S. bond yields had reached their peaks of the last seven years, consequently restricting the capital flow directed towards developing countries significantly. Furthermore, Brexit continued to act as a source of increasing pressure on the Eurozone, which was already suffering from stagnation.

During 2019, the risks surrounding the market triggered the vulnerabilities in developing countries to the greatest extent. In the first part of the year, while the global risk followed a lower course in such economies, they were observed to suffer from strong capital outflows and a loss of growth momentum. The second half of 2019 was, on the other hand, shaped by the positions of central banks. The launch of interest rate cuts and bond purchase programmes resulted in a renewed interest in the financial assets of developing countries.

Early forecasts for 2020 expected the global economy to record a moderate recovery compared to 2019. However, the projected global economic recovery did not materialize due to the Covid-19 outbreak that started on the last days of 2019 and spread rapidly across the globe. While there are ongoing discussions as to the impact of the pandemic on the world economy, the importance of the joint steps to be implemented by countries in the forthcoming period is critical.

Despite the economic uncertainty in 2019 caused by both strained relations with the U.S. and the elections, Turkey's economy started to bounce back in the second half of the year owing to the timely and to-the-point implementation of actions and macro-economic measures. The Central Bank of the Republic of Turkey cut its policy rate from 24% at the beginning of the year to 12% in the end, whereas the decreases in imports and increases in exports throughout the year alleviated the negative impact on the economy, thereby paving the way for Turkey to conclude the year 2019 with growth.

As Çalık Group, we aim for sustainable growth.

We achieved significant progress in the past year of 2019 owing to our ability to adapt to an ever-changing environment, coupled with our long-standing corporate values and our goal of sustainable success. While this period was marked by volatility in global and national economies and increasingly heavier competition, we continued to move forward with great confidence, achieving sustainable growth in our business areas, which we prioritized in line with our strength in offering innovative solutions and our goal of creating world brands.

In 2020, we will experience a new era in the shadow of the Covid-19 pandemic, where continued uncertainties will be the norm and globalism will be leaving the stage in favour of protectionism. As Çalık Group, we are determined to create value for our country and our stakeholders by staying one jump ahead in every one of our business areas in 2020, as was the case in 2019, through our proactive management approach that lends us the capacity to adapt to changes and to manage risks. Accordingly, we will continue to invest in digital transformation with a view to achieving our long-term strategic objectives and leading the way through adapting ourselves to the changing conditions.

I would like to inform all our stakeholders that we are well prepared for this process with our solid financial foundations, as well as our dynamic approach to risk management and diversified lines of business. We have implemented and will continue to implement the measures necessary to protect our human resources, which represent our most valued assets, with our pandemic action plan. At the same time, as a reflection of the value of agility upheld by our Group, we will remain open to new business areas and protect our entrepreneurial spirit.

As Çalık Group, we believe that social transformation based on the technological change experienced around the world can lead to the formation of a new smart society. Embracing a "society-oriented" perspective, we aim to pioneer in the society and the business world with our activities and to support the most efficient course for such transformation. We renew ourselves in harmony with global developments to ensure sustainable success with the Çalık brand.

From the beginning, we, as Çalık Group, have remained committed to undertaking efforts that benefit humanity and to acting with due sensitivity towards the environment at the same time. As part of our efforts for sustainability, Group companies Çalık Enerji and Çalık Denim became signatories to the UN Global Compact in 2019. And in 2020, we will formulate our strategy for sustainability to build the future and continue with our efforts in this area at the same level of depth through the roadmaps we will establish the forthcoming period.

I would like to express my gratitude to all our stakeholders, especially our colleagues, for their valuable contributions to the successful results which Çalık Group achieved in 2019. Guided by the light of our values, we will continue working and producing for our country, the geographies touched by our operations, and the entire humanity.

Kind regards,

Ahmet Çalık
Chairman

Board of Directors

AHMET ÇALIK
Chairman

Ahmet Çalık is a member of a prominent family operating in the textile industry since 1930s. Ahmet Çalık launched his first business initiative in this sector in 1981. He laid the foundations of Çalık Holding, one of the leading companies in Turkey and the nearby geography. Çalık Holding operates in the energy, construction, mining, textile, telecommunications, finance and digital sectors.

Ahmet Çalık made the first large private sector industrial investment in Eastern Anatolia in the second half of the 1980s by founding Çalık Denim in Malatya. The Company is among the largest premium denim fabric producers in the world today.

Following the Turkic Republics gained their independence in the 1990s, Mr. Çalık commenced establishing business operations in these countries and became one of the first foreign businessperson to invest in Turkmenistan by setting up textile factories in the country.

With the purpose of generating added value and enriching the geographies in which the Group companies operates, Mr. Çalık, founded Çalık Holding in 1997 to unite all of them together under a single banner. Today, the Holding conducts business operations with more than 23 thousand employees across 20 countries, in seven main areas. Çalık Holding is the first Turkish company to became a member of the Japanese Business Federation Keidanren.

Focusing on projects that benefit society through his visionary investments, Ahmet Çalık is known for his integrity, reliability, strong financial assets; and long-term collaborations with international companies throughout his activities in diverse regions of the world.

Fields of Operation
- Energy
- Construction
- Mining
- Textile
- Telecommunications
- Finance
- Digital

Significant Investments
- Ortadoğu Tekstil, 1981
- Gap Güneydoğu Tekstil (known as Çalık Denim), 1987
- Gap Pazarlama, 1994
- Gap İnşaat, 1996
- Çalık Holding, 1997
- Çalık Enerji, 1998
- Aktif Bank, 1999
- TTK, Turkmenistan Textile Investment, 2000
- E-Kent, 2002
- Bursagaz, 2004
- BKT, 2006
- Kayserigaz, 2007
- ALBtelecom, 2007
- Lidya Madencilik, 2010
- Yeşilırmak Elektrik Dağıtım (YEDAŞ), 2010
- Çalık Gayrimenkul, 2010
- Kosova Elektrik Dağıtım (KEDS), 2012
- Aras Elektrik Dağıtım (Aras EDAŞ), 2013
- Çalık Petrol, 2017
- Çalık Digital, 2017
- BKT Kosovo, 2018

Awards and Honors
- Order of State of Turkmenistan, 1997
- Mahdum Guli Award, 1997
- Entrepreneur of the Year Award, Para Magazine, 1997
- Best Industrial Enterprise of the Year, GESIAD, 1997
- İpek Yolu Foundation Service Award, 1998
- Turkmenistan “Gayrat” Medal, 1999
- Order of Merit of the Turkish Republic, 1999
- Turkmenistan Golden Century Medal, 2001
- Order of Merit of the Ministry of Foreign Affairs of the Turkish Republic, 2002
- National Productivity Center Businessman of the Year Award, 2004
- Faculty of Business Administration, Istanbul University, Dünya Newspaper National Business Manager of the Year, 2005
- Order of Merit of Turkish Grand National Assembly, 2006
- Dünya Newspaper National Business Manager of the Year, 2006
- Turgut Özal Economy Award, 2008
- Turkey in Europe-Franco Nobili, 2010
- Turkish Red Crescent, Gold Medal Certificate, 2012
- Matsumoto Dental University, Japan, Honorary Ph.D. Title, 2014
- USA Ellis Island Medal of Honor, 2014
- Albania Tiran University, Honorary Ph.D. Title, 2014
- Turkmenistan “Garaşsyz, Baky, Bitarap Turkmenistan” Medal Certificate, 2015
- Japan Kindai University, Honorary Ph.D. Title, 2016
- Order of State of Japan (Order of the Rising Sun, Gold Rays with Neck Ribbon) – 2019

Social Responsibility Projects
- Malatya Educational Foundation
- Mahmut Çalık Education Complex
- Malatya Hasan Çalık Hospital
- Ankara Oncology Hospital
- Significant social aid projects in Van, Pakistan and Somali
- “İftarımızı Anadolu’da Açıyoruz” Activity
- “El Ele Elden Eve” Aid Campaign
- Restoration of Atatürk Köşkü, Yalova
- “İlk İşim Girişim” Competition
- Renovations at the Geomatics Department, Faculty of Civil Engineering at Istanbul Technical University.
- Renovation of the Precious Metals Laboratory at İTU Mining Faculty
- Boğaziçi University Faculty of Engineering - Hydraulic Laboratory renovation

Missions at the State Level
- Bursa Honorary Consulate of Republic of Kazakhstan, 2012

Personal
- 1958, Malatya
- Married with four children

Board of Directors

MEHMET ERTUĞRUL GÜRLER
Deputy Chairman
Mehmet Ertuğrul Gürler was born in 1958 and graduated from Marmara University, Department of Business Administration. In his professional career spanning 37 years, Mr. Gürler served as Deputy Refinery Manager at BP Overseas Refining Company Ltd. from 1983 to 1987. From 1987 to 1994, he worked at different posts at Dow Türkiye A.Ş. and acted as the Financial Affairs Manager and Board of Directors Member. Gürler assumed the position of Assistant General Manager at Total Oil Türkiye A.Ş. between 1994 and 1998 and joined Çalık Holding A.Ş. in 1998 as the General Manager. Mehmet Ertuğrul Gürler still acts as the Deputy Chairman of the Board of Directors at Çalık Holding, Banka Kombetare Tregtare, ALBtelecom, Çalık Denim, Başak Yönetim Sistemleri, Cetel Telekom, Çalık Finansal Hizmetler, Çalık Hava Taşımacılık, Irmak Yönetim Sistemleri, Kentsel Dönüşüm İnşaat, Malatya Boya and Aras Elektrik Dağıtım. Acting as a Board Member at Aktif Bank, Gap İnşaat, Gap Pazarlama, Çalık Emlak ve Gayrimenkul, Çalık İnşaat and Doğu Akdeniz Petro Kimya, he is the Chairman of the Board at YEDAŞ.

AHMET YILDIRIM
Board Member, President of the Financial Affairs and Strategic Planning Group (CSO) and Chief Financial Officer (CFO) by Proxy
Graduating from Istanbul University, English Department of Economics in 1991 and completing the Harvard Business School General Management Program in 2012, Ahmet Yıldırım acts as the President of the Financial Affairs And Strategic Planning Group and Holding Board Member, responsible for finance, strategic planning, merger and purchasing, tax planning and investors relations since September 2014. Mr. Yıldırım has 24 years of experience in corporate banking, investment and treasury banking. Before joining Çalık Holding in 2014, he has served as CEO and Board Member at Yapı Kredi Bank Germany for five years. Ahmet Yıldırım also serves as the Chief Financial Officer (CFO) by proxy.

HAKKI AKİL
Board Member and Chief Advisor to the Chairman
Hakkı Akil was born in 1953 in Kargı. He graduated from Galatasaray High School in 1972 and the University of Bordeaux, Department of Economics in 1977. Between 1987 and 1989, he studied at École Nationale d'Administration in Paris and presented his graduate thesis on the "Iran-Iraq War and Global Oil Supply." He acted as a Deputy Undersecretary and G-20 Chaperon of the Prime Minister as a diplomat at the Republic of Turkey, Ministry of Foreign Affairs between 2009 and 2011. Mr. Akil also served as Ambassador in Ashgabat, Abu Dhabi, Rome and Paris, respectively. Since 2016, Mr. Akil has been serving as the Chief Advisor to the Chairman at Çalık Holding. He was assigned as a Board Member as of 2019. He is married with one daughter.

MEHMET GÖÇMEN
Board Member
After graduating from Galatasaray High School and Middle East Technical University Industrial Engineering Department, Mehmet Göçmen completed his master's degree in the Department of Industrial Engineering at Syracuse University in 1983 and held various positions in Çelik Halat ve Tel Sanayi A.Ş. between 1983 and 1995 and in Lafarge Turkey between 1996 and 2003. Working as a General Manager in Akçansa Çimento Sanayi ve Ticaret A.Ş. between 2003 and 2008, Mehmet Göçmen was assigned as the Group Director of Human Resources at Sabancı Holding in 2008 and continued his duty as the Group Director of Sabancı Holding Çimento between 2009 and 2014. After being assigned as the Energy Group Director in 2014, Mr. Göçmen served as the CEO and Board Member of Sabancı Holding between 2017 and 2019. Mehmet Göçmen works as a Board Member at Çalık Holding as of 2020.

Çalık Group

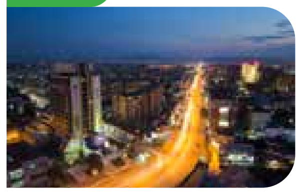
Energy

ÇALIK ENERJİ

YEDAŞ

YEPAŞ

KEDS*



ARAS EDAŞ**

ARAS EPSAŞ**

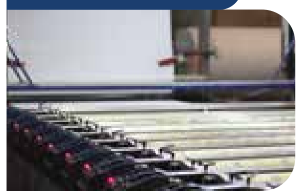
Construction

GAP İNŞAAT

Textile

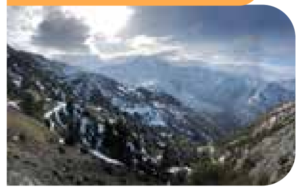
ÇALIK DENIM

GAP PAZARLAMA



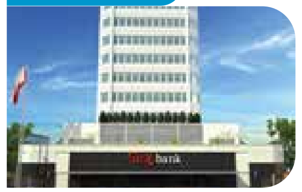
Mining

LİDYA MADENCİLİK

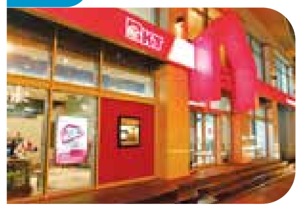


Finance

AKTİF BANK



BKT

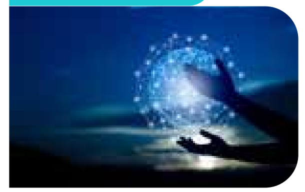


Telecommunications

ALBTELECOM

Digital

ÇALIK DIGITAL



*Partnership with Limak Holding A.Ş.
**Partnership with Kiler Holding A.Ş.

About Çalık Holding

Designing its supply chain end-to-end based on the best examples on a global scale, Çalık Holding aims to establish a competitive, measurable, transparent value chain in compliance with international standards that continuously produces added value, renews and develops itself and invests in the digital future.

DATE OF ESTABLISHMENT

1981

TOTAL NUMBER OF EMPLOYEES*

23 thousand+

**As of 12.31.2019, the total number of employees, excluding subcontractors, is 18,134.*

Maintaining its steady growth performance since it was established in 1981, Çalık Holding continues to take pioneering steps in the sectors of operation with a total of more than 23 thousand employees as of the end of 2019.

Designing its supply chain end-to-end based on the best examples on a global scale, Çalık Holding aims to establish a competitive, measurable, transparent value chain in compliance with international standards that continuously produces added value, renews and develops itself and invests in the digital future.

Establishing a Project Management Office under the Operation Group Directorate in 2019, Çalık Holding supports its Group Companies in effective management and the implementation of all projects.

Attaching great importance to its human resource, especially the younger generations' adaptation to the corporate culture, Çalık Holding has been holding its new graduate program for two terms; aiming to guide young employees within the Group in line with the corporate culture and to make them permanent in the institution.

Carrying its Information Technologies and Human Resources processes to mobile applications in line with its digitalization goals, Çalık Holding ensures that its employees can access these applications anywhere at any time and activating in-house digital capabilities.

Throughout its operations across the world, Çalık Holding is known for its integrity, reliability, robust financial structure and long-term collaborations with international companies. It develops innovative business models and moves forward in its lines of business with sustainable growth. Dedicated to creating lasting value in every geography it operates, Çalık Holding realizes pioneering projects for society and business world through its corporate processes, services and products developed with Industry 4.0, Society 5.0 and sustainability approaches it has embraced.

www.calik.com

BUSINESS AREAS

Activities in a total of seven sectors including energy, construction, textile, mining, telecommunications, finance and digital...

GOALS

- To rank among the leading players in all the industries in which it operates, with strong and reliable brands,
- To achieve sustainable growth through innovative investments...

COMPETITIVE ADVANTAGES

- Deep expertise and know-how
- Reliability associated with the "Çalık" brand in all its businesses
- Dynamic and innovative management
- Top priority given to employee satisfaction
- Consistent growth with prudent investment decisions
- Strong, long-lasting partnerships in international markets
- Strategies aimed at delivering customer satisfaction beyond expectations
- Rejuvenating ourselves and achieving breakthroughs
- Continuous investment in digital transformation

Çalık Holding is widely recognized globally thanks to its strong reputation, credibility and long-standing partnerships with international companies as part of its operations in different regions of the world. The Holding develops innovative business models and achieves sustainable growth in its core areas of activity.

Milestones

As a member of the Çalık Family, which pursues activities in the textile sector since 1930s, Ahmet Çalık carried out his first business activities in the textile industry in the 1980s.

1930

A success story dating back to the 1930s…

1930
- As a member of the Çalık Family, which pursues activities in the textile sector since 1930s, Ahmet Çalık carried out his first business activities in the textile industry in the 1980s.

1981
- Making his first investments in 1981, Ahmet Çalık continued his breakthroughs in the textile sector during 1980s.

1987
- Ahmet Çalık established Çalık Denim, which today is among the world's biggest denim manufacturers in 1987.

1994
- Gap Pazarlama is founded to expand the Group's market share in the international textile trade.

1995
- The Group started its operations in Ashgabat, Turkmenistan to establish its first denim factory in Central Asia and become one of the first foreign companies investing in Turkmenistan.

80S

First steps in the textile industry...

1996
- Gap İnşaat was initially set up to construct the Group's textile factories and was restructured with a broader focus on business development.

1997
- Çalık Holding established and all Group subsidiaries were reorganized under a single banner.

1998
- Çalık Enerji is established.

1999
- The Holding entered into the financial services industry.

2004
- Bursagaz, the natural gas distribution company of the city of Bursa, was acquired by Çalık Enerji through a privatization tender.

2006
- Çalık Holding acquired a 60% stake in Banka Kombetare Tregtare (BKT), one of Albania's two biggest banks.

90S

Investments expanding abroad…

2007
- Çalık Holding issued a five-year Eurobond worth USD 200 million.
- Çalık Holding acquired ALBtelecom, Albania's largest fixed-line operator and Internet service provider, by winning the privatization tender.
- Çalık Enerji acquired Kayserigaz, a natural gas distribution company operating in Kayseri.

2008
- In line with its growth strategy and restructuring initiative, Çalık Enerji sold off majority shares in Bursagaz and Kayserigaz to the Germany-based international energy company EWE.
- Çalık Holding completed the legal processes for the takeover of the media group ATV-Sabah Commercial and Economic Entity with a bid of USD 1.1 billion at the tender held by the Turkish Savings Deposit Insurance Fund. Çalık Holding sold a 25% stake in the ATV-Sabah Media Group to the Qatar Investment Authority.
- The Group's financial services subsidiary was restructured and renamed Aktif Bank.

2009

Çalık Enerji won the tender for Yeşilırmak Electricity Distribution company.

- Eagle Mobile entered into the Albanian GSM market as the newest operator and commenced operations in March after completing launch preparations in a record time of six months.

2009
- Çalık Holding entered into the mining sector via a joint venture with the Canada-based Anatolia Minerals, a Toronto Stock Exchange-listed concern.
- Çalık Holding became the sole owner of Banka Kombetare Tregtare (BKT) by purchasing the remaining 40% stake from the EBRD and IFC.
- Çalık Enerji won the privatization tender for Yeşilırmak Electricity Distribution, which distributes electricity to the Turkish provinces of Samsun, Amasya, Çorum, Ordu and Sinop.

2010
- The Holding's mining sector subsidiary was restructured and named Lidya Madencilik.
- The handover procedure of Yeşilırmak Electric Distribution Company (YEDAŞ) was completed and the company was incorporated in Çalık Enerji.

2011

Çalık Cotton was established.

2011
- Çalık Cotton was established.

2012
- Lidya Madencilik increased its stake in Anagold from 5% to 20%.
- A geological survey commenced in June in the Polimetal Madencilik's sites.
- Çalık Holding completed the repayment of the five-year Eurobonds, worth USD 200 million, which it had issued in 2007.

2013
- Çalık Cotton became the first Turkish company to acquired AQSIQ Certification required to export cotton to China.
- Çalık Holding, in partnership with Kiler Holding, acquired Aras Electricity Distribution, which distributes electricity to seven provinces in Eastern Anatolia.
- E-Kent became the Central System Integrator by winning the e-ticket tender of the Turkish Football Federation (TFF).
- Çalık Holding exited from ATV-Sabah Commercial and Economic Entity (Turkuvaz Medya).
- Lidya Madencilik raised its stake in Polimetal Madencilik, a joint venture with Alacer Gold, from 50% to 80%

2014

Al Khairat project was selected as the best project in the world in the industrial platform.

2014
- In mid-2014, BKT reached its target of becoming the largest bank in Albania by year-end 2015.
- Çalık Denim opened an office in Bangladesh and appointed a company representative to Los Angeles to boost its market shares in the Far East and America.
- Çalık Cotton added China, Egypt, and Bangladesh to its cotton export destinations in 2014.
- Çalık Enerji's 1.250 MW Al Khairat Power Plant project was awarded the "World's Best Project" in the industry category by Engineering News Record.
- Çalık Enerji expanded into the African market with the 550 MW Al Khoums Power Plant project in Libya.
- Gap İnşaat held the groundbreaking ceremony for the Turkmenbashi International Seaport turnkey project, which will become a key logistics hub in the Caspian region, widely considered the new "Silk Road."
- Foundations were laid for the Garaboğaz Fertilizer Factory, to be built by a consortium between Gap İnşaat and Japanese Mitsubishi Corporation for USD 1.3 billion.

Milestones

In 2015, the signing ceremony of the Mari Combined Cycle Power Plant, Turkmenistan's largest combined cycle power plant with a capacity of 1,574 MW was held and the construction works of the plant were commenced.

2015

Mitsubishi Corporation and Çalık Holding reached a partnership agreement.

2015

BKT added its 90th branch to its service network.

2016

Çalık Enerji's renewable energy capacity rose to 103 MW.

2017

Gap İnşaat was listed among the top 100 contracting companies in the world.

2017

Digital transformation processes started at Çalık Denim.

2017

Çalık Digital was established.

2015

- Çalık Enerji completed and delivered the Gardabani Natural Gas Combined Cycle Power Plant. The company also carried out the operation of the facility, thereby venturing into the area of power plant operation.
- After more than 20 years of close collaboration in constructing industrial facilities dating back to the early 1990s, Mitsubishi Corporation and Çalık Holding entered into a full partnership agreement. Mitsubishi Corporation acquired a 4.48% stake in Çalık Enerji.
- Çalık Enerji issued a corporate bond with a two-year maturity and a nominal value of TL 150 million.
- Following the signing ceremony, Çalık Enerji began construction on the 1.574 MW Combined Cycle Power Plant in the city of Mary, Turkmenistan. When completed, Mary Power Plant will be the largest power plant in the country.
- The consortium consisting of Çalık Enerji, TPAO and Bayat Enerji signed an agreement with the Afghan Ministry of Mines and Petroleum for oil and gas exploration in the Totimaidan Block in northern Afghanistan.
- Gap İnşaat completed the Turkmenistan Science and Education Center project, which will serve as a model for future teaching hospitals with its state-of-the-art technology simulation techniques and robotic surgery practices. Additionally, the company signed an agreement for the construction of the Endocrinology and Surgery Center.
- Çalık Denim developed a new technology to manufacture denim fabric with easy stretch, high recovery and low shrinkage performance and began offering it to international markets.
- Celebrating the 90th year of its establishment, BKT included its 90th branch to its service network.

2016

- Çalık Enerji commissioned its AST Project (Provision of Continuous Electricity to the City of Ashgabat); the project was granted four awards and certificates. The company completed the 254 MW Watan Public Power Plant project in Turkmenistan in July, six months before the contract delivery date.
- Çalık Enerji began production at the South Çalıktepe-1 oil field in the southeastern Anatolia region.
- The 40 MW Demircili and the 32 MW Sarpıncık Wind Power Plants in Izmir started their operations in September and October, respectively. As a result, Çalık Enerji's renewable energy installed capacity rose to 103 MW.
- Gap İnşaat completed the construction of and opened the Morphology, Neurology, Dangerous Infections Center and the Public Health Center in Turkmenistan.
- The physical separation of YEDAŞ and YEPAŞ, both of which have been engaging in electricity distribution and retail sales in the same service areas, was completed in 2016.
- In 2016, Çalık Denim invested USD 14.4 million in new capacity and USD 10.7 million in operations.
- In addition to its current lines of business, Gap Pazarlama ventured into the petrochemical industry and began its operations in 2016.
- Aktif Bank launched initiatives in 2016, including Eurobond issuance, financing of Vodafone Arena Stadium, Shopping Loan, and securitization issuance. Aktif Bank also established two subsidiaries: Mükafat Asset Management and EchoPOS.

2017

- In cooperation with Çalık Enerji and Mitsubishi Corporation,
- The construction agreement for the 18 MW Tedzani-4 Hydroelectric Power Plant, which will be the first HEPP in Sub-Saharan Africa and jointly built by Çalık Enerji and Mitsubishi Corporation, was signed in Lilongwe, Malawi's capital.
- A solar panel purchase agreement was signed between Çalık Enerji and HT-SAAE.
- Construction of Al-Khums Simple Cycle Power Plant in Libya was completed during the year.
- Aden Fast-Track Mobile Power Plant, the first mobile power plant contract in the Middle East and the first project in Yemen, commenced operations in 2017.
- Çalık Enerji, a joint venture between Çalık Holding and Mitsubishi Corporation, increased the size of its bond issue from TL 100 million to TL 150 million after receiving strong demand from investors.
- In 2017, Gap İnşaat opened the Endocrinology Hospital, which serves as an Endocrinology and Surgery Center housed in two buildings in Ashgabat, Turkmenistan.
- GAP İnşaat Company climbed to 92nd place on the "Top 250 International Contractors" list, compiled by ENR based on year-end 2016 data, and ranked among the world's 100 largest contractors
- Çalık Denim celebrated its 30th anniversary with the "Denim Loves Art" exhibition, featuring the works of 30 young international designers. The exhibition was held in Istanbul, Amsterdam and Los Angeles.
- Digital transformation was initiated at Çalık Denim.
- YEDAŞ launched the Smart Meter Circuitry and Low Voltage Grid Monitoring System during the year.
- Aktif Bank entered into a 50/50 partnership with Halk Enerji and established Aktif Halk Enerji Yatırımları A.Ş. and Halk Enerji İnşaat A.Ş. to invest in licensed and unlicensed solar power plant projects.
- Çalık Dijital was established in partnership with GE to focus on digital transformation efforts at the Group companies while also developing sustainable projects in cybersecurity and artificial intelligence.

2018

Energy

- Completed in 2018 as the largest combined cycle power plant in the world, Mary-3 Combined Cycle Power Plant was opened in Turkmenistan.
- As the first-ever electric plant project commissioned in Sub-Saharan Africa, construction works for Tedzani-4 Hydroelectric Power Plant have started.
- The EPC section of "Port Rehabilitation Project" in which Çalık Enerji and Gap İnşaat participated together in Iraq's Basra region was won in cooperation with Mitsubishi Corporation. The most important energy project of Asia, the TAP 500 Project was carried out and the funding, engineering, construction and maintenance-repair of the project was undertaken.
- Çalık Enerji was ranked 104th among the "Top 250 Contractors" list compiled by ENR.

Milestones

In 2018, the opening ceremony was held for the Turkmenbashi International Seaport Project, which is the largest port of the Caspian Sea and the most important logistics center on the historical Silk Road.

2018

Sulfide Gold Plant was commenced with an investment of USD 700 million.

Construction

- In 2018, the opening ceremony was held for the Turkmenbashi International Seaport Project, which is the largest port of the Caspian Sea and the most important logistics center on the historical Silk Road. Turkmenbashi Seaport Project was awarded the "Best Global Airport/Seaport Project" by ENR.
- Garaboğaz Fertilizer Factory was opened in Turkmenistan as the largest manufacturer of ammonia and urea.

Mining

- Partnered by Lidya Madencilik, the Sulfide Gold Plant in Erzincan was put into operation with an investment of USD 700 million.

2018

Çalık Denim published its first Sustainability Report.

Textile

- Çalık Denim published its first Sustainability Report.
- Çalık Alexandra plant in Egypt was re-commissioned in 2018.

Finance

- Awarded the "Best Domestic Bank" of Albania by EMEA Finance for the eight-time and the Best Bank in Albania" for the ninth time by the Banker magazine, BKT separated its Kosovo operations from Tirana due to its market share in assets exceeding 10% and turned it into a separate bank in early 2018.

2019

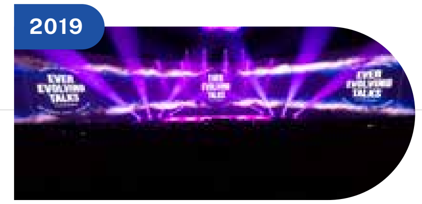
Çalık Enerji became a signatory of the Global Compact, which recommends universal principles.

2019

Energy

- Çalık Enerji started Tedzani Hydroelectric Power Plant Capacity Increase Project (Tedzani-4) in Malawi. Following the construction of all water structures and the power plant building of the project funded by the Japan International Cooperation Agency (JICA), Çalık Enerji assumed the procurement and assembly of hydromechanical, electrical and electromechanical equipment on a turnkey (EPC) basis.
- In order to create a common development culture in the business world, Çalık Enerji became a signatory of the Global Compact, which recommends universal principles.
- Çalık Enerji commissioned the Turbine Fleet Maintenance Project to maintain the stable and reliable production of the power plants it constructs.
- With its digital transformation vision and e-government integration, YEPAŞ became the first electric retail company to execute its processes from that platform.

2019



Çalık Denim established the "Passion for Denim, Passion for Life" sustainability strategy.

- As a result of the Customer Satisfaction Survey in Electricity Payment Centers in 2019 commissioned by the Ministry of Energy and Natural Resources, YEPAŞ became the supply company that creates the most satisfaction with a satisfaction ratio of 78%.
- In order to allow consumers to make their new connection applications faster and easier, YEDAŞ launched the EDAŞ Online Connection Application System.
- "EDAŞ Online" project of YEDAŞ was awarded the 'Best Technologic Investment Award' in the field of "Sustainable Electricity Distribution" in the competition organized by International Business Magazine, where world-famous companies have participated.
- Aras EPSAŞ became the first company in the industry to get customers and senior executives together with the Arimer communication line.
- KEDS invested more than EUR 22 million in various network projects including 18 Master Plan projects, 118 LV-MV improvement projects (Smart Grid) and six 20 kV Conversion projects.

2019

"N Kolay Öde," a payment system platform, was launched.

Construction

- Gap İnşaat ranked in the Top 250 list of ENR Magazine, where the largest contracting companies of the world are listed.
- Initiating activities in the Gulf Region with Qatar following activities in Central Asia, Gap İnşaat consolidated its presence in Central Asia with the Mari Fertilizer Factory in Turkmenistan.

Mining

- Lidya Madencilik commissioned Çöpler Sulfide Facility at full capacity.
- As the largest gold producer in Europe with Çöpler Gold Mine in Erzincan, Lidya Madencilik realized 35% of the total production in the country with 391 ounces of gold production in 2019.

Textile

- Çalık Denim brought all sustainable business processes together by creating the "Passion for Denim, Passion for Life" sustainability strategy. Also, it established a Sustainability Committee to implement its sustainability strategy.

2019

ALBtelecom introduced BiP and LifeBox in Albania.

- Production with Sanforization, Rope Opening and Rope Winding machines designed and developed by Çalık Denim engineers was initiated.
- In order to create a common development culture in the business world, Çalık Denim became a signatory of the Global Compact, which recommends universal principles.

Finance

- An important investment was made in the security sector with the partnership of Secom, the market leader in Japan. Established under the name Secom Aktif Güvenlik Çözümleri, the company initiated activities by acquiring Kent Güvenlik, one of the well-established companies in the sector.
- BKT was awarded the Best Bank of Albania for the tenth time by the Banker while receiving the same award by Euromoney for the seventh time. Receiving the "Best Domestic Bank in Albania" award by EMEA Finance Magazine for the ninth consecutive year, BKT was selected as "The Best Bank of Albania" in the "Best Banks in the World" awards by Global Finance Magazine.

Telecommunications

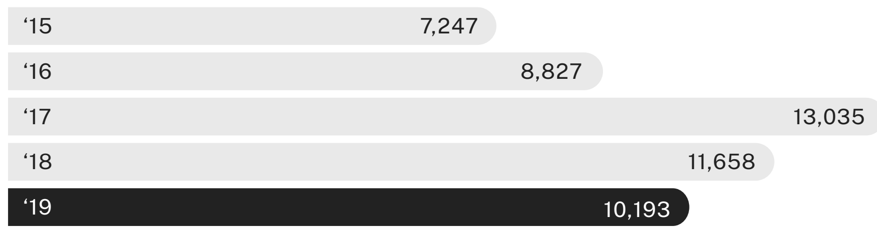
- ALBtelecom renewed its mobile license with EUR 11 million for 15 years.

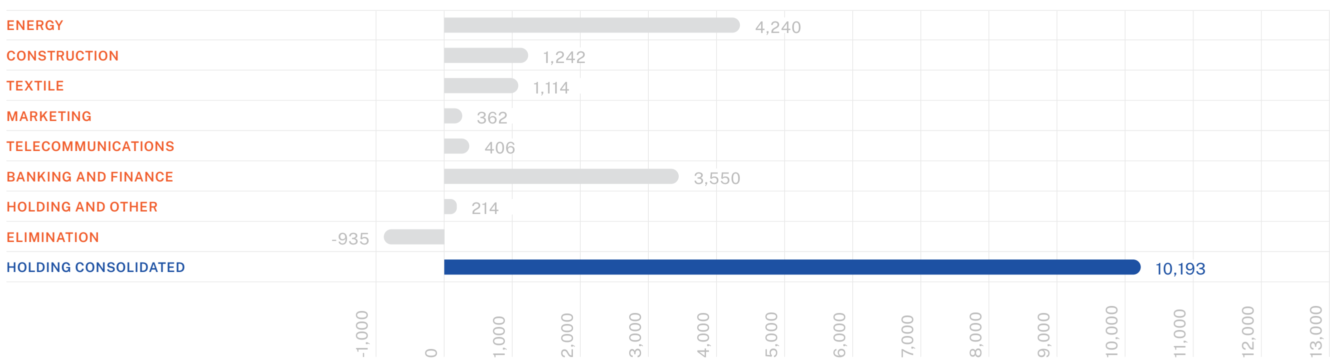
Key Financial Indicators

Leaving a successful 2019 behind, Çalık Holding recorded an annual net sales of TL 10.2 billion as of the end of the year.

NET SALES

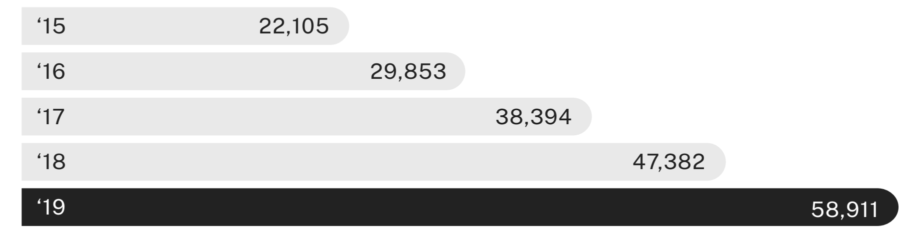
10.2
(TL billion)

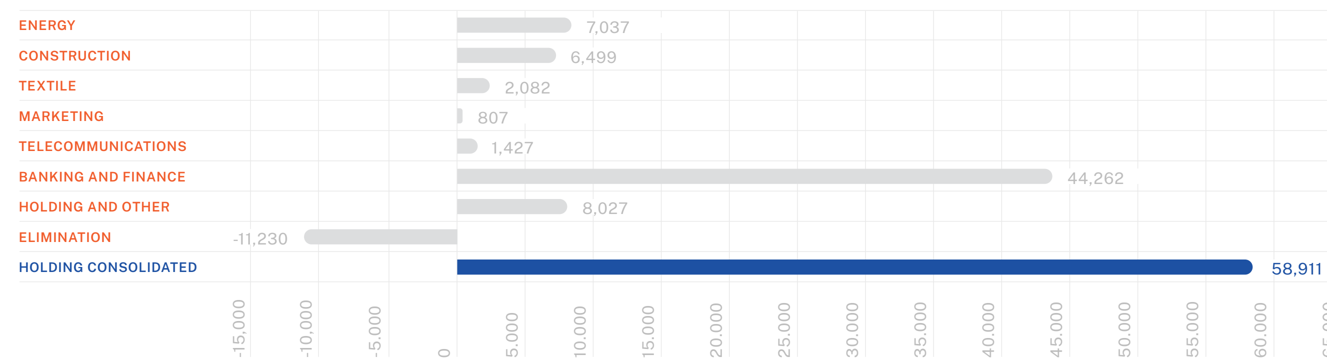




TOTAL ASSETS

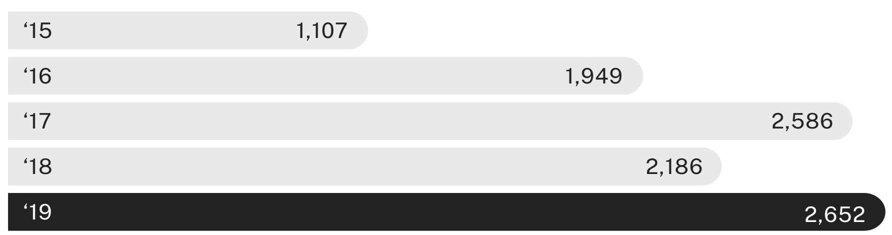
58.9
(TL billion)

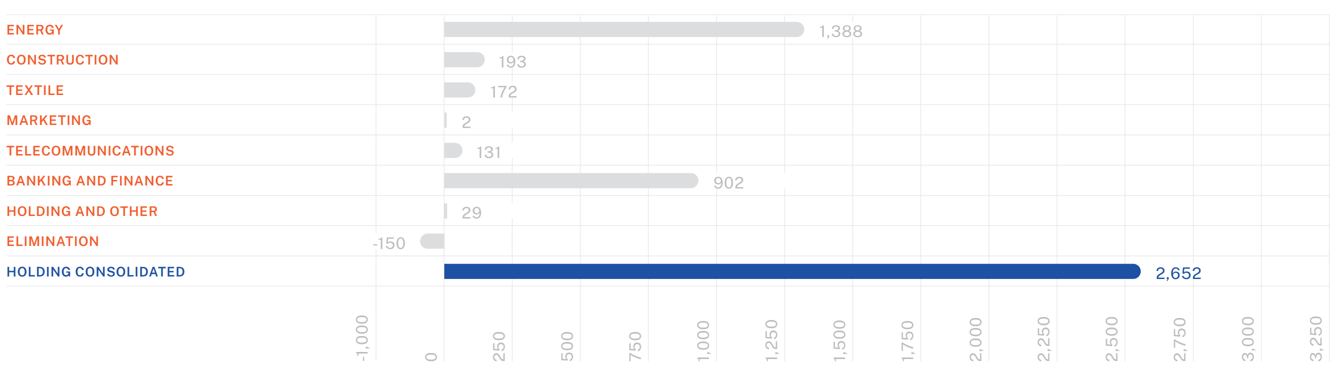




EBITDA

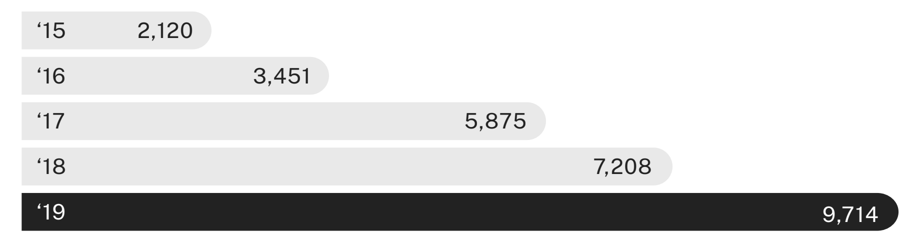
2.7
(TL billion)

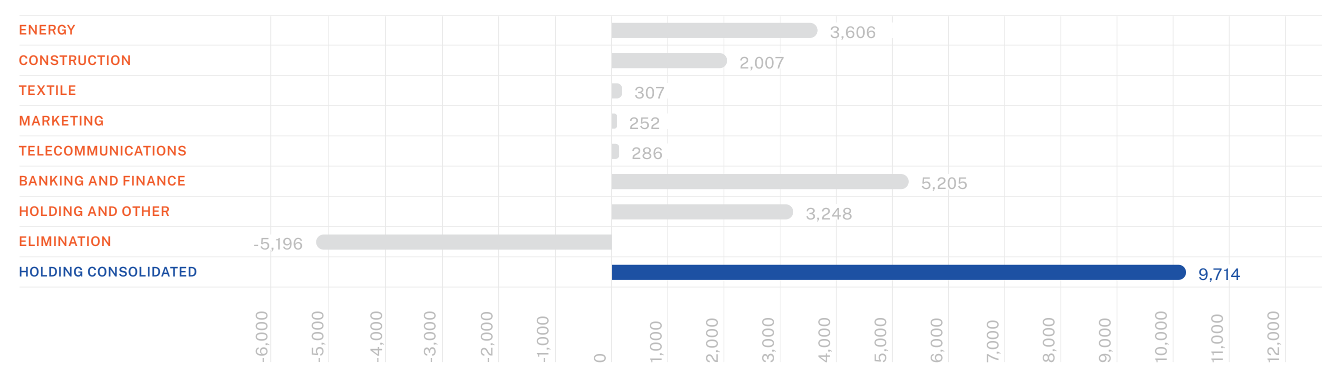




TOTAL EQUITY

9.7
(TL billion)



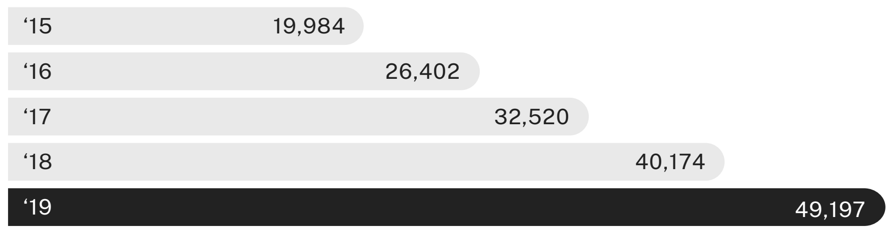


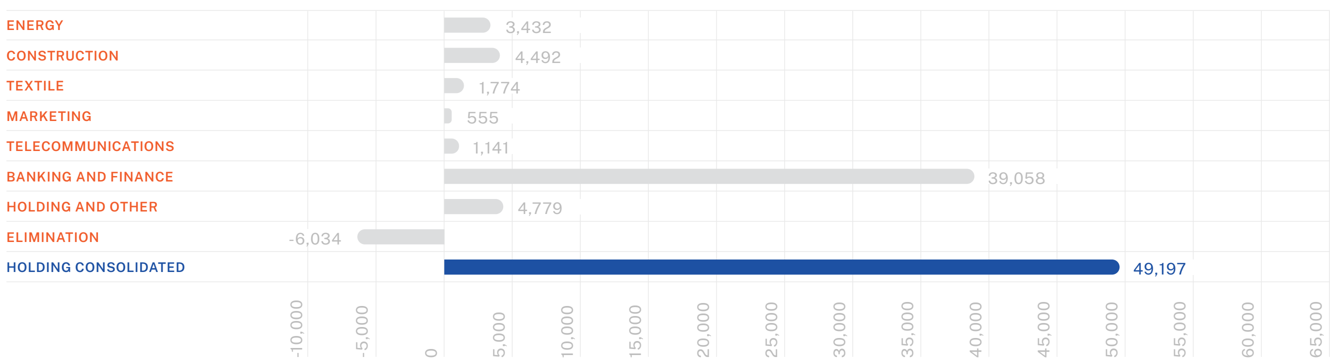
Key Financial Indicators

As of the end of 2019, Çalık Holding's total assets rose to TL 58.9 billion and the company had a total of TL 9.7 billion total equity in the same period.

TOTAL LIABILITIES

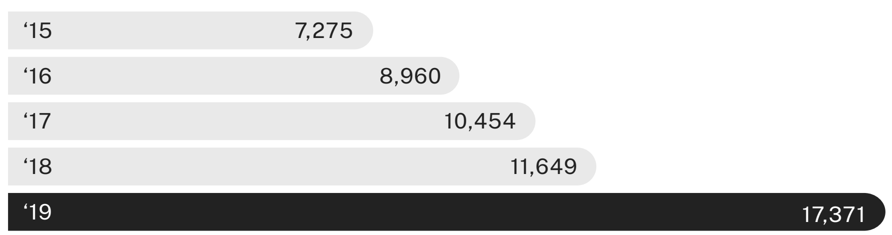
49,2
(TL billion)

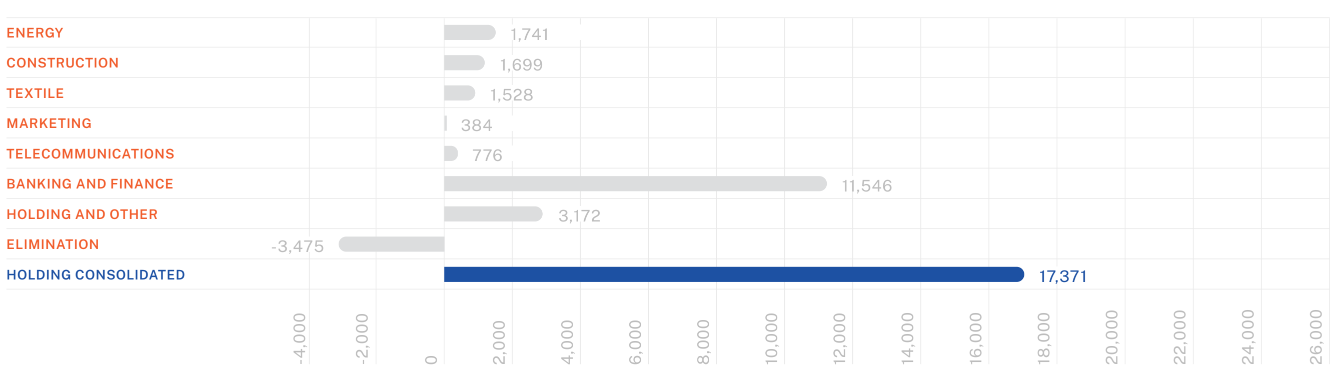


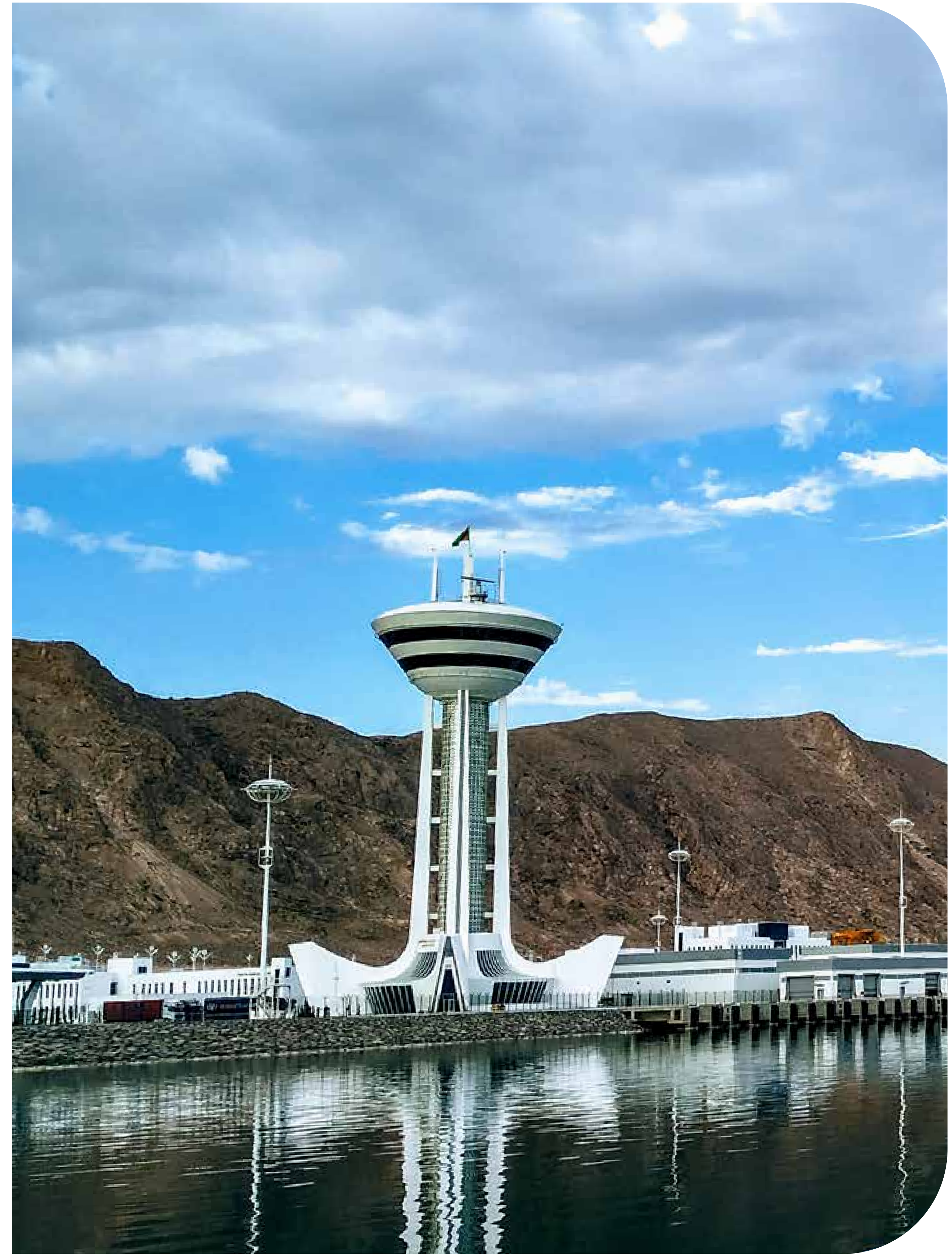


FINANCIAL DEBT

17,3
(TL billion)







Operation Map

With a vision to create significant added value and enrich countries in which the Group companies operate, Çalık Holding was established in 1997 to bring all of them together under a single banner. Today, the Holding conducts business operations with more than 23 thousand employees across 20 countries, in seven main areas.

Çalık Holding operates in a wide range of industries – energy, construction, textiles, mining, telecommunications, finance and digital sectors.

Çalık Holding is widely recognized globally thanks to its strong reputation, credibility and long-standing partnerships with international companies as part of its operations in different regions of the world. The Holding develops innovative business models and achieves sustainable growth in its core areas of activity.

ENERGY SECTOR

We represent Turkey with our achievements in the national and international arena.

In order to increase our global competitive capacity and to provide our stakeholders with the highest quality service in an efficient and timely manner, we are integrating the current project management practices in the world with our projects. Aiming for sustainable success, we take innovative steps towards new continents while prioritizing Çalık values. With our projects that add value to people and nature, we maintain our development with the responsibility of being a global energy company.

Ahmet Emin Macit
Çalık Enerji - Planning and Cost Control Engineer

NET SALES

4.2
TL Billion

An Overview of the Energy Sector in 2019

Renewable energy demand rises rapidly due to economy, environmental concerns and the need for energy security, while the demand for fossil-based power plants shrinks every passing day. The decrease in the installation costs of solar and wind power plants makes renewable energy investments more feasible.

Highlights

- To make it possible for energy consumers to become energy investors at the same time, "Regulation on Unlicensed Electricity Production in Electricity Market" was published in 2019, in which the support for the use of renewable energy continued. This paved the way for the active installation of roof type applications.

WORLD ENERGY OVERVIEW

As the energy sector experienced a rapid transition with the development of technology, this transition leads to opportunities, while bringing new experiences. The global population growth, urbanization, and economic growth result in increased demand for energy. According to projections, a significant part of this growth takes place in developing countries. More than 40% of the need for global energy came from Europe and North Africa, while 20% from the developing countries in Asia until 2000. And the projections by 2040 reveal that this picture has entirely reversed. Energy consumption in non-OECD countries, China and India in particular, outpaces the total energy consumption in OECD countries, and this gap is envisaged to widen in the upcoming years.

It is foreseen that the share of wind and solar in global electricity generation, which is 7% today, will increase to 12% in 2024.(*)

Renewable energy demand rises rapidly due to economy, environmental concerns and the need for energy security, while the demand for fossil-based power plants shrinks every passing day. Lower assembly costs for solar and wind plants also open the way for renewable energy. Solar and wind energy have become the most affordable technologies in many countries. China and the USA stand for almost 50% of the growth in renewable energy generation. It is predicted that in the next five years, around 1,200 GW renewable energy capacity, which is equal to the installed power in the USA, will be included in the global electricity capacity and that 60% of this capacity will be composed of solar energy alone.

In Europe, where the regulations helped minimize the number of gas and coal-based plants, the future is planned on renewable energy. Although China, one of the biggest countries in the world, still has gas power plants in its plans, solar and wind-based plants are higher in number than coal and gas-based plants.

Still a promising market for gas power plants, the Middle East has also witnessed an impressive rise in renewable energies. The Middle East energy sector witnessed important developments in terms of prices, investment, generation speed, and infrastructure. Middle East countries are anticipated to maintain their financial and logistic support to the renewable energy sector in the upcoming years, to expand the share of renewables in electricity generation.

In Africa, where the current energy demand cannot be fully met, there is no reliable and sustainable energy supply for the entire population. Insufficient grids have forced countries to seek unconventional solutions and concentrate on mini-grids, a small-scale solution. Mini-grids help countries get faster, more economic and easier results. Despite such solutions, large investments are needed in Africa to ensure everybody's access to electricity. It is expected that the renewable energy facility installation costs will decrease further and the policies regarding the distributed energy system will change significantly in the next five years.

However, the sector still faces challenges such as fluctuating oil prices, rising security issues, and cyber threats that may hamper the development of the sector. Low oil prices continue to have an impact both on oil-related projects and the investment plans of the countries that rely on oil. Banks have reduced their loans for the coal sector by 44% since 2015. Large investors have drifted away from fossil fuel investments and leaned towards renewable sources.

(*) IEA Renewable Energy Report, 2019

ENERGY SECTOR IN TURKEY

Growth in population and income, industrialization and rising urbanization have all triggered the energy demand strongly in Turkey, where the installed capacity rose by some 3% year-on-year to 91,267 MW as of the end of 2019. The share of natural gas combined plants shrank, while investments in solar and wind power plants maintain their momentum. As of the end of the year; the share of hydroelectricity within installed power was 31%, while the share of natural gas decreased to 28%, and the share of coal was 22% as in the last two years. The share of wind stood at 8% as in the previous year and the share of solar within total installed power was 6.5%. This change in the breakdown of resources was highly thanks to the recent policies and steps Turkey started to implement to reduce reliance on foreign energy resources and increase the share of local and renewable resources.

In 2019, electricity production in Turkey fell from 304.8 TWh at the end of 2018 to 304.3 TWh. Electric consumption in our country shown a similar decrease and fell from 304.8 TWh at the end of 2018 to 303.7 TWh at the end of 2019. The share of domestic and renewable energy-driven plants in production exceeded 60%.

In order to overcome the handicap caused by its limited oil and natural gas reserves, Turkey exerts efforts to leverage its closeness to the region where the majority of such reserves are located. In the meanwhile, it has become a central player in regional trade thanks to its strong economy and the relations established in energy diplomacy. After the opening of the Silk Road section in 2018, the fact that Europe connections of Trans Anatolian Natural Gas Pipeline (TANAP) were opened in 2019 was been an important step towards Turkey's goal of becoming an energy trade center.

To make it possible for energy consumers to become energy investors at the same time, "Regulation on Unlicensed Electricity Production in Electricity Market" was published in 2019, in which the support for the use of renewable energy continued. This paved the way for the active installation of roof type applications. Unlicensed energy level was increased from 1 MW to 5 MW.

The Silk Road section of the Trans Anatolian Natural Gas Pipeline (TANAP) was opened in 2018. The additional European connection introduced in 2019 proved to be an important step towards Turkey's goal of becoming an energy trade center.

Çalık Enerji

A prominent global energy company thanks to its successful projects, Çalık Enerji operates across a wide geographic region encompassing the Middle East, Central Asia, Africa and the Balkans. The Company is committed to creating a better and sustainable future and providing people with energy originating from nature.

TOTAL ASSETS

TL **7.04** BILLION

Çalık Enerji's total assets rose to TL 7.04 billion in 2019.

NET SALES

TL **4.24** BILLION

Çalık Enerji generated TL 4.24 billion net sales in 2019.

TOTAL EQUITY

TL **3.60** BILLION

As of the end of 2019, Çalık Enerji recorded total equity of TL 3.6 billion.

A prominent global energy company thanks to its successful projects, Çalık Enerji operates across a wide geographic region encompassing the Middle East, Central Asia, Africa and the Balkans. The Company is committed to creating a better and sustainable future and providing people with energy originating from nature. Continuing its activities in every area of the international energy sector with its expert and experienced staff and its creative and innovative solutions produced by using developing new technologies, Çalık Enerji is currently present in Turkey, Turkmenistan, Iraq, Georgia, Libya, Russia, Dubai, Afghanistan, Yemen, Malawi and Kosovo markets.

Having a strong presence in energy and energy infrastructure projects in fast-growing markets including Africa and the Middle East, Çalık Enerji has also further expanded its operations, venturing into the transport, communication and distribution, desalination and hybrid energy sectors. Çalık Enerji partnered with Mitsubishi Corporation to work in transportation in new regions and re-entered the Iraqi market. Accordingly, the Company joined the Basra Seaport Project, its first transport project.

Prioritizing making use of the energy production and distribution opportunities established in the sub-Saharan region, Çalık Enerji simultaneously conducts the tender and bidding processes in countries such as Senegal, Mozambique, Nigeria and Tunisia, which play key roles in the geography.

Hybrid distributed energy, an emerging trend in the energy industry, is a new operational area for Çalık Enerji, which is undertaking projects in this burgeoning field.

During the same period, the Company commissioned the largest combined cycle power plant (1,574 MW) within the Commonwealth of Independent States (CIS) in Mary Turkmenistan.

In light of its many achievements and deep experience, Çalık Enerji continues its renewable energy and oil-gas operations in Turkey. To date, the Company has completed the following projects: Adacami Hydroelectric Power Plant (30 MW) commissioned in 2013 in Güneysu, Rize; Demircili and Sarpıncık Wind Power Plants (72 MW) commissioned in 2016 in İzmir; Çorum (9.25 MW), Amasya (5 MW), Erzincan (5 MW), Erzurum (5 MW), Polatlı (1 MW) Solar Power Plant Projects commissioned in 2016 and 2017.

As a result of its effective human resources management policy, Çalık Enerji boasts a strong executive team and highly competent employees, who enable the company to successfully achieve all of its goals and targets.

Continuing its determined progress, Çalık Enerji leads and performs successful projects. Adopting a win-win approach to investments and services, the company always aims to contribute to the regions where it makes its investments.

Thanks to its highly efficient procurement and logistics organization, Çalık Enerji also delivers high levels of supplier satisfaction. Strong, long-term relationships with suppliers help bolster the company's competitive position, especially in the regions it operates. Additionally, Çalık Enerji places great importance on improving its relations with local authorities in the countries where it invests and aims to become a key player in these local markets.

EBITDA MARGIN

32%

EBITDA

1.37

TL Billion

Having a strong presence in energy and energy infrastructure projects in fast-growing markets including Africa and the Middle East, Çalık Enerji has also further expanded its operations, venturing into the transport, communication and distribution, desalination and hybrid energy sectors.

Çalık Enerji

IQB Solutions was established to provide technology, software and consultancy services on a national and international scale. IQB Solutions aims to provide high-quality, reliable, quick and scalable solutions that use up-to-date technologies to its customers.

2019 Highlights

- The implementation of the TAP 500 Project, in which Çalık Holding is the only investor and operator, with a total value of USD 1.6 billion was commenced. TAP 500 is expected to be finalized in three years following the start of construction.

IQB Solutions

IQB Solutions (Akılcı Bilişim Çözümleri ve Danışmanlık A.Ş.) was established as a Çalık Elektrik Dağıtım A.Ş. affiliate in May 2017 to provide technology, software and consultancy services on a national and international scale. IQB Solutions aims to provide high-quality, reliable, quick and scalable solutions that use up-to-date technologies to its customers. Working on Big Data Analytics, IoT Technologies and digitalization solutions, the company's product portfolio as of the end of 2019 is as follows:

- IQPower Suite - Analytical Reporting Platform
- Utilon - Digital Customer Service Center Solution
- IQBig - Big Data Platform
- IqoT - Iot Platform
- IQN - Energy Sales and Trade Management Solution
- EDVARS - Electricity Distribution Data Warehouse and Reporting Product.

Firsts and Major Achievements in the Sector

- The "230 MW Gardabani Combined Cycle Power Plant," the first combined cycle power plant and the largest investment project to date in Georgia, which is also Çalık Enerji's first turnkey natural gas combined cycle power plant project
- The "Adacami HEPP instment," which features the longest tunnel (12 km) among hydroelectric power plants with regulators
- Construction of the "1,250 MW Al-Khairat Simple Cycle Power Plant" and "750 MW Nainawa Simple Cycle Power Plant" in Iraq in 2013 – the biggest power plants in the country
- Construction of the 450 MW LM6000 gas turbines in Turkmenistan's Ahal-Mary-Lebap provinces, the advanced technology used for the first time in the country
- Completed by Çalık Enerji, the "AST Project (Provision of Continuous Electricity to the City of Ashgabat)" is the first-of-its-kind project in the world with the largest budget; the entire electrical energy infrastructure of a city was replaced and revamped under a single contract.
- The "1,574 MW Mary-3 Combined Cycle Power Plant," the largest power plant constructed after Turkmenistan's independence; the facility was commissioned in 2018.
- Construction of the "550 MW Al-Khums Fast Track Simple Cycle Power Plant," the first project that Çalık Enerji completed in Libya
- The "60 MW Aden Fast-Track Mobile Power Plant" is Çalık Enerji's third project in the Middle East, the first mobile power plant contract and the Company's first project in Yemen
- "Demircili and Sarpıncık Wind Power Plants," which consist of 29 turbines with an aggregate installed capacity of 72 MW, are the first WPPs built by Çalık Enerji.
- Çalık Enerji ranks among the world's top ten companies in constructing fossil fuel power plants.
- The "Turkmenistan-Afghanistan -Pakistan (TAP 500) Transmission Line Project," which is one of the most important investment projects ever undertaken by a Turkish company in Asia
- "Basra Seaport" is Çalık Enerji's first project in the transport sector in the Middle East and North Africa (MENA) region
- Çalık Enerji's first renewable EPC project, Tedzani-4 Hydroelectric Power Plant Project has an installed capacity of 19.5 MW, the first power plant to be commissioned in partnership with Çalık Enerji and Mitsubishi Corporation in Sub-Saharan Africa.
- "Turkmenistan Fleet Maintenance and Service Center Projects," as well as being the largest maintenance project to be executed by Çalık Enerji, it is the first project to be funded and executed by the Company in Turkmenistan.

Ongoing Projects in 2019

Turkmenistan-Afghanistan-Pakistan Transmission Line Project (TAP 500)

Considered the most important high voltage transmission line project in Asia, the TAP500 project will proceed in parallel with the Turkmenistan-Afghanistan-Pakistan-India (TAPI) Natural Gas Pipeline project. The initial agreement for TAP500 was signed in Kabul, Afghanistan, with the participation of representatives from relevant countries. The USD 1.6 billion project, which will be managed by Çalık Holding, is one of the most important investment projects undertaken by a Turkish company in Asia. Turkmenistan, currently exporting electricity to Afghanistan and Iran, will be able to sell electricity to countries in Southeast Asia once the TAP Project is finalized. TAP Project is expected to be finalized in three years following the start of construction.

Mary-3 Project

Turkmenistan's largest combined cycle power plant, the Mary-3 project commenced operations after construction was completed and an opening ceremony was held. The facility has a capacity of 1,574 MW with central generation systems consisting of four gas turbines, four boilers and two steam turbines from GE. Mary-3 is the largest combined cycle power plant featuring advanced technologies constructed in a single stage after the independence of Turkmenistan. Çalık Enerji continues to operate the facility.

Basra Seaport Project

Çalık Enerji agreed to renovate and rehabilitate Basra Seaport, Iraq's most important sea gateway. The project will be implemented in partnership with Mitsubishi Corporation. Basra Seaport project will expand the oil products dock at Khor Al-Zubair Port, where the existing industrial port facilities surrounding Basra will be located. The project will also deploy a new seaport for the vessels and service boats operating at Umm Qasr Port.

Gardabani Combined Cycle Power Plant

Construction of the 230 MW combined cycle power plant was completed in Gardabani, Georgia; operating activities for this project are ongoing.

Demircili Wind Power Plant Capacity Increase

Following the completion of the permits regarding the 3.6 MW mechanical capacity increase of the 40 MW Demircili Wind Power Plant located in the Urla district of İzmir province, the construction works will commence.

TOTAL EQUITY

3.60
TL Billion

Valued USD 1.6 billion, the Turkmenistan-Afghanistan-Pakistan Transmission Line Project (TAP 500) to be managed by Çalık Holding, is one of the most important investment projects undertaken by a Turkish company in Asia.

Çalık Enerji

The Mary-3 Project, the largest combined cycle power plant of the country with a capacity of 1.574 MW started production after its construction works initiated in 2019.

2019 Highlights

- Çalık Enerji's first renewable EPC project, Tedzani-4 Hydroelectric Power Plant Project has an installed capacity of 19.5 MW. Tedzani-4 is the first power plant to be commissioned in partnership with Çalık Enerji and Mitsubishi Corporation in Sub-Saharan Africa. The construction of the project began on June 11, 2018, and it is expected to be finished in September 2021.

Tedzani-4 Hydroelectric Power Plant Project

Çalık Enerji's first renewable EPC project, Tedzani-4 Hydroelectric Power Plant Project has an installed capacity of 19.5 MW and is the first power plant to be commissioned in partnership with Çalık Enerji and Mitsubishi Corporation in Sub-Saharan Africa. The construction of the project began on June 11, 2018, and it is expected to be finished in September 2021. Çalık Enerji undertook turnkey construction of the project, including construction work and the design, procurement, transport, production and assembly of turbines, generators and peripheral systems, 66 kV switchyard, energy transmission line and hydromechanical equipment. As of the end of 2019, a 71% completion rate was achieved in the project.

Financial Summary (TL Million)	2017	2018	2019
Total Assets	7,062	7,278	7,037
Net Sales	4,807	5,361	4,240
Total Equity	2,621	3,473	3,605
EBITDA	1,470	1,442	1,374
EBITDA Margin (%)	31	27	32

Çalık Denim Roof Type Solar Power Plant Project

Project development, engineering, invitation letter and main equipment procurement processes for the installation of a Roof Type Solar Power Plant with a capacity of 957kWp/820We in the first stage on the roofs of Çalık Denim's production facilities in Malatya was completed by December 2019. Çalık Enerji aims to complete the commissioning works by the first quarter of 2020 as the Project's EPC main contractor.

Awards in 2019

Çalık Enerji's affiliate IQB Solutions was awarded as the most successful digital transformation in production in 2019 with its IQPower product at the Microsoft Business Partners Summit.

Quality Standards and Certifications

- ISO 9001:2015
- ISO 14001:2015
- OHSAS 18001
- ASME A, S, U Stampler

Yeşilırmak Elektrik Dağıtım A.Ş. (YEDAŞ)

As a Çalık Holding subsidiary, powerful electricity distribution company YEDAŞ meets the electrical energy needs of more than 3 million people residing in Samsun, Amasya, Çorum, Ordu and Sinop in a consistent, high-quality and uninterrupted way within the framework of "superior customer/stakeholder satisfaction."

TOTAL INVESTMENT

TL **140** MILLION

YEDAŞ renewed and consolidated its distribution network and technological infrastructure by investing approximately TL 1.4 billion between 2011 and 2019.

ELECTRICITY DISTRIBUTED

5.2 BILLION kWh

YEDAŞ realizes approximately 5.2 billion kWh of electricity distribution.

TOTAL NUMBER OF USERS

3 MILLION +

YEDAŞ operates in the provinces and districts of Samsun, Ordu, Çorum, Amasya and Sinop, where it distributes electricity to 2.1 million customers and over 3 million subscribers.

AREA OF SERVICE

39,367 km²

YEDAŞ continues to serve in a 39,367 km² field in Samsun, Ordu, Çorum, Amasya and Sinop as of year-end 2019.

About YEDAŞ

As a Çalık Holding subsidiary, powerful electricity distribution company YEDAŞ meets the electrical energy needs of more than 3 million people residing in Samsun, Amasya, Çorum, Ordu and Sinop in a consistent, high-quality and uninterrupted way within the framework of "superior customer/stakeholder satisfaction."

Having established a strong family structure with its customers, top management, employees and all stakeholders, YEDAŞ follows technology closely with its innovative approach and applies it in all business processes. Using all its facilities, effort and energy with the excitement of having the goal to become the best in its sector, the Company is taking firm steps towards its goal of becoming the leading brand of the electricity distribution industry in Europe.

YEDAŞ aims to provide reliable, consistent service; achieve customer satisfaction; create value through social contributions; and become a pioneer in its operating region. Occupational health and safety, use of technology and innovative solutions are among the priorities of YEDAŞ.

In line with its strategic priorities and objectives, YEDAŞ continues to invest in digitalization. The company aims to provide high-quality and uninterrupted electric service by establishing remote monitoring and control systems such as SCADA, AGIS (Low Voltage Grid Monitoring System), and Mobile Workforce Management System. YEDAŞ constantly improves its supply continuity and service quality by analyzing and correlating existing data and data collected in the field as part of its "Big Data" project.

Consolidating its distribution network and technologic infrastructure with approximately TL 1,397 million between 2011 and 2019, YEDAŞ provides services on an area of 39,367 km² within Samsun, Ordu, Çorum, Amasya and Sinop provinces as of the end of 2019.

YEDAŞ distributes 5.2 billion kWh electric to more than 3 million users in the area it provides services with a team of 580 people. The company makes a difference in the sector as one of the few companies that have its software team.

2019 Highlights

As a leading company in the electric distribution sector, YEDAŞ started the first battery energy storage facility works in Turkey on "Energy Storage Systems," which is increasingly used day by day throughout the world.

Inspired by the zero-waste project initiated by the Ministry of Environment and Urbanization, YEDAŞ started using glass jugs and cups rather than plastic cups and provided an average of five tons of recycling in three years.

YEDAŞ places great importance on the effective use of new technologies in parallel with the developments in the digital world. Accordingly, the Company established EDAŞ Online, a portal for consumers to submit connection applications on the website, in 2019. The Company also completed SCADA, GIS, and SAP integration of WFM Mobile GIS - the third phase of the Mobile Workforce Management Project launched to help field teams instantly diagnose the grid status on tablets and quickly respond to any issues - and hence carried digitalization to the processes out on the field. As part of the AGIS Project, YEDAŞ is able to remotely monitor over 12 thousand transformers and 120 thousand points on some 40 thousand low voltage feeders in its distribution network.

The use of drones started in 2018 as a first practice to help determine failures on long lines within the field, make detailed field diagnostics, conduct more effective maintenance and investment activities, and effectively scan illegal use across the distribution grid.

The project for the installation of line insulation and bird protection apparatus on electricity distribution lines located on the migration routes

TOTAL ASSETS

2.1

TL Billion

INVESTMENTS BETWEEN 2011-2019

1.4

TL Billion

YEDAŞ places great importance on the effective use of new technologies in parallel with the developments in the digital world. Accordingly, the Company established EDAŞ Online, a portal for consumers to submit connection applications on the website, in 2019.

Yeşilırmak Elektrik Dağıtım A.Ş. (YEDAŞ)

In order to create a safe and healthy working environment, YEDAŞ makes occupational health and safety investments while its awareness-raising practices ensure continuity and the adoption of safety culture as a lifestyle.

NET SALES

1.03

TL Billion

EBITDA

691

TL Million

of approximately 1 million birds with a budget of TL 625 thousand to prevent birds to receive electric shock continued in 2019 as well.

Placing great importance on the adoption of safety rules as a lifestyle by the employees with continuous awareness projects, YEDAŞ ensures that its new employees to remember and apply the rules with “on-the-job talks.” The occupational health and safety teams of each province carry out field inspections and the managers visit the field teams and make evaluations for the development and implementation of security measures. Information messages are being sent to employees regularly within the day regarding the rules. Teams who comply with occupational health and safety rules are rewarded and selected as the “Golden Team of the Month.”

To create a safe and healthy working environment, YEDAŞ makes occupational health and safety investments while its awareness-raising practices ensure continuity and the adoption of safety culture as a lifestyle.

Firsts and Major Achievements in the Sector

- The leading electricity distribution company to use the SAP system in the most effective and comprehensive manner
- The first Turkish electricity distribution company to implement the Digital Network Model-Sustainable Investment Period project
- A company that is managed with GIS-Based SAP (ERP) - IS-U
- The distribution company that established the Low Voltage Network Monitoring System and is able to monitor and manage the low voltage network remotely
- The first company in Turkey to commission a battery energy storage facility
- The company that shortens the failure repair times by instantly monitoring phase interruptions at the low voltage outputs via the AGİS system
- The company that has implemented the EDAŞ online application which carries the new connection processes to the digital environment and ensures fast and easy tracking of transactions

Competitive Advantages

- Having a strong financial structure and high credibility
- Effective organizational structure which is open to new ideas and improvement
- A dynamic human resource with high potential and a strong sense of belonging that has a good knowledge of legislation with its sector experience
- Being the distribution company with the highest advantage in the sector in terms of data pool (SAP, EDAŞ Online, AGIS, OSOS, SCADA, GIS) and having a technological infrastructure with advanced grid monitoring and control systems (AGIS-SCADA-OSOS)
- Digitalization in customer processes (Digital management of EDAŞ Online connection requests)
- Success in stakeholder relations
- Speed of intervention in natural disasters
- Fast adaptation to the legislative and regulative changes
- Places great importance on technology investments
- The company’s SCADA/DMS system, which enables quick intervention in case of failures
- World-class service quality
- High customer satisfaction thanks to its modern systems
- Development of R&D projects supported by EMRA

Investments in 2019

Establishing the model of its current grid, YEDAŞ commenced its master plan and project activities for 2021-2025 and 2026-2030 by determining the expansion zones and demand forecasting as well as load increases as a result of field applications. The realization period for the project commenced in October 2019 is one year. As a result of this activity, by clarifying the investment needs for the 4th Implementation period (2021-2025), a basis for the investment tariff demand will be formed.

Throughout 2019, a total of TL 138 million was spent on investment including TL 110.5 million network investment, TL 1,045 million R&D investment expenses, TL 10.7 million network operating system investment, TL 4.7 million meter investment and TL 11.6 million for the environment, security and other investment areas. Within this scope, 46 transformers, a 19 km energy transmission line, 647 rural/village grids, a 91 km underground grid, a 34 km stand-alone illumination, and 21 distribution centers/breaker measuring cubicles were procured.

Quality Standards and Certifications

- ISO 9001:2015 Quality Management System
- ISO 10002:2006 Customer Satisfaction Management System
- ISO 14001:2015 Environmental Management System
- OHSAS 18001:2007 Occupational Health and Safety Management System
- ISO 18295-1:2017 Customer Contact Center Management System
- ISO 27001:2013 Information Security Management System

Awards in 2019

With the digital developments it has achieved, YEDAŞ was awarded the Best Technologic Investment Award in the field of Sustainable Electricity Distribution in the competition organized in November 2019 by International Business Magazine, where world-famous companies have participated.

With its digital developments, YEDAŞ was awarded the Best Technologic Investment Award for Sustainable Electricity Distribution with its EDAŞ Online Project in the competition held by Business Magazine.

Financial Summary (TL Million)	2017	2018	2019
Total Assets	1,512	2,059	2,112
Net Sales	828	1,032	1,032
Total Equity	770	978	1,096
EBITDA	549	755	691
EBITDA Margin (%)	66	73	67

Yeşilırmak Elektrik Perakende A.Ş. (YEPAŞ)

In the research conducted by the Ministry of Energy and Natural Resources where 21 authorized providers operating in Turkey were assessed, YEPAŞ was selected as the electric company with the highest "Customer Satisfaction" in Bill Payment Transactions.

TOTAL NUMBER OF CUSTOMERS

2,127,048

Yeşilırmak Elektrik Perakende A.Ş. provides services to 2,127,048 customers by the end of 2019.

TOTAL AMOUNT OF ENERGY SOLD

4,394 GWh

As of the end of 2019, YEPAŞ made 4,394 GWh electric energy sales in its area of operation.

YEPAŞ CUSTOMER SERVICES CENTERS

9

YEPAŞ has nine Customer Services Centers in Samsun, Sinop, Ordu, Çorum and Amasya.

YEPAŞ N KOLAY AUTHORIZED TRANSACTION CENTERS

69

YEPAŞ provides services with 69 YEPAŞ N Kolay Authorized Transaction Centers within Samsun, Sinop, Ordu, Çorum and Amasya.

NUMBER OF YEPAŞ N KOLAY KIOSKS

686

YEPAŞ provides services to its customers with 686 N Kolay Kiosks.

Yeşilırmak Elektrik Perakende Satış A.Ş. (YEPAŞ) was established and registered with Samsun Trade Registry Office on November 16, 2012. On December 27, 2012, YEDAŞ obtained a Retail Sales License (numbered EPS/4207-2/2498) as per EMRA (Energy Market Regulatory Authority) Resolution No: 4207-2. The partial separation of retail sales operations within the framework of the Procedures and Principles Regarding the Legal Separation of Distribution and Retail Sales Operations was registered on December 31, 2012. Subsequently, on January 1, 2013, YEDAŞ began its retail sales and service operations in Samsun, Ordu, Çorum, Amasya and Sinop (Yeşilırmak Distribution Region).

YEPAŞ supplies electricity to a broad customer base including industrial facilities and individual households across Turkey. As a last source supplier, the company is authorized to sell electric power to consumers at the rate determined for the service area of Yeşilırmak Elektrik Dağıtım A.Ş. ("YEDAŞ"); to eligible consumers who choose not to take advantage of this right; and to eligible consumers at the retail tariff determined by the Energy Market Regulatory Authority. YEPAŞ sells electric power to eligible consumers in the region at market-based rates under bilateral contracts. Additionally, YEPAŞ, in keeping with its last source supplier status, undertakes marketing, sales, and customer service activities (e.g. subscriptions, billing and collections).

In addition to those services for eligible consumers within the liberalized electricity market, the Company creates solutions for customers, who either do not hold or use their eligible consumer status, as a provider authorized by the Electricity Market Legislation. Continuous improvements are made to issue customers' electricity bills correctly and timely, provide them with quick access to their bills and enable fast, commission-free collections through alternative channels.

YEPAŞ provides customers with high-quality, reliable, uninterrupted and reasonably-priced electricity, which is essential to daily life. Building customer satisfaction into its business processes, YEPAŞ successfully continued to deliver fast and courteous customer service in 2019. The Company always aims to deliver innovative, customer-focused services. Thanks to its advanced technology infrastructure, the company develops products, services and solutions that meet customers' needs. As a result of its technology investments, YEPAŞ uses the most advanced IT systems, equipment and infrastructure in the electricity retailing industry. Even though the price may seem the most important factor in the electricity supply, the supplier's market experience, know-how, and service quality before and after-sales are also very important. To that end, YEPAŞ offers its customers the right products and services to meet their needs after carefully analyzing and understanding the market conditions.

When selling electric power to industrial facilities and businesses that have eligible consumer status, Leading the industry, YEPAŞ develops effective solutions and services by taking market dynamics into account and closely monitoring customers' needs. Focusing on customer satisfaction as much as it does on pricing, the Company supports customers in their areas of activity.

2019 Highlights

YEPAŞ responded to the developments that hit the sector in 2019 quickly, through taking necessary measures and leveraging this period - which it called a transition period - as an opportunity to prepare the company for the future. YEPAŞ followed its vision to shift from a regional to a national electricity sales company, and hence made improvements in its IT infrastructure, customer services centers and collection channels.

YEPAŞ supplies electricity to a broad customer base including industrial facilities and individual households across Turkey.

YEPAŞ responded to the developments that hit the sector in 2019 quickly, through taking necessary measures and leveraging this period -which it called a transition period -as an opportunity to prepare the company for the future.

Yeşilırmak Elektrik Perakende A.Ş. (YEPAŞ)

In 2019, YEPAŞ managed costs effectively and improved solutions and business models continuously to achieve efficiency. Having succeeded in exporting electricity for the first time in this accounting period, the Company closely monitors the regional electricity markets and business opportunities thanks to its team of experts.

Aiming to develop the Customer Loyalty Program created in 2019 under the name of "YEPAŞ World of Advantages," YEPAŞ provides a lot of advantages to its customers by realizing brand collaborations on a local and national basis.

In 2019, YEPAŞ managed costs effectively and improved solutions and business models continuously to achieve efficiency. Having succeeded in exporting electricity for the first time in this accounting period, the Company closely monitors the regional electricity markets and business opportunities thanks to its team of experts.

YEPAŞ also partnered with the subsidiaries of Çalık Holding to make the most of the synergy in the Group. As part of the project co-run with Aktif Bank N Kolay, all YEPAŞ Transaction Centers within the region were transformed into YEPAŞ N Kolay Authorized Transaction Centers to establish more accessible and efficient service channels. In 2019 YEPAŞ N Kolay Authorized Transaction Centers have thus turned into platforms where electricity subscription transactions, collections, eligible consumer transactions and all other customer services are available alongside conventional N Kolay services. As an outcome of this partnership, 69 YEPAŞ N Kolay Authorized Transaction Centers and some 686 N Kolay Kiosks offer services to customers in the central cities and districts of Samsun, Sinop, Ordu, Çorum and Amasya.

In the meanwhile, YEPAŞ focused on the sales of non-electricity products and services in 2018. In partnership with some of the Group's subsidiaries - N Kolay, Sigortayeri and ÇEDAŞ - YEPAŞ started to provide customers with intermediation for the sales of TCIP insurance, which is mandatory for contract procedures. Important progress was made in the project which was launched with pilot practices and a significant number of policies were sold.

YEPAŞ also determined that various products and/or services could be successfully sold through the same channel once the amendments to current laws, which are inevitable and should be developed by the sector's regulator EMRA in the light of the changing market conditions, are completed.

Furthermore, aiming to develop the Customer Loyalty Program created in 2019 under the name of "YEPAŞ World of Advantages," YEPAŞ provides a lot of advantages to its customers by realizing brand collaborations on a local and national basis.

Competitive Advantages

- Advanced IT systems and infrastructure
- High customer satisfaction thanks to its modern systems
- Places great importance on technology investments
- World-class service quality
- Leading the service sector by providing effective solutions

Quality Standards and Certifications

- ISO 9001:2015 Quality Management System
- ISO/IEC 27001:2013 Information Security Management System
- ISO 10002:2014 Customer Satisfaction Management System

Kosovo Çalık Limak Energy Sh.A.

Established for the electric distribution work in Kosovo in relation to the tender won in 2012 by Çalık Holding and Limak Holding partnership, Kosovo Çalık Limak Energy Sh.A. operates in the field of electricity distribution and retail with 2,200 employees in Kosovo, the youngest country of Europe.

NUMBER OF SUBSCRIBERS

605 THOUSAND

KEDS increased the number of subscribers from 470 thousand in 2013 to 605 thousand as of the end of 2019.

TOTAL ASSETS

TL **1.36** BILLION

(EUR 204 MILLION)*

KEDS' total assets rose to TL 1.36 billion in 2019.

**EUR/TL FX buying rate for the end of the period is considered as 6.6506 in the calculation.*

TOTAL INVESTMENTS

EUR **22.1** MILLION

In 2019, KEDS invested about EUR 22.1 million primarily to upgrade its grid infrastructure and step up modernization efforts.

NET SALES

TL **1.61** BILLION

(EUR 253.8 MILLION)*

Çalık Enerji generated TL 1.61 billion net sales in 2019.

**Average EUR/TL FX buying rate is considered as 6.3481 in the calculation.*

Established for the electric distribution work in Kosovo in relation to the tender won in 2012 by Çalık Holding and Limak Holding partnership, Kosovo Çalık Limak Energy Sh.A. operates in the field of electricity distribution and retail with 2,200 employees in Kosovo, the youngest country of Europe. The Company owns Kosovo Electricity Distribution Company J.S.C. (KEDS), the only authorized electricity distributor in Kosovo, and Kosovo Electricity Supply Company J.S.C. (KESCo), the only authorized energy supplier to the public sector. The company meets 100% of Kosovo's net demand for electricity.

The company has made significant advances towards achieving its goals by capitalizing on the experience of Çalık and Limak Groups in the power industry. KEDS regularly adopts innovations under its Ten-Year Distribution System Operator Network Development Plan (2014-2023). The company designed the plan to provide reliable electric service with low prices and is implementing it step-by-step, In addition to reliable working systems and coordinated customer tracking. All these advantages and distinctive features enable the company to steadily expand its subscriber base.

Active in the sector since 2013, KEDS and KESCO has successfully reduced technical and commercial losses; improved its access to energy significantly by restructuring its energy transfer operations; boosted operational efficiency through the use of new technologies and implementation of effective measures; and has taken important steps to provide education and employment opportunities to young people in line with its social responsibility principles.

KEDS aims to provide high-standard electric services to all its subscribers and to eliminate all the infrastructure issues regarding electric energy.

Successfully completing the separate pricing process, which is a legal obligation at the end of 2014, KEDS transferred the electricity supply activity to the public to KESCO, which was established under Çalık Limak Group in 2015. After the license is transferred to KESCO, around 250 employees moved from KEDS to KESCO.

Developments in 2019

The Company increased the number of subscribers from 470 thousand in 2013 to 605,694 thousand as of the end of 2019. This achievement was thanks to the fact that Kosovo has a young population and that the Company has carried out an ambitious investment drive since privatization. Distributing 5.32 GWh electricity in Kosovo in 2019, KEDS spent around EUR 22.1 million, especially for the renewal of the network infrastructure and modernization activities.

The company upgraded its call center to operate around the clock to respond to customer queries and resolve their issues. KESCo managed to provide electricity to its customers at low prices even when there was no electricity generation in the country. All electricity consumers in Kosovo are customers of KESCo.

KEDS has invested approximately EUR 146 million from May 2013 to the end of 2019 to reduce technical and commercial losses. Restructuring its energy distribution activities, KEDS significantly increased access to energy and service quality throughout the country. While KESCo assumes the responsibility to supply this distributed energy from local sources and through imports, the Company works with more than 40 commercial parties in terms of access to day-ahead/intraday markets and energy trade in over-the-counter markets for customer portfolios within the scope of national tariff and eligible consumer status.

Continued to increase its operational efficiency through the use of new technologies and the implementation of effective measures, the Company has shown performance above its efficiency targets.

Placing importance to digitalization since the day it was established, the Company included 9.61% of all

NUMBER OF EMPLOYEES

2,200

TOTAL EQUITY

1.0

TL Billion

KEDS aims to provide high-standard electric services to all its subscribers and to eliminate all the infrastructure issues regarding electric energy.

Kosovo Çalık Limak Energy Sh.A.

KEDS Academy, a social responsibility initiative aiming to provide young people around the world with access to higher education and employment opportunities, pioneers other organizations in similar social responsibility projects. The sixth generation of the training courses under KEDS Academy have been successfully completed.

INVESTMENTS BETWEEN 2013 AND 2019

146
EUR Million

EBITDA

198
TL Million

customers to the smart grid system as of the end of 2019. It also plans to complete the integration of SCADA systems by the end of 2020. As energy losses, one of the most important issues of the region, were at 31% in 2013, as a result of the investments and successful operations, this ratio was reduced to 20.36% by the end of 2019.

KEDS Academy, a social responsibility initiative aiming to provide young people around the world with access to higher education and employment opportunities, pioneers other organizations in similar social responsibility projects. The 6th generation of the training courses under KEDS Academy have been successfully completed.

Completing medium and long-term investment plans in a way to maximize the total benefit of all its stakeholders in Kosovo, the Company was awarded the “Taxpayer of 2019” by the Kosovo Chamber of Commerce in 2019. Additionally, the Company was entitled to receive the license given by the Ministry of Labor and Social Policies with its occupational health and safety applications.

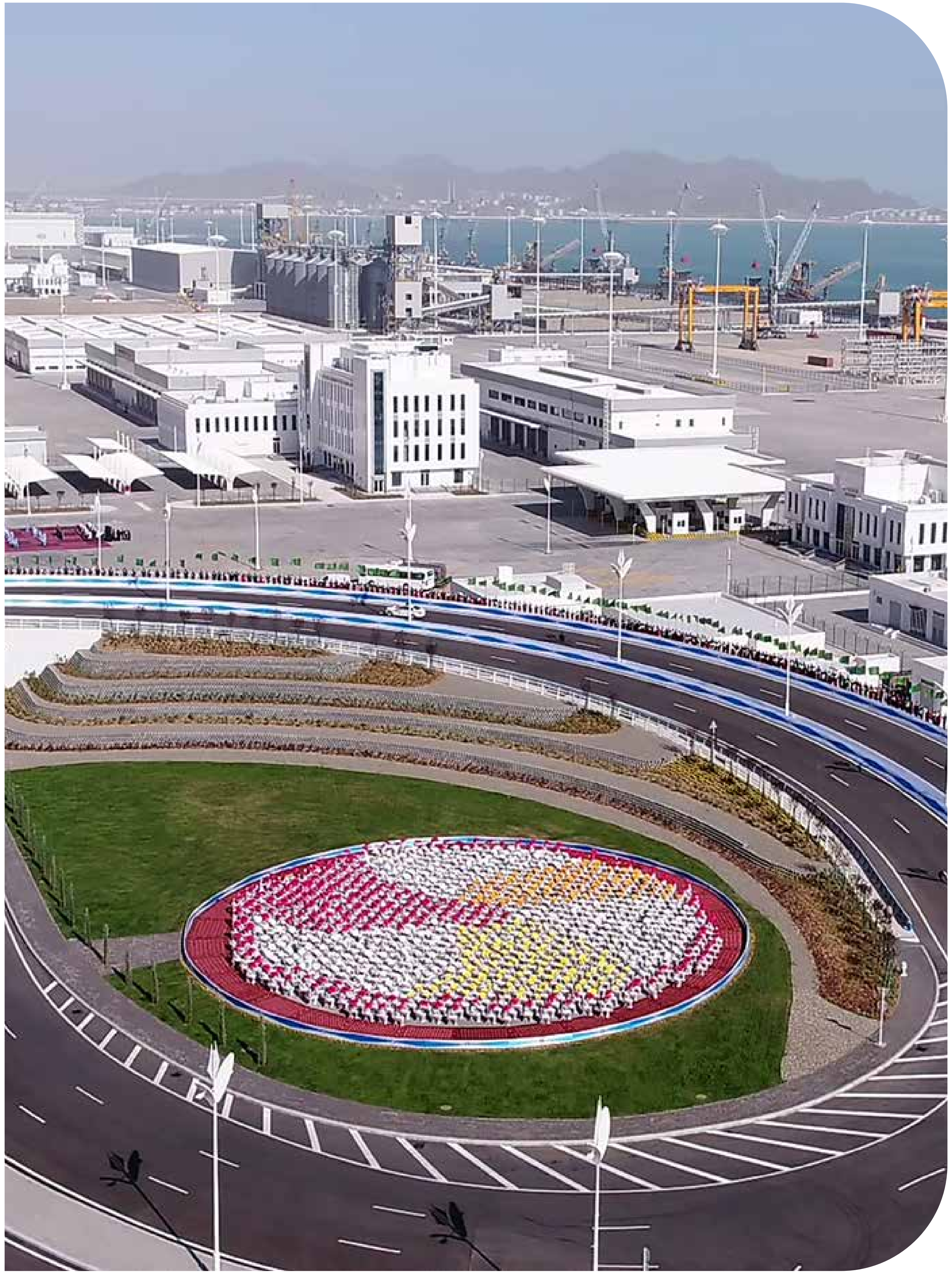
Financial Summary (TL Million)	2017	2018	2019*
Total Assets	864	1,159	1,358
Net Sales	1,296	1,579	1,610
Total Equity	645	922	1,023
EBITDA	146	270	198
EBITDA Margin (%)	11	17	12

**UR/TL FX buying rate for the end of the period is considered as 6.6506 in while the average EUR/TL FX buying rate was considered as 6.3481 the calculation..*

KEDS’ Electricity Distribution and Retail Strategy
In order to reach international standards in SAIDI (System Average Interruption Duration Index) and SAIFI (System Average Interruption Frequency Index) values to provide sufficient and low-cost electricity services to its subscribers with business processes that prioritize high efficiency, and to improve supply security, the company aims to continue its planned maintenance and network renewal investments.

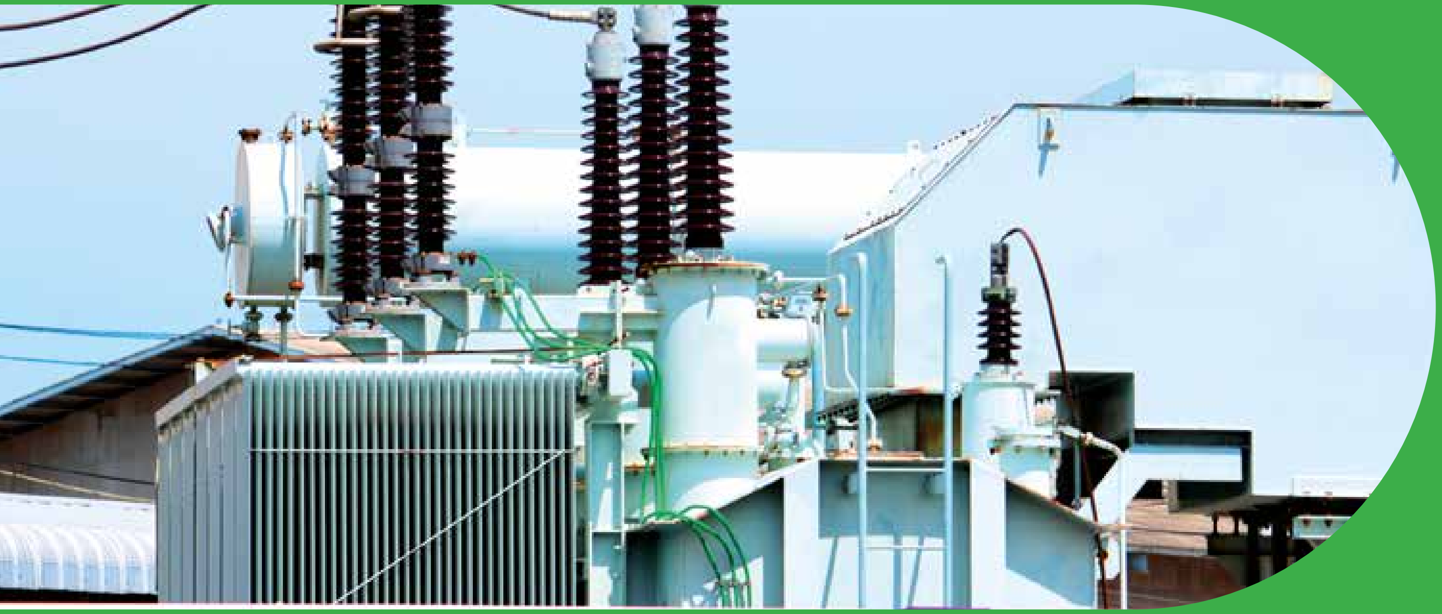
Competitive Advantages
- Sole supplier in the market
- Positioned as a regional player
- Has the manpower, technical knowledge, experience and competency to determine and assume the projects to satisfy the needs,
- Independent decision making.

Investment Projects in 2019
- Distribution line transformation investments in 20 KV level,
- Network support investments,
- Counter investments,
- Smart network investments,
- Building, storage, etc. renewal and renovation investments,
- IT investments,
- Special field operation equipment investment,
- Regional investments.



Aras Elektrik Dağıtım A.Ş. (Aras EDAŞ)

Providing distribution services in seven provinces including Ağrı, Ardahan, Bayburt, Erzincan, Iğdır, Kars and its headquarters Erzurum, Aras EDAŞ provides services to 2.2 million citizens.



NUMBER OF PERSONS SERVED

2.2 MILLION

The company provides electric service to 2.2 million residents in Erzurum, Ağrı, Ardahan, Bayburt, Erzincan, Iğdır and Kars-a total of seven provinces.

NUMBER OF SUBSCRIBERS

1,029,869 SUBSCRIBERS

As of the end of 2019, Aras EDAŞ has a total of 1,029,869 subscribers.

NUMBER OF EMPLOYEES INCLUDING SUBCONTRACTORS

2,016 PERSONS

Aras EDAŞ has a total of 2,016 employees-including solution partners.

TOTAL INVESTMENT AMOUNT

TL **1.15** BILLION

Aras EDAŞ spent TL 1.15 billion on investment since July 2013 when it was privatized.

Vision

To maintain steady growth in relation to distribution companies in Europe and to achieve lasting success driven by a customer-focused strategy.

Mission

To maintain a high level of customer satisfaction by offering environmentally friendly, innovative, uninterrupted, high-quality service through effective use of our energy.

Aras EDAŞ's Operating Region

Providing electric distribution services in seven provinces including Ağrı, Ardahan, Bayburt, Erzincan, Iğdır, Kars and its headquarters Erzurum, Aras EDAŞ provides services to 2.2 million persons. The Company has 1,029,869 subscribers as of the end of 2019.

Aras EDAŞ's Investments

Aras EDAŞ spent TL 1.15 billion on investment in seven years since it was privatized. 2019 investment amount is TL 152,870,720.26. It is expected to spend TL 175 million on investment as of the end of 2020. The priorities of the company in its investments are to improve the network, technologic infrastructure, to provide high-quality and uninterrupted energy distribution and to create customer satisfaction.

Demographic Profile of Aras EDAŞ's Operating Region

Aras EDAŞ's operating region covers seven cities in the Eastern Anatolia region; the majority of the rural population in Turkey-about 2.8% of the country's entire population-lives in this region. While 70% of the region's residents live in cities, 30% of the company's customers live in rural areas.

Aras EDAŞ's operating region covers seven cities in the Eastern Anatolia region; the majority of the rural population in Turkey-about 2.8% of the country's entire population-lives in this region.

Turkey Urban-Rural Population Distribution

Province	Province and District Centers	Towns and Villages	Total
Ağrı	305,406	236,849	542,255
Erzincan	130,304	95,728	226,032
Erzurum	762,021	0	762,021
Kars	133,528	156,258	289,786
Bayburt	55,670	34,484	90,154
Ardahan	38,181	60,154	98,335
Iğdır	108,204	84,581	192,785
Aras Region Total	1,533,314	668,054	2,201,368
Turkey Total	73,671,748	6,143,123	79,814,871
Region Ratio (%)	69.7	30.3	100.0
Turkey Ratio (%)	2.1	10.9	2.8

Source: Urban-rural population distribution according to the TUIK 2016 data. (http://www.tuik.gov.tr/PreTablo.do?alt_id=1059)

Aras Elektrik Dağıtım A.Ş. (Aras EDAŞ)

Thanks to SCADA systems, Aras EDAŞ monitors 1,124 centers in the distribution network and approximately 5,000 MV feeders receiving electricity from these centers remotely. Therefore the company becomes aware of failures before customers call and improvements are realized in terms of failure durations and frequencies.

2019 INVESTMENTS

152
TL Million

ALL INVESTMENTS MADE UP TO DATE

1.1
TL Billion

Surface Area Ratio of ARAS' Operating Region to Turkey's Total Surface Area
The total area of the company's operating region corresponds to 11.1% of Turkey's total surface area. Agriculture and livestock breeding are the major sources of income in the region. Aras EDAŞ provides service to some 1,029,869 customers located on a land area of 70,457 km², in one of the country's harshest regions.

Province	Area (km²)
Ağrı	11,276
Ardahan	5,576
Bayburt	3,652
Erzincan	11,874
Erzurum	25,055
Iğdır	3,582
Kars	9,442
Total	70,457
Turkey Ratio (%)	11.1

Competitive Advantages of Aras EDAŞ
- Geo-strategic significance of its operating region
- Largest company in the eastern Anatolia region
- Location in a region included in the incentive program

Firsts and Major Achievements in the Sector
- The first electricity distribution company in Turkey to have a "Training and Collaboration Protocol" with the universities in the city,
- The first company to receive the ISO 50001 Energy Management System standard,
- As the new communication platform of Aras Elektrik Dağıtım Anonim Şirketi, ARIMER is a platform defined as Aras Communication Center that brings the managers and the customers together on a single platform. With the "Manager Communication Line," any requests or complaints can directly be sent by the customer to the manager via ARIMER.

Goals
- To become a leading, universal brand in the electricity distribution sector,
- To maintain steady growth in relation to distribution companies in Europe and to achieve lasting success driven by a customer-focused strategy,
- To build world-class technology infrastructure,
- To archive the zero-accident goal.

2019 Highlights

Workforce Management System: Aras EDAŞ established a system in which any activity of field teams consisting of 757 employees can be measured and reported in failure repair works performed in seven provinces and 58 districts. With these measurements and reports, the work quality, efficiency and customer satisfaction of employees increase and the time it takes for teams to intervene in failure is also shortened with this system.

SCADA: Thanks to SCADA systems, Aras EDAŞ monitors 1,124 centers in the distribution network and approximately 5,000 MV feeders receiving electricity from these centers remotely. Therefore the company becomes aware of failures before customers call and improvements are realized in terms of failure durations and frequencies.

PLC Counter System: Aras EDAŞ aims to rapidly reduce and eliminate illegal electricity usage in the region with the PLC project, which means communication infrastructure over electricity grids. With the system implemented in Ağrı Doğubayazıt and Patnos districts, there has been an increase in energy efficiency in addition to the significant decrease in the loss and illegal use rates of these districts.

Extension of Cable Test Fleet: Including seven additional vehicles to its cable test vehicle fleet, Aras EDAŞ ensured that the failures occurring in underground cables are detected point-by-point and responded immediately.

Quality and Efficiency Year: Holding a Company Managers Meeting, Aras EDAŞ has chosen 2019 as the "Year of Quality and Productivity."

New Practices, New Products, New Partnerships
- Cooperation with Erzurum Metropolitan Municipality
- Failure Management Mobile App
- Development of SCADA system
- Commissioning of ARIMER
- Commissioning of the digital archive

Investment Projects in 2020
Aras EDAŞ will continue to undertake upgrading, maintenance, improvement, and expansion efforts in the LV & HV (MV) power distribution systems in its operating region-covering the provinces of Ağrı, Ardahan, Bayburt, Erzincan, Erzurum, Iğdır and Kars-to ensure technical quality and continued power. Furthermore, the Company plans to increase its R&D investments in the coming period.

Awards in 2019
Aras EDAŞ was awarded the R&D Success Award given by EMRA with its Smart Distribution Transformer Project in 2019.

Aras EDAŞ was awarded the R&D Success Award given by EMRA with its Smart Distribution Transformer Project in 2019.

Aras Elektrik Perakende Satış A.Ş. (Aras EPSAŞ)

Carrying out electricity retail sales activities in Erzurum, Erzincan, Ağrı, Ardahan, Kars, Bayburt and Iğdır provinces under its license, Aras EPSAŞ is the main electric supplier of 2.2 million persons.

NUMBER OF SUBSCRIBERS

1,021,589

As of the end of 2019, Aras EPSAŞ has 1,021,589 registered and 817,770 active subscribers.

COLLECTION RATIO

%99.17

Aras EPSAŞ ended 2019 with a collection ratio of 99.17% and stood out with successful figures both financially and operationally.

NUMBER OF INFORMATION UPDATED

256,463

With the Information Update Project that is ongoing, 256,463 data was updated.

NUMBER OF PERSONS IN THE DISTRIBUTION NETWORK

2.2 MILLION

Aras EPSAŞ is the main electricity supplier of 2.2 million persons.

Vision

To create added value in the Turkish economy and the quality of life of society with sustainable and renewable energy.

Mission

To establish a rational and sustainable lifelong partnership with all Aras EPSAŞ customers by adopting an innovative service concept that generated effective customer satisfaction with its service quality, prioritizes the protection of the environment, supports the way of doing business with technological developments.

Our Values

- Value to Human
- High-quality Service
- Customer Focus
- Sensitivity
- Proactive Solution
- Transparency
- Reliability
- Innovation
- Accessibility
- Ethical Competition Approach
- Technological Innovation
- Respect for the Environment

Aras Elektrik Perakende Satış A.Ş. (Aras EPSAŞ) was established in Erzurum on December 13, 2012 and received the Retail Sales License numbered EPS 4207-16/2512 upon the decision of the Energy Market and Regulatory Board. The partial separation of retail sales operations within the framework of the Procedures and Principles Regarding the Legal Separation of Distribution and Retail Sales Operations was registered on December 31, 2012.

Carrying out electricity retail sales activities in Erzurum, Erzincan, Ağrı, Ardahan, Kars, Bayburt and Iğdır provinces under its license, Aras EPSAŞ is the main electric supplier of 2.2 million persons.

Ongoing Projects

With the Information Update Project that is ongoing, 256,463 data was updated.

Number of Information Updated in 2019

Quantity	E-Mail	TR ID Number	Telephone	Tax	Grand Total
Ağrı	17,611	12,987	55,135	3,302	89,035
Ardahan	6,396	1,634	7,192	1,524	16,746
Bayburt	7,595	2,274	6,428	230	16,527
Erzincan	2,712	15,480	11,579	4,584	34,355
Erzurum	7,189	10,766	36,137	4,953	59,045
Iğdır	4,399	10,310	9,495	5,346	29,550
Kars	1,631	2,555	6,290	729	11,205
Total	**47,533**	**56,006**	**132,256**	**20,668**	**256,463**

Competitive Advantages of Aras EPSAŞ

- Having “experience, business knowledge and skill” for eight years with employee stability
- Being well equipped with the “training, data support, tools/equipment and other materials” provided by the Company
- Target customer visits and target-oriented approaches
- Continuous market researches and competitive analyses
- Continuous monitoring of developments in the sector (Regulations/Legislations, Economy, Tenders, etc.)
- Efforts for new customers and effective appointment method
- Continuously developed sales strategies and continuous reporting service
- Providing the highest level of satisfaction by providing the best and highest quality service to the customer before and after-sales

Firsts and Major Achievements in the Sector

- ARIMER communication platform, which was first established in the energy sector in 2019 and enables customers to communicate directly with managers
- An ongoing software activity for sending invoices to customers via SMS digitally

2019 Highlights

Customers Directorate: A portion of the bills of approximately 70,000 subscribers with low income are paid through PTT by the Social Solidarity Foundation. Therefore collection risk is decreased.

Aras EPSAŞ continues its activities with the vision of creating added value in the Turkish economy and the quality of life of the society with sustainable and renewable energy.

Aras Elektrik Perakende Satış A.Ş. (Aras EPSAŞ)

As the leading brand of the electric retail sales sector with the motto "Our energy is yours," the Company prioritizes the continuity of customer satisfaction and service quality within the framework of legal regulations and relevant legislation.

With the tariff unit prices announced in the last quarter of 2019, favorable conditions began to emerge in the energy market in terms of Sales and Marketing. Therefore, customers with "Eligible Consumer" capacity within and outside the Region can now be included in the portfolio.

Energy Trade Directorate: In 2019, Aras EPSAŞ started to supply discounted energy to subscribers with high consumption within the scope of the Last Resort Procurement Tariff (SKTT).

Sales-Marketing Directorate: With the tariff unit prices announced in the last quarter of 2019, favorable conditions began to emerge in the energy market in terms of Sales and Marketing. Therefore, customers with "Eligible Consumer" capacity within and outside the Region can now be included in the portfolio.

Quality Standards and Certifications

- ISO 27001 Information Security Management System
- ISO 10002 Customer Satisfaction and Complaints Handling
- ISO 9001 Quality Management System
- ISO 45001 Occupational Health and Safety Management System
- ISO 14001 Environmental Management System
- ISO 27019 Information Security Management Guidelines for Process Control Systems Specific to the Energy Utility Industry

Goals

- To reach a 99.35% collection target as of the end of 2020,
- To maintain the service quality with the most accurate, different and innovative service policies for the intended profile and target customers,
- By bringing "High consumption customer/profitable customer/payment stability" potential customer groups together accurately, to increase and maintain profitability by minimizing all foreseeable risks, especially the collection risk,
- Leaving an accurate/secure and positive familiarity mark on the customers by increasing pre-sales and after-sales service quality.
- Increasing the Company profitability as a result of successful budget management,
- Increasing the efficiency by making sure that supportive programs such as personnel training etc. become continuous.

Corporate Social Responsibility Projects

- During Down Syndrome Awareness Week we have visited the Rehabilitation Center and spent time with children.
- In order to see the meaning of energy through the eyes of children and to raise awareness, a painting contest named "Energy in our Life" was held and we spent time and gave gifts to children.
- With the motto "We Take Our Energy from Children," we organized an activity with children on April 23.

Quality Policy

As the leading brand in the electricity retail sales sector with the motto "Our energy is yours" and within the framework of legal regulations and relevant legislation;

- New investments are being made and commissioned to provide our customers with uninterrupted and high-quality electricity.
- It is ensured that retail sales services are provided to customers in a friendly, fair, flawless and timely manner in line with the modern management approach.

- The continuity of customer satisfaction and service quality are prioritized.
- Training is organized to ensure consistency between the individual goals of the employees and the goals of the Company, to develop and maintain a feeling of unity and solidarity at the highest level, and to consolidate the sense of belonging and motivation.
- All employees are supported with occupational training and personal development programs and training are organized to ensure that they continuously improve themselves and increase their productivity.

Plans for 2020 and the Future

- To become a leading, universal brand in the electricity retail sector,
- To maintain steady growth in relation to retail companies in Europe and achieving lasting success driven by a customer-focused strategy,
- To participate in projects to improve the life quality of the society we live in,
- To continue training programs to ensure that employees are improved continuously by supporting all employees with occupational training and personal development programs,
- Acting solution-oriented and prescient to ensure and increase the continuity of customer satisfaction and service quality,
- Being an exemplary company by complying with the terms of the Quality Management System and to continuously improve its efficiency with the participation of employees.

Aras EPSAŞ's future plans include becoming a universal brand leading the electricity retail sector and making customer-oriented success permanent by maintaining its growth trend among retail companies within Europe.

CONSTRUCTION SECTOR

Our broad project portfolio includes permanent works in infrastructure, superstructure and industrial areas.

With Çalık values such as the determination to succeed, result-orientation and transparency, we take innovative steps to add new continents to our activities. With our young and dynamic teams and our projects that add value to humans and nature, we will achieve new successes.

Sinem İşler
Gap İnşaat - Human Resources Specialist

NET SALES

1.24
TL Billion

TOTAL EQUITY

2.0
TL Billion

An Overview of the Construction Sector in 2019

Turkish contractors performing projects overseas are aiming to reach the level of USD 20 billion in the annual new project amount and to increase their share to 7%.

The Turkish economy has a traditional growing trend over the construction and real estate market. Additionally, the construction industry also plays a leading role in employment, with more than 200 sub-sectors.

GLOBAL CONSTRUCTION SECTOR

In 2019, which was shadowed by global growth concerns; the monetary authorities in developed countries faced the pressure brought about by the trade wars as well as the recession and therefore adopted looser policies. While these steps fail to change the current atmosphere in the short term, the recession continued to create downward pressure on real estate prices.

After decreasing in the first nine months of the year, the annual residential and non-residential construction expenditures in the USA started to recover in the last quarter. Housing sector data in the USA is showing fluctuations.

In the Eurozone, construction expenditures grew relatively rapidly in the first and second quarters of 2019 and continued its rise in the third and fourth quarters at a lower rate. The Euroconstruct platform foresees a slowdown in the construction industry in 19 countries across Europe in 2020.

TURKEY'S CONSTRUCTION SECTOR

After showing signs of improvement in the second half of 2019, growth expectations for the Turkish construction industry have been revised upwards in line with positive developments. Thanks to the downward movement of interests, an increase in expenditure is expected in 2020 due to the easier access of investors and consumers to loans. The fact that the Turkish Lira will remain relatively consistent is expected to support economic activities.

The Turkish economy has a traditional growing trend over the construction and real estate market. Additionally, the construction industry also plays a leading role in employment, with more than 200 sub-sectors. The impact of the supply-demand imbalance arising from the funding issues and the low demand continued in the previous year and the construction industry continued shrinking throughout five previous quarters consecutively.

According to the chained volume index issued by the Turkish Contractors Association, in the first two quarters of 2019, GDP contracted by 2.3% and 1.6%, respectively, while the construction industry shrank by 9.2% and 12.4%. In the third quarter, the Turkish economy started growing again on an annual basis with 0.9% and although the construction industry shrank by 7.8%, it was evident that the gap was closing compared to the previous months. Being vulnerable against economic and political risks, the industry shrunk by 9.8% while the contraction in the economy was 1%.

In the January-October period, new housing sales contracted by 28.4% compared to the same period of the previous year, as the second-hand house sales increased by 2.1%. In the same period, housing sales to foreigners increased by 18.9% compared to the same period of 2018.

In The Ready-Mixed Concrete Index November 2019 Monthly Report, published by the Turkish Ready Mixed Concrete Association, it was indicated that despite the improvement observed in construction sector activities in recent months, the weak trend in confidence and expectation indices continues. In the December 2019 Industry Report prepared by the umbrella organization of the industry - The Association of Turkish Construction Material Producers (Türkiye IMSAD), it is expected that the construction industry will grow around 1-2% in 2020.

On the other hand, public-funded major infrastructure and transformation projects as well as overseas contracting projects play an important part in the business volume of the industry. As in other developing countries, the public-private partnerships (PPP) model is widely applied in Turkey. According to the Presidency of Strategy and Budget, there are 246 projects in this context in Turkey.

On the other hand, the total cost of projects assumed by Turkish contracting firms from 1972 to 2019 has reached USD 400.4 billion. Therefore, due to the fluctuations in the world economy and the losses arising from political troubles in the region where Turkey is located, the annual level of USD 20 billion could not be reached, but the target of 10 thousand in terms of the total number of projects has been exceeded. The distribution of sectors in which most projects were undertaken abroad up to date includes housing, highways/tunnels/bridges, commercial centers, power plants and airports.

The activities of Turkish contractors, who have undertaken projects abroad with a total cost of USD 7.6 billion as of the end of September 2019, are concentrated primarily in Russia and the Commonwealth of Independent States, then in the Middle East and Africa afterward. It is observed that the industry has increased its market diversity. It is aimed to increase the share of the Turkish contractors, which is around 4.6% as of today, to 7% in the mid-term.

GLOBAL AND DOMESTIC POSITION OF GAP İNŞAAT

Successfully completing over 130 projects in three continents with its extensive experience as well as partnerships that create synergy, Gap İnşaat is one of the most successful representatives of the Turkish contracting industry in the global platform.

The success of Gap İnşaat is recognized with the "World's Top 250 Contracting Companies" study prepared on an annual basis by ENR, which is considered the most prestigious institution in the engineering, architecture and contracting world. The company, which has shown a steady rise on the list since 2006, was ranked 172nd in 2019.

As a reputable contracting company preferred in infrastructure, superstructure, residential and industrial facility projects, Gap İnşaat constructed and commissioned Turkmenbashi International Seaport, which is the largest port on the Caspian Sea and the most important

Completing over 130 projects in three continents with its extensive experience as well as partnerships that create synergy, Gap İnşaat is one of the most successful representatives of the Turkish contracting sector in the global platform.

An Overview of the Construction Sector in 2019

Able to deliver all kinds of projects at home and abroad without compromising on time and quality thanks to its broad experience and its expert team, Gap İnşaat took important steps to diversify the geography it operates in 2019.

Gap İnşaat has achieved great success by building a total of 27 separate hospital complexes in the field of health. In 2019, Gap İnşaat opened an Endocrinology and Surgery Hospital in Turkmenistan. Burn Treatment Hospital and Cosmetology Center, which is under construction in Turkmenistan, will be completed and delivered in 2020.

logistics center on the historical Silk Road. Furthermore, Garaboğaz Ammonia and Urea Production Facility, the largest facility in Turkmenistan was put into service in the same year. As one of the most important road rehabilitation projects in the world, Baghdad International Airport Road and Landscape Project is one of the most important projects completed by Gap İnşaat. Arçabil Şayolu Highway, one of the most important transportation projects in Turkmenistan which connects the Ashgabat Region to the surrounding locations, Ashgabat Power Plant, Abadan Power Plant, Ahal Power Plant, Balkanabad Power Plant, Petronas Gas and Energy Terminal, Turkmenistan Power Plant and Dashoguz Power Plant are among the other important projects completed by Gap İnşaat. In Turkey, Gap İnşaat completed the Zincirlikuyu Office Project, which is located in one of the most valuable locations in Istanbul, Çöpler Sulphite Gold Facility built for Lidya Madencilik in Erzincan and Taksim360, which is the first urban renewal project developed with a public-private partnership in Turkey.

Able to deliver all kinds of projects at home and abroad without compromising on time and quality thanks to its broad experience and its expert team, Gap İnşaat took important steps to diversify the geography it operates in 2019 and extended to the Gulf Region with Qatar after Central Asia. The Qatar Military Training Facility Project in Doha, the capital of Qatar is ongoing. The project is expected to be completed in 2021.

Undertaking projects that add value in many regions of the world, Gap İnşaat continues the Taksim360 Project, which was developed in harmony with the historical texture of Beyoğlu, one of the most important locations of Istanbul, and consists of office and residential sections. After the completion of the 1st phase that includes the office area, the offices and commercial sections started to be leased, and the new sales office under the office block initiated operations. The rough construction works in blocks 385/386, which are known as the residential block of the Project were completed and will initiate operations in 2020. There are a total of 92 residences and 20 commercial units in the 2nd phase residence block of the Taksim360 Project, which continues in nine separate blocks on a total area of 165 thousand square meters. The sales in the residential block which faces the boulevard are continuing intensively.

Gap İnşaat has achieved great success by building a total of 27 separate hospital complexes in the field of health. Recently completing and delivering the Endocrinology and Surgery Hospital in Turkmenistan, Gap İnşaat can design every stage from design to building construction works, technology and equipment supply, to the training of healthcare professionals at home and abroad.

Gap İnşaat was ranked in the 10th place in the "Overseas Contracting Services Success Awards" given by the Turkish Contractors Association in 2019.

Gap İnşaat

Showing a steady rise since 2006 on the "World's Top 250 Contracting Companies" list published by ENR, considered the most prestigious institution in the engineering, architecture and contracting world, GAP İnşaat ranked 172nd on the 2019 list.

RANKED 172ND IN THE WORLD'S TOP 250 CONTRACTING COMPANIES LIST

Gap İnşaat ranked 172nd in the "World's Top 250 Contracting Companies" list published by ENR every year in 2019.

NET SALES

TL **1.24** BILLION

Gap İnşaat recorded TL 1.24 billion worth of net sales in 2019.

TOTAL ASSETS

TL **6.5** BILLION

In 2019, Gap İnşaat's total assets increased to TL 6.5 billion.

TOTAL EQUITY

TL **2.0** BILLION

In 2019, Gap İnşaat's equity was TL 2.0 billion.

Gap İnşaat has taken important steps to diversify the geography it operates in 2019 and extended to the Gulf Region with Qatar after Central Asia.

2019 Highlights

Showing a steady rise since 2006 on the "World's Top 250 Contracting Companies" list published by ENR, considered the most prestigious institution in the engineering, architecture and contracting world, Gap İnşaat ranked 172nd on the 2019 list.

Ranking in the 10th place in the "Overseas Contracting Services Success Awards" given by the Turkish Contractors Association, Gap İnşaat took important steps to diversify the geography it operates in 2019 and extended to the Gulf Region with Qatar after Central Asia.

Ongoing Projects

Burn Treatment Hospital

Its construction began in Ashgabat, capital of Turkmenistan and is planned to be completed by 2020. It has four operation theatres, 20 intensive care units and a capacity of 130 beds. Its total construction area is 26,500 m² and is built on an area of 4.05 hectares. It is designed in accordance with SNT criteria as well as international standards.

Aesthetics Hospital and Parking Area

The construction of the International Cosmetology Center, with a covered area of 9,650 m² and with a design in the shape of a hand mirror, was started in 2018 in Ashgabat, capital of Turkmenistan and will become operational in 2020. In the clinic where modern devices will be placed by being equipped with technological applications, the rooms where aesthetics operations will be made, mini surgical rooms, SPA center, beauty salons as well as theoretical and practical training areas are available. A parking area of 240 vehicles was also planned in the same location.

Qatar Military Training Facility Project

Started in Qatar's capital Doha in 2019, the Qatar Military Training Facility Project is the most prestigious project carried out by Gap İnşaat in the Gulf Region. The Project, which is expected to become one of the simulation and training centers in the world with its high technology equipment is planned to be completed in 2021.

Taksim360 Residential ve Office Project

As the first urban renewal project conducted by public-private partnerships in Turkey, the Taksim360 project is designed as a modern residential area befitting Istanbul's singular texture and meeting the needs of urbanites. With nine blocks and 917 units, Taksim360 Project consists of residential, office, commercial sections, shopping and concept streets serving social life. The project with a total construction area of 165 thousand square meters attracts attention with its façade facing the boulevard with a length of 22 meters. In Taksim360, one of the largest restoration projects in Turkey, traditional and modern life is presented with a distinct architectural interpretation. In Taksim360 Project, which will bring the past to the present with its concept streets, the streets closed to traffic for a total of 1.4 km will be the new attraction area in the most central part of the city. After the completion of the 1st phase, the office area, the offices and commercial sections started to be leased in

Within the scope of the Taksim360 Project, the new sales office under the office block initiated operations.

Gap İnşaat

After the completion of the 1st phase, the office area, the offices and commercial sections started to be leased in Taksim360 - awarded as “Europe’s Best Urban Renewal Project” by the European Property Awards.

Taksim360 is the largest urban renewal project developed with public-private partnerships in Turkey.

Taksim360 - awarded as “Europe’s Best Urban Renewal Project” by the European Property Awards. As the 2nd phase of construction, which will be completed in 2020 is continuing at full speed, the construction works for the 3rd phase housing block have been commenced.

Firsts and Major Achievements in the Sector

- Turkmenistan Science and Education Center, featuring the most advanced simulation center in the world
- Zincirlikuyu Office Project, which has a Leed v3 certification
- Garaboğaz Fertilizer Factory, the largest fertilizer factory in Turkmenistan
- “ENR Best Global Projects” awarded Turkmenbashi International Seaport Project, the largest seaport on the Caspian Sea
- The entire construction works of Sulfide facilities of Anagold-Alacer in the İliç district of Erzincan and the Gediktepe Gold Mine Project in Balıkesir
- Taksim360, the largest urban renewal project developed with public-private partnerships in Turkey.

Quality Standards and Certifications

- ISO 9001:2015 Quality Management System Standard
- ISO 14001:2015 Environmental Management System Standard
- ISO 45001:2018 Occupational Health and Safety Management System Standard

Awards in 2019

Gap İnşaat was ranked in the 10th place in the “Overseas Contracting Services Success Awards” given by the Turkish Contractors Association.

Competitive Advantages

- Work experience in wide geography
- Reliability associated with the “Çalık” brand
- International partnerships that create synergy
- Robust financial structure
- Organic growth model
- Experienced team and innovative solutions

Gap İnşaat was ranked in the 10th place in the “Overseas Contracting Services Success Awards” given by the Turkish Contractors Association.

Financial Summary (TL Million)	2017	2018	2019
Total Assets	7,624	6,518	6,499
Net Sales	5,133	2,200	1,242
Total Equity	1,907	1,587	2,007
EBITDA	365	-592	193
EBITDA Margin (%)	7	-29	16

TEXTILE SECTOR

We continue to be the reliable business partner of global brands with the product quality that we have improved with innovation.

In line with our new sustainability strategy “Passion for Denim Passion for Life,” our sustainability journey started with employees. In order to meet our 2025 Sustainability Targets, we have formed a Sustainability Committee within the Company. While leading the sustainability transformation of the sector with new technologies such as Denethic and D-Clear we have developed in line with our strategy, we are making international collaborations with our Transformation Lab in terms of sustainability.

Yeşim Başaran
Çalık Denim - Foreign Trade and Logistics Junior Associate

NET SALES

1.1
TL Billion

An Overview of the Textile Sector in 2019

In the textile sector with a net contribution value to the economy ratio around 60%, the production increase has continued in 2019 and it was observed that exports in EUR increased by 4.3%.

TEXTILE SECTOR ANNUAL PRODUCTION GROWTH

2.2%

Taking into consideration that domestic cotton is the most suitable cotton especially for denim production, cotton production is also becoming increasingly important for Turkey, which ranks first in premium denim exports.

Highlights

- In 2019, the average production growth of 2.2% was recorded while this ratio was 6.9% in the ready-wear sector.
- In this period where sustainability and digitalization efforts have become prominent in the sector, Çalık Denim became a signatory of the United Nations (UN) Global Compact.
- Turkey ranks among the top in premium denim fabric exports.

As production increase in the textile sector accelerated especially in the final quarter of 2019, the production growth was around 10% in the ready-made clothing sector, showing a consistent outlook in the second half of the year. While an average production growth of 2.2% was recorded during the year, this ratio was 6.9% in the ready-wear sector.

In 2019, it is seen that the exports of the textile industry decreased by 1.2% in USD basis, while the ready-wear exports increased by 1.4%. However, since the exports of these two sectors are mainly to Eurozone countries, the developments in the EUR/USD parity has an impact on foreign trade figures. Although export was increased in terms of quantity, there was a percent decrease in the amount basis compared to the previous year due to the parity effect. Taking into account that Euro depreciated against the US Dollar since May last year, it is seen that parity effect-adjusted exports in Euro rose 4.3% in the textile sector and 7% in the ready-wear sector.

In terms of capacity utilization rates, the textile sector recorded a utilization rate of 80% while this rate was near 85% for the ready-wear sector.

Similar to many other fields, sustainability and digitalization were the priority subjects of 2019 for the textile sector. Adopting the motto "Passion for Denim, Passion for Life" sustainability purpose in all its activities, Çalık Denim takes pioneering steps in the sector in this context and is focused on producing leading innovative products, creating a positive impact with its stakeholders and decreasing its impact on the environment. With the mobile application launched in May, Çalık Denim comes to the fore in its sector with the importance it places on digitalization. Thanks to this application introduced after a long target population analysis, design, procurement and technologic R&D processes; customers can reach every detail about the products while keeping a close track of business processes.

Taking into consideration that domestic cotton is the most suitable cotton especially for denim production, cotton production is also becoming increasingly important for Turkey, which ranks first in premium denim exports.

Focusing on R&D studies and innovative approaches in line with its sustainability strategy, Çalık Denim aims to contribute to the increase of value-added and domestic cotton production by planning to use 100% domestic cotton in the coming period and support the cotton producer with its new system.

In the textile sector with a net contribution value to the economy ratio around 60%, this figure is expected to reach around 80% in the event the entire cotton need is covered with domestic production. In this context, incentive packages and measures to protect the farmers also possess great importance.

The course of the EU economies, which is traditionally the largest market for textile and ready-wear sectors, will be as important as always in the coming period. On the other hand, the fact that production is hindered due to the Covid-19 outbreak in China, the leading manufacturer in these sectors caused importing countries to prefer Turkish manufacturers. Even though production returned to normal shortly, it is expected that the orders given in advance will contribute to the Turkish manufacturers.

In the textile sector with a net contribution value to the economy ratio around 60%, this figure is expected to reach around 80% in the event the entire cotton need is covered with domestic production.

Çalık Denim

Founded in Malatya in 1987 as the first industrial investment of Çalık Holding, Çalık Denim was established with an investment of USD 111 million. Today it manufactures in a covered area of 398,368 m^2 with an annual capacity of 52 million meters and employs 2,580 people.

NET SALES

TL **1,114** MILLION

In 2019, Çalık Denim increased its net sales by 21% to TL 1,114 million.

TOTAL INVESTMENTS

TL **190.8** MILLION

Çalık Denim spent TL 190.8 million on investment in 2019, including TL 168.3 million fixed asset investments and TL 22.5 million in R&D investments.

PRODUCTION AMOUNT

44 MILLION METERS

Çalık Denim produced over 44 million meters of high-quality fabric in 2019.

EXPORT

40+

Çalık Denim exports to more than 40 countries including the USA, England, the Netherlands, France, Scandinavia, the Far East, Portugal, Italy, Tunisia, Morocco and Spain.

Continuing to increase its market share and brand awareness globally with its efficient production and marketing strategies, Çalık Denim transformed into an integrated facility as of 2003 and continues to develop its product range, which also includes gabardine/velvet products.

Founded in Malatya in 1987 as the first industrial investment of Çalık Holding, Çalık Denim manufactures in a covered area of 398,368 m^2 with an annual capacity of 52 million meters and employs 2,580 people.

Initiating denim fabric production in 1996, Çalık Denim continued to grow with steady steps and commenced its ring spinning business in 1997. Continuing to increase its market share and brand awareness globally with its efficient production and marketing strategies, Çalık Denim transformed into an integrated facility as of 2003 and continues to develop its product range, which also includes gabardine/velvet products.

Prioritizing R&D studies and working to adopt new technologies to the textile sector since it was incorporated, Çalık Denim opened its seventh R&D center in the textile industry in 2011 with the certificate granted by the Ministry of Science, Industry and Technology. Çalık Denim continues to consolidate its deep-rooted know-how in the industry with R&D efforts and new technologies and is known for its R&D center, which has become a science center in the industry.

Producing fabrics that add vision to the Turkish and global textile industry, Çalık Denim successfully carries out its operations in its production facility and R&D center in Malatya and the Sales and Marketing Center in Istanbul. Leading fashion brands such as H&M, Top Shop, Gerry Weber, Mavi Jeans, Tommy Hilfiger, Frame, Brax, Zara, Replay, Acne, Ann Taylor, Calvin Klein, Diesel, River Island, Kaporal 5, Mac Mode, GAP, Good American, Mother, True Religion, AG Jeans, J Crew, Guess, G Star, Pepe Jeans, Scotch & Soda, Supreme, Edwin, Lucky Brand, M&S, Massimo Dutti, Jack & Jones, Hugo Boss and Banana Republic are among the names that prefer the products of Çalık Denim.

As one of the first companies that come to mind when it comes to denim fabric, Çalık Denim exports to more than 40 countries including the USA, England, Netherlands, France, Germany, Spain, Scandinavia, Far East, Portugal, Italy, Tunisia and Morocco. Obtaining its fabric revenue through direct export and realizing indirect export by making the majority of its sales to foreign brands, the 85% of Çalık Denim's sales are made to foreign brands through direct and indirect export.

Çalık Denim brand adds value to the economy with products that make a difference in the denim and gabardine fabric range. Çalık Denim is included in the Turquality Support Program and sets an example with GOTS, OCS, GRS, RCS, OEKO-TEX, Nordic Swan Ecolabel and EU ecolabel certificates, which are indicators of the priority the company gives to the environment in its activities. The Company also supports a nature-friendly approach in the textile industry with sustainable and organic denim fibers it has included in its product portfolio.

Producing fabrics that add vision to the Turkish and global textile industry, Çalık Denim successfully carries out its operations in its production facility and R&D center in Malatya and the Sales and Marketing Center in Istanbul.

Çalık Denim

Çalık Denim mobile application was created to bring global trends together with Çalık Denim fabrics to become a solution partner for its customers. It was introduced at Denim Premiere Vision Fair held in Milano on May 28-29.

TOTAL ASSETS

2.08
TL Billion

Organizing monthly meetings with the Sustainability Committee regarding current and planned activities, Çalık Denim conducts innovation studies on sustainability and monitors its product-based and corporate carbon footprint.

2019 Highlights
Prioritizing innovation studies to increase productivity in production, Çalık Denim implemented type based LCA project for project groups in 2019 to integrate sustainability efforts into its production activities. The hot spots in production are determined through the LCA study, the online tracking system is activated and the consumption is monitored instantly through that system, the most sustainable types are determined and categorized with the real-time energy monitoring made from the energy consumption screen. Organizing monthly meetings with the Sustainability Committee regarding current and planned activities, Çalık Denim conducts innovation studies on sustainability and monitors its product-based and corporate carbon footprint.

Producing 44 million meters of fabric in 2019, Çalık Denim is one of the world's leading premium denim producers and is among the top three denim fabric manufacturers in Turkey.

Çalık Denim is one of the two denim suppliers of H&M, which is of the most important fashion brands in the world, and was selected as Gold Supplier by H&M. Also, the Company is the only denim company among 20 strategic partners chosen by the Ann Taylor brand in all product groups in the US market. Additionally, the Company is one of the two denim companies that possess the Nordic Swan certificate, a very important certificate for Northern European countries.

Against the rapid increase in demand for products containing BCI (Better Cotton), Çalık Denim has once again fulfilled its mission of being a sustainable denim fabric manufacturer in the supply chain by meeting BCI demands reaching 100%.

Provides know-how service to its partner brands in addition to fabric production, Çalık Denim participated in the most important fairs of the industry in many regions of the world, from the USA to the Far East.

Çalık Denim mobile application was created to bring global trends together with Çalık Denim fabrics to become a solution partner for its customers. It was introduced at Denim Premiere Vision Fair held in Milano on May 28-29. The newly developed app attracted great attention at the Çalık Denim booth. Having the opportunity to introduce the app in Munich Fabric Start on September 3-4, Çalık Denim made sure that customers experience the application with the iPad Kiosk set up at the booth, in the fair in which German market customers as well as the participants from Europe were hosted.

Çalık Denim; Introduced two main collections in 2019 The first being AW 20/21 Eudemonia and the other being SS 21 Gravity. Designed with the fabrics produced with the technologies developed by the Company's R&D facilities, these collections attracted great interest due to the fact they are sustainable and decrease water consumption during the production stage.

With its SS 2021 collection, Çalık Denim also launched the Denethic product with which rinse appearance fabrics are obtained. This technology is an actual innovation with its extraordinary environmentally-friendly structure. Denethic fabrics allow considerable water savings in production processes while allowing less water and time to be spent during the garment phase.

With Çalık Denim's D-Clear technology, which is a reflection of its sustainability approach, significant water saving is obtained during dyeing and finishing stages. The video which highlights the ecological features of D-Clear technology which significantly decreases the consumption of chemicals was shown in the sustainability-oriented Smart Creation trend area of the London Fair, held in December 2019 by the Denim Premiere Vision fair management.

The Energy Consumption Monitoring System installation of Çalık Denim has been completed in the 2019 activity period. The electric infrastructure, lighting and machine installations of the new warp lines were also completed.

In 2019, Çalık Denim prepared a special catalog that includes all production practices regarding the sustainability approach. The catalog named Green Print Book that represents the "ecological footprint," consists of three main sections: raw materials, processes and certificates. In addition to raw materials that support sustainability such as organic cotton, recycled polyester, information about environmental technologies such as Better Dye, Oxygene and D-Clear developed by Çalık Denim is also included in the catalog. As the main resource that reflects the activities of Çalık Denim in bringing the sustainability approach to production and which is one of the rare studies prepared with this content, the Green Print Book has received quite positive feedback from customers.

After completing the internal instructor training with Çalık Denim Academy to manage resources correctly; the company commenced its internal training in 2019. As of the end of 2019, Çalık Denim Academy HR mail notifications and "Çalık Denim Academy Library" were commenced both in Istanbul and Malatya locations.

Ever-Evolving Talks by Çalık Denim
The second edition of Ever Evolving Talks by Çalık Denim event was held in Theater Amsterdam on October 22, 2019. The event hosted valuable speakers and attracted great participation internationally. Besides the trends that will shape the future of the industry, concepts such as the Blockchain system, consumption patterns of Z generation and climate change were discussed in the event.

In 2019, Çalık Denim prepared a special catalog that includes all production practices regarding the sustainability approach. The catalog named Green Print Book that represents the "ecological footprint," consists of three main sections: raw materials, technologies and certificates.

Çalık Denim

Çalık Denim's "Passion for Denim, Passion for Life" Sustainability Strategy was launched to customers in the region in collaboration with Habit Magazine, one of Scandinavia's leading magazines.

TOTAL EQUITY

307
TL Million

Aiming to design original denim collections with innovative approaches, Çalık Denim collaborates with the leading brands and designers as well as local artisans and attaches great importance to this matter.

Millennium and Z generation expert Matt Britton, one of the main speakers revealed the future of the consumer in his speech addressing the consumption habits and trends of the generation that has been born since 2000, which is called Generation Z. Provenance Founder and CEO Jessi Baker meanwhile explained what needs to be done for a transparent supply chain through blockchain technology. The event featured the former NFL player and NASA astronaut Leland Devon Melvin and Co-Founder of The Bear Scouts and WGSN Denim & Sustainability Director Dio Kurazawa and they made a discussion on "The View of the Future - Overcoming Climate Change."

In the session titled "How can Business life and goodness get together with BCorp?," Mud Jeans Founder and CEO Bert Van Son and B LAB Europe Director Nathan Gilbert met the audience while Fashion Revolution Special Event Curator Tamsin Blanchard, Founder and Creative Director of Bethany Williams brand Bethany Williams, Co-founder of Ahluwalia Studio Creative Director Priya Ahluwalia and Founder of Wright Le Chapelain, Wright Imogen exchanged opinions in the session named 'Future belongs to Women, Chatting with Responsible Creative Women' session.

Denim Days
Aiming to design original denim collections with innovative approaches, Çalık Denim collaborates with the leading brands and designers as well as local artisans and attaches great importance to this matter. In this context, the most recent collaboration was made with One Square Meter, a domestic ready-wear brand that adopts sustainable and responsible fashion principles. The brand produced its new collection designs with Çalık Denim fabrics in their workshop in Gömeç/Balıkesir. Achieving a new success story in the fashion world, the brand exhibited the first denim collection it has designed with great devotion in its workshops, under Denim Days in Amsterdam, one of the world's leading denim festivals last October and received great admiration from the festival's visitors.

Passion for Denim Passion for Life
Çalık Denim's "Passion for Denim, Passion for Life" Sustainability Strategy was launched to customers in the region in collaboration with Habit Magazine, one of Scandinavia's leading magazines. In the event held in Stockholm on October 10 and important brands of the market such as H&M and Tiger of Sweden were hosted, the Denethic concept, which will bring a new breath of air to the industry in the theme of sustainability, which is expected to be the future of denim, was also introduced in the event.

Collaborations in 2019

Parsons School
Established in 2017 in cooperation with Çalık Denim, the denim department of Parsons, one of the most established fashion schools in the world, produced its new graduates this year. 12 designers who completed their education this year have exhibited their collections with Çalık Denim fabrics. The top three designers selected by the jury selection among the students presenting their final projects received training at the Çalık Denim factory in Summer 2019 and had the opportunity to exhibit their collections at the Munich Fabric Start Fair. Designers also had the opportunity to experience the garment processes in Baykanlar's factory during their internship in the Çalık Denim factory.

Art Comes First
Çalık Denim has made a collaboration with Art Comes First, an English fashion brand which was established as a brand consultant and later become one of the most interesting and creative brands in men wear in the last 10 years. In addition to the importance it gives to sustainability, Art Comes First's innovative collection approaches created by addressing cultural issues such as art and music coincided with the DNA of Çalık Denim, ensuring that the collaboration formed on even stronger foundations. The first collection of the collaboration, Rebel in a Blue Jeans was introduced on November 3-4, 2018 in ComplexCon, the festival concept fair hosting world-leading brands of the USA. The collection was introduced in Milano, Paris and Copenhagen afterward within 2019. Çalık Denim's collaboration with the brand continues with a new collection preparation.

One Square Meter
Çalık Denim made a collaboration with One Square Meter, a domestic ready-wear brand that gives a new meaning to the "Slow Fashion" movement and adopts sustainable and responsible fashion principles. One Square Meter produced its new collection designs with Çalık Denim fabrics in their workshop in Gömeç/Balıkesir.

Willy Chavarria
Çalık Denim made a collaboration with Willy Chavarria, a New York-based men's clothing design brand that prioritizes sustainability since its foundation with a cinematic approach in its designs and presentations.

Investments in 2019
- Weaving looms and modernization investments for the Weaving Facility
- Indigo Rope Dyeing machine and Çalık Denim-designed Rope Winding and Rope Opening investments for the Warp Dyeing Facility
- Çalık Denim-designed Sanfor machine investment at the Dye Finishing Facility and machine modernization investments
- Quality control and quality cutting machines investments for the quality control department

Çalık Denim has made a collaboration with Art Comes First, an English fashion brand which was established as a brand consultant and later become one of the most interesting and creative brands in men wear in the last 10 years.

Çalık Denim

With its Elastech technology, Çalık Denim came up with solutions to many problems such as loosening in high elastic stretch fabrics and high fabric shrinkage rate during washing.

EBITDA

172

TL Million

Inspired by responsible production philosophy against problems such as the depletion of natural resources and the increasing environmental pollution, Çalık Denim made a revolution in its sector with the Oxygene concept.

- Two new boiler investments to better provide service to businesses
- Ring Yarn, Draw-Frame and Mixing line machines and modernization investments for the Yarn Facility
- The investments made within the scope of Industry 4.0 investments for monitoring the electricity, steam, air and water consumption of all facilities and machines
- Investments made inside the facility within the scope of energy-saving, information systems and modernization
- Investments made for new research and development activities within the R&D Center

Firsts and Major Achievements in the Sector

- The first-ever breathable coated-fabric (Retina) was developed and commercialized.
- Inspired by responsible production philosophy against problems such as the depletion of natural resources and the increasing environmental pollution, Çalık Denim made a revolution in its sector with the Oxygene concept. This concept provided 95% less water, 50% fewer chemicals, 79% less energy use during washing processes, and minimized environmental pollution arising from production. Thanks to this concept which also saves time, the environmental impacts from denim production activities were resolved and sustainable production was achieved. Allowing customers to make sustainable production with this concept, Çalık Denim has created awareness in the sector.
- With its Elastech technology, Çalık Denim came up with solutions to many problems such as loosening in high elastic stretch fabrics and high fabric shrinkage rate during washing. As a first in its sector, Elastech technology attracted the attention of designers, ready-wear companies, brands and end-users.
- Fly Jean, one of the latest innovations introduced by Çalık Denim, is a unique product with its extraordinary lightness, softness and elasticity, and an excellent fit for the “athleisure” style.
- With the Smart Stretch product group, Çalık Denim gathered comfort and body shaping features in one fabric. Providing comfort where the body needs thanks to its high elasticity and providing shaping thanks to its high recovery feature, the Smart Stretch concept has achieved a first in the sector.
- Çalık Denim added an innovative approach to bright and vibrant satin fabrics that became more popular in 2017 and brought this colorful trend together with denim. With the Red Carpet concept it has developed, it made a difference in the sector and interpreted this rising trend together with the art of denim using its creativity and innovative approach.
- Çalık Denim transitioned to the Automatic Sample Warehouse System Application and the Automatic Shipping Warehouse System.
- Certified by the Ministry of Science, Industry and Technology, Çalık Denim R&D Center is the first and only R&D Center of the Eastern Anatolia Region.
- Prepared to meet global trends with Çalık Denim fabrics on the way to become a solution partner of its customers, Çalık Denim mobile app is the first and only in the sector.

Quality Standards and Certifications

- ISO 9001 Quality Management System Certificate
- ISO 14001 Environmental Management System Certificate
- OHSAS 18001 Occupational Health and Safety Management System Certificate
- ISO 50001 Energy Management System Certificate
- ISO 27001 Information Security Management System Certificate
- BCI Membership
- Oeko-Tex Standard 100
- GOTS
- OCS
- GRS
- RCS
- Cotton USA
- Nordic Swan Ecolabel
- EU Ecolabel

Competitive Advantages

- Extensive industry experience
- Global sales and service network
- Innovation power and widespread recognition in the market
- Product quality and strong brand image
- Increased brand awareness and brand equity as well as easier access to premium brands as a result of investing in brand identity
- Sustainable manufacturing
- Steady investments in manufacturing capabilities

Financial Summary (TL Million)	2017	2018	2019
Total Assets	1,387	1,673	2,082
Net Sales	611	924	1,114
Total Equity	552	383	307
EBITDA	151	257	172
EBITDA Margin (%)	25	28	15

Gap Pazarlama

Having a strong supply network and a broad product range with its strong supply network in Turkic Republics, Central and East Asia and Africa, Gap Pazarlama supplies its products to the world's leading retailers and brands.

HOME TEXTILE

1.8 MILLION METERS

In 2019, in the field of home textiles, Gap Pazarlama reached a raw fabric sales of 1.8 million meters.

READY-WEAR

2.8 MILLION

Gap Pazarlama reached a sales quantity of 2.8 million in 2019 in the ready-wear product group.

YARN

7.4 MILLION KG

Gap Pazarlama sold 7.4 million kg of yarn in 2019.

DENIM FABRIC

5.9 MILLION METERS

Gap Pazarlama sold 5.9 million kg of denim fabric in 2019.

Having a strong supply network and a broad product range with its strong supply network in Turkic Republics, Central and East Asia and Africa, Gap Pazarlama supplies its products to the world's leading retailers and brands. Gap Pazarlama procures a wide range of products from various countries and offers them for sale to the world's leading retailers and companies. Gap Pazarlama works with many prominent brands in its customer portfolio, including Bershka, Zara, Pull&Bear, Tesco, River Island, La Redoute, Mango, Puma and U.S. Polo in the ready-wear sector and Jc Penney, Costco, BB&B, Bonton, Lidl in the home textile sector.

Developments in 2019

Gap Pazarlama was granted an "Authorized Economic Operator Certificate" in 2019. Additionally, the company has included a new fabric type named "Light Carbon" to its collection as a result of its P&D efforts.

Reaching the producers in the Far East and Africa regions, especially with Asian countries in 2019, Gap Pazarlama made contacts in countries such as Tajikistan, India, Pakistan, Afghanistan, Egypt, Nigeria and Congo, and also carried out various studies on the Far East market.

Gap Pazarlama exports to the USA and Russia. Producing polyester group fabrics for use in ready-to-wear clothing in China, the Company produces the products coming from China as fabric in the factory in Egypt and exports these products to Turkey, America and Europe.

Making more than one brand application in 2019, Gap Pazarlama continues its brand and catalog studies in relation to fabric types and makes researches on new types of fabrics and products with P&D activities.

Firsts and Major Achievements in the Sector

- Leading and the biggest supplier of textiles
- The textile company with warehouse installation license in Istanbul
- Top importer with the largest market share in cotton yarn
- First company to publish an Integrated Annual Report within Çalık Group and in Turkey's textile industry

Competitive Advantages

- Integrated production system
- The fact that Gap Pazarlama is an established player in the market and its history in the market
- Opportunity to offer new products to existing customers
- The successful performance and reliability it has demonstrated since 1994

Quality Standards and Certifications

- ISO 9001
- ISO 14001
- ISO 18001
- WRAP
- Sedex
- 6 Sigma
- AEOC (Authorized Economic Operator Certification)
- Oeko Tex 100
- BCI

Reaching the producers in the Far East and Africa regions, especially with Asian countries in 2019, Gap Pazarlama made contacts in countries such as Tajikistan, India, Pakistan, Afghanistan, Egypt, Nigeria and Congo.

Financial Summary (TL Million)	2017	2018	2019
Total Assets	495	585	807
Net Sales	332	261	362
Total Equity	132	243	252
EBITDA	30	-1	2
EBITDA Margin (%)	9	-0.5	0.5

MINING SECTOR

We are working to bring the most valuable mining portfolio of Turkey to the national economy.

We continue our activities with a sustainable mining approach that cares about the environment and social sensitivities. We are taking firm steps towards becoming the most valuable mining company in Eurasia.

F. Canberk Işıklı
Mining Engineer

TOTAL ASSETS

1.4

TL Billion

An Overview of the Mining Sector in 2019

2019 has been a year in which company mergers in the mining industry continued. Randgold and Barrick Gold merger in 2018 was followed by Newmont and Goldcorp merger in 2019, two giants in the gold mining sector.

TURKISH GOLD PRODUCTION IN 2019

38
Tons

China stands as the largest producer and largest buyer in terms of many commodities and continues to be the driving force especially in the metal and mining industry.

Highlights

- The accident occurred as a result of the collapse of the structure holding the waste dam of the iron mine in Brazil caused a severe environmental disaster and shifted balances in the sector.
- In the sector where acquisitions and mergers continue, the merger of Newmont and Goldcorp, two giants in the gold mining sector in 2019 was one of the most important events.
- The sustainability awareness in developed and developing countries caused both the public and the relevant government bodies to follow mining operations more closely while various restrictive applications caused the processes to be taken under control.
- For the evaluation of natural resources in the best way in compliance with the interests of the country and determining the national strategies and policies, the Natural Resources Department was established.
- The total gold production in Turkey increased by 40% in 2019 to 38 tons. This figure is the highest of all-time in the history of the Republic.

The waste dam accident in Brazil was one of the most important events in the mining sector in 2019. 230 people died in the accident that occurred due to the collapse of the structure holding the waste dam of the iron mine. The accident that caused a severe environmental disaster and changed the balance in the industry caused problems in iron supply; as a result of this problem, iron prices rose above USD 100/t for the first time in five years. The accident had a long-term effect on the mining industry and caused amendments in regulations in many countries.

2019 has been a year in which company mergers in the mining industry continued. Randgold and Barrick Gold merger in 2018 was followed by Newmont and Goldcorp merger in 2019, two giants in the gold mining sector. As acquisition or merger transactions stand out in the sector due to the decrease in reserves and the increase in exploration costs, the M&A transactions are expected to take place not only in large companies but also in medium-sized companies.

China stands as the largest producer and largest buyer in terms of many commodities and continues to be the driving force especially in the metal and mining industry. However, the slowdown in demand from China and the use of industrial raw materials such as steel and aluminum have seriously affected the sector. Beginning in 2018 between the USA and China and which went on in 2019, the trade war caused serious uncertainties in the commodities sector and caused fluctuations in terms of price. On the other hand; the anti-government demonstrations in October in Chile, the world leader in terms of copper production, had a reversing effect on the copper price. The copper price went down later on but shown fluctuations all over the year.

Researches held by several companies on commodities revealed that the risk on base metals has increased more over the years than on precious metals. The most important reason for this risk is the slowdown of the Chinese economy and the decisions taken regarding import-export policy. Although the conflict against the USA and China started slowing down in mid-2019, the tension increased again in November and December after Donald Trump signed the Hong Kong Sanctions Bill and the Uyghur Human Rights Policy Act. Importing an important part of copper from the USA, China preferred more to invest in its infrastructure facilities due to the political tension. On the other hand, Fitch decreased the 2020 GDP expectation of China from 6.1% to 5.9% after it was forced to decrease its commodity demand. The economic slowdown that is expected to occur in addition to the trade war between the USA and China impacts electric appliance, automotive and machine manufacturing sectors and also decreases the demand for base metals used in these sectors. A majority of base metals except for nickel, which is used in electric vehicle batteries have decreased as of the end of 2019. In 2020, a supply surplus is expected in commodities such as copper and lead and it is thought that the pre-formed excess demand will be closed in commodities such as zinc and aluminum. While it is expected that base metal prices will fall, it is foreseen that the incentive programs in the infrastructure and construction sectors, which are expected to be implemented by China in 2020, will rejuvenate the iron and steel industry.

Uncertainty in metal prices, geopolitical risks and the increasing state shares due to geopolitical risks and resource nationalism impacted the project investments in the mining sector negatively. The uncertainty in commodity prices has restricted the investments of companies as well and major companies such as BHP, Vale, Glencore and Rio Tinto decreased their investments. It is expected that this situation to continue in 2020.

Although the mining companies that want to decrease their operational costs and to improve their applications in terms of employee health and occupational safety try to adapt to the digitalization solutions each year; the mining sector seems to be one of the sectors that least apply technology to their operations. As one of the few mining companies that strive to use technology, Rio Tinto uses self-driving trucks in site operations. Additionally, in Australia, where labor costs are very high, unmanned work machines are being used underground and therefore mining activities can be carried out autonomously through the control center without having to send personnel underground. The mining companies that follow technological developments and that can be digitalized both decrease their recruitment costs and consolidate their production efficiencies. Since the companies that can control their operations remotely can decrease their number of employees and minimize the risks in the operation site, they obtain positive results in terms of occupational health and safety.

Similar to the previous years, the fluctuations in commodity prices, economic uncertainties, political risks and interruptions in project financing were the most important parameters that caused a slowdown in the sector in 2019. Another parameter that shows its effect in the sector is resource nationalism. Due to resource nationalism especially in Africa, the countries demand more from the mining resources and therefore royalties and additional taxes arise.

The sustainability awareness in developed and developing countries caused both the public and the relevant government bodies to follow mining operations more closely while various restrictive applications caused the processes to be taken under control. The mining companies that are experiencing difficulties in terms of funding aim to carry out their mining operations within the scope of sustainability to meet the demands of company shareholders as well as to find new shareholders and to have a positive attitude toward the people in the region. Sustainability impacts mostly the coal industry and causes a decrease in production and usage rates. Most mining company replaces coal with renewable energy in the operation stages. The best example of this change is that BHP, one of the major companies in the sector, started using solar panels instead of coal in two of the largest copper mines in Chile for energy production. As the mining companies with a high production capacity that are listed on the stock exchange which follow the relevant innovations extend their investor portfolios, they determined profit margin as their priority. It is estimated that medium and small-scale companies will not be able to compete in the sector.

As developments regarding electric vehicles and battery technologies have become more popular, it is expected that 120 million electric vehicles will be registered by 2030. However, it is uncertain whether raw material supply will be sufficient for the production of batteries for electric vehicles. The prominent

An Overview of the Mining Sector in 2019

38 tons of gold production carried out in 2019 was the highest of all-time in the history of the Republic. 13 tons of this production was made by Anagold, a Lidya partnership.

GOLD VALUE INCREASE IN 2019

18%

commodities that can both store renewable energy in batteries and be used in the manufacture of electric vehicles are cobalt, lithium, graphite, nickel, copper, and vanadium. Lithium and vanadium batteries possess different features compared to each other and compete in the sector. On the other hand; while graphite is used as an anode in lithium batteries, nickel increases the energy density of the battery and increases its storage capacity. When the Chinese government announced that the subsidies for electric vehicles with 400 km or more driving range will be cut in half as of July, Chinese manufacturers increased the prices of their vehicles, this caused a decrease in the sales and production figures of the commodities used in the sector. However, it is anticipated that low lithium and cobalt prices will rejuvenate the sector after the slowdown in the field of electric vehicle batteries.

UMREK and MAPEG organizations continue to carry out the necessary actions for the Turkish mining sector to continue its production and operations at international standards by complying with the regulations in the sector. In addition to these organizations, the Natural Resources Department was established to evaluate the natural resources in accordance with the interests of the country and to determine the national strategy and policies. The total gold production of Turkey, which was 27.1 tons in 2018, was 38 tons in 2019 with a 40% increase. This production amount is the highest ever in the history of the Republic and the 13 tons of the total gold production of 38 tons were provided by the Çalık Holding partner Anagold.

Gold continued to be the safest investment tool for investors in 2019 as well and achieved its most profitable year since 2010 by gaining 18% value. The price of copper, which is one of the most affected commodities due to the commercial war, rose 3.36% in 2019 compared to the previous year with a fluctuating performance throughout the year. As a result of the new policies applied by China to put exhaust emissions under control, the highest price increase in 2019 occurred for palladium, with an increase of 54% compared to the previous year.

UMREK and MAPEG organizations continue to carry out the necessary actions for the Turkish mining sector to continue its production and operations at international standards by complying with the regulations in the sector.

Lidya Madencilik

Lidya Madencilik aims to become the most valuable mining company of Eurasia by continuing its activities in Turkey and the region at competitive and high standards. It continues the same strategy for Africa, its target market.

SHARE OF LİDYA AFFILIATE ANAGOLD MADENCİLİK IN TURKISH GOLD PRODUCTION

35%

While Çöpler Gold Mine accounts for 35% of the gold production of Turkey, it has also become Europe's largest gold mine.

OWNERSHIP RATIO IN BALIKESİR POLIMETAL PROJECT

100%

After acquiring Alacer's 50% share in Balıkesir Polimetal Project, Lidya Madencilik controlled 100% shares of a mining project for the first time.

ANAGOLD MADENCİLİK GOLD PRODUCTION

2 MILLION OUNCES

Anagold Madencilik has produced a total of 2 million ounces of gold so far as of the end of 2019.

INVESTMENTS

USD 1 BILLION

The amount of investment made in Anagold Madencilik in the last 10 years reached USD 1 billion.

Firsts and Major Achievements in the Sector

Lidya Madencilik realized the first major international cooperation in the Turkish mining industry with Alacer Gold in 2010. Having eight employees within its structure and 83 employees under its subsidiaries, which it operates, Lidya Madencilik aims to be the most valuable mining company in Eurasia by continuing its activities in Turkey and the region with competitive and high standards, while continuing its project evaluation studies in the African continent.

The first strategic partnership in the Turkish mining sector between Lidya Madencilik and Alacer Gold has been continuing successfully for 10 years.

Continuing its production activities under the operation of the company's partner Anagold Maden; Çöpler Gold Mine initiated commercial production by commissioning its Sulfide Expansion Plant, whose investment was completed last year and a total of 13 tons of gold was produced in both mineral processing plants. While Çöpler Gold Mine accounts for 35% of the gold production of Turkey with these production figures, it has also become Europe's largest gold mine. A total of 60 tons of gold has been produced in the facility since 2011 and a significant social and economic contribution has been made to the region.

Lidya Madencilik is an investor in Kartaltepe Madencilik and Tunçpınar Madencilik companies in which they, along with Alacer Gold hold a 50%-50% share, while it is the operator of Polimetal Madencilik. Lidya Madencilik holds 70% of the shares of another one of its partners, Sandstorm Gold and its affiliate Artmin Madencilik and is the operator of both companies.

Kartaltepe Madencilik commenced production in Çakmaktepe this year and generated cash with mineral sales after a long exploration period. Exploration efforts in potential prospective areas in the region are continuing.

While Polimetal Madencilik continued its investments to produce from the oxidized mineral in 2019, Lidya Madencilik's partner Alacer Gold transferred its 50% shares in the project to Lidya in July. With this transfer, Lidya Madencilik started to control 100% shares of a project for the first time. The Environmental Impact Assessment (EIA) revision of the project was approved and the road construction, electricity transmission line and social campus construction works have been completed within the scope of infrastructure investment activities; the investments will continue in the upcoming period.

Another major project, Hod Mine Project's feasibility studies have commenced and continued throughout the year. Within the scope of activities that continue in a coordinated way with the local public; EIA, land acquisition and other important infrastructure works are ongoing.

With a forward-looking management style and a high-performing workforce, Lidya Madencilik maintains a sustainable mining approach with its sensitivity to occupational health and safety, environmental and social issues.

2019 Highlights

In Çöpler Gold Mine, which is operated by Anagold;

- Çöpler Sulphite Plant, based on a technology used for the first time in Turkey, started commercial production and successfully completed its first year of production.
- About 400 thousand ounces (13 tons) of gold was produced in 2019, and 35% of our country's gold production was provided. A total of 2 million ounces (60 tons) of production was made from the beginning of the project.
- New mineralization areas have been discovered during the exploration works inside and around the Çöpler Mine. Ardıç Region stands out as a serious potential for the years to come.

Having eight employees within its structure and 83 employees under its subsidiaries, which it operates, Lidya Madencilik continues its activities in Turkey and the region with competitive and high standards.

With a forward-looking management style and a high-performing workforce, Lidya Madencilik maintains a sustainable mining approach with its sensitivity to occupational health and safety, environmental and social issues.

Lidya Madencilik

Generating a turnover of USD 470 million in 2019 by producing 391 thousand ounces of gold, Anagold Madencilik carried out production activities by processing both oxidized mineral at the Çöpler Gold Mine and sulfide mineral at the new POX facility, whose investment was finalized in the previous year.

At the Hot Mine Project which is operated by Artmin Madencilik; 13 thousand meters of drilling was completed throughout the year, and the drilling work completed since the beginning of the project reached 80 thousand meters.

In the Balıkesir Polimetal Project operated by Polimetal Madencilik;

- 50% share of Alacer, partner of Lidya Madencilik, was acquired and became the first-ever 100% owned mine project in the Company portfolio.
- Preparations for investment have commenced regarding the processing of oxide mineral. Expropriation was completed and the preparations for the construction have been initiated.

In the Hod Mine Project which is operated by Artmin Madencilik;

- 13 thousand meters of drilling was completed throughout the year, and the drilling work completed since the beginning of the project reached 80 thousand meters.
- In the Project in which detailed feasibility studies are ongoing, EIA process and land acquisition works are continuing as well.

In the projects operated by Kartaltepe Madencilik;

- Mineral production has been completed in the Çakmaktepe Project under the responsibility of the company in which Lidya Madencilik has a 50% share and the minerals extracted from this project were processed in the Çöpler Facility and turned into gold.
- The affiliate provided income to its partners by generating cash flow for the first time.

In international field works;

- Project and site exploration works continued in countries determined in line with the Company strategy in Central Asia and Africa.
- In the target regions of the Balkans, Africa and Central Asia, field evaluation and development activities will be accelerated.

Financial and Operational Results

Reaching a turnover of USD 470 million in 2019 by producing 391 thousand ounces of gold, Anagold Madencilik carried out production activities by processing both oxidized mineral at the Çöpler Gold Mine and sulfide mineral at the new POX facility, whose investment was finalized in the previous year.

Certifications

- OHS&E Policy Commitment Certificate-Artmin
- OHS&E Policy Commitment Certificate-Polimetal

Competitive Advantages

- Operated by Lidya Madencilik, Polimetal Madencilik has an effective and highly skilled team.
- Implementing fast and effective cost controls at world-class standards
- Ability to execute strong, long-term partnerships with multinational mining companies
- Experience gained at Çöpler Gold Mine
- Synergy created by the Çalık Group brand and its subsidiaries

TELECOMMUNICATIONS SECTOR

We offer telecommunication services that stand out with its innovations in a European country.

As ALBtelecom, we continue to carry innovative services to Albania. We stand behind our promise to increase the communication quality in Albania and to provide the most innovative digital solutions that will improve life. ALBtelecom contributes to the development of our country as well as everyone who pursues a career opportunity here.

Urjada Bele
ALBtelecom-Sales Representative

NET SALES

406
TL Million

An Overview of the Telecommunications Sector in 2019

Working on the 5G Roadmap that covers the 2019-2025 period, the installation of fiber infrastructure in Albania constitutes an important process for all EU countries and all operators in the development studies for future 5G networks.

Related to the 5G frequencies in Albania, it is expected that the tender process for the 700 MHz band will begin in terms of 5G compliance of audiovisual operators.

Highlights

- Western Balkans have agreed on Regional Roaming Agreement that foresees roaming charging like at home region across the Western Balkans in 2021.
- The Digitalization of Visual-Audio Publications, which has been completed in 80% of Albania is planned to be completed in March 2020 in a way to cover the remaining cities.
- Willing to follow global trends, the operators in Western Balkan countries have started the first tests for the 5G network.
- Norwegian telecommunications operator Telenor sold their mobile operations in Bulgaria, Montenegro, Serbia and Hungary, as well as the technology service provider Telenor Common Operation.
- Deutsche Telecom left the Albanian market in the mobile sector after selling of Telecom Albania to Bulgarian investors.
- A frequency with 800 MHz band in Albania was given to Telekom Albania and Vodafone while ALBtelecom extended its GSM license for 15 years for EUR 11 million.

After the performance of the telecommunications sector entered a downward trend in 2019, operators are concerned to increase their income.

General Data Protection Regulation (GDPR), which is applicable legal data protection and privacy arrangement throughout the European Union and the European Economic Area (EEA), addresses the transfer of personal data outside of the EU and EEA region. Although the deadline for the implementation of this regulation in the EU is determined as of May 2018, other non-EU countries should comply with this GDPR arrangement. In this context, Albania hosted an international event in October 2019 regarding a new draft arrangement.

Working on the 5G Roadmap that covers the 2019-2025 period, the installation of fiber infrastructure in Albania constitutes an important process for all EU countries and all operators in the development studies for future 5G networks. The 700 MHz band will be released by audio-visual operators (TV-radio) and made available for 5G use.

The European Electronic Communications Code (EECC) approved in December 2018 must be implemented until December 2020 by the EU countries. Non-EU countries can also apply this law in the relevant telecommunications legislative fields.

ALBtelecom

Having previously existed as a government entity tracing its history back to 1912, ALBtelecom was restructured in 1992 as Albania's state telecommunications company and it joined Çalık Holding in 2007. Today, ALBtelecom is Albania's largest fixed-line operator, providing a range of fixed and mobile electronic communication, Internet access, IPTV and other technologies.

NUMBER OF MOBILE SUBSCRIBERS

422

THOUSAND SUBSCRIBERS

ALBtelecom had 422 thousand mobile subscribers in 2019.

FIXED INTERNET MARKET SHARE

33%

Maintaining leadership in fixed voice and fixed internet, and stability in the mobile market, ALBtelecom increased its market share to 72%, 33% and 17%, respectively.

TOTAL ASSETS

TL **1.4** BILLION

In 2019 ALBtelecom's total assets were TL 1.4 billion.

NET SALES

TL **406** MILLION

In 2019, ALBtelecom's net sales were TL 406 million.

Thanks to efforts to boost its brand image and service quality, ALBtelecom has a market share of 72%, 33% and 17%, maintaining leadership in the fixed voice and fixed internet market and maintaining stability in the mobile market, respectively.

Firsts and Major Achievements in the Sector

- The only telecommunications company in Albania that can provide all types of fixed and mobile services through an integrated structure
- Albania's largest fixed-line operator
- Operator that has gained the most customers via "Mobile Number Portability"
- Service provider with the highest number of IPTV customers in the Albanian market
- The only operator in the Albanian market that offers users the option to select their desired broadband service and TV content
- The only operator that can reach all parts of the country via its extensive sales and distribution network
- The only service provider that can offer all-in-one service through its sales and distribution network
- The company that allows its customers to benefit from three services through a single cable for the first time by providing IPTV services for the first time in Albania
- The first operator that gets fixed services and mobile services together under the "SuperFamilja" (Super Family) loyalty program

Goals

- Growing the revenues from broadband internet services by increasing the net number of customers
- Increasing the mobile income level and profitability with increasing margins
- Providing a unique customer experience with a special dynamic approach towards Albania

Having previously existed as a government entity tracing its history back to 1912, ALBtelecom was restructured in 1992 as Albania's state telecommunications company and it joined Çalık Holding in 2007. Today, ALBtelecom is Albania's largest fixed-line operator, providing a range of fixed and mobile electronic communication, Internet access, IPTV and other technologies. ALBtelecom merged with its GSM subsidiary Eagle Mobile in 2012, when the company celebrated its 100th anniversary, thus bolstering its market standing in the region.

Closely monitoring customers' needs, ALBtelecom continues its capital investments to deliver top-quality communication services. To this end, the company launched "4 in 1" (fixed voice, internet, mobile and TV) bundles and the "One Stop One Shop" concept.

ALBtelecom maintains its leading position in Albania's telecommunications sector by skillfully adapting to new developments in the global industry. In 2013, the company revamped its entire mobile network infrastructure and launched 3G services. In March 2015, ALBtelecom obtained the 4G/LTE license and began offering 4G services to its customers, further improving its service quality. Thanks to its robust infrastructure, data quality and continuous investments, ALBtelecom always distinguishes itself from its competitors. After having now obtained the 4G license, the company aims for leadership in this market as well.

Closely monitoring customers' needs, ALBtelecom continues its capital investments to deliver top-quality communication services.

Maintaining its leading role in the Albanian sector by skillfully incorporating global changes, ALBtelecom renewed its entire mobile network infrastructure in 2013.

ALBtelecom

With improvements it has made in fixed and mobile service quality and its experienced personnel, ALBtelecom aims to continue its steady growth.

EBITDA

131

TL Million

Aiming to maintain its position as the leader of digitalization in Albania, ALBtelecom launched a digitalization campaign following the shutdown of the terrestrial analog audio-visual signal in Tirane, Durres and Vlore on October 1, 2019.

Thanks to its infrastructure investments, the company became able to deliver infrastructure services to other players in the market.

As a result of its efforts to boost its brand image and service quality, ALBtelecom has a market share of 72%, 33% and 17%, maintaining leadership in the fixed voice and fixed internet market and maintaining stability in the mobile market, respectively. With improvements it has made in fixed and mobile service quality and its experienced personnel, ALBtelecom aims to continue its steady growth.

2019 Highlights

In terms of Mobile Services;

- ALBtelecom updated its credit deposit and usage policy for mobile customers in March to encourage its customers to be more active and use mobile services more frequently.
- ALBtelecom updated its internet package portfolio to provide more attractive packages to its customer base in line with the increasing demand for data units in May 2019.
- The new "Circulation Agreement" that significantly decreases the circulation tariffs between six countries in Western Balkans became effective on July 1.
- In September, ALBtelecom updated its postpaid tariff plans and provided its subscribers with more SMS, minutes and data.
- ALBtelecom introduced its "Student Offer" in December, aiming promotional mobile packages for all mobile customers with student cards.

In terms of Fixed Services;

- ALBtelecom launched the "Bring your Friend" campaign in March. Within the scope of the campaign, when both new and current customers bring new fixed service subscribers to ALBtelecom, they enjoy discounts and gifts in mobile and fixed services.
- Also in March, Super Mix Fiber Portfolio was introduced to allow all ALBtelecom customers to enjoy high bandwidth and an uninterrupted service experience.
- In May, ALBtelecom launched its TV package that includes 25 national and international channels for the first time.
- Aiming to maintain its position as the leader of digitalization in Albania, ALBtelecom launched a digitalization campaign following the shutdown of the terrestrial analog audio-visual signal in Tirane, Durres and Vlore on October 1, 2019.

Investment Projects

- Thanks to the GPON (Gigabit Passive Optical Network) investment, the internet service continues even if the power is out.
- Free Wi-Fi service has started to be offered in the largest square of Albania, Sheshi Skerderbej as well as in the Tirana Lake Region.

New Products and New Collaborations

- Just before the summer season begins, ALBtelecom introduced its first prepaid short-term fixed fiber products offered to summer houses and seasonal establishments that require short-term commitments.
- Within the scope of the collaboration between ALBtelecom and Neptun, the largest household appliances and electronics retail chain in Albania, all customers who buy a TV from any Neptun store enjoy a free subscription to the ALBtelecom IPTV package for four months.
- In order to meet the increasing demand for data, ALBtelecom introduced two new internet packages. The usage volumes within these packages can only be consumed during weekends or at night
- After intensive negotiations, ALBtelecom managed to include Klan HD and Klan Plus HD, among the most popular Albanian TV channels to its TV package.

Quality Standards and Certifications

- ISO 14001:2015
- OHSAS 18001:2007 (Occupational Health and Safety Management)
- ISO 27001:2013
- ISO 9001:2015
- ISO 50001:2011
- ISO/IEC 20000-1:2011

Competitive Advantages

- The only operator that provides end-to-end mobile and fixed services (IPTV, fixed internet, fixed telephone, mobile communications, cloud services and leased line)
- A nationwide, exclusive sales and distribution network that provides "all-in-one service"
- Operator with the most Wi-Fi access points
- Fiber optic infrastructure reaching 90% of all municipal regions across the country
- International internet connections with backups
- Powerful infrastructure and high-quality data
- Improved trust with ISO 27001 and ISO 9001 certifications
- The only operator that offers both mobile and fixed services
- The operator that offers quality service at the most affordable price.

After intensive negotiations, ALBtelecom managed to include Klan HD and Klan Plus HD, among the most popular Albanian TV channels to its TV package.

Number of Subscribers (Thousand)	2017	2018	2019
Number of PSTN Subscribers	172	177	177
Number of Broadband Subscribers	120	129	134
Number of Mobile Subscribers	459	431	422

Financial Summary (TL Million)	2017	2018	2019
Total Assets	889	1,135	1,427
Net Sales	243	364	406
Total Equity	201	283	286
EBITDA	53	93	131
EBITDA Margin (%)	22	26	32

FINANCE SECTOR

By prioritizing social improvements, we have executed our operations with customer orientation, communication and mutual respect.

We have worked throughout the year in the banking sector by creating a model with the principles and values we have built on Sustainable Development Goals. By prioritizing social improvements as a team, we have executed our operation processes with customer orientation, communication and mutual respect. With this awareness, we have created a collective value. With our working model shaped around this value, we will be taking important steps in achieving our goals for the future in 2020.

Özge Dursun
Aktif Bank - Foreign Trade Operations Junior Associate

NET SALES

3.6

TL Billion

TOTAL EQUITY

5.2

TL Billion

An Overview of the Finance Sector in 2019

While the easing in the monetary policy stance by the global central banks in the second half of the year supported the markets, it paved the way to CBRT cut its policy rate by 1200 basis points.

2019 TERM DEPOSIT INCREASE RATE

25.7 %

Despite the regression in the global risk appetite, it has been a very positive year for the USA S&P 500 index. As the index finished the year with a return of more than 28%, it also compensated for the 6% decline it experienced in 2018.

Highlights

As in the previous year, the main agenda of 2019 was global trade and Brexit. At this point, the arising risks changed the monetary policy stances of central banks during the year. The interest path applied by the Federal Reserve (FED) was the change that most closely concerned pricing in global markets. FED's interest rate hike projection at the beginning of the year was replaced by rate cuts in the second half and the upper band policy interest rate was decreased to 1.75 from 2.50. As the dollar index remained stable throughout the year, Morgan Stanley Emerging Markets Currency Index completed the year with a return of over 3%. Emerging market central banks also cut policy rates significantly in the second half of the year. Also in this period, it was observed that central banks expanded their balance sheets and the liquidity in the markets increased. Another important development of the year was experienced in the bond market. The change in risk perception caused the total investment in negative-yielding bonds to rise to USD 17 trillion. This decline in the risk appetite was confirmed on the ounce gold side as well, which had a return of over 18% during the year. Despite the regression in the global risk appetite, it has been a very positive year for the USA S&P 500 index. As the index finished the year with a return of more than 28%, it also compensated for the 6% decline it experienced in 2018. Changes in FED interest policy expectations played a very important role in this increase.

The developments in the finance field in the previous year supported the interest cut of 1200 basis points from 24% to 12%. Consumer price data, which is closely monitored for the CBRT interest rate direction was at the level of 20.3% in 2018 and completed 2019 at 11.84%. This direction in inflation was in line with the expectations of both policymakers and the market. As the decline in the inflation trend continued to provide a supporting area for the monetary policy, the position of global central banks positively affected the domestic finance ecosystem. At this point, the funding requirement of the system decreased during the year, while the financial market's ability to access liquidity increased.

In 2019, a 10.84% increase was recorded in loans while deposits increased by 25.70%. Consumer loans increased by 15.53% while the performance of commercial loans was especially weak. NPL ratio increased to 5.60% at the end of the year, starting at 4.02%. The decrease in domestic demand during the year also had an impact on financial data. Despite this, the legal equity of the sector increased by 21.68% in 2019. Legal equity also increased in USD, while loans in USD contracted in 2019. The increase in economic activity and domestic demand in the final quarter of the year show that the data has entered an upward trend again.

Aktif Bank

Aktif Bank is creating a consolidated brand value with its high production volume and a large customer base.

RETURN ON ASSET

2.18*%

Recording an average return on asset ratio of 2.13% on a net profit basis in 2018, this ratio was increased to 2.18% in 2019.

AVERAGE RETURN ON EQUITY

19.72*%

Aktif Bank increased its return on equity to 19.72% by the end of 2019 from 19.2% in the previous year.

NET PROFIT

30.08*%

Achieving a net profit of TL 341.7 million at the end of 2019, Aktif Bank increased its profitability by 30.08% compared to the end of 2018.

EXPENSE/INCOME RATIO

37.69*%

As of the end of 2019, Aktif Bank's expense/income ratio improved by 6% compared to the previous year.

CAPITAL ADEQUACY RATIO

14.85*%

By increasing its capital adequacy ratio from 12.9% to 14.85% as of the end of 2019, Aktif Bank managed to consolidate its already strong capital structure.

*According to BRSA solo data at the end of 2019.

Firsts and Major Achievements in the Sector

- Consultancy and intermediary to the first asset-backed security issuance in Turkey
- First bank bond of Turkey
- First digital bank bond of Turkey
- First interest-free participation certificate in Turkey
- First issuance of lease certificates for project financing in Turkey
- First issuance of a credit-linked note in Turkey
- First gold-based sukuk issuance in Turkey
- First building mortgage-based Euro sukuk issuance
- UPT: First domestic money transfer service in Turkey
- Over 5 million cards for Passolig, which is the first and only valid card for stadium entry
- The first interest-free liquid fund establishment in Turkey

Goals

- To improve business models to exceed the standards in Turkey and creating new lines of business in the sector by adapting global technology trends to its projects
- To develop innovative R&D projects through individual and collective collaborations
- To maintain its leadership position in sports finance and introducing innovative financial products to support the development of sports in Turkey through venture capital and risk capital
- To invest in portfolios that generate a steady flow of income through direct partnerships in commercial real estate and/or revenue/profit sharing models
- To offer the Bank's debt instruments to the public
- To create real estate funds to be offered to qualified investors in the field of alternative investments
- To reach Turkish customers who do not have a bank account with pre-paid cards and mobile applications
- To continue to support Turkish football and focusing on making more contributions to the football economy with Passolig
- To make Passo mobile Turkey's most comprehensive entertainment application
- To be one of the leading banks in the digital banking sector with N Kolay Kredi and N Kolay Bono products, which eliminates the obligation to go to the brancby allowing customers to carry out all their transactions on 100% digital platforms
- To become a brand that is preferred in mobile payments by developing innovative payment methods such as QR
- To increase the size of the portfolios managed in alternative funds with strategic asset allocation funds established by Mükafat Portföy Yönetimi, that can meet the investment needs with a broad risk, return and maturity structures, to issue funds in new asset classes and establish digitalization processes in all products and services
- To increase the export volume for Africa
- To continue activities to increase investments in the security technologies sector by establishing a partnership with SECOM, a leading integrated security provider possessing the advanced technology of the world and Japan
- To reach even more customers with the unique business model established through affiliates in areas such as fast money transfer, entertainment tickets and bill payment with new generation applications integrated with technology

Quality Standards and Certifications

- Card Payment Industry Data Safety Standard, PCI-DSS Certificate
- ISO 27001 Information Security Management System Certificate
- R&D Center License

A Strong Structure with Digital Business Models

Leaving behind a successful year with its business model built through digital banking and innovative channels, Aktif Bank made a difference in 2019 with its customer-oriented innovative works.

Responding to the rapidly developing technology with a proactive approach, the Bank focused on mobile applications in 2019 with the Retail Digital Banking and Payment Systems Group.

Business Areas

Financial services in Turkey and its close geography

Active Geography

Turkey, Kazakhstan, Russia, TRNC

Leaving behind a successful year with its business model built through digital banking and innovative channels, Aktif Bank made a difference in 2019 with its customer-oriented innovative works.

Aktif Bank

Focused on the digital world, Aktif Bank received approximately 1 million loan applications with a total amount of TL 10 billion via nkolaykredi.com.tr. The website is visited by 2 million people for 3 million times in one year.

THE DIGITAL PLATFORM THAT COVERS THE PRODUCTS AND SERVICES OF AKTİF BANK ECOSYSTEM

In 2019, "N Kolay Öde" was launched in Turkey. With N Kolay Öde, businesses, stores and online vendors have gained an easy and fast shopping experience with QR code.

With N Kolay mobile application, introduced in February, it was made possible for the retail customers from all income groups to make investments by purchasing bonds from TL 200 up to TL 500 thousand from completely digital channels. Also, it was ensured that transactions are carried out with no wire transfer/EFT costs. Again in February, "Hiç Bono Sordun Mu?" campaign in which the advantages of the mobile application and the features of the N Kolay Bono product are introduced were advertised to large audiences through 360-degree communication, mainly on TV, outdoor, radio, printed media and digital media. Growing since the day it was launched, the N Kolay Bono customer portfolio grown by 60% compared to the previous year with the added value provided by the advertisement campaign. Around 200 thousand customers have embraced N Kolay application since the day it was introduced an included it in their mobile apps. Communication investments made for the brand continued with a communication planning in digital media channels spread over the year. With the studies made in the final days of 2019, new features such as the FX platform that offers bill payment and instant foreign exchange trading were included.

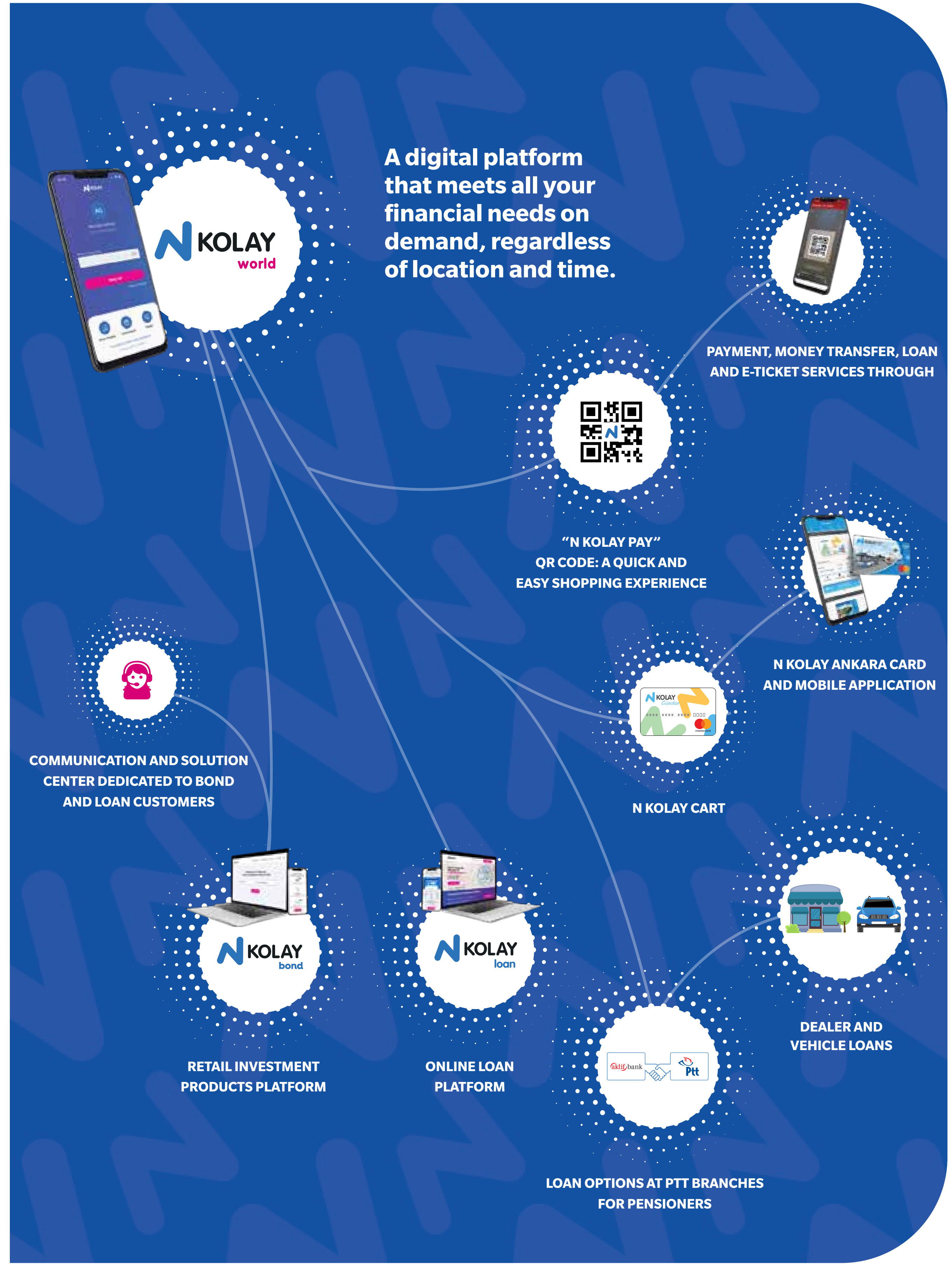
Focused on the digital world, Aktif Bank received approximately 1 million loan applications with a total amount of TL 10 billion via nkolaykredi.com.tr. The website is visited by 2 million people for 3 million times in one year. In the area of consumer loans, the N Kolay Kredi product achieved a growth of 42% despite the sector's growth of 23% thanks to its fast and secure digital sales strategy. Providing different interest rates in accordance with the risk profile of the customer, the Bank diversified its product portfolio by launching Kolay Paketler, a consumer loan product with 0% interest for 15 days.

Also in 2019, "N Kolay Öde" was launched in Turkey. With N Kolay Öde, businesses, stores and online vendors have gained an easy and fast shopping experience with QR code. N Kolay Öde service attracted great interest and received the Bronze award in the "Innovation of the Year" category at the Stevie International Business Awards.

Also, with the new features included in Passo mobile application, features such as 24/7 free money transfer with QR as well as shopping and instant credit with Kolay Paketler started to be offered. In this context, the commercial with the theme "Passo's facilities exceed stadiums" was highly appreciated.

Channeling the experience of Passo in football to entertainment and event platform, Passo has become a holistic and unique platform serving not only football fans but also everyone following cultural and artistic events with 5 million downloads.

Providing services in the vital transportation sector for many years, Aktif Bank continued to develop the AnkaraKart mobile application, which is a unique product in the sector and reached 500 thousand downloads. As a result of these works carried out in the mobile area, 68% of the customer onboarding is carried out via mobile channels.



Aktif Bank

Continuing to provide the corporate banking services needed by sports clubs in 2019 within the scope of the investments it has made for football, Aktif Bank-funded more than TL 3 billion in total to 17 different football clubs since 2014.

CORPORATE LOANS

5.0
TL Billion

CONSUMER LOANS

2.5
TL Billion

In 2019, it offered foreign trade solutions to Turkish exporters by mediating foreign trade transactions in difficult geographies, especially in Sub-Saharan Africa, the Middle East and CIS countries where they had difficulty finding.

Combining shopping with transportation, N Kolay AnkaraKart reached around 260 thousand in sales.

PTT channel is also one of the areas in which the Bank continues its assertive growth. Realizing a growth of over 40% in 2019 on an annual basis, it has managed to reach TL 1.7 billion in liquid balance. In terms of PTT loans, in which we are the market leader, a higher benefit was obtained from the potential of the channel thanks to the different expansions and applications introduced throughout the year.

Reaching TL 210 million in liquid vehicle loan balance, Aktif Bank left behind many deposit banks in the sector in this area. As the transition to the risk-based pricing model caused an increase in customer portfolio diversity, the sales alternatives available to the dealers were consolidated as well. N Kolay Taksit product, which includes leading retail brands and offered in more than 2 thousand contracted dealers, provides advantages to customers during shopping with attractive interest rates and campaigns.

Leader Player of Challenging Geographies
Within the framework of the importance Aktif Bank gives to foreign trade, Corporate Banking Group carries out activities to offer exclusive products to foreign trade customers. The Bank develops strategies that create a competitive edge with the collaboration made with its affiliates and it contributes to the increase in productivity and profitability by making the most effective use of existing channels and opportunities.

Developing projects concerning the needs of sectors with the innovative approach of the Bank, Corporate Banking offers advantageous banking packages that serve to increase the volume of the Bank's affiliates.

In 2019, it offered foreign trade solutions to Turkish exporters by mediating foreign trade transactions in difficult geographies, especially in Sub-Saharan Africa, the Middle East and CIS countries where they had difficulty finding. In addition to the timely and complete collection of export prices from the regions in question, the risks of the companies were undertaken and they were provided with the funding they requested before the maturity date, which enabled them to export safely and efficiently. Being able to provide high added value banking solutions to customers that make business in difficult geographies will be the main objective of the Corporate Banking strategy in the upcoming period.

With tailor-made end-to-end funding methods according to the need towards food and agriculture sectors in 2019, a total of TL 100 million working capital loan was allocated to companies that are engaged in the food business with commodity pledge method as well as farmers to satisfy their pre-planting needs in suitable conditions.

Investments and funding in renewable energy resources continued with the same appetite in 2019. A total of USD 200 million cash and the non-cash loan was provided to 38 projects with a total size of 240 MW (solar, wind and hydroelectric). All these loans possess great importance since they are investment loans from scratch.

Within the scope of its investments in football, the Bank continued to provide the corporate banking services of sports clubs in 2019. Making more than TL 3 billion funding to 17 different football clubs since 2014, Aktif Bank continued to be one of the leading funders in the sector with TL 275 million loan utilizations in 2019, excluding the syndications loans it participated in.

The Bank with Always High Returns to Investments with Innovative and Flexible Products
Other than its conventional products, the Bank continued to expand its coverage area with Islamic finance products.

In 2019, in which monetary and capital markets were more effectively used to manage the liquidity conditions developing in parallel with the sector; Treasury both increased its transaction volume and became more integrated into the derivatives market.

Also in 2019, the product range was expanded with issuances of TL bonds indexed to foreign exchange returns, bills indexed to TLREF yields as well as CPI indexed bills. Meeting customer needs by offering fast and flexible solutions, the Group has also gone beyond expectations in terms of customer acquisition.

The Private Banking team continued to expand the individual customer base as well as to increase the size of assets managed. It cemented its position in private banking, especially due to its ability to respond flexibly and fast to qualified product demands of professional customers. In 2019, when the customer profitability was also very important, a contribution beyond expectations was made to the commercial profits.

A Pioneering Bank in Capital Markets
Aktif Bank, a pioneering banking institution in Turkey's capital markets, achieved many firsts in the industry in 2019. For the first time in Turkey, a Gold-Based Lease Certificate of TL 100 million was issued in which a Bank is a fund user. It mediated to two asset-backed security issuances amounting to TL 125 million on behalf of the largest GMS operator of Turkey and completed the sixth issuance made on behalf of the same operator successfully. Public offerings N Kolay Bono, one of the 100% digital products of Aktif Bank continued increasingly. Aktif Bank's successes in the field of interest-free banking continued on the international platform in 2019 and a sukuk issuance based on real estate yields of USD 40 million were completed in Ireland and sukuks that were issued were started to be traded on the Irish Stock Exchange.

More than 1,000 Correspondence Relations in 143 Countries
In order to mediate foreign trade transactions and carry out their treasury transactions of its customers, Aktif Bank continued its efforts for the allocation of new cash and non-cash loan limits in 2019 as well.

Having 1,012 correspondents in 143 countries, Aktif Bank reached TL 3.5 billion in loans received from its correspondent banks. The Bank demonstrated a successful growth trend with its foreign trade transaction volume.

Having 1,012 correspondents in 143 countries, Aktif Bank reached TL 3.5 billion in loans received from its correspondent banks. The Bank demonstrated a successful growth trend with its foreign trade transaction volume.

Aktif Bank

Investing in technology to make life easier for its customers since the day it was established, Aktif Bank expanded its digital platform “N Kolay” world with new products and services, meeting all their financial needs whenever they need it, regardless of place and time.

Aiming to increase the quality and standards of Turkish football as well as to ensure digital integration and standardization between sports clubs and fan groups, Passolig exceeded 5 million in terms of the number of cards.

In parallel with the Bank’s strategies and requirements, the Bank aims to diversify and expand its borrowing methods in the fields of Foreign Trade Finance and Capital Market.

2019 Highlights

New Generation Digital Platform: N Kolay World

Continuing its innovative works without slowing down in 2019, Aktif Bank continued to diversify its digital world to achieve excellence in customer experience. Investing in technology to make life easier for its customers since the day it was established, Aktif Bank expanded its digital platform “N Kolay” world with new products and services, meeting all their financial needs whenever they need it, regardless of place and time.

New features such as the FX platform, which offers invoice payments and foreign exchange trading, were added to the N Kolay mobile application, which was launched together with the digital investment product N Kolay Bono, which primarily addresses individual customers from all income groups.

The Bank launched “N Kolay Öde,” a payment system platform that was implemented for the first time in Turkey and which responds quickly and easily. Workplaces, stores, online vendors have met a brand new shopping, payment and money transfer experience using a QR code.

Passo World

Aktif Bank diversified the advantages provided in stadiums by Passo mobile application with 24/7 money transfer with QR code, shopping and instant loan, etc. features. In Passolig, the security and comfort key of the stadiums, the number of cards exceeded 5 million. Furthermore, being the only official ticket sales platform of football teams, PASSO channeled its experience in the world of football to entertainment and events platform as well. Zorlu PSM started selling tickets for its 2020 events through PASSO as of October 2019.

Sponsor of Turkish Football

Aiming to increase the quality and standards of Turkish football and to ensure digital integration and standardization between sports clubs and fan groups, Passolig exceeded 5 million cards and Passo mobile application reached a total download of 5.1 million.

African Expansion in Foreign Trade

Standing beside its customers not only in Turkey but also in all geographies where it operates, Aktif Bank became competent in different geographies with its unique approach in foreign trade and went beyond banking in 2019. Aktif Bank achieved an important success by increasing its foreign trade volume in the African continent to USD 450 million in 2019 from USD 300 million in 2018. Carrying out activities especially to develop the trade between Turkey and Africa, the Bank provides its services towards exporters through 1,000 banks within 143 countries.

In Partnership with Aktif Bank, the World Giant SECOM is in Turkey

Active in different sectors with its innovative and entrepreneurial vision, the bank entered the security technologies sector in 2019. With the collaboration made with SECOM, one of the world’s leading integrated security providers with advanced Japanese technology, it has invested in the security technologies area. The subsidiary named Secom Aktif Yatırım A.Ş. provides end-to-end special security technologies to corporate companies as well as individuals with turnkey project model.

Competitive Advantages

- Possessing the highest financial technology in the country since the day it was founded and producing fast, flexible and cost-effective results with its unique business manner, thanks to its investments and business models built on innovative channels
- Focusing on developing innovative and technological customer-oriented products that make their lives easier
- Implementing operationally efficient, profitable and formality-free alternative business models
- Designing everything from loans to investment products to customers, from tickets for buses to purchasing event tickets on integrated applications through its digital platform “N Kolay” world
- Delivering a 100% digital customer experience in consumer loans and bond products
- Providing tickets to sports events as well as entertainment and events with its unique Passo application while offering money transfer, payment and instant loan opportunities
- Providing 1 billion smart transportation transactions per annum with the transportation solutions infrastructure it offers through its services in the fields of smart city solutions production and integration with its subsidiary E-Kent
- Turkey’s biggest financial institution in terms of extensive collaborations with all football clubs playing in the Super League and TFF’s First League
- Extending credit to consumers at the moment of the purchase at Turkey’s leading retail stores, thereby creating added value for these brands
- Digitizing the lending process at dealers, thereby offering a simple, preferable product to business partners and customers
- Contacting its customers at approximately 8,000 service points at PTT and UPT Transaction Points in Turkey and approximately 400,000 service points abroad through the Bank’s affiliate UPT
- Providing service to 20% of 20 million Turkish residents who do not have a bank account through the service points of N Kolay, a subsidiary of Aktif Bank

Awards in 2019

- **An award in the “Best Mobile Payment” category from Payment Systems Magazine (PSM),** the leading magazine of retail and payment systems with the “N Kolay QR ile Öde” project it has developed
- **2019 Insurtech Achievement Award** by Payment Systems Magazine for the “Daskmatik” project to Sigortayeri, a subsidiary of Aktif Bank

Possessing the highest financial technology in the country since the day it was founded, Aktif Bank produces fast, flexible and cost-effective results with its unique business manner, thanks to its investments and business models built on innovative channels.

Aktif Bank

With "N Kolay QR ile Öde" project it has developed, Aktif Bank received an award in "Best Mobile Payment" category from Payment Systems Magazine (PSM), the leading magazine of retail and payment systems.

At the 13th Stevie Awards, which is one of the most prestigious award organizations in the world, Aktif Bank was awarded the Bronze Award in the "Best Customer Feedback" category.

- **Gold Award in "Best Payment Systems Infrastructure" category** by Payment Systems Magazine with "WSBI Fair Value Remittance Platform" product to UPT, the first money transfer brand of Turkey
- Ranking among the top 100 reports in the World Ranking in the Annual Reports Awards given within the scope of **League of American Communications Professionals Vision Awards (LACP), 10 awards including Gold, Bronze and Honor awards** to Aktif Bank with the printed and digital versions of its 2018 Annual Report
- **Aktif Bank received a total of two awards including the Bronze Award in the "Interactive Annual Report" category and the Honor Award in the "Graphics and Graphic Design" category at the ARC Awards competition,** which is regarded as the Oscar of annual reports, organized by the US-based Mercomm company with the 2018 Annual Report
- Within the scope of the IDC Turkey Cloud Awards 2019 program organized by the Turkish office of International Data Corporation (IDC), one of the most important organizations of the information technology sector **Aktif Bank received an award in the "Infrastructure as a Service (IaaS)/Platform as a Service (PaaS)" category with its Bitmatrix platform**
- At the Stevie Awards, one of the most prestigious award organizations in the world and held for the 13th time in 2019, A**ktif Bank received a Bronze Award in the "Best Customer Feedback" category with the customer satisfaction surveys it developed in the interactive voice response system (IVR)**

Financial Summary

TL Million	2013	2014	2015	2016	2017	2018	2019
Total Assets	5,109	6,252	7,557	9,483	11,071	13,883	18,409
Change %	45.2	22.4	20.9	25.5	16.7	25.4	32.6
Loans-Corporate Loans	2,049	2,725	3,377	3,847	4,507	5,001	5,021
Change %	18.9	33.0	23.9	13.9	17.2	11.0	0.4
Loans-Consumer Loans	1,528	1,258	1,261	1,673	2,032	1,902	2,547
Change %	138.4	-17.7	0.2	32.7	21.5	-6.4	33.9
NPL Ratio	2.46	3.01	1.99	1.85	2.86	3.82	4.05
Change %	261.8	22.4	-33.9	-5.5	52.1	33.7	6.0
Operational Income	613	619	783	932	1,270	1,509	1,993
Change %	56.8	1.0	26.5	19.0	36.3	18.8	32.1
Net Profit	125	34	26	98	234	382	411
Change %	30.5	-72.6	-23.5	276.9	138.6	63.4	7.6

Aktif Bank's Unique and Innovative Subsidiaries

As the first licensed payment institution of Turkey, UPT Ödeme Hizmetleri reached 1.8 million transactions in 140 different countries and a transaction volume of over TL 5 billion in 2019.

Beyond serving as a developer and integrator of smart city technologies, E-Kent provides transportation solutions and performs one billion smart transportation transactions annually. E-Kent enables technological transformation in the cities where it operates and develops value-added business models for local administrations. E-Kent offers smart public transportation solutions to approximately 8 million residents in Ankara and other cities where it operates and carries out transportation operations. Since its establishment, E-Kent has performed the operations of 15 million smart transportation cards and 375 million transportation tickets.

The stadium infrastructure project that included the infrastructure systems transformation of 57 stadiums in 31 cities, passage control and visualization systems, integrated ticketing, and stadium ticket office services infrastructure was conducted by E-Kent in six months. Carrying out the entrance operations of 21 million fans to the stadiums as part of the e-ticket project since April 2014, E-Kent sold around 10 million match tickets for more than 4 thousand matches more than 1 million season tickets and transferred more than TL 2 billion of revenue from these sales to the clubs.

TUPT Ödeme Hizmetleri A.Ş., Turkey's first licensed payment institution, enables customers to transfer funds in multiple currencies to the recipient's name, or bank account or cards domestically and internationally. It provides services to its customers with the widest distribution network of the sector, reaching 8 thousand points with its representatives and dealers, especially UPT branches and PTT points.

UPT carried out 1.8 million transactions in 140 different countries and reached a transaction volume of over TL 5 billion in 2019. By increasing the number of contracted bank and payment institutions to 66, the Company has expanded its service network and the range of its services and started to provide services to the domestic payment institutions with the agreements it executed.

Increasing the number of countries it serves with UPT brand and system to six in 2019, it has shown its determination to serve on a global scale. In order to open up to the European market within the framework of this strategy, the registration works for "UPT Lithuania" UAB company in Lithuania has been completed and the application process for "Electronic Money Institution" license is currently ongoing.

As one of the leading institutions of the sector, we have completed the system improvements in 2019 to provide services to legal person customers. In this framework, products that provide speed, reliability and cost advantage have been developed for SME and Microenterprise customers.

Placing customer needs and experience at the heart of the service it provides, UPT pretty much completed the software works of mobile and web-based applications to move its services to digital platforms. It aims to offer its customers high-quality services and customer experience on digital channels in 2020.

Sigortayeri Sigorta ve Reasürans Brokerliği A.Ş., the Innovative insurance broker of Turkey continued its profitability in 2019 and recorded a growth of 50% compared to the previous year by cementing its position as the "Largest domestic broker of Turkey."

In addition to its web and mobile distribution channels, Sigortayeri has collaborated with leading companies in the retail sector with the services it provides via kiosks and integrated into customer-based "ecosystems" in the field of insurance.

Obtaining a competitive edge with its strong distribution channel infrastructure in the field of retail insurance, Sigortayeri received the PSM Awards 2019 Insurtech success award with its "Daskmatik" project developed in line with the easy access approach to financial services.

Providing corporate insurance solutions under the Asron Sigorta brand, Sigortayeri has been involved in the insurance placements of important projects in Turkey and 15 countries located in the nearby geography. Asron Sigorta provides a wide range of services including insurance coverage, consulting and risk analysis to construction, healthcare, energy, textile, automotive and financial services industries.

Creating a special insurance facility in the field of renewable energy, that is suitable for project financing for the installation and operation of solar and wind energy facilities, Asron Sigorta maintained its leader position in SPP insurance in 2019.

PAVO Teknik Servis Elektrik Elektronik San. Tic. A.Ş. offers payment systems and solutions, especially cash registers certified by the Ministry of Finance, to domestic and international clients. PAVO aims to maximize customer satisfaction with its strong R&D infrastructure, solutions-oriented sales & marketing strategy, high-quality production, operations and services.

Pursuing activities with its deep experience in the cash register systems sector, PAVO provides services to its customers with more than 200 thousand cash register POS devices, over 200 thousand value-added applications and software integration across Turkey.

As the largest payment institution with the most extensive network, N Kolay provides service via more than 570 N Kolay Transaction Centers and 3,500 N Kolay Kiosks across Turkey. At the same time, N Kolay Payment Institution increased the number of physical points to more than 11 thousand within the scope of its collaboration with the most important retailers and telecommunications companies of Turkey in 2019. N Kolay offers its customers a variety of convenient and safe payment services, mainly including bill payments, and domestic and international money transfers.

With the opportunity to make money transfers and pay electric, natural gas, water bills via retail points, customers can make money transfers at more than 7 thousand locations in 81 provinces, without any limitation of time and most importantly, without the need for a bank account.

Aktif Bank's N Kolay Kiosk project won first prize in a competition organized by the European Financial Management Association (EFMA). Thanks to its fast online processes including transaction-guarantee, N Kolay achieved huge success in a very short time. It is the largest collection and payment channel in Turkey with approximately 7 million transactions per month.

Aktif Bank's Unique and Innovative Subsidiaries

Providing portfolio management services to domestic and foreign investors and managing a portfolio size exceeding TL 1.2 billion, Mükafat Portföy increased the portfolio size of securities mutual funds, including Turkey's first interest-free liquid fund.

In 2019, 100% shares of Kent Güvenlik was acquired by Secom Aktif Yatırım A.Ş., in partnership with Aktif Bank, Turkey's largest private-equity investment bank, and SECOM, the Japanese security and technology company serving with more than 60 thousand employees in approximately 19 countries around the world.

Established in August 2016, Echo Bilgi Yönetim Sistemleri A.Ş. aims to become a "Next-Generation Solution Partner" for the retail industry with the EchoPos brand. EchoPos provides end-to-end payment systems and integration solutions for companies' front and back-office applications.

Working with the leading retail chains of Turkey, EchoPos can provide infrastructures for more than 1.5 million transactions per day without any errors.

Mükafat Portföy Yönetimi A.Ş. was established in 2016 under the partnership of Islamic Corporation for the Development of the Private Sector (ICD), an affiliate of Islamic Development Bank, and Aktif Bank within the framework of CMB arrangements. Providing portfolio management services to domestic and foreign corporate and individual investors with a portfolio size of more than TL 1.2 billion, Mükafat Portföy increases the portfolio size of securities mutual funds, including the first interest-free liquid fund of Turkey, and adds new funds such as free currency and TL funds to its products. On the other hand, Mükafat Portföy continues to grow by expanding its alternative product range with venture capital investment funds and real estate investment funds. Along with these, Mükafat Portföy monitors the global fintech applications and developments and continues its infrastructure operations to adapt these developments to its services and products.

Emlak Girişim A.Ş. was established to seize business opportunities in the real estate and construction industry; to participate in investment projects, particularly in the energy industry; and to become a leading player in international trade. In parallel with the emerging trends in the field of real estate, Emlak Girişim plans to take a leading role in direct partnerships, profit-loss sharing models and urban transformation projects. The Company has several investments and operations in several sectors such as energy and international trade.

Emlak Girişim's largest investment is the Istanbul International Financial Center (IFC), which is expected to become one of the world's major financial hubs. Covering 3 million square meters of construction area, IFC is the biggest real estate development project in Turkey. Additionally, Emlak Girişim is a profit-loss partner in the Metropol Project in Ataşehir, and the Company has successfully completed this major investment. In 2017, Emlak Girişim also invested in SPP projects with a total capacity of 61 MWp to become one of the major players in the industry.

İnovaban İnovasyon ve Finansal Danışmanlık A.Ş. provides "Growth Strategies and Process Management" service for companies that want to gain a competitive advantage with R&D and innovation. It is the only company that provides integrated solutions in relation to benefiting from R&D support and incentives, risk management in financial and legal fields as well as intellectual and industrial property rights consultancy. Its primary customers include technology development areas, R&D and design centers, incubation centers, technology transfer offices, investment funds, investor networks and similar companies.

In 2019, Inovaban made physical contact with almost one thousand companies of all sizes, which are classified as making productions in high and medium-high technology by TUIK and developed works with many of them. By continuously making contacts with private banks, with mutual funds and investment networks that value the R&D ecosystem, relations were developed with the structures in the ecosystem and business development activities were developed through such channels with signed protocols.

Inovaban also carried out activities to increase the value-added production in Turkey and to accelerate the commercialization and globalization journeys efficiently by providing companies with an advantage in international competition. In this direction, it has participated in more than 25 training events, fairs and conferences as an instructor or panelist.

In 2019, 100% shares of Kent Güvenlik was acquired by Secom Aktif Yatırım A.Ş., in partnership with Aktif Bank, Turkey's largest private-equity investment bank, and SECOM, the Japanese security and technology company serving with more than 60 thousand employees in approximately 19 countries around the world. With this partnership structure, security services are provided everywhere as a technological security services provider located in Turkey. The services offered by Secom to its 3.3 million customers throughout the world is not only limited to security systems but also include health, fire protection services, insurance, geographic information, IT and real estate.

Affiliates Established Overseas

KIC "KAZAKHSTAN IJARA COMPANY" (JOINT STOCK COMPANY)

Established in 2013, KIC began operations in early 2014. KIC is the first "Financial Leasing" company in Kazakhstan that operates in accordance with Islamic finance principles. KIC provides leasing services mainly to small and medium-sized enterprises (SMEs) and aims to become one of the largest leasing companies in Kazakhstan over the next five years.

ELC (EUROASIA LEASING COMPANY)

Founded in 2012 in Tatarstan, ELC is the first Islamic "Financial Leasing" company to become operational in Russia. Ranking among the leading Islamic financial leasing companies in Russia, ELC provides leasing services mainly to small and medium-sized enterprises (SMEs).

EMIC (EURO - MEDITERRANEAN INVESTMENT COMPANY LTD.)

Established in 2015 in Nicosia, EMIC is the first and only "Islamic investment company" on the island of Cyprus; it is also the largest international investment firm in the Turkish Republic of Northern Cyprus (TRNC).

Banka Kombetare Tregtare (BKT)

As the “most reliable and reputable bank of Albania” with its 94-year history and steady growth, BKT is the first bank to be privatized besides being the first commercial bank of the country.

MARKET SHARE

27.1%

Enjoying a market share of 27.1%, BKT ranks first among all Turkish banks that operate overseas.

TOTAL EQUITY

TL 2.9 BILLION

In 2019, BKT’s equity rose to TL 2.9 billion.

Having achieved many “firsts” and “mosts” in its sector in Albania, BKT is the leading bank in the sector in the field of credit cards as the bank that developed the country’s first credit card with installments and the first card that earns bonuses.

Firsts and Major Achievements in the Sector

- The first commercial bank and the first privatized bank in Albania
- The first and only Albanian bank to expand into overseas markets by opening 25 branches in Kosovo
- BKT launched the first installment credit card and the first rewards credit card (loyalty program) in Albania; it is also the leading bank in credit cards in the country
- The first bank-university Partnership project (Fastip) that provides guaranteed employment in collaboration with the German Agency for International Cooperation (GIZ) and the Ministry of Education
- The first and only Albanian bank to become a member of the World Saving Bank Institution (WSBI)
- The first bank to introduce the bill payment system, e-government & bank partnership, virtual POS and 3D-Secure system, and the first contactless bank cards in Albania
- First murabaha transaction in Albania
- The bank made it possible for Albania to become a member of ICC (International Chamber of Commerce)
- The bank that ensures all insurance companies to communicate their agencies online and allowed the establishment of a switch infrastructure with the E-Insurance product (Almost all insurance transactions in the country
- Are made through the BKT infrastructure.)
- BKT CEO Seyhan Pencablıgil was selected the CEO of the Year by EMEA Finance in 2012 and by Finance Central Europe in 2019
- Initiation of activities of ICARA; Albania’s first Islamic financial leasing company, of which BKT is a co-founder
- In 2015, BKT was named the best bank in southeastern Europe in terms of social responsibility initiatives (EMEA Finance)
- Earning a silver award in the banking category and an honor award in the environmental-friendly category in the Annual Report Competition (Mercomm) attended in 2015 for the first time and earning a special award by BACEE for Central and Eastern Europe
- Introduction by BKT the first multi-functional mobile application that uses Beacon integration and automated push notifications, the first mobile business application, and the first WhatsApp application in the country
- The leading and most profitable Turkish bank abroad among Turkish banks operating abroad with an active market share of 27%
- The bank with the largest total assets and deposit market shares in the country
- Most profitable institution and the largest taxpayer of the country for the last three years
- Albania’s oldest, largest and best bank as well as the most valuable Albanian brand

Having the largest active and deposit market shares in Albania, BKT is the most profitable institution and the largest taxpayer of the country for the last three years.

Banka Kombetare Tregtare (BKT)

BKT's most distinctive feature is that unlike large international banks that adopt local strategies, it was established in Albania but expanded into overseas markets.

DEPOSIT MARKET SHARE

26%

Making digitalization one of its main and strategic goals, BKT transformed its Information Technologies Unit as Fintech and prioritized it by allocating a larger share in terms of staff and investment.

Competitive Advantages

- BKT's most distinctive feature is that unlike large international banks that adopt local strategies, it was established in Albania but expanded into overseas markets.
- The perception of being "the most reliable and respected bank in the country" with its 94-year history and steady growth provides an advantage to the Bank in terms of attracting deposits. Having a widespread and long-term deposit composition, BKT has a deposit market share of 26%.
- BKT is ranked as the second bank in Albania in terms of branch and ATM network. BKT has the widest network in terms of cash-in ATMs.
- Differentiating itself from international banks with its stable organizational structure; BKT has the advantage of implementing a long-term strategy that is similar to local banks.
- Thanks to its robust capital structure, BKT is least affected by regulatory pressure. BKT has nearly a 50% market share in mortgage loans (in local currency), credit cards and POS networks.
- Reaching a funding size of USD 87 million, BKT differs from the sector in terms of funding major private projects such as Build-Operate-Transfer projects.
- BKT is an innovation pioneer in Albania's banking sector.
- By maintaining its classic customer base, it is taking strong steps in terms of digital banking.

2019 Highlights

Making digitalization one of its main and strategic goals, BKT transformed its Information Technologies Unit as Fintech and prioritized it by allocating a larger share in terms of staff and investment. Renewing its ATM network substantially, BKT replaced all its ATMs with cash-in ATMs and became the leader in Albania in this category. In this regard, BKT decreased the cash transactions carried out in branches and encouraged its customers to use digital banking.

In 2019, the most extensive staff rotation in BKT's history was made while 52% of the Branch Manager, 22% of the Unit Managers and 28% of the Group Presidents were rotated.

Making USD 35 million dividend payment to Çalık Holding in 2019, BKT has been selected as the primary agency for potential compensation payments by the Albanian Savings Deposit Insurance Fund.

Introducing its international investment platform within the scope of the collaboration made with Saxo Bank, BKT makes arrangements within the framework of the relevant local legislation for the public launch of the platform, which it has put into service under certain limits.

Financial and Operational Results (Consolidated)

As of the end of 2019, BKT's assets increased USD 352 million and reached USD 4.29 billion, registering a real increase of USD 402 million (10,2%). The total deposits of the Bank rose by USD 327 million to USD 3.4 billion, a 10.4% increase compared with the end of 2018.

In the General Assembly of BKT held on March 20, 2019, it was decided to pay a dividend of USD 35 million from the legal profit obtained Albania for 2018 and the relevant payment was made at the end of April.

While BKT's 2019 annual net profit reached USD 56.5 million according to IFRS; its total equity increased by USD 50.8 million as of the end of 2019, reaching USD 485 million, with an annual return on equity of 19.7%. USD 35 million of dividend payment is included in this figure. On a solo basis (BKT Albania), BKT's total assets market share increased by 8 bps to 27.1% while its deposit share increased by 28 bps to 25.9% as of the end of December 2019. BKT maintains its position as the leader of the sector in the past several years.

63% of BKT's total loan portfolio consists of corporate loans and its total customer loan portfolio reached USD 1.2 billion with real growth of 0.7% as of the end of 2019. The percentage of non-performing loans to the total loan balance (NPL 90) in the entire Albanian banking sector was 8.37% as of the end of 2019 while BKT has shown a much better performance with 3.22%.

As of the end of 2019, BKT operated a total of 93 branches, 67 in Albania and 26 in Kosovo, in addition to 140 ATMs and 8,161 POS terminals in these two countries. The Bank employed 1,311 personnel at end-2019. In December 2019, BKT Kosovo signed a loan agreement with EFSE (South East European Region) and GGF (Green for Growth Fund) for EUR 20 million (EUR 10 million each) with an interest rate of 2.35% and 2.25% and a five-year maturity to be used for agricultural, SME and energy efficiency loans.

New Investment Projects

By renewing its old ATM network with the new NCR 80 series ATM devices, BKT is the bank with the most extensive cash-in ATM network in Albania. In addition to the renewal of ATMs, Cx Banking Project is also carried out with NCR to change its software and the project is expected to be completed within 2020. When the project is complete, ATMs will be able to circulate cash, give changes, provide services to those who are not Bank customers, make transactions with QR and provide a tablet experience on a touch screen with its unique design.

Commencing a project for the upgrade of the Core Banking system Oracle, BKT will complete the first phase of the updating of the process with the payment module OBP, which is one of the main parts of the process. Many changes in terms of compliance with the legislation are planned within the first phase.

As of the end of 2019, BKT operated a total of 93 branches, 67 in Albania and 26 in Kosovo, in addition to 140 ATMs and 8,161 POS terminals in these two countries. The Bank employed 1,311 personnel at end-2019.

Banka Kombetare Tregtare (BKT)

With the newly developed "change your home" mortgage loan product, BKT allows its customers to sell their old house at its value and provides a solution that includes funding of up to 100% of the new house.

TOTAL ASSETS

25.5

TL Billion

With the agreement executed with Rural Credit Guarantee Fund, BKT funds the farmers in Albania with a 50% guarantee.

Technically completing the BKT Smart Invest solution project prepared with SaxoBank with a white label business model, BKT offered this solution project to customers in Kosovo and Albania. Providing the opportunity to make their investments anywhere in the world to a selective number of wealthy customers of the Bank within the scope of the project, BKT achieved a first once again in Albania and Kosovo.

Implementing the customer acquisition process (account opening and card request) with Pega BPM, which is used to create new or digitize existing processes BKT digitized its complaint management process. After testing its card application infrastructure, the Bank continues to work on loan processes. Completing credit decision trees and scoring work for credit cards simultaneously with FICO, BKT continues to develop processes for loans. In Kosovo, the Bank started to extend digital loans by completely digitalizing the consumer loan process via Pega.

Renewing its designs for both BKT Smart and internet banking to improve user experience in digital channels, BKT has completed the previous work done for individual customers for commercial customers as well. By breaking another first in Albania, the Bank added new services such as tax payment to its transaction set by scanning barcodes from mobile.

Renewing the Call Center infrastructure to provide 360 degrees digital service to its customers, BKT has opened financial transactions to this channel for the first time in Albania. Continuing to work on Facebook, Viber, webchat/chatbot services in addition to the WhatsApp service currently used; BKT launched the digital archive project, which is a part of its digitalization processes, and started to improve document management by integrating with processes. The bank will renew its document management from top to bottom with the completion of the physical archive.

New Practices, New Products, New Partnerships

With the agreement executed with Rural Credit Guarantee Fund, BKT funds the farmers in Albania with a 50% guarantee.

By signing an agreement with the National Regional Planning Agency (MZHUT), the Bank has made an agreement on social housing finance with favorable and fixed interest opportunities.

With the newly developed "change your home" mortgage loan product, BKT allows its customers to sell their old house at its value and provides a solution that includes funding of up to 100% of the new house.

Collaborating with New York University owned by the Maarif Foundation for the establishment of a Banking Department, BKT has agreed on a program in which scholarships and employment guarantees are granted to successful students.

In order to ensure the business continuity of the Fintech Group formed with the restructuring of the Information Technologies Department and to manage the intensive employee turnover in the information technologies sector, BKT formed the Fintech Academy. Providing banking education and part-time working opportunities to senior or master students of the best universities in addition to the engineering education provided by universities; the Bank aims to provide on-the-job experience to students and to create a sustainable resource for employment in this regard.

Preparing and providing product packages for the needs of different customer groups, BKT designed these packages for the customers to enjoy these products without the need for additional documents or procedures.

Quality Standards and Certifications

- In July 2019, Austrian company TÜV AUSTRIA granted BKT Albania a Quality Management System ISO 9001:2015 quality certificate for banking services.

Awards in 2019

- Award for the "Best Domestic Bank in Albania" presented by the prestigious British trade magazine EMEA Finance for the ninth consecutive year in 2019 April.
- In April 2019, BKT was awarded the "Best Bank in Albania of 2019" award by the American magazine Global Finance.
- For the seventh time in a row, BKT was awarded the "Best Bank of Albania" by Euromoney Magazine.
- JCR Eurasia affirmed BKT's long term national credit rating as AAA (Alb)/Stable and its long term international foreign and local currency rating as BBB-.
- JCR Eurasia Rating confirmed BKT's score of compliance with Albania's Corporate Governance Code as 89.69 with a "Positive" outlook. According to JCR Eurasia Rating's methodology and notational representation, the level of overall convergence of BKT with the principles of corporate governance corresponds to the AAA (Alb)/ Distinctive category and its degree to the level of a/Excellent.
- In November 2019, The Banker Magazine awarded BKT as the "Best Bank of the Year in Albania" award for the seventh time in a row after 2013 and for the 10th time in total.

Preparing and providing product packages for the needs of different customer groups, BKT designed these packages for the customers to enjoy these products without the need for additional documents or procedures.

Financial Summary (TL Million)	2017	2018	2019(*)
Total Assets	13,800	20,819	25,499
Net Sales	577	833	949
Total Equity	1,476	2,297	2,884
EBITDA	312	456	493
EBITDA Margin (%)	54	55	52
Market Share in Total Assets (%)	27.9	29.4	27.1
Market Share in Deposits (%)	27.3	28.6	25.9
Market Share in Loans (%)	21.6	22.2	16.5

(*) After BKT Kosovo became an affiliate, its market share values are independently reported as BKT Albania as of 2019.

DIGITAL SECTOR

As the youngest member of the holding, we are playing an effective role in designing a smart future.

As Çalık Digital, we continued to add value to our customers and our business partners to achieve sustainable success. While prioritizing long term success in our digital transformation projects, we aimed to make more economic, environmentally-friendly and efficient processes possible with our innovative solutions.

Emir Selimoğlu
Çalık Digital - Sales Junior Associate

An Overview of the Digital Sector in 2019

In this period when the business models, ways of doing business and the competencies necessary to achieve success are constantly changing with digital technologies; artificial intelligence and automation systems are accompanying this transformation and all active sectors are affected by this transformation.

EXPENDITURES OF TURKISH INFORMATION TECHNOLOGIES IN 2019

17

USD Billion

In this period when the business models, ways of doing business and the competencies necessary to achieve success are constantly changing with digital technologies; artificial intelligence and automation systems are accompanying this transformation and all active sectors are affected by this transformation. In order to ensure sustainable growth, getting hold of this rapid transformation wave is becoming more and more important day by day.

2019 has been a year in which the information sector and digital transformation became more important, awareness was increased and the best practices were highlighted.

According to the “Digital Turkey” report published by the Ministry of Science, Industry and Technology in 2018, digitalization has the potential to create efficiency and value at every stage of the value chain. Artificial intelligence, autonomous robots, big data and advanced analytics, cloud computing, augmented and virtual reality, Internet of Things, additive manufacturing, next-generation smart sensor technologies and cybersecurity are regarded as the advanced technologies which allow efficiency, quality and similar factors to reach higher levels.

In Turkey, important steps have been taken regarding the digitalization of processes, especially in the manufacturing sector. With the studies and events held in Organized Industrial Zones (OIZ), Technology Development Areas (TDA) and University Technoparks; significant progress has been achieved in relation to the awareness for Industry 4.0 applications. The digital transformation awareness of SMEs was increased and investment grants and incentives were provided to enterprises for digital transformation in the manufacturing sector.

The development of digital technologies also enables the emergence of new occupations and job descriptions. In the field of automation, artificial intelligence and digital technologies, an increase of 3.1 million jobs is projected by 2030 in Turkey. It is thought that in the years to come; digital service designers, sustainable energy experts, cybersecurity experts and healthcare technicians supported with artificial intelligence will be included to the business life.

According to the “Technologies of the Future 2020” report published by the Technology Development Foundation of Turkey in December 2019, artificial intelligence, data-focused technologies and the internet of things are among the leading technologies. In the specified report, the importance of benefiting from these technologies in the rapidly changing and developing information age is highlighted.

2019 stands out as a year in which important investments were made in the field of information technologies in Turkey. According to the report of Information Technologies and Communication Institution, it is indicated that the information technology expenditure is around USD 17 billion in 2019.

2019 has been a year in which the information sector and digital transformation became more important, awareness was increased and the best practices were highlighted.

Telecommunications, finance, public, production and retail come to the fore as the sectors that spend most on information technologies.

Turkey executes the “Digital Turkey” perspective, which prioritizes digitalization and user-oriented service delivery. The number of documents is reduced and services that facilitate the processes are provided with the services rendered in the electronic environment. Initiated in 2008; the e-Government system reached 45 million users as of 2019 and can provide around 6 thousand services electronically. Furthermore, with the Digital Transformation Office of the Presidency of the Republic of Turkey established in the second half of 2018, which accelerated its activities as of 2019; studies regarding digital transformation (e-Government), cybersecurity, national technologies, big data and artificial intelligence have been gathered under the same structure.

Turkey executes the “Digital Turkey” perspective, which prioritizes digitalization and user-oriented service delivery.

Çalık Dijital ve Bilişim Hizmetleri A.Ş.

Continuing to provide value-added services that increase productivity with new-generation digital technologies and Industry 4.0 solutions, Çalık Digital aims to contribute to a sustainable economy and environment.

INNOVATIVE PRODUCTS AND SERVICES

Çalık Digital increases efficiency in business processes with the internet of things, data science, digital twin, cybersecurity, sector-specific software, data center and infrastructure solutions it offers in the industrial field and therefore increases the product and service quality provided to the final user.

DIGITAL TRANSFORMATION PARTNER

Carrying out activities with the vision of creating unique value in the digital development and transformation of health, energy, production and public areas, Çalık Digital aims to be a reliable digital transformation business partner for the private sector and public institutions in Turkey and the neighboring geographies.

In this era when the digital transformation became more popular and started to be used in the industry, Çalık Digital develops innovative and competitive products and services to resolve the problems regarding digital transformation.

Starting operations in early 2018, Çalık Digital increases efficiency in business processes with the internet of things, data science, digital twin, cybersecurity, sector-specific software, data center and infrastructure solutions it offers in the industrial field and therefore increases the product and service quality provided to the final user.

In this era when the digital transformation became more popular and started to be used in the industry, Çalık Digital develops innovative and competitive products and services to resolve the problems regarding digital transformation. Carrying out activities with the vision of creating unique value in the digital development and transformation of health, energy, production and public areas, Çalık Digital aims to be a reliable digital transformation business partner for the private sector and public institutions in Turkey and the neighboring geographies.

As the importance of data becomes clearer with Industry 4.0; the production strength of businesses as well as the added value they obtain from it are insufficient by themselves. With digital transformation, the data obtained has become processable and actionable. Data-oriented business models have been established to adapt to constantly changing and developing digital trends. Çalık Digital provides end-to-end integration by accompanying the digital processes of institutions with data-oriented solutions and consultancy services.

Industry 4.0 and artificial intelligence applications provide critical data to institutions and businesses and the big data obtained is transferred to digital environments. Every data transferred to the digital environment raises cybersecurity risks. Getting more and more complex every day, Cyber-attacks create serious security risks and can even affect government levels. With the solutions and services rendered in the cyber security area, Çalık Digital is positioned as one of the leading solution partners.

2019 Highlights

2019 has been a year in which Çalık Digital continued to be a digital transformation business partner in different geographies. Çalık Digital continues to offer value-added services including Industry 4.0 applications, sector-specific solutions, data and cloud solutions as well as system and network integration solutions.

The industrialist history of Çalık Holding as well as the deep experience it has gained by operating in different industries for many years and undertaking important and major projects provides Çalık Digital a competitive edge in industrial digital transformation projects. With this broad industry experience as well as the competence of its team in digital transformation projects, Çalık Digital analyzes the needs of its customers accurately and provides competitive solutions. Aiming to provide efficiency in many areas in line with the demands of the customers with an approach of fast returns in a short time, Çalık Digital continues to be a global business partner with its strong business partner ecosystem.

The industrialist history of Çalık Holding as well as the deep experience it has gained by operating in different industries for many years and undertaking important and major projects provides Çalık Digital a competitive edge in industrial digital transformation projects.

Çalık Dijital ve Bilişim Hizmetleri A.Ş.

Developing strategic e-health projects for the private sector and public institutions in the field of health, Çalık Digital aims to become one of the leading solution partners in this field.

Çalık Digital increases the operational efficiency of institutions with the digital transformation consultancy services it provides and contributes to the transition processes to more sustainable business models.

By providing digital transformation consultancy services in the service portfolio to production companies in different sectors, Çalık Digital carries out important studies in line with its goal of becoming a "digital transformation business partner" for the production sector. Accordingly, a strategic cooperation agreement was signed with the Istanbul Chamber of Industry (ISO) in December 2018. Within the scope of the Agreement, "Digital Transformation Maturity Analysis and Roadmap" consultancy services have started to be provided to 50 ISO member companies in the production sector as of 2019. With these consultancy services provided to the industrial companies, important contributions are made to increase the operational productivity of institutions and for their transition processes to more susainable business models.

Developing strategic e-health projects for the private sector and public institutions in the field of health, Çalık Digital aims to become one of the leading solution partners in this field. With its expert and experienced team that has been involved in many strategic e-health transformation projects in Turkey as well as different geographies in addition to its global business partner ecosystem, Çalık Digital provides e-health solutions for hospitals, pharmacies and other institutions operating in the public and private sectors with its software, hardware and consultancy portfolio. After the implementation of these solutions, citizens receive a higher quality health service as the health service operations of the states become more efficient and effective.

The changing industry and increasing need for resource force the stakeholders in the energy industry to be digitalized. Offering digital solutions to increase the safety, productivity, accessibility and sustainability of energy production and distribution companies, Çalık Digital will continue its activities in Turkey and neighboring geographies in 2020 as well.

Çalık Digital participated in various fairs and seminars in 2019 in line with the countries and sectors it has targeted. Participating in seminars in surrounding geographies, Çalık Digital organized workshops with its business partners and customers and carried out feasibility studies.

Competitive Advantages

- Deep experience of Çalık Group
- Reliability associated with the "Çalık" brand
- Expertise and experience of Çalık Digital team in digital transformation projects
- Globally strong business partner ecosystem of Çalık Digital

CORPORATE MANAGEMENT

Companies affiliated to Çalık Group operate to add new ones to their sustainable successes with innovative practices. Moreover, Çalık Holding supports many projects to fulfill its responsibilities towards society and nature.

Corporate Management

Çalık Holding plans and conducts all its business processes in line with the principles of fairness, transparency, accountability and responsibility. It strives to create the highest possible value for its employees, customers, stakeholders and society as a whole in all company operations.

Acting with a common corporate culture in all sectors and geographies where they operate, Çalık Holding companies' synergy and the commitment of its employees to corporate goals enable the Group to achieve a determined, strong and reliable position in every sector it operates.

Çalık Holding plans and conducts all its business processes in line with the principles of fairness, transparency, accountability and responsibility. It strives to create the highest possible value for its employees, customers, stakeholders and society as a whole in all company operations.

Aiming sustainable growth in the business areas it focuses on by developing innovative business models, Çalık Holding acts with the commitment of creating permanent value in every geography where it conducts business. Çalık Holding implements pioneering projects for the society and business world, with the business processes, services and products it designs with adopted Industry 4.0, Society 5.0 and sustainability approaches.

Çalık Denim and Çalık Enerji have taken an important step in line with the understanding of adding value to human life in all geographies where Çalık Holding operates by becoming a signatory of the Global Compact, which recommends universal principles in order to create a common development culture in the business world.

Moving Forward Into the Future with Corporate Values

Since its establishment, Çalık Holding has maintained its dynamism and set a good example for the business world with its courage and determination, especially in exploring new business opportunities and implementing innovation in its existing businesses. A dynamic organization coupled with a top-quality workforce and highly qualified managers together create an exceptional competitive advantage for the Group.

The "Çalık" brand, which is built on Çalık Holding's entrepreneurial spirit and extensive know-how, is differentiated in domestic and international markets with the corporate values it represents. Each Group company embraces the brand values wholeheartedly; in turn, they reflect these values in their products and services while aiming for superior quality and productivity. The Group companies build their respective organizational structure upon the dynamic nature of the "Çalık" brand while they seek out and implement new investment opportunities and business practices.

Çalık Holding's Corporate Values

Implementing an effective human resources strategy, Çalık Holding hires result-oriented individuals who embrace the group's values, apply them to all business processes, continuously improve themselves, and propose new ideas.

The corporate values embraced and implemented by each member of the Çalık Holding Family include:

- Fairness,
- People-Oriented,
- Reputation,
- Work from the Heart,
- Innovation,
- Agility,
- Sustainability.

In all its past activities, Çalık Holding has always given top priority to the corporate values that form the basis of the powerful and trusted "Çalık" brand and will continue to do so in the future.

Çalık Holding companies successfully demonstrate the values embedded in the "Çalık" brand, on both national and international platforms. Being aware of their important role in representing Turkey, the Group's companies always strive to improve the country's strength and reputation.

Internal Audit

Çalık Holding Audit Group is responsible for conducting audits and where necessary, consultancy activities at Çalık Holding and Group companies on financial, operational, information and technical systems in accordance with the annual audit plan.

In order to carry out its activities in line with the principle of independence, Çalık Holding Audit Group functions directly under the Chairman of the Board of Directors in the organizational structure.

The Audit Group carries out all its activities in line with the International Internal Audit Standards (IIAS) as well as Çalık Holding policies and procedures, and periodically informs the Board of Directors and the Audit Committees about the outcomes of its studies.

Audit Group audits the Internal Control System of Çalık Holding and affiliates in line with the COSO standards and evaluates their effectiveness.

Adopting a risk-based audit approach, the Audit Group prepares the annual audit plan following the risk assessment model and in compliance with international standards. The annual audit plan is implemented after obtaining approval from the Chairman of the Board of Directors.

The Audit Group also contributes to efforts to establish and develop an Internal Control system to improve corporate governance practices across Çalık Holding and Group companies. By establishing an effective Internal Control system, the Group aims to ensure the accuracy and reliability of financial and operational data; compliance with laws, rules, regulations, Company procedures and contracts; protection of Company assets; and to enhance the effectiveness and efficiency of the Group's operations.

The Audit Group reports its findings as a result of the audit works and the proposed action plans by reaching an accord with the audited companies. The Audit Group then presents its progress report on the implementation of the action plan and findings that do not yet warrant action to the Chairman.

In addition to the annual audit plan, inspection and investigation activities are performed on matters requested or deemed necessary by the Chairman of the Board of Directors or the Audit Committee. In the event of a risk, inspection/ investigation activities regarding misconduct and similar inaccurate actions are also carried out by the Audit Group.

The Audit Committees, which play a major role in corporate governance, aim to establish an effective internal control system across Çalık Holding and Group companies; oversee corporate governance practices; and help the Boards of Directors perform their duties and responsibilities related to auditing and supervision in an effective manner.

Additionally, the Audit Group initiated follow-up activities to ensure that management teams effectively implement the necessary improvement measures taken against any issues detected during the audits, and to monitor their progress. Audit reports and improvement efforts are overseen by relevant committees.

In 2017, Çalık Holding launched another important initiative, the "Ethics Line," to support and facilitate the implementation of the Group's Code of Ethics. The Group's employees and stakeholders are now able to report any misconduct or violations that they observe, and these reports are recorded and stored. All employees have the right and the responsibility to report any actions or transactions that violate the Group's Code of Ethics to the Notification Officer via the Ethics Line. In 2019 the Ethics Line continued its activities effectively.

Furthermore, motivated by the principle of sourcing the qualified personnel requirements of the Group from within the Group, the Internal Audit Group embraces the notion of offering human resources developed within the scope of the Internal Audit to the benefit of the subsidiaries and thus primes the Internal Audit group personnel as all-rounders. To this end, the Group organizes internal and external training programs on a regular basis to improve employees' knowledge and experience.

Corporate Social Responsibility Activities

In 2019, Çalık Holding and Group companies continued their social responsibility activities in six different areas including education, innovation and entrepreneurship, social solidarity, environment, arts and sports.

NUMBER OF STUDENTS REACHED WITH KEDS ACADEMY

500+

Çalık Holding and Group companies have placed the principle of providing added value to the society at the heart of their social responsibility approach.

Placing the principle of providing added value to the society in all countries where it conducts business, on the heart of its social responsibility approach, Çalık Holding and Group companies continued their social responsibility activities in six different areas including education, innovation and entrepreneurship, social solidarity, environment, arts and sports in 2019.

Education

Çalık Enerji has made classroom arrangements for the use of kindergarten students in the Tedzani Region of Malawi, where it undertakes the Tedzani-4 Hydroelectric Power Plant project.

Providing information on the electric distribution sector to students, YEDAŞ got together with Engineering Faculty students in "Omühendis Career Days" held by 19 Mayıs University. Also, YEDAŞ visited primary school students within the scope of "Energy Saving Week" to raise awareness of energy saving.

YEPAŞ supported the pre-school education students of Arakonak Elementary School located in Bulanık/Muş and completed the repair works for the Alaçam Kızılan Elementary School in Samsun.

With the KEDS Academy project organized, managed and funded by KEDS with the support of the Public University of Pristina, Ministry of Education, Science and Technology and Istanbul Boğaziçi University to provide qualified employees to the energy sector, 50 students had the chance to participate in academic programs as in the previous years. Within the scope of the program, the students received theoretical education from KEDS experts and Boğaziçi University professors and had the chance to have an internship period with the Company.

Within the scope of the "lessons on electricity efficiency" project, more than 500 elementary school students nationwide received insight on electricity efficiency with the lectures held in the Headquarters with the collaboration of KEDS Academy students and KEDS employees.

Besides, KEDS made a book donation to Termokiss Cultural Center and Venture UP Entrepreneurship Center.

With the mission of conducting social responsibility projects with the principle of social benefit, Aras EDAŞ provided stationery aid to four schools and 106 primary school students in Erzurum.

Closely following the agenda regarding industry developments, Gap Pazarlama got together with university students in "Career 19" career days held by Yeditepe University and made a presentation titled "Expectations of the textile sector from students." The students participating in the event were allowed to have an internship period at Gap Pazarlama and the application of one student was accepted. Gap Pazarlama sent denim "school bags" to students in 25 schools located in Anatolia as a 25th-anniversary event.

Lidya Madencilik provided education scholarship to university students living in villages located in the Hod Mine Project area in Artvin as well as the students from Haciömer Village inside the Balıkesir Polimetal Project area.

ALBtelecom supported the "Young Programmers Space" competition on an online accessible platform where program writing is available in different programming languages.

Within the scope of the partnership with the Faculty of Integrated Studies with Practice (FASTIP) at Aleksandër Moisiu University, Durrës ongoing for 12 years, BKT employed 14 students way before their graduation between July-September in 2019.

BKT supported the Global Money Week event, in which students of all ages throughout Albania participated in many educational competitions regarding finance and money management.

BKT supported the Work & Study Fair organized by the Chamber of Commerce and Industry in partnership with the Municipality of Tirana and Sport & Education Ministry in the context of encouraging employment. BKT supports programs that are focused on the decrease in unemployment in the country to develop these programs.

Hosted by the University of New York Tirana (UNYT), BKT presented its newest projects to university students within the scope of its collaborations with the university while UNYT granted scholarships to 10 of its most successful students and provided paid internships to 20 students.

BKT supported Luigj Gurakuqi University to organize a workshop on "Challenges of Regional Development" to consolidate the relations between the business world and the local public institutions.

In support of institutions that provide services to the community, and especially in the field of education, Banka Kombëtare Tregtare funded the two institutions to improve their working environments. Thanks to the uninterrupted cooperation with the Directorate of SUOGJ Koço Gliozheni, BKT donated computers to the employees of the institution. Banka Kombëtare Tregtare financially supported the Faculty by updating the student's environment to improve the studying process.

BKT donated furniture to be sent to different public schools and it aimed to improve KEO's social services donating two computers, two laptops and three printers for Kamza Education Office (KEO).

BKT offered employment opportunities for different positions in the banking sector as well as internships for students.

BKT supported the Global Money Week event, in which students of all ages throughout Albania participated in many educational competitions regarding finance and money management.

Corporate Social Responsibility Activities

In collaboration with Yıldız Technical University, one of the highest-ranked universities in Turkey, Çalık Holding organized an innovation competition titled “My First Job Entrepreneurship” for the fifth time in 2019.

Within the direction of its mission “creating digital transformation awareness; “Çalık Digital organized seminars in more than five Organized Industrial Zones together with the Istanbul Chamber of Industry.

Innovation and Entrepreneurship
In collaboration with Yıldız Technical University, one of the highest-ranked universities in Turkey, Çalık Holding organized an innovation competition titled “My First Job Entrepreneurship” for the fifth time in 2019. The purpose of the competition is to spread a culture of innovation among university students and encourage the development of new products and ideas.

Searching for innovative ideas to reward the theories and visions of talented young people with entrepreneurial skills and innovative spirit, ALBtelecom has launched the “SuperGeneration” Project.

ALBtelecom supported the “Friendly Wi-Fi” initiative in collaboration with the Municipality of Tirana and UNICEF. ALBtelecom offered Wi-Fi coverage at Tirana’s largest park for usage during walks by the artificial lake. Following this project, ALBtelecom implemented the second “Friendly Wi-Fi” project in Skanderbeg square.

For the second year in a row, ALBtelecom supported the organization of the Blockchain Society Meeting.

Within the direction of its mission “creating digital transformation awareness;” Çalık Digital organized seminars in more than five Organized Industrial Zones together with the Istanbul Chamber of Industry. During these seminars attended by many companies from the industry, the participants were informed about what is digital transformation, at what level we are as a country in digital transformation and what kind of a road map should be followed.

Social Solidarity
At the “İftarımızı Anadolu’da Açıyoruz” event, which was initiated by Çalık Holding in 2012, iftar meals were served to more than 60,000 people in Erzincan during the month of Ramadan in 2019.

Within the scope of the 150th-anniversary events of the Turkish Red Crescent, Çalık Holding supported the Hilâl-i Ahmer Collection, which was created to consolidate the trust and the sense of ownership in the society.

By determining that the most basic and immediate need of the local public living in Tedzani Region of Malawi, where it undertakes the Tedzani-4 Hydroelectric Power Plant project, Çalık Enerji has implemented the “Water Well Project” funded by itself.

In order to raise awareness on the importance of blood donation, YEDAŞ and Gap Pazarlama supported the “Blood Donation to Red Crescent Campaign” organized in their Headquarters.

YEPAŞ supported the “100 Young People in the 100th Year” Project organized with the collaboration of the Governorship of Samsun Coordination Center and the Presidency. Within the scope of the project, the high school students determined by the governorships of Ankara and Ardahan were transported to Samsun on May 19 and the Samsun City Tourism map was designed especially for the 100th anniversary of May 19.

KEDS participated in the blood donation event with the collaboration of the Kosovo National Blood Transfusion Center and the employees voluntarily donated blood to encourage donation.

In collaboration with NGO Down Syndrome Kosovo and NGO TOKA volunteers, KEDS employees came together with children with Down syndrome and painted one of the transformer stations in Pristina in various colors.

Besides, KEDS donated a total of 30 tablets to children in The Ideas Partnership, SOS Villages and the Oncology and Pediatrics Institution, prepared gifts to the students of two schools in Kosovo and continued their society and donation oriented activities by delivering these gifts to their owners before the New Year’s Eve.

Lidya Madencilik continued the project for the improvement and asphalt works of the 4.5 km road between Aşağımaden and Yukarımaden Villages in Artvin while supporting the construction-repair works of structures such as mosques and schools and assisted the villages within the Hod Mine Project in the maintenance and repair of the drinking and irrigation water lines of the villages.

By determining that the most basic and immediate need of the local public living in Tedzani Region of Malawi, where it undertakes the Tedzani-4 Hydroelectric Power Plant project, Çalık Enerji has implemented the “Water Well Project” funded by itself.

Corporate Social Responsibility Activities

Within the scope of the "Breath to the Future" campaign of the Ministry of Agriculture and Forestry; YEDAŞ fully supported the "planting the most saplings in 1 hour" record which is registered by Guinness.

In collaboration with NGO Down Syndrome Kosovo and NGO TOKA volunteers, KEDS employees came together with children with Down syndrome and painted one of the transformer stations in Pristina in various colors.

Completing the construction of the main access road of the Hacıöner Village Aşı Deresi Neighborhood in Balıkesir, Lidya Madencilik planted walnut saplings on the land determined by Bozbük Village Cooperative and before delivering it to the village cooperative.

ALBtelecom organized a blood donation campaign in collaboration with the Albanian Red Cross to help children with thalassemia.

Aiming to improve the quality of the public service, BKT donated a "queue system technology" to the Fier District Police Department, provided computer aid to the employees of the General Directorate of State Archives and sponsored various material purchases of the Land Forces and the Bunavi Military School. BKT has shown its support to the health sector by contributing to the reconstruction of campuses and the purchase of hospital equipment.

With the help of doctors and staff of the Albanian Red Cross, Banka Kombëtare Tregtare contributes and is always close to the health problems faced by different people whose lives depend on donated blood.

Down Syndrome Albania Foundation representatives attended the sale of postcards designed with paintings of children diagnosed with down syndrome at BKT's Headquarters. Postcard incomes go to support the Therapeutic Services for Children with Disabilities near the center of Pro Pak children.

Children of the Development Center "Pëllumbat," celebrated again the year-end holidays together with the staff of BKT and received presents within the scope of the event.

Environment

Within the scope of the "Breath to the Future" campaign of the Ministry of Agriculture and Forestry; YEDAŞ fully supported the "planting the most saplings in 1 hour" record which is registered by Guinness.

Inspired from the zero waste project initiated by the Ministry of Environment and Urbanization, YEDAŞ started using glass jugs and cups rather than plastic cups in 2019 and eliminated its impact on the environment by providing an average of 1.5 tons of recycling per year.

YEDAŞ employees raised "awareness" by visiting Samsun Metropolitan Municipality Animal Shelter on October 4th Animal Protection Day.

KEDS organized the plantation of 60 seedlings and 800 flowers donated for the gardens of three elementary schools in Ferizaj, Gjilan and Pristina within the scope of the Earth Day Event with the participation of more than 100 KEDS volunteers as well as many students and school members.

Aras EDAŞ continues its activities to protect the wildlife with the insulations made to energy transmission lines. Building nests for storks in the Karakoyunlu district of Iğdır, the Company selected Ardahan, Kars and Bayburt as pilot regions for this project with the motto "Don't Let Migrant Birds Die."

In Ardahan province within Aras EDAŞ area, where harsh winter conditions prevail, teams have conducted a feeding event for wild animals that experience difficulty in finding feed.

Sports

Believing that participating in different sports activities improves lives and that sports contribute greatly to the health and happiness of each individual, BKT participated in the Tirana Marathon with its employees.

Gap Pazarlama participated in the 41st Istanbul Marathon with its Running Team.

YEDAŞ sponsors the Amasya Table Tennis Team.

In Ardahan province within Aras EDAŞ area, where harsh winter conditions prevail, teams have conducted a feeding event for wild animals that experience difficulty in finding feed.

Occupational Safety, Environment and Quality Policy

Çalık Holding ensures that effective policies and practices relating to quality, environmental protection, occupational health and safety are implemented across all companies under its umbrella, and obtains the required certifications for these systems.

Valuing all its employees as a member of Çalık Holding Family, the Group makes arrangements to minimize risks on occupational health and safety.

Making investments by following modern practices in quality, environment, occupational health and safety, Çalık Holding prioritizes quality, human and environment.

The Group companies show respect for people and the natural environment in all their operations. They strive to conserve natural resources, reduce waste, and prevent soil, air and water pollution.

Valuing all its employees as a member of Çalık Holding Family, the Group makes arrangements to minimize risks on occupational health and safety. Active participation of employees is ensured regarding occupational health and safety practices, which is updated on a regular basis.

Çalık Holding ensures that effective policies and practices relating to quality, environmental protection, occupational health and safety are implemented across all companies under its umbrella, and obtains the required certifications for these systems.

Quality Certifications of Group companies:

ÇALIK ENERJİ
- ISO 9001:2015
- ISO 14001:2015
- OHSAS 18001
- ASME A, S, U Stampler

YEDAŞ
- ISO 9001:2015 Quality Management System
- ISO 10002:2006 Customer Satisfaction Management System
- ISO 14001:2015 Environmental Management System
- OHSAS 18001:2007 Occupational Health and Safety Management System
- ISO 18295-1:2017 Customer Contact Center Management System
- ISO 27001:2013 Information Security Management System

YEPAŞ
- ISO 9001:2015 Quality Management System
- ISO/IEC 27001:2013 Information Security Management System
- ISO 10002:2014 Customer Satisfaction Management System

ARAS EPSAŞ
- ISO 27001 Information Security Management System
- ISO 10002 Customer Satisfaction and Complaints Handling
- ISO 9001 Quality Management System
- ISO 45001 Occupational Health and Safety Management System
- ISO 14001 Environmental Management System
- ISO 27019 Information Security Management Guidelines for Process Control Systems Specific to the Energy Utility Industry

GAP İNŞAAT
- ISO 9001:2015 Quality Management System Standard
- ISO 14001:2015 Environmental Management System Standard
- ISO 45001:2018 Occupational Health and Safety Management System Standard

ÇALIK DENIM
- ISO 9001 Quality Management System Certificate
- ISO 14001 Environmental Management System Certificate
- OHSAS 18001 Occupational Health and Safety Management System Certificate
- ISO 50001 Energy Management System Certificate
- ISO 27001 Information Security Management System Certificate
- BCI Membership
- Oeko-Tex Standard 100
- GOTS
- OCS
- GRS
- RCS
- Cotton the USA
- Nordic Swan Ecolabel
- EU Ecolabel
- AEOC (Authorized Economic Operator Certification)
- BCorp Certification (*)

(*) In the application stage

GAP PAZARLAMA
- ISO 9001
- ISO 14001
- ISO 18001
- WRAP
- Sedex
- 6 Sigma
- AEOC (Authorized Economic Operator Certification)
- Oeko Tex 100
- BCI

LİDYA MADENCİLİK
- OHS&E Policy Commitment Certificate-ARTMİN
- OHS&E Policy Commitment Certificate-POLİMETAL

ALBTELECOM
- ISO 14001:2015
- OHSAS 18001:2007 (Occupational Health and Safety Management)
- ISO 27001:2013
- ISO 9001:2015
- ISO 50001:2011
- ISO/IEC 20000-1:2011

AKTİF BANK
- Card Payment Industry Data Safety Standard, PCI-DSS Certificate
- ISO 27001 Information Security Management System Certificate
- R&D Center License

BKT
- In July 2019, Austrian company TÜV AUSTRIA granted BKT Albania a Quality Management System ISO 9001:2015 quality certificate for banking services.

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Human Resources

Placing great importance on human resources, which play a central role in achieving corporate success, Çalık Holding strives to attain an employee profile that is innovative, solutions-focused and that can make use of high added value and advanced technologies effectively.

As of the end of 2019, 23,041 persons are employed in Çalık Holding including 5,649 white collars, 12,485 blue-collar and 4,907 subcontractor employees.

The main purpose of the Human Resources Policy of Çalık Holding is to achieve maximum success and to ensure sustainability in the sectors in which it operates by investing in a human resource that is loyal to the Company, that prioritizes corporate and ethical values and improves its personal and occupational competencies.

As of the end of 2019, 23,041 persons are employed in the Group including 5,649 white collars, 12,485 blue-collars and 4,907 subcontractor employees.

Placing great importance on human resources, which play a central role in achieving corporate success, Çalık Holding strives to attain an employee profile that is innovative, solutions-focused and that can make use of high added value and advanced technologies effectively. To this end, Holding strives to continuously support the professional development of Group personnel while working to increase their motivation and job satisfaction.

According to the approach of the executive management and the Human Resources policy, it is essential that the talent is trained within the Group and career management must be handled in this direction. In this regard, “New Graduate Programs” designed under the Holding and the Group companies are organized at certain periods in line with the needs. In the New Graduate Program implemented within the Holding and the Group companies in 2019; new graduates started their duties by completing their rotation programs.

Organizational activities that cement a sense of unity among employees, foster corporate loyalty, build team spirit, and promote the exchange of thoughts and feelings are proactively supported by Çalık Holding Executive Management. Besides, to ensure that the corporate culture is embraced by the Company employees and that their loyalty to the Company is consolidated, the activities under the Holding and the Group companies are administered by the Human Resources Department.

The Human Resources Department also devises the Human Resources Policy- which is implemented by all Group companies as well as all related human resources procedures and processes.

Updated in 2016, the Group values guide the Group in the Human Resources processes and targets as in all activities and communication models.

As a result of the employer brand researches and studies, the employer brand was created as “Smiling Faces of Çalık” as a strong reflection of the corporate culture.

After the brand is decided to become an employee brand, activities are carried out to strengthen the brand perception of internal and external stakeholders in relation to the Human Resources process and internal communication activities.

In parallel with the Group’s constantly growing and expanding organizational structure, modern human resources management processes and technologies are put in place, and organization-related modifications are made to meet evolving corporate needs efficiently and effectively. Furthermore, systems are set up to blend individuals’ careers with corporate targets. Çalık Holding strives to recruit and develop those highly skilled employees who will move the Group forward into the future.

In this regard, the digital transformation preparation work for the Human Resources Processes executed within the Holding and Group companies was completed in 2018. Within the scope of the roadmap and the schedule determined for 2019, the performance evaluation process, back-up process and the self-service system, in which the employees satisfy their needs related to Human Resources processes were developed and digitalized. In 2020, activities are ongoing for the digitalization of other processes.

Remuneration and Fringe Benefits Management Applications

Çalık Holding takes into consideration the key parameters of market wage rate and performance criteria when determining its compensation strategy. The Group’s compensation policy is shaped according to the scope and scale of the business, competitive conditions in the market, and budget criteria. While a remuneration system in which the contribution of individuals in achieving corporate goals is prioritized in line with the person’s responsibility level, there are fringe benefits made available and categorized according to title levels. The remuneration and fringe benefit activities to Group companies are kept up-to-date with their wage structures, market position and regular industrial researches.

Strategic Performance Management System

The Strategic Performance Management System is a mechanism that aligns individual goals and performance with the Company’s goals and strategies to bring the vision and mission to life.

A target-based performance management system is being applied in the Holding and the Group companies. The purpose is to maximize performance by evaluating employee performance against the company’s goals and strategies in an objective manner and accordance with common principles. A strategic performance management system forms a basis for remuneration, rewarding and career management processes.

The purpose is to maximize performance by evaluating employee performance against the company’s goals and strategies in an objective manner and accordance with common principles.

Human Resources

In 2019, the Human Resources Department has carried out programs in accordance with the Company's strategies that aim to increase employee performance and internal communication and to support corporate training policies.

"Internal Instructors" were determined within the Holding and Group companies in 2018 and the program was designed and implemented. As of 2019, the structure is further consolidated and the program continued.

Training Management
Training needs are determined according to employees' performance evaluation results and career management data. The Human Resources Department plans and executes training programs to improve employees' corporate skills and professional competencies.

The Holding's Human Resources Department also assumes the coordination and management roles in designing and implementing shared programs.

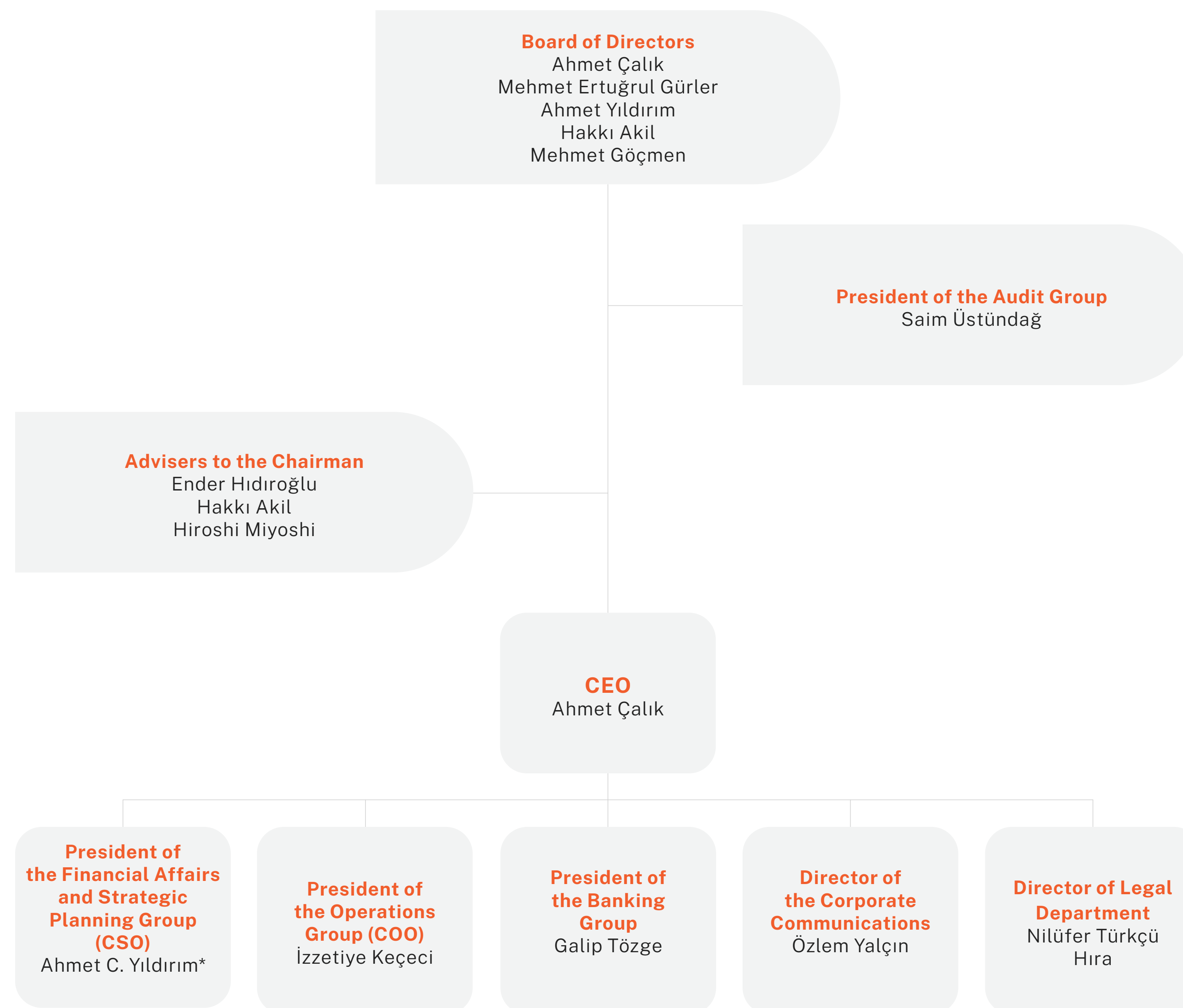
Training activities reflect long-term and deliberative steps in line with the career management strategies of the Group employees. Employees who advance their professional knowledge, skills, and improve their competencies are promoted to positions of higher responsibility.

In 2019, the Human Resources Department organized innovative corporate training programs in line with Company strategies, to boost employee performance, contribute to the advancement of the corporate culture and improve in-house communications.

Furthermore, with the importance given to sharing of experience and expertise within the Group, "Internal Instructors" were determined within the Holding and Group companies in 2018, the program was designed and implemented and as of 2019, the structure is further consolidated and the program continued.

Industry	White Collar	Blue Collar	White Collar+Blue Collar	Subcontractor	Total
Holding	141	-	141	85	226
Textile	410	9,998	10,408	86	10,494
Construction	262	61	323	1,626	1,949
Mining	56	35	91	89	180
Energy	1,489	2,325	3,814	1,843	5,657
Telecommunications	758	56	814	578	1,392
Finance	2,533	10	2,543	600	3,143
Total	**5,649**	**12,485**	**18,134**	**4,907**	**23,041**

Organization Structure



*Ahmet Yıldırım also serves as the Chief Financial Officer (CFO) by proxy.

Executive Management

AHMET YILDIRIM
Board Member, President of the Financial Affairs and Strategic Planning Group (CSO) and Chief Financial Officer (CFO) by Proxy
Graduating from Istanbul University, English Department of Economics in 1991 and completing the Harvard Business School General Management Program in 2012, Ahmet Yıldırım acts as the President of the Financial Affairs And Strategic Planning Group and Holding Board Member, responsible for finance, strategic planning, merger and purchasing, tax planning and investors relations since September 2014. Mr. Yıldırım has 24 years of experience in corporate banking, investment and treasury banking. Before joining Çalık Holding in 2014, he has served as CEO and Board Member at Yapı Kredi Bank Germany for five years. Ahmet Yıldırım also serves as the Chief Financial Officer (CFO) by proxy.

SAİM ÜSTÜNDAĞ
President of the Audit Group
Saim Üstündağ graduated from Middle East Technical University's Department of Economics in 1994, started his professional career at Arthur Andersen Turkey and then went on to join the Capital Markets Board in 1995 to serve in various posts. Completing his master's degree at the University of Illinois in the US, Mr. Üstündağ was entitled to Certified Public Accountant (CPA) certificate in the US. He was the General Secretary of Turkey Accounting Standards Board (Ministry of Finance) between 2005 and 2007 and Audit Department Partner at Deloitte Turkey between 2007 and 2014. Üstündağ holds various capital markets licenses including the SMMM (Independent Public Accountant) license, Corporate Governance Rating Specialist License and the Advanced Level License from the Capital Markets Board of Turkey. Since 2015, Saim Üstündağ has served as President of the Audit Group at Çalık Holding.

İZZETİYE KEÇECİ
President of the Operations Group (COO)
İzzetiye Keçeci was born in 1975 and graduated from International Relations at Istanbul University's Faculty of Economics in 1997. She began her professional career as a Customer Relations Representative at Gap Tekstil, a Çalık Holding company. Subsequently, she held various Human Resources positions at Group companies. İzzetiye Keçeci served as Human Resources Director at Çalık Holding between January 2009 and 2016. Since 2017, she is the President of Operations Group (COO) in charge of Human Resources, Organization, Process Development and Project Management Departments. Completing the Harvard Business School Executive Education Program and Boğaziçi University Human Resources Programs, İzzetiye Keçeci is also a Board Member at the Group company Gap İnşaat.

ENDER HIDIROĞLU
Adviser to the Chairman
Ender Hıdıroğlu graduated from Middle East Technical University's Department of Mechanical Engineering and held various positions at a range of companies, including GATEKS, UPISAS, SANKO, SASA, YURTAS, Paktaş and ISKO. After joining Çalık Holding in 1993, Mr. Hıdıroğlu worked at Gap Pazarlama as CEO for three years. He continued his professional career as CEO, Project Manager and Board Member at Gap İnşaat for 10 years. He acted as a senior executive and Member of the Board of Directors at Group companies of Çalık Holding. Hıdıroğlu is currently the Advisor to the Chairman of Çalık Holding.

Executive Management

GALİP TÖZGE

President of the Banking Group

Galip Tözge was born in 1967. He graduated from Marmara University's Department of Economics (English) and received an MBA from the University of Missouri (USA). He obtained his Master's Degree in Law from Bilgi University at the beginning of 2018 and commenced his banking career in 1993 at Citibank, and joined Akbank T.A.Ş. in 2002. He worked at Akbank and associated companies for 12 years serving in various senior management posts. Galip Tözge acted as the Assistant General Manager of Akbank and also Board Member of Ak Portföy Yönetimi A.Ş. and Ak Yatırım Menkul Değerler A.Ş. In 2015, he was appointed CEO at Aktif Bank and currently serves as President of the Banking Group at Çalık Holding and still acts as the President of Banking Group at Çalık Holding.

HIROSHI MIYOSHI

Adviser to the Chairman

Hiroshi Miyoshi was born in 1956 in Japan. After graduating from Waseda University, Political and Economic Department, he joined Mitsubishi Corporation in 1980. He served for Mitsubishi Corporation for 37 years and experienced various posts for project development and board members of subsidiary companies of Mitsubishi Corporation. He created a business model for developing business partnerships between Turkish and Japanese companies in the 1990s, he carried out some of the crucial infrastructure projects in the region. While he was serving as SVP, Chief Executive for Turkey, Central Asia and Caucasus of Mitsubishi Corporation, he served as the Chairman of the Japanese Society in Istanbul in 2013. Since 2017, Hiroshi Miyoshi has been serving as a senior adviser to the Chairman in Çalık Holding.

ÖZLEM YALÇIN

Director of the Corporate Communications

Özlem Yalçın graduated from Istanbul Technical University with an MSc in Engineering and started her professional career in 1992 at Wendy's as Regional Director. Ms. Yalçın worked at Gate Gourmet (USAŞ) as Sales and Marketing Manager from 1995 to 2000; at DDB Advertising Agency as Retail Group Director between 2000 and 2003; at Doruk Group as Marketing Manager from 2003 until 2005; at UNO as Marketing Manager between 2005 and 2007; and at Akbank as Vice President-Public Relations from 2007 to 2014. In 2014, she was appointed President for Sustainability and Corporate Communications at OMV Petrol Ofisi. As of 2015, Özlem Yalçın serves as Director of the Corporate Communications at Çalık Holding.

NİLÜFER TÜRKÇÜ HIRA

Director of Legal Department

Nilüfer Türkçü Hıra, graduated from İzmir Bornova Anadolu High School and West Point High School in the State of Virginia in the US and entered Law School at Istanbul University and graduated from the same university first with a Bachelor's, then with a Master's degree. She started her career in 2002 at Birsel Law Firm and worked at Paksoy Ortak Law Firm between 2014 and 2016. Nilüfer Türkçü Hıra provided consultancy services to various local and foreign banks, financial institutions and export loan institutions in their financing works. She joined Çalık Holding as a legal advisor at Lidya Madencilik in 2016 and has extensive experience in mergers and transfers, foreign investments, corporate and commercial transactions and agreements in various sectors including banking, insurance, energy, mining and media. Since 2017, Nilüfer Türkçü Hıra is the Chief Legal Counsel of Çalık Holding and she was appointed as the Legal Director of Çalık Holding in 2018. Nilüfer Türkçü Hıra is married with one child.

ÇALIK HOLDİNG ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2019 WITH INDEPENDENT AUDITOR'S REPORT

31 March 2020
This report includes 5 pages of independent auditor's report and 134 pages of consolidated financial statements together wtih their explanatory notes.

Çalık Holding Anonim Şirketi and its Subsidiaries

Table of Contents

Building a better working world

Güney Bağımsız Denetim ve SMMM A.Ş.
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Independent auditor's report

To the Shareholders of Çalık Holding Anonim Şirketi

Report on the audit of the consolidated financial statements

Opinion

We have audited the consolidated financial statements of Çalık Holding Anonim Şirketi ("the Company") and its subsidiaries ("the Group"), which comprise the consolidated statement of financial position as at December 31, 2019, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2019, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs").

Basis for opinion

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

Other matter

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

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming the auditor's opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the* consolidated *financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

Building a better working world

Key audit matters	How key audit matter addressed in the auditor's response
Revenue recognition on construction contracts	
Çalık Enerji Sanayi ve Ticaret Anonim Şirketi and GAP İnşaat Yatırım ve Dış Ticaret Anonim Şirketi, the consolidated subsidiaries of the Group, and the subsidiaries operating in the construction sector, conduct mainly engineering, procurement and construction projects ("EPC") in Turkey and abroad. The revenue from the construction contracts of the companies in energy and construction sector amounting to USD 350.762 thousands constitutes a significant portion of the Group's total revenue. The EPC projects are complex and exposes the Group to various business and financial reporting risks. The timing of the recognition of revenue in respect of EPC contracts is calculated in accordance with IFRS 15 "Revenue from Contracts with Customers" using the input method cost incurred to measure the progress towards to completion of the project. The Group recognizes revenue in accordance with input method to compare proportion of contract costs incurred for performance obligation with estimated total contract costs of related performance obligation. The recognition of revenue and the estimation of the outcome of EPC contracts with project specific terms require significant management judgment, with respect to estimation the cost to complete and the amounts of variation orders to be recognized. The recognition of revenue forms the construction contracts has been identified as key audit matter due to base based on significant management estimation and judgement. We identified revenue from EPC contracts as a significant risk, requiring special audit consideration.	- We obtained an understanding of and tested that the key controls around the revenue recognition process are designed and implemented effectively, supporting the prevention, detection or correction of material errors in the reported contact revenue figures. - We inspected the terms and conditions of material EPC contracts in evaluating the judgements used and determining the timing of the revenue recognition. - We discussed on the status of projects under construction with finance and technical staff of the Group and evidenced our understanding with the supporting documents. - We recomputed contract revenues by using the percentage of completion method. - We tested the revenue recognised from the construction contracts to amounts invoiced to customers and the subsequent receipt of payment from those customers. - We tested by using sampling method the construction costs to invoices by suppliers and subcontractors and the subsequent receipt of payment to those parties by controlling the relevant reconciliations. - We performed an asssesment of the historical level of accuracy and prudence in the contract cost budgets and forecasts and challenged management's current assumptions in respect of completion stages of the EPC projects or change in the cost budgets. - We tested revenue and contract accouting journal entries focusing on unusual or irregular items. - We performed detailed cut off test over revenue and revenue return accounts.

Building a better working world

Allowance for probable losses on loans and receivables from customers	How key audit matter addressed in the auditor's response
As at 31 December 2019, gross receivables related to finance sector operations were USD 2.221.626 thousand against which loan allowance for impairment of USD 98.446 thousands were provided ending with a net carrying amount of USD 2.123.180 thousands. For specific allowances, a management decision and judgement are required to determined whether and impairment event has occurred and a necessary classificaiton should be done. Furthermore, in accordance with the IFRS 9 Financial Instruments standard ("Standard") requirements for allowances, significant accounting estimates made by management are required to determine the outstanding balances to loans and receivables when an impairment event has occurred, and a necessary classification should be done and also the calculation of the allowance related to the classification of performing the non-performing loans. The new model contains significant assumptions and estimates. • significant increase in credit risk • incorporating the forward-looking macroeconomic information in calculation of credit risk; and • design and implementation of expected credit loss model. The determination of the impairment of loans advances to the customers measured at amortised cost depends on (i) the credit default status, (ii) the model based on the change in the credit risk at the first recognition date and (iii) the classification of the loans and advances to the customers measured at amortised cost according to the model. Establishing an accurate classification is a significant process as the calculation of expected credit loss varies to the staging of the financial assets. The collective basis expected credit loss calculation is based on complex processes which are modelled by using current and pas data sets and expectations and the forward-looking expectations are reflected by macroeconomic models. Impairment on loans and advances to the customers measured at amortised cost was considered to be a key audit matter, due to the significance of the estimates, assumptions, the level of judgements and its complex structure as explained above. Because of the significance of these judgements and the size of the receivables related to finance sector operations, the audit of allowance for probable losses on loans and receivables from customers is a key area of focus.	Our procedures for testing the impairment of loans included below: - We tested the design and operating effectiveness of the controls on lending, collateralization, collection, follow-up, classification and impairment procedures are tested with the involvement of information risk management specialists. - We evaluated the adequacy of the subjective and objective criteria that is defined in the Group's impairment accounting policy compared with standard. - We evaluated the Group's business model and methodology and the evaluation of the calculations were carried out with the control testing and detailed analysis by the involvement of specialist. - We performed loan reviews for selected loan samples which include a detailed examination of loan files and related information and testing their classification. In this context, the current status of the loan customer has been evaluated by including prospective information and macroeconomic variables. - We tested the accuracy and completeness of the data in the calculation models for the loans which are assessed on collective basis. The expected credit loss calculation was tested through recalculation. The models used for the calculation of the risk parameters were examined and the risk parameters for the selected sample portfolios were recalculated. - We assessed the macroeconomic models which are used to reflect forward looking expectations and tested the effect of the risk parameters by recalculation method. - We evaluated the qualitatitve and quantitative assessments which are used in determining the significant increase in credit risk. Additionally, we also evaluated the adequacy of the consolidated financial statements disclosures related to impairment provisions.

Building a better working world

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

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

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

Those charged with governance are responsible for overseeing the Group financial reporting process.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

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

Building a better working world

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

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

Kaan Birdal, SMMM
Partner

31 March 2020
İstanbul, Türkiye

Çalık Holding Anonim Şirketi and its Subsidiaries

As at 31 December 2019

Consolidated Statement of Financial Position

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

		Current Period	Reclassed (Note 2.f) Previous Period
		Audited	Audited
Assets	**Notes**	**31 December 2019**	**31 December 2018**
Current assets			
Cash and cash equivalents	8	1.754.177	803.852
Financial investments	9	1.283.164	1.023.428
Financial assets related to concession agreements	10	48.974	70.140
Trade receivables	11	330.326	358.299
Due from related parties	7	*46.927*	*107.082*
Due from third parties		*283.399*	*251.217*
Receivables related to finance sector operations	12	644.707	951.595
Due from related parties	7	*3.061*	*35.357*
Due from third parties		*641.646*	*916.238*
Other receivables	13	229.296	75.665
Due from related parties	7	*46.540*	*5.741*
Due from third parties		*182.756*	*69.924*
Contract assets	22	101.621	221.144
Contract assets arising from ongoing construction and contracting works		*101.621*	*221.144*
Inventories	14	229.382	250.721
Derivatives	24	4.943	9.996
Prepayments	15	46.925	90.172
Current tax assets	28	8.156	11.002
Other current assets	21	631.920	738.266
Subtotal		**5.313.591**	**4.604.280**
Assets held for sale	5	55.607	61.426
Total current assets		**5.369.198**	**4.665.706**
Non- current assets			
Trade receivables	11	98.617	192.036
Due from related parties	7	*2.280*	*47.742*
Due from third parties		*96.337*	*144.294*
Receivables related to finance sector operations	12	1.478.473	1.240.386
Due from related parties	7	--	*79*
Due from third parties		*1.478.473*	*1.240.307*
Other receivables	13	327.171	433.303
Due from related parties	7	*320.000*	*320.000*
Due from third parties		*7.171*	*113.303*
Financial investments	9	1.165.032	1.088.534
Financial assets related to concession agreements	10	242.083	259.255
Investments in equity-accounted investees	16	199.546	151.224
Investment property	20	153.039	133.915
Property, plant and equipment	17	615.564	626.911
Intangible assets	18	146.034	133.145
Goodwill		*7.802*	*722*
Other intangible assets		*138.232*	*132.423*
Right of use assets	19	40.409	--
Prepayments	15	27.639	42.602
Deferred tax assets	28	53.061	38.533
Other non-current assets		1.518	804
Total non-current assets		**4.548.186**	**4.340.648**
Total assets		**9.917.384**	**9.006.354**

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

Çalık Holding Anonim Şirketi and its Subsidiaries

As at 31 December 2019

Consolidated Statement of Financial Position *(continued)*

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

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

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

Çalık Holding Anonim Şirketi and its Subsidiaries

As at 31 December 2019
Consolidated Statement of Financial Position *(continued)*

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

		Current Period	Previoud Period
		Audited	Audited
Equity	Notes	31 December 2019	31 December 2018
Equity attributable to the owners of the Company			
Share capital	29	210.761	210.761
Adjustment to share capital		3.388	3.388
Other comprehensive income that is or will not be reclassified to profit or loss		(1.551)	--
Accumulated re-measurements loss of defined benefit plans		(1.551)	--
Other comprehensive income that is or may be reclassified to profit or loss		(227.815)	(194.221)
Translation differences		(286.634)	(214.308)
Fair value reserve of financial assets available-for-sale		58.819	20.087
Restricted reserves	29	611.516	537.963
Retained earnings		638.147	715.812
Profit / (loss) for the year		293.470	(5.728)
Total equity attributable to the owners of the Company		**1.527.916**	**1.267.975**
Total non-controlling interests	**29**	**107.409**	**102.048**
Total equity		**1.635.325**	**1.370.023**
Total equity and liabilities		**9.917.384**	**9.006.354**

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

Çalık Holding Anonim Şirketi and its Subsidiaries

Consolidated Statement of Profit or Loss and Other Comprehensive Income
For the Year Ended 31 December 2019

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

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

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

Çalık Holding Anonim Şirketi and its Subsidiaries
Consolidated Statement of Profit or Loss and Other Comprehensive Income
For the Year Ended 31 December 2019 *(continued)*
(Amounts expressed in thousands of USD unless otherwise stated.)

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

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

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

	Attributable to owners of the Company											
			Restricted reserves	Accumulated other comprehensive income/(expense) that will not be reclassified to profit or loss	Accumulated other comprehensive income/(expense) that may be reclassified to profit or loss		Retained earnings/ (accumulated losses)					
	Paid-in capital	*Adjustment to share capital*	*Legal reserves*	*Accumulated re-measurements loss of defined benefit plans*	*Fair value reserve of financial assets available-for-sale*	*Translation reserve*	*Retained earnings*	*Profit / (loss) for the year*	*Equity attributable to the owners of the Company*	*Non-controlling interests*	*Total equity*
Balances at 1 January 2018	**210.761**	**3.388**	**453.786**	--	**(6.858)**	**(4.951)**	**352.572**	**441.602**	**1.450.300**	**107.197**	**1.557.497**
Effect on accounting policy changes and other adjustments	--	--	--	--	--	--	**2.387**		**2.387**	**820**	**3.207**
Profit for the period	--	--	--	--	--	--	--	(5.728)	(5.728)	7.924	2.196
Other comprehensive income											
Net fair value change in financial assets available-for-sale	--	--	--	--	26.945	--	--	--	26.945	--	26.945
Foreign currency translation differences for foreign operations and reporting currency translation differences	--	--	--	--	--	(209.357)	--	--	(209.357)	12.327	(197.030)
Total other comprehensive income	--	--	--	--	**26.945**	**(209.357)**	--	--	**(182.412)**	**12.327**	**(170.085)**
Total comprehensive income/(loss) for the period	--	--	--	--	**26.945**	**(209.357)**	--	**(5.728)**	**(188.140)**	**20.251**	**(167.889)**
Change in non-controlling interest in consolidated subsidiaries without change in control	--	--	--	--	--	--	--	--	--	(23.689)	(23.689)
Formation of subsidiary with non-controlling interest	--	--	--	--	--	--	3.428	--	3.428	4.423	7.851
Contribution to capital increase by non-controlling interests in subsidiaries with non-controlling share	--	--	--	--	--	--	--	--	--	3	3
Dividends paid	--	--	--	--	--	--	--	--	--	(6.957)	(6.957)
Transfers	--	--	84.177			--	357.425	(441.602)	--	--	--
Total transactions with owners	--	--	**84.177**	--	--	--	**360.853**	**(441.602)**	**3.428**	**(26.220)**	**(22.792)**
Balances at 31 December 2018	**210.761**	**3.388**	**537.963**	--	**20.087**	**(214.308)**	**715.812**	**(5.728)**	**1.267.975**	**102.048**	**1.370.023**

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

Çalık Holding Anonim Şirketi and its Subsidiaries

Consolidated Statement of Changes in Equity
For the Year Ended 31 December 2019

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

					Attributable to owners of the Company						
			Restricted reserves	Accumulated other comprehensive income/(expense) that will not be reclassified to profit or loss	Accumulated other comprehensive income/(expense) that may be reclassified to profit or loss		Retained earnings/ (accumulated losses)				
	Paid-in capital	*Adjustment to share capital*	*Legal reserves*	*Accumulated re-measurements loss of defined benefit plans*	*Fair value reserve of financial assets available-for-sale*	*Translation reserve*	*Retained earnings*	*Profit / (loss) for the year*	*Equity attributable to the owners of the Company*	*Non-controlling interests*	*Total equity*
Balances at 1 January 2019	**210.761**	**3.388**	**537.963**	**--**	**20.087**	**(214.308)**	**715.812**	**(5.728)**	**1.267.975**	**102.048**	**1.370.023**
Profit for the period	--	--	--	--	--	--	--	293.470	293.470	9.379	302.849
Other comprehensive income	--	--	--	--	--	--	--	--	--	--	
Net fair value change in financial assets available-for-sale	--	--	--	--	38.732	--	--	--	38.732	--	38.732
Actuarial gains/loses	--	--	--	(1.551)	--	--	--	--	(1.551)	--	(1.551)
Foreign currency translation differences for foreign operations and reporting currency translation differences	--	--	--	--	--	(72.326)	--	--	(72.326)	10.019	(62.307)
Total other comprehensive income	**--**	**--**	**--**	**(1.551)**	**38.732**	**(72.136)**	**--**		**(35.145)**	**10.019**	**(25.126)**
Total comprehensive income/(loss) for the period	**--**	**--**	**--**	**(1.551)**	**38.732**	**(72.136)**	**--**	**293.470**	**258.325**	**19.398**	**277.723**
Change in non-controlling interest in consolidated subsidiaries without change in control	--	--	1.855	--	--	--	(1.202)	--	653	53	706
Acquisition of control power in enterprises subject to common control	--	--	281	--	--	--	1.968	--	2.249	(2.249)	--
Decrease due to other changes	--	--	--	--	--	--	(1.746)	--	(1.746)	--	(1.746)
Contribution to capital increase resulting to set power of control in a subsidiary	--	--	--	--	--	--	--	--	--	3.055	3.055
Disposal due to the sale of subsidiaries	--	--	--	--	--	--	--	--	--	(4.365)	(4.365)
Increase due to subsidiary additions	--	--	--	--	--	--	460	--	460	--	460
Dividends paid	--	--	--	--	--	--	--	--	--	(10.530)	(10.530)
Transfers	--	--	71.417	--	--	--	(77.145)	5.728	--	--	--
Total transactions with owners	**--**	**--**	**73.553**	**--**	**--**	**--**	**(77.665)**	**5.728**	**1.616**	**(14.036)**	**(12.421)**
Balances at 31 December 2019	**210.761**	**3.388**	**611.516**	**(1.551)**	**58.819**	**(286.634)**	**638.147**	**293.470**	**1.527.916**	**107.409**	**1.635.325**

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

Çalık Holding Anonim Şirketi and its Subsidiaries

Consolidated Statement of Cash Flows
For the Year Ended 31 December 2019

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

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

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

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

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

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

Çalık Holding Anonim Şirketi and its Subsidiaries
Notes to the Consolidated Financial Statements
As at and for the Year Ended 31 December 2019
(Amounts expressed in thousands of USD unless otherwise stated.)

Notes to Consolidated Financial Statements

Çalık Holding Anonim Şirketi and its Subsidiaries
Notes to the Consolidated Financial Statements
As at and for the Year Ended 31 December 2019
(Amounts expressed in thousands of USD unless otherwise stated.)

1 Reporting entity

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

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

As at 31 December 2019, Çalık Holding has 133 (31 December 2018: 115) subsidiaries ("the Subsidiaries"), 11 (31 December 2018:30) joint ventures ("the Joint Ventures"), and 16 (31 December 2018: 16) associates ("the Associates") (referred to as "the Group" or "Çalık Group" herein and after). The consolidated financial statements of the Group as of and for the year ended 31 December, comprises Çalık Holding and its subsidiaries and the Group's interest in associates and joint ventures and operations.

As at 31 December 2019, the number of employees of the Group is 18.134 (31 December 2018: 19.321).

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

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

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

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

Çalık Holding Anonim Şirketi and its Subsidiaries
Notes to the Consolidated Financial Statements
As at and for the Year Ended 31 December 2019
(Amounts expressed in thousands of USD unless otherwise stated.)

1 Reporting entity *(continued)*

1.1 Entities in energy segment

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

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

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

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

Çalık Holding Anonim Şirketi and its Subsidiaries
Notes to the Consolidated Financial Statements
As at and for the Year Ended 31 December 2019
(Amounts expressed in thousands of USD unless otherwise stated.)

1 Reporting entity *(continued)*

1.1 Entities in energy segment *(continued)*

Adacami Enerji

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

Akılcı Bilişim

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

Ant Enerji

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

Atayurt İnşaat

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

Başak Yönetim Sistemleri Anonim Şirketi ("Başak Yönetim")

Başak Yönetim was established in 2008 for the purpose of building and operating of electricity production facility and producing, selling and marketing of electricity with the name "Başak Enerji Elektrik Üretim Sanayi ve Ticaret Anonim Şirketi".

The former name of company, was changed on 11 April 2013 as "Başak Yönetim Sistemleri Anonim Şirketi".

ÇEDAŞ

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

Çalık Enerji Dubai FZE ("Çalık Enerji Dubai")

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

Çalık Enerji Sanayi ve Ticaret Anonim Şirketi ("Çalık Enerji")

Çalık Enerji was established in 1998 to conduct the Group's activities in the energy sector and to engage in the operation, exploration and production of natural gas and petroleum resources, shipment and selling of these resources to the international areas. Çalık Enerji has five branches namely Çalık Enerji Turkmenistan, Çalık Enerji Georgia, Çalık Enerji Libya, Çalık Enerji Uzbekistan and Çalık Enerji Iraq.

Calik Enerji Swiss AG ("Çalık Swiss")

Calik Swiss was established on in 2017 in Switzerland for the purpose of the acquisition management and use of concessions of other rights as well as construction and maintenance of power plants and to provide services in the development of other group companies operating in the energy sector, especially in the electricity sector and in funding sources.

Çalık Georgia LLC ("Çalık Georgia")

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

Çalık Güneş Enerji Üretim Anonim Şirketi ("Çalık Güneş")

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

Çalık Holding Anonim Şirketi and its Subsidiaries
Notes to the Consolidated Financial Statements
As at and for the Year Ended 31 December 2019
(Amounts expressed in thousands of USD unless otherwise stated.)

1 Reporting entity *(continued)*

1.1 Entities in energy segment *(continued)*

Çalık Limak Adi Ortaklığı

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

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

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

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

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

Çalık Solar Enerji Anonim Şirketi ("Çalık Solar")

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

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

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

ÇED

ÇED was founded in accordance with the energy market regulations for the purpose of establishing and participating to the companies that are engaged in distribution, retail and wholesale of electricity energy and/or capacity, assigning management of these established and participated companies, to provide consultancy services on technical, financial, information processing and human resources management issues and to make industrial and commercial investments through these companies.

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

ÇL Enerji was established by Çalık Enerji and Limak İnşaat on 03.10.2019 for the purpose of engaging in energy and contracting activities.

Demircili Rüzgar

Demircili Rüzgar was established in 2017 in Istanbul, for the purpose of establishing electric production facility, operating, renting it and producing electric energy and or selling it to customers.

Çalık Holding Anonim Şirketi and its Subsidiaries
Notes to the Consolidated Financial Statements
As at and for the Year Ended 31 December 2019
(Amounts expressed in thousands of USD unless otherwise stated.)

1 Reporting entity *(continued)*

1.1 Entities in energy segment *(continued)*

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

Doğu Aras was founded in accordance with the energy market regulations as a joint venture with a joint agreement between ÇED and Kiler Alışveriş Hizmetleri Gıda Sanayi Ticaret Anonim Şirketi ("Kiler Alışveriş") on 5 May 2013 with the participation of these two companies by 50 percent and 50 percent , respectively, for the purpose of establishing and participating to the companies that are engaged in distribution, retail and wholesale of electricity energy and/or capacity, assigning management of these established and participated companies, providing consultancy services on technical, financial, information processing and human resources management issues and making industrial and commercial investments through this companies.

On 28 June 2013, Doğu Aras purchased all shares of Aras Elektrik Dağıtım Anonim Şirketi ("EDAŞ") and Aras Elektrik Perakende Satış Anonim Şirketi ("EPAŞ"), which were previously state owned companies operating in electricity distribution and procurement in cities Kars, Ardahan, Iğdır, Ercincan, Ağrı, Bayburt and Erzurum, within the privatisation.

Enerji Sabz Arman Pars Anonim Şirketi ("Enerji Sabz Arman Pars")

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

Enerji Sabz Pouya Pars Anonim Şirketi ("Enerji Sabz Pouya Pars")

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

Gap Elektrik Dağıtım Sanayi ve Ticaret Anonim Şirketi ("Gap Elektrik")

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

Hamerz Green Energy ("Hamerz")

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

Irmak Yönetim Sistemleri Anonim Şirketi ("Irmak Yönetim")

Irmak Yönetim, formerly known as "Irmak Enerji Elektrik Üretim Madencilik Sanayi ve Ticaret Anonim Şirketi", was established in 2008 for the purpose of building and operating electricity production facility and producing, selling and marketing of electricity.

The name was changed on 11 April 2013 as "Irmak Yönetim Sistemleri Anonim Şirketi".

İkideniz Petrol ve Gaz Sanayi ve Ticaret Anonim Şirketi ("İkideniz Petrol")

İkideniz Petrol was established in 2008 for the purpose of importing, exporting, distributing, operating and production all kinds of crude oil. As of the reporting date, İkideniz Petrol is non operating.

JSC Calik Georgia Wind ("JSC Georgia")

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

Çalık Holding Anonim Şirketi and its Subsidiaries
Notes to the Consolidated Financial Statements
As at and for the Year Ended 31 December 2019
(Amounts expressed in thousands of USD unless otherwise stated.)

1 Reporting entity *(continued)*

1.1 Entities in energy segment *(continued)*

Kızılırmak

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

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

KÇLE was established as a joint venture with a joint agreement between Çalık Enerji, ÇEDAŞ and Limak Yatırım on 17 September 2012 with the participation these three companies by 25 percent, 25 percent and 50 percent, respectively, in the share capital of KÇLE.

In 2015, shares of KÇLE representing 25 percent of all shares, held by ÇEDAŞ have been transferred to Çalık Enerji. On 8 May 2013, KÇLE purchased all shares of state-owned enterprise namely Kompania Per Distribuim Dhe Fumizim Me Energji Elektrike SH.A ("KEDS") which is operating in electricity distribution and procurement of electricity in Kosovo.

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

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

Mayestan Clean Energy ("Mayestan Clean Energy")

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

Momentum Enerji Elektrik Üretim Sanayi ve Ticaret Anonim Şirketi ("Momentum Enerji")

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

Onyx Trading Innovation FZE("Onyx")

Onyx Trading was established in Dubai in 2016.

Petrotrans Enerji

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

Sembol Enerji

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

Taşkent Merkez Park

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

Çalık Holding Anonim Şirketi and its Subsidiaries

Notes to the Consolidated Financial Statements
As at and for the Year Ended 31 December 2019
(Amounts expressed in thousands of USD unless otherwise stated.)

1 Reporting entity *(continued)*

1.1 Entities in energy segment *(continued)*

TCB İnşaat Yatırım Anonim Şirketi ("TCB İnşaat")

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

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

Technological Energy was established in The Netherlands in 2016.

Technovision Mühendislik Danışmanlık ve Dış Ticaret Limited Şirketi

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

Türkmen'in Altın Asrı Elektrik Enerjisi Toptan Satış Anonim Şirketi ("Türkmen Elektrik")

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

UZTUR Investment and Development ("Uztur")

Uztur was established in Uzbekistan on 11.10.2019 for the purpose of carrying out real estate activities.

Yeşilçay Enerji Elektrik Üretim Sanayi ve Ticaret Anonim Şirketi ("Yeşilçay Enerji")

Yeşilçay Enerji was established in 2008 for the purpose of building and operating of electricity power plant, producing, selling and marketing of electricity. Yeşilçay Enerji also engages in exploration and production of mineral ore.

YEDAŞ

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

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

YEPAŞ

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

Çalık Holding Anonim Şirketi and its Subsidiaries

Notes to the Consolidated Financial Statements
As at and for the Year Ended 31 December 2019
(Amounts expressed in thousands of USD unless otherwise stated.)

1 Reporting entity *(continued)*

1.2 Entities in construction segment

Company name	Type of partnership	Country
Çalık İnşaat Anonim Şirketi ("Çalık İnşaat")	Subsidiary	Turkey
Gap Construction Co.	Subsidiary	Libya
Gap Construction Investment and Foreign Trade LLC-Qatar ("Gap İnşaat Katar")	Subsidiary	Qatar
Gap İnşaat Construction and Investment Co. Ltd. ("Gap İnşaat Sudan")	Subsidiary	Sudan
Gap İnşaat Dubai FZE	Subsidiary	UAE
Gap İnşaat Ukraine Ltd. ("Gap Inşaat Ukrayna")	Subsidiary	Ukraine
Gap İnşaat Yatırım ve Dış Ticaret Anonim Lirketi ("Gap İnşaat")	Subsidiary	Turkey
Gapyapı İnşaat Anonim Şirketi ("Gapyapı")	Subsidiary	Turkey
Innovative Construction Technologies Trading FZE ("Innovative Construction")	Subsidiary	UAE
Kentsel Dönüşüm İnşaat Anonim Şirketi	Subsidiary	Turkey
White Construction N.V.	Subsidiary	The Netherlands

Gap İnşaat

Gap İnşaat was established in 1996 in Istanbul, Turkey in order to provide construction, contracting and decoration businesses both within Turkey and abroad. Gap İnşaat also operates in mining of all kinds of minerals, marble, lime, clay, coal and stone quarries and trading of stone cutter, spare parts and glazed ceramic tiles both within the country and abroad provided that the necessary permits are granted. Gap İnşaat has two branches in Turkmenistan and Qatar which are established to conduct several construction projects.

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

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

Gapyapı

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

Çalık Holding Anonim Şirketi and its Subsidiaries
Notes to the Consolidated Financial Statements
As at and for the Year Ended 31 December 2019
(Amounts expressed in thousands of USD unless otherwise stated.)

1 Reporting entity *(continued)*

1.3 Entities in textile segment

Company names	Type of partnership	Country
Balkan Dokuma TGPJ ("Balkan Dokuma")	Associate	Turkmenistan
Calik Denim B.V. ("Calik Denim")	Subsidiary	The Netherlands
Çalık Alexandria For Readymade Garments ("Çalık Alexandria")	Subsidiary	Egypt
Çalık Denim Tekstil Sanayi ve Ticaret Anonim Şirketi ("Çalık Denim")	Subsidiary	Turkey
Gap Türkmen-Türkmenbaşı Jeans Kompleksi ("TJK")	Associate	Turkmenistan
Malatya Boya ve Emprime Anonim Şirketi ("Malatya Boya")	Subsidiary	Turkey
Serdar Pamuk Egrigi Fabrigi ÇJB ("Serdar Pamuk")	Associate	Turkmenistan
Türkmenbaşı Tekstil Kompleksi ("TTK")	Associate	Turkmenistan

Balkan Dokuma

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

Calik Denim

Calik Denim was established in 2017 in the Netherlands for the purpose of trading and marketing textile products and provide services in the development of other group companies operating in the textile sector.

Çalık Alexandria

Çalık Alexandria was established in 2006 in Egypt for the purpose of engaging in the business of manufacturing and marketing ready wear, yarn and textures.

Çalık Denim

Çalık Denim, formerly known as Gap Güneydoğu Tekstil Sanayi ve Ticaret Anonim Şirketi, was established in 1987, in Turkey and conducts its production operation in Malatya Industrial Area. Çalık Denim has a branch, namely Gap Güneydoğu Mersin Free Zone that is engaged in the importing and exporting of textile products.

TJK

TJK was established as a joint venture of Çalık Denim and the Ministry of Textiles Industry of Turkmenistan in 1995 within the frame of Turkmenistan regulations for the purpose of yarn and denim fabric production and marketing. TJK has a denim fabric and jean factory and makes domestic and foreign sales to USA and European countries.

Malatya Boya

Malatya Boya Emprime Factory was established in 1997 in Malatya, Turkey. The Company maintains fabric dyeing process since 2007. The company is acquired by Çalık Denim on 31 August 2017 which is a subsidiary of Çalık Group.

Serdar Pamuk and TTK

Serdar Pamuk and TTK were established in Turkmenistan for the purpose of producing denim fabric in textile industry.

Çalık Holding Anonim Şirketi and its Subsidiaries
Notes to the Consolidated Financial Statements
As at and for the Year Ended 31 December 2019
(Amounts expressed in thousands of USD unless otherwise stated.)

1 Reporting entity *(continued)*

1.4 Entities in marketing segment

Company name	Type of partnership	Country
Gap Pazarlama Anonim Şirketi	Subsidiary	Turkey
Gap Pazarlama FZE Jebel Ali Free Zone	Subsidiary	UAE – Dubai
Gappa Textile Inc.	Subsidiary	USA
Synchron Global Trading FZE	Subsidiary	UAE – Dubai
Tura Moda Mağazacılık ve Elektronik Tic. A.Ş.	Subsidiary	Turkey

Gap Pazarlama

Gap Pazarlama was established in 1994 in order to supply goods used in the production and the domestic or foreign projects carried out mainly by the Group and other non-group companies. Gap Pazarlama has a branch in Mersin Free Zone, which is engaged in the importation and exportation of textile products.

Gap Pazarlama FZE

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

Gappa

Gappa Textile Inc. was established to operate in the international markets for selling of the home textiles and ready-to-wear garments.

Synchron

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

Tura Moda

On 2 January 2018, all shares of Tura Moda (named "Tura Madencilik Anonim Şirketi" before) belonging Çalık Holding were transferred to Gap Pazarlama at nominal values. The name of the company has been changed to "Tura Moda" on 4 May 2018.

1.5 Entities in telecommunication segment

Company name	Type of partnership	Country
Albtelecom Sh.a. ("Albtelecom")	Subsidiary	Albania
Cetel Telekom İletişim Sanayi ve Ticaret Anonim Şirketi. ("Cetel Telekom")	Subsidiary	Turkey

Albtelecom

Albtelecom was established in 1992 with a company name Albtelecom Telekomi Shqiptar and transformed into a joint-stock company on 23 February 1999. Until 28 September 2007, Government of Albania as represented by the Ministry of Economy, Trade and Energy was the sole shareholder of the company. As of 28 September 2007, CT Telecom Sh.a, a former subsidiary of Cetel Telekom acquired 76 percent of the Albtelecom's share capital. Albtelecom is the unique national operator providing wired telephone service in Albania. In 2013, CT Telecom Sh.a merged with Albtelecom under Albtelecom.

Albtelecom merged with its subsidiary Eagle Mobile Sh.a, which provides local, mobile and terrestrial communication services in Albania, on 1 February 2013.

Cetel Telekom

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

Çalık Holding Anonim Şirketi and its Subsidiaries
Notes to the Consolidated Financial Statements
As at and for the Year Ended 31 December 2019
(Amounts expressed in thousands of USD unless otherwise stated.)

1 Reporting entity *(continued)*

1.6 Entities in banking and finance segment

Company name	Type of partnership	Country
Aktif Yatırım Bankası Anonim Şirketi ("Aktifbank")	Subsidiary	Turkey
Albania Leasing Company ("Albania Leasing")	Associate	Albania
Banka Kombëtare Tregtare Kosovë JSC (*)	Subsidiary	Kosovo
Banka Kombetare Tregtare Sh.a	Subsidiary	Albania
Çalık Finansal Hizmetler Anonim Şirketi ("Çalık Finansal Hizmetler")	Subsidiary	Turkey
Euro-Mediterranean Investment Company Limited ("Euro-Mediterranean")	Associate	TRNC
Euroasian Leasing Company ("ELC")	Associate	Tatarstan-Russia
Haliç Finansal Kiralama Anonim Şirketi ("Haliç Leasing")	Associate	Turkey
Kazakhistan Ijara Company KIC Leasing ("Kazakhistan Ijara")	Associate	Kazakhstan
Mükafat Portföy Yönetimi Anonim Şirketi ("Mükafat Portföy")	Subsidiary	Turkey
Sigortayeri Sigorta ve Reasürans Brokerlığı Anonim Şirketi ("Sigortayeri")	Subsidiary	Turkey

(*) The company joined the Group in 2019.

Aktifbank

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

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

Albania Leasing

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

BKT

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

BKT Kosovo

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

Çalık Finansal Hizmetler

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

Euro-Mediterranean

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

ELC

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

Haliç Leasing

Haliç Leasing was established in 2004, in Turkey for the purpose of operating in financial leasing sector. 32 percent of the Haliç Leasing's shares were acquired by the Group on 11 October 2016.

Kazakhistan Ijara

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

Mükafat Portföy

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

Çalık Holding Anonim Şirketi and its Subsidiaries
Notes to the Consolidated Financial Statements
As at and for the Year Ended 31 December 2019
(Amounts expressed in thousands of USD unless otherwise stated.)

1 Reporting Entity *(continued)*

1.6 Entities in banking and finance segment *(continued)*

Sigortayeri

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

1.7 Entities in other segments

Company name	Type of partnership	Country
Aktif Yatırım Bankası Sukuk Varlık Kiralama Anonim Şirketi	Associate	Turkey
Akuamarin Solar Enerji Üretim Anonim Şirketi (***)	Subsidiary	Turkey
Akyarlar Enerji İnşaat Tarım Hayvancılık İthalat İhracat A.Ş. (*)	Subsidiary	Turkey
Albatros Solar Enerji Üretim Anonim Şirketi	Subsidiary	Turkey
Amethyst Holding N.V.	Subsidiary	The Netherlands
Ametist Solar Enerji Üretim Anonim Şirketi (***)	Subsidiary	Turkey
Artmin Madencilik Sanayi ve Ticaret Anonim Şirketi	Subsidiary	Turkey
Attivo Bilişim Anonim Şirketi	Subsidiary	Turkey
Aytaşı Solar Enerji Üretim Anonim Şirketi (***)	Subsidiary	Turkey
Cydev Investment Ltd.	Associate	TRNC
Çalık Dijital ve Bilişim Hizmetleri Anonim Şirketi	Subsidiary	Turkey
Çalık Hava Taşımacılık Turizm Sanayi ve Ticaret Anonim Şirketi	Subsidiary	Turkey
Çalık Pamuk Doğal ve Sentetik Elyaf Ticaret Anonim Şirketi	Subsidiary	Turkey
Çalık Tarım Ürünleri Lisanlı Depoculuk Anonim Şirketi	Subsidiary	Turkey
Çiğdem Solar Enerji Üretim Anonim Şirketi (***)	Subsidiary	Turkey
Çöl Yıldızı Solar Enerji Üretim Anonim Şirketi	Subsidiary	Turkey
Defne Solar Enerji Üretim Anonim Şirketi (***)	Subsidiary	Turkey
Deniz Güneş Enerjisi Üretimi Anonim Şirketi	Subsidiary	Turkey
Deniz Yıldızı Solar Enerji Üretim Anonim Şirketi	Subsidiary	Turkey
Dome Zero Inc(*)	Associate	USA
Duru Güneş Enerjisi Üretimi Anonim Şirketi	Subsidiary	Turkey
E-Kent Geçiş Sistemleri ve Biletleme Teknolojileri Anonim Şirketi	Subsidiary	Turkey
Eko Biokütle Enerji Üretim Anonim Şirketi	Subsidiary	Turkey
Emlak Girişim Danışmanlığı Anonim Şirketi	Subsidiary	Turkey
Emyap Development Limited	Associate	TRNC
E-post Elektronik Perakende Otomasyon Satış Ticaret Anonim Şirketi	Subsidiary	Turkey
Esen Güneş Enerjisi Üretim Anonim Şirketi	Subsidiary	Turkey
Gelincik Solar Enerji Üretim Anonim Şirketi. (***)	Subsidiary	Turkey
Gök Safir Solar Enerji Üretim Anonim Şirketi	Subsidiary	Turkey
Güneştaşı Solar Enerji Üretim Anonim Şirketi (***)	Subsidiary	Turkey
Halk Yenilenebilir Enerji Anonim Şirketi	Joint venture	Turkey
Idea Farm Ventures Limited	Associate	UAE
İnovaban İnovasyon ve Finansal Danışmanlık Anonim Şirketi	Subsidiary	Turkey
İpek Güneş Enerjisi Üretim Anonim Şirketi	Subsidiary	Turkey
Kadıkalesi Enerji İnşaat Tarım Hayvancılık İthalat İhracat A.Ş. (*)	Subsidiary	Turkey
Kamelya Solar Enerji Üretim Anonim Şirketi	Subsidiary	Turkey
Kaplan Gözü Solar Enerji Üretim Anonim Şirketi (***)	Subsidiary	Turkey
Kartaltepe Madencilik Sanayi ve Ticaret Anonim Şirketi	Joint venture	Turkey
Kasımpatı Solar Enerji Üretim Anonim Şirketi	Subsidiary	Turkey
Kıbrıs Besicilik ve Çiftçilik Teşebbüsleri Limited	Associate	TRNC
Kırlangıç Solar Enerji Üretim Anonim Şirketi	Subsidiary	Turkey
Kızılyıldızı Solar Enerji Üretim Anonim Şirketi	Subsidiary	Turkey

Çalık Holding Anonim Şirketi and its Subsidiaries
Notes to the Consolidated Financial Statements
As at and for the Year Ended 31 December 2019
(Amounts expressed in thousands of USD unless otherwise stated.)

1 Reporting entity *(continued)*

1.7. Entities in other segments *(continued)*

Company name	Type of partnership	Country
Kuvars Solar Enerji Üretim Anonim Şirketi (***)	Subsidiary	Turkey
Kuzey Yıldızı Solar Enerji Üretim Anonim Şirketi	Subsidiary	Turkey
Lapis Solar Enerji Üretim Anonim Şirketi (***)	Subsidiary	Turkey
Leylak Solar Enerji Üretim Anonim Şirketi (***)	Subsidiary	Turkey
Lidya Madencilik Sanayi ve Ticaret Anonim Şirketi	Subsidiary	Turkey
Lilyum Solar Enerji Üretim Anonim Şirketi (***)	Subsidiary	Turkey
Martı Solar Enerji Üretim Anonim Şirketi	Subsidiary	Turkey
Mehtap Güneş Enerjisi Üretim Anonim Şirketi	Subsidiary	Turkey
Mercan Solar Enerji Üretim Anonim Şirketi	Subsidiary	Turkey
Nilüfer Solar Enerji Üretim Anonim Şirketi	Subsidiary	Turkey
N-Kolay Ödeme Kuruluşu Anonim Şirketi	Subsidiary	Turkey
Nouvelle Frontiere SARL (**)	Subsidiary	Kongo
Olimpos Solar Enerji Üretim Anonim Şirketi	Subsidiary	Turkey
Olivin Solar Enerji Üretim Anonim Şirketi (***)	Subsidiary	Turkey
Oniki Teknoloji A.Ş.	Subsidiary	Turkey
Oniks Solar Enerji Üretim Anonim Şirketi (***)	Subsidiary	Turkey
Opal Solar Enerji Üretim Anonim Şirketi (***)	Subsidiary	Turkey
Pasifik Solar Enerji Üretim Anonim Şirketi	Subsidiary	Turkey
Passo Spor Oyunları Kulübü Yazılım ve Pazarlama A.Ş. (**)	Subsidiary	Turkey
Pavo Teknik Servis Elektrik ve Elektronik Sanayi ve Ticaret Anonim Şirketi	Subsidiary	Turkey
Polimetal Madencilik Sanayi ve Ticaret Anonim Şirketi	Joint venture	Turkey
Polimetal Mineral Madencilik Sanayi ve Ticaret Anonim Şirketi	Subsidiary	Turkey
Secom Aktif Elektronik Güvenlik Çözümleri A.Ş. (**)	Joint venture	Turkey
Secom Aktif Güvenlik Yatırım Anonim Şirketi (**)	Joint venture	Turkey
Sedef Solar Enerji Üretim Anonim Şirketi (***)	Subsidiary	Turkey
Seher Güneş Enerjisi Üretim Anonim Şirketi	Subsidiary	Turkey
Seher Yıldızı Solar Enerji Üretim Anonim Şirketi	Subsidiary	Turkey
Silent Valley Partnership	Associate	TRNC
Tanyeri Güneş Enerjisi Üretim Anonim Şirketi	Subsidiary	Turkey
Tunçpınar Madencilik Sanayi ve Ticaret Anonim Şirketi	Joint venture	Turkey
Turkuvaz Solar Enerji Üretim Anonim Şirketi (***)	Subsidiary	Turkey
Ufuk Güneş Enerjisi Üretim Anonim Şirketi	Subsidiary	Turkey
UPT Ödeme Hizmetleri Anonim Şirketi	Subsidiary	Turkey
Yakamoz Güneş Enerjisi Üretim Anonim Şirketi	Subsidiary	Turkey
Yakut Solar Enerji Üretim Anonim Şirketi	Subsidiary	Turkey
Yalıkavak Enerji İnşaat Tarım Hayvancılık İthalat İhracat Ltd. Şti. (*)	Subsidiary	Turkey
Zirkon Solar Enerji Üretim Anonim Şirketi (***)	Subsidiary	Turkey

(*) The company joined the Group in 2019.
(**) The company was established in 2019.
(***) In 2019, the shareholder structure of the company changed and changed from a joint ventures to a subsidiary.

Aktif Yatırım Bankası Sukuk Varlık Kiralama Anonim Şirketi ("Aktif VKŞ")

Aktif VKŞ was established in 2013 in Istanbul for the purpose of issuing rent certificate in accordance with the relevant regulations promulgated by Capital Market Board of Turkey.

Akuamarin Solar Enerji Üretim Anonim Şirketi ("Akuamarin")

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

Çalık Holding Anonim Şirketi and its Subsidiaries
Notes to the Consolidated Financial Statements
As at and for the Year Ended 31 December 2019
(Amounts expressed in thousands of USD unless otherwise stated.)

1 Reporting entity *(continued)*

1.7 Entities in other segments *(continued)*

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

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

Albatros Solar Enerji Üretim Anonim Şirketi ("Albatros")

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

Amethyst Holding N.V. ("Amethyst")

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

Ametist Solar Enerji Üretim Anonim Şirketi ("Ametist Solar")

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

Artmin Madencilik Sanayi ve Ticaret Anonim Şirketi ("Artmin Madencilik")

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

Attivo Bilişim Anonim Şirketi ("Attivo")

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

Aytaşı Solar Enerji Üretim Anonim Şirketi ("Aytaşı")

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

Cydev Investment Ltd. ("CYDEV Investment")

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

Çalık Dijital ve Bilişim Hizmetlerşi Anonim Şirketi ("Çalık Dijital)

Çalık Dijital (formerly known as Dore Altın ve Madencilik Anonim Şirketi) was established in 2010 in Istanbul for the purpose of mining, operating, purchasing and renting underground and surface mine and natural resources in accordance with existing regulations, to purchase prospecting license, to demand operating right and to take over mining rights. The former name of company, was changed on 8 December 2017 as Çalık Dijital ve Bilişim Hizmetlerşi Anonim Şirketi ("Çalık Dijital)

Çalık Hava Taşımacılık Turizm Sanayi ve Ticaret Anonim Şirketi ("Çalık Hava")

Çalık Hava was established in 2010 in Istanbul for the purpose of providing every kind of air transportation activities, scheduled or unscheduled domestic and abroad air transportation, arranging passenger and freight cargo transportation.

Çalık Pamuk Doğal ve Sentetik Elyaf Ticaret Anonim Şirketi ("Çalık Pamuk")

Çalık Pamuk started its operations under Çalık Holding in 2011. Çalık Pamuk beside trading cotton also provides consultancy services in all cotton related subjects. Çalık Pamuk procures cotton from both abroad and within Turkey mainly from USA and also from India, Central Asia, Africa, Greece and Turkish Southeast and provides services to cotton using textile companies both foreign and local companies.

Çalık Holding Anonim Şirketi and its Subsidiaries
Notes to the Consolidated Financial Statements
As at and for the Year Ended 31 December 2019
(Amounts expressed in thousands of USD unless otherwise stated.)

1 Reporting entity *(continued)*

1.7 Entities in other segments *(continued)*

Çalık Tarım Ürünleri ve Lisanslı Depoculuk Anonim Şirketi ("Çalık Tarım")

Çalık Tarım was established in 2017 in order to provide licensed warehousing services for the conservation of agricultural products under the license and for the purpose of commercial storage.

Çiğdem Solar Enerji Üretim Anonim Şirketi ("Çiğdem")

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

Çöl Yıldızı Solar Enerji Üretim Anonim Şirketi ("Çöl Yıldızı")

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

Defne Solar Enerji Üretim Anonim Şirketi ("Defne")

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

Deniz Güneş Enerjisi Üretimi Anonim Şirketi ("Deniz Güneş Enerjisi")

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

Deniz Yıldızı Solar Enerji Üretim Anonim Şirketi ("Deniz Yıldızı")

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

Dome Zero Inc ("Dome Zero")

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

Duru Güneş Enerjisi Üretimi Anonim Şirketi ("Duru")

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

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

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

Eko Biokütle Enerji Üretim Anonim Şirketi ("Eko Biokütle")

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

Emlak Girişim Danışmanlığı Anonim Şirketi ("Emlak Girişim")

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

Emyap Development Limited ("Emyap Development")

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

Çalık Holding Anonim Şirketi and its Subsidiaries
Notes to the Consolidated Financial Statements
As at and for the Year Ended 31 December 2019
(Amounts expressed in thousands of USD unless otherwise stated.)

1 Reporting entity (continued)

1.7 Entities in other segments (continued)

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

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

Esen Güneş Enerjisi Üretim Anonim Şirketi ("Esen")

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

Gelincik Solar Enerji Üretim Anonim Şirketi ("Gelincik")

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

Gök Safir Solar Enerji Üretim Anonim Şirketi ("Gök Safir")

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

Güneştaşı Solar Enerji Üretim Anonim Şirketi ("Güneştaşı")

Güneştaşı was established in order to provide solar power production service in Istanbul in 2018. The power plant operates in Doğalar Village in Kütahya.

Halk Yenilebilir Enerji Anonim Şirketi ("Halk Yenilenebilir")

The Company was established in 2017, in Ankara for the purpose of establishing and providing maintenance-repair services to power generation plants.

Idea Farm Ventures Limited ("Idea Farm")

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

İnovaban İnovasyon ve Finansal Danışmanlık Anonim Şirketi ("İnovaban İnovasyon")

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

İpek Güneş Enerjisi Üretim Anonim Şirketi ("İpek")

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

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

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

Kamelya Solar Enerji Üretim Anonim Şirketi ("Kamelya")

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

Kaplan Gözü Solar Enerji Üretim Anonim Şirketi ("Kaplan Gözü")

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

Çalık Holding Anonim Şirketi and its Subsidiaries
Notes to the Consolidated Financial Statements
As at and for the Year Ended 31 December 2019
(Amounts expressed in thousands of USD unless otherwise stated.)

1 Reporting entity *(continued)*

1.7 Entities in other segments *(continued)*

Kartaltepe Madencilik Sanayi ve Ticaret Anonim Şirketi ("Kartaltepe")

Kartaltepe was established in 2011 as a wholly owned subsidiary of YAMAS. Kartaltepe is registered in Ankara, Turkey and is engaged in the operation of mining in Erzincan region. As at reporting date, Kartaltepe is a joint venture of Lidya Madencilik Sanayi ve Ticaret Anonim Şirketi ("Lidya Maden") and YAMAS with an ownership structure of 50 percent and 50 percent, respectively.

Kasımpatı Solar Enerji Üretim Anonim Şirketi ("Kasımpatı")

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

Kıbrıs Besicilik ve Çiftçilik Teşebbüsleri Limited ("Kıbrıs Besicilik")

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

Kırlangıç Solar Enerji Üretim Anonim Şirketi ("Kırlangıç")

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

Kızılyıldızı Solar Enerji Üretim Anonim Şirketi ("Kızılyıldızı")

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

Kuvars Solar Enerji Üretim Anonim Şirketi ("Kuvars")

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

Kuzey Yıldızı Solar Enerji Üretim Anonim Şirketi ("Kuzey Yıldızı")

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

Lapis Solar Enerji Üretim Anonim Şirketi ("Lapis")

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

Leylak Solar Enerji Üretim Anonim Şirketi ("Leylak")

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

Lidya Madencilik Sanayi ve Ticaret Anonim Şirketi ("Lidya Maden")

Lidya Maden was established in 2006 in Istanbul to explore all kind of metal and mineral products and to participate in mining companies.

Lilyum Solar Enerji Üretim Anonim Şirketi ("Lilyum")

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

Martı Solar Enerji Üretim Anonim Şirketi ("Martı")

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

Çalık Holding Anonim Şirketi and its Subsidiaries
Notes to the Consolidated Financial Statements
As at and for the Year Ended 31 December 2019
(Amounts expressed in thousands of USD unless otherwise stated.)

1 Reporting entity *(continued)*

1.7 Entities in other segments *(continued)*

Mehtap Güneş Enerjisi Üretim Anonim Şirketi ("Mehtap")

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

Mercan Solar Enerji Üretim Anonim Şirketi ("Mercan")

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

Nilüfer Solar Enerji Üretim Anonim Şirketi ("Nilüfer")

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

N-Kolay Ödeme Sistemleri Anonim Şirketi ("N-Kolay")

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

Nouvelle Frontier SARL ("Nouvelle Frontiere")

Nouvelle Frontiere was registered in 2019 with the purpose of conducting geological research studies directly or indirectly, operating various mines and producing concentrates. The head office of the company is in Democratic Republic of Congo.

Olimpos Solar Enerji Üretim Anonim Şirketi ("Olimpos")

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

Olivin Solar Enerji Üretim Anonim Şirketi ("Olivin")

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

Oniki Teknoloji A.Ş. ("Oniki Teknoloji")

E-Post Dış Ticaret, was established in order to provide intermediary services in domestic and foreign trade in Istanbul in 2018. The Company's title was changed to "Oniki Teknoloji A.Ş." in 2019.

Oniks Solar Enerji Üretim Anonim Şirketi ("Oniks")

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

Opal Solar Enerji Üretim Anonim Şirketi ("Opal")

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

Pasifik Solar Enerji Üretim Anonim Şirketi ("Pasifik")

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

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

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

Çalık Holding Anonim Şirketi and its Subsidiaries
Notes to the Consolidated Financial Statements
As at and for the Year Ended 31 December 2019
(Amounts expressed in thousands of USD unless otherwise stated.)

1 Reporting entity *(continued)*

1.7 Entities in other segments *(continued)*

Pavo Teknik Servis Elektrik ve Elektronik Sanayi ve Ticaret Anonim Şirketi ("Pavo")

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

Polimetal Madencilik Sanayi ve Ticaret Anonim Şirketi ("Polimetal")

Polimetal was incorporated in 2011 as a wholly owned subsidiary of Yeni Anadolu Mineral Madencilik Sanayi ve Ticaret Ltd. Şti. ("YAMAS"). Polimetal is registered in Ankara, Turkey and is engaged in the development and operation of mining assets. As at reporting date, Polimetal is a joint venture of Lidya Maden and YAMAS with an ownership structure of 50 percent and 50 percent, respectively.

Polimetal Mineral Madencilik Sanayi ve Ticaret Anonim Şirketi ("Polimetal Mineral")

Polimetal Mineral was established on 15 November 2016 to explore, develop and operate all kinds of mines.

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

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

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

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

Sedef Solar Enerji Üretim Anonim Şirketi ("Sedef")

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

Seher Güneş Enerjisi Üretim Anonim Şirketi ("Seher")

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

Seher Yıldızı Solar Enerji Üretim Anonim Şirketi ("Seher Yıldızı")

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

Silent Valley Partnership ("Silent Valley")

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

Tanyeri Güneş Enerjisi Üretim Anonim Şirketi ("Tanyeri")

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

Tunçpınar Madencilik Sanayi ve Ticaret Anonim Şirketi ("Tunçpınar")

Tunçpınar was established in 2011 as a wholly owned subsidiary of YAMAS. Tunçpınar is registered in Ankara, Turkey and is engaged in the operation of mining in Tunceli region. As at reporting date, Tunçpınar is a joint venture of Lidya Maden and YAMAS with an ownership structure of 50 percent and 50 percent, respectively.

Turkuvaz Solar Enerji Üretim Anonim Şirketi ("Turkuvaz")

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

Çalık Holding Anonim Şirketi and its Subsidiaries
Notes to the Consolidated Financial Statements
As at and for the Year Ended 31 December 2019
(Amounts expressed in thousands of USD unless otherwise stated.)

1 Reporting entity *(continued)*

1.7 Entities in other segments *(continued)*

Ufuk Güneş Enerjisi Üretim Anonim Şirketi ("Ufuk")

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

UPT Ödeme Hizmetleri Anonim Şirketi ("UPT")

UPT was established for the purpose of electronic money transfer and payment services.

Yakamoz Güneş Enerjisi Üretim Anonim Şirketi ("Yakamoz")

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

Yakut Solar Enerji Üretim Anonim Şirketi ("Yakut")

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

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

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

Zirkon Solar Enerji Üretim Anonim Şirketi ("Zirkon")

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

2 Basis of preparation

(a) Statement of compliance

Çalık Holding entities operating in Turkey maintain their books of account and prepare their statutory financial statements in Turkish Lira ("TL") in accordance with the Accounting Practice Regulations as promulgated by the Banking Regulatory and Supervision Agency ("BRSA") (applicable to the financial institutions), Turkish Uniform Chart of Accounts, Turkish Commercial Code and Tax Legislation.

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

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standarts ("IFRS").

<u>*Going concern*</u>

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

b) Preparation of financial statements

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

Çalık Holding Anonim Şirketi and its Subsidiaries
Notes to the Consolidated Financial Statements
As at and for the Year Ended 31 December 2019
(Amounts expressed in thousands of USD unless otherwise stated.)

2 Basis of preparation *(continued)*

c) *Basis of Measurements*

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

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

The methods used to measure the fair values are discussed further in Note 36.

(d) *Functional and presentation currency*

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

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

e) *Use of estimates and judgements*

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

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

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

- Note 3 (e) and (f) – Useful lives of property and equipment and intangible assets including goodwill
- Note 9 – Financial investments
- Note 11– Trade receivables and payables
- Note 15 – Prepayments and deferred revenue
- Note 20 – Investment property
- Note 24 – Derivatives
- Note 26 – Provisions
- Note 28 – Taxation
- Note 36 – Financial instruments – Fair values and risk management *(including fair value explanations)*

Çalık Holding Anonim Şirketi and its Subsidiaries
Notes to the Consolidated Financial Statements
As at and for the Year Ended 31 December 2019
(Amounts expressed in thousands of USD unless otherwise stated.)

2 Basis of preparation *(continued)*

f) *Comperative information and adjustment of prior period financial statements*

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

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

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

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

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

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

In the consolidated statement of profit and loss, which ended on 31 December 2018, the Group reclassified interest income of 7.555 USD, which was accounted for among other income from operating activities, to finance income.
In order to present it in comparison with the current period, interest income amounting to 81.867 USD, previously shown as "Other income from operating activities", is classified as "Revenue". This classification stems from the Çedaş subsidiary.

g) *The new standards, amendments and interpretations*

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

Çalık Holding Anonim Şirketi and its Subsidiaries
Notes to the Consolidated Financial Statements
As at and for the Year Ended 31 December 2019
(Amounts expressed in thousands of USD unless otherwise stated.)

2 Basis of preparation *(continued)*

g) *The new standards, amendments and interpretations* *(continued)*

i)The new standards, amendments and interpretations which are effective as at January 1, 2019 are as follows:

IFRS 16 Leases

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

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

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

Transition to IFRS 16:

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

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

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

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

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

Çalık Holding Anonim Şirketi and its Subsidiaries
Notes to Consolidated Financial Statements
As at and for the Year Ended 31 December 2019
(Amounts expressed in thousands of United States Dollar ("USD") unless otherwise stated.)

2 Basis of preparation *(continued)*

g) *The new standards, amendments and interpretations* *(continued)*

i)The new standards, amendments and interpretations which are effective as at January 1, 2019 are as follows *(continued)*

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

Right-of-use assets

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

Right-of-use assets are subject to impairment.

Lease liabilities

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the the Group and payments of penalties for terminating a lease, if the lease term reflects the the Group exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognised as expense in the period on which the event or condition that triggers the payment occurs.

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

Short-term leases and leases of low-value assets

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

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

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

Çalık Holding Anonim Şirketi and its Subsidiaries
Notes to Consolidated Financial Statements
As at and for the Year Ended 31 December 2019
(Amounts expressed in thousands of United States Dollar ("USD") unless otherwise stated.).

2 Basis of preparation *(continued)*

g) The new standards, amendments and interpretations *(continued)*

i)The new standards, amendments and interpretations which are effective as at January 1, 2019 are as follows *(continued)*

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

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

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

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

IFRIC 23 Uncertainty over Income Tax Treatments

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

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

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

Annual Improvements – 2015–2017 Cycle

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

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

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

Çalık Holding Anonim Şirketi and its Subsidiaries
Notes to Consolidated Financial Statements
As at and for the Year Ended 31 December 2019
(Amounts expressed in thousands of United States Dollar ("USD") unless otherwise stated.)

2 Basis of preparation *(continued)*

g) The new standards, amendments and interpretations *(continued)*

i)The new standards, amendments and interpretations which are effective as at January 1, 2019 are as follows *(continued)*

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

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

Prepayment Features with Negative Compensation (Amendments to IFRS 9)

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

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

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

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

Standards, interpretations and amendments to existing standards that are issued but not yet effective up to the date of issuance of the consolidated financial statements are as follows. The Group will make the necessary changes if not indicated otherwise, which will be affecting the consolidated financial statements and disclosures, when the new standards and interpretations become effective.

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

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

IFRS 17 - The new Standard for insurance contracts

The ISB issued IFRS 17, a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. IFRS 17 model combines a current balance sheet measurement of insurance contract liabilities with the recognition of profit over the period that services are provided. IFRS 17 will become effective for annual reporting periods beginning on or after 1 January 2021; early application is permitted. The standard is not applicable for the Group and will not have an impact on the financial position or performance of the Group.

Çalık Holding Anonim Şirketi and its Subsidiaries
Notes to Consolidated Financial Statements
As at and for the Year Ended 31 December 2019
(Amounts expressed in thousands of United States Dollar ("USD") unless otherwise stated.)

2 Basis of preparation *(continued)*

g) The new standards, amendments and interpretations *(continued)*

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

Definition of a Business (Amendments to IFRS 3)

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

The amendments:
- *Clarify the minimum requirements for a business;*
- *Remove the assessment of whether market participants are capable of replacing any missing elements*;
- *Add guidance to help entities assess whether an acquired process is substantive*;
- *Narrow the definitions of a business and of outputs; and*
- *Introduce an optional fair value concentration test.*

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

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

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

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

The amendments to IAS 1 and IAS 8 are required to be applied for annual periods beginning on or after 1 January 2020. The amendments must be applied prospectively, and earlier application is permitted. The Group is in the process of assessing the impact of the amendments on financial position or performance of the the Group.

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

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

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

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

Çalık Holding Anonim Şirketi and its Subsidiaries
Notes to Consolidated Financial Statements
As at and for the Year Ended 31 December 2019
(Amounts expressed in thousands of United States Dollar ("USD") unless otherwise stated.)

3 Significant accounting policies

a) Basis of consolidation

The accompanying consolidated financial statements include the accounts of the parent company, Çalık Holding, its subsidiaries, joint arrangements and associates on the basis set out in sections below. The financial statements of the entities included in the consolidation have been prepared as at the date of the consolidated financial statements.

i) Business combinations

The Group accounts for business combinations using the acquisition method when control is transferred to the Group. The consideration transferred in the acquisition is generally measured at fair value, as are the identifiable net assets acquired. Any goodwill that arises is tested annually for impairment. Any gain on a bargain purchase is recognised in profit or loss immediately. Transaction costs are expensed as incurred, except if related to the issue of debt or equity securities.

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

Any contingent consideration is measured at fair value at the date of acquisition. If an obligation to pay contingent consideration that meets the definition of a financial instrument is classified as equity, then it is not remeasured and settlement is accounted for within equity. Otherwise, other contingent consideration is remeasured at fair value at each reporting date and subsequent changes in the fair value of the contingent consideration are recognised in profit or loss.

If share-based payment awards are required to be exchanged for awards held by the acquiree's employees, then all or a portion of the amount of the acquirer's replacement awards is included in measuring the consideration transferred in the business combination. This determination is based on the market-based measure of the replacement awards compared with the market-based measure of the acquiree's awards and the extent to which the replacement awards relate to pre-combination service.

ii) Non-controlling interests

Non-controlling interests are measured initially at their proportionate share of the acquiree's identifiable net assets at the date of acquisition.

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

iii) Subsidiaries

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

iv) Loss of control

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

v) Acquisitions from entities under common control

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

Çalık Holding Anonim Şirketi and its Subsidiaries
Notes to Consolidated Financial Statements
As at and for the Year Ended 31 December 2019
(Amounts expressed in thousands of United States Dollar ("USD") unless otherwise stated.)

3 Significant accounting policies *(continued)*

a) Basis of consolidation *(continued)*

vi) Associates (Equity-accounted investees)

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

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

vii) Joint arrangements

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

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

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

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

viii) Transactions eliminated on consolidation

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

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

Çalık Holding Anonim Şirketi and its Subsidiaries
Notes to Consolidated Financial Statements
As at and for the Year Ended 31 December 2019
(Amounts expressed in thousands of United States Dollar ("USD") unless otherwise stated.)

3 Significant accounting policies *(continued)*

b) Foreign currency

i) Foreign currency transactions

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

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

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

— an investment in equity securities designated as at FVOCI (2018: available-for-sale equity investments (except on impairment, in which case foreign currency differences that have been recognised in OCI are reclassified to profit or loss)
— a financial liability designated as a hedge of the net investment in a foreign operation to the extent that the hedge is effective
— qualifying cash flow hedges to the extent that the hedges are effective.

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

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

ii) Foreign operations

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

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

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

Çalık Holding Anonim Şirketi and its Subsidiaries
Notes to Consolidated Financial Statements
As at and for the Year Ended 31 December 2019
(Amounts expressed in thousands of United States Dollar ("USD") unless otherwise stated.)

3 Significant accounting policies *(continued)*

c) Financial instruments

i) Recognition and initial measurement

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

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

ii) Classification and subsequent measurement

Financial assets – Policy applicable from 1 January 2018

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

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

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

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

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

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

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

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

Çalık Holding Anonim Şirketi and its Subsidiaries
Notes to Consolidated Financial Statements
As at and for the Year Ended 31 December 2019
(Amounts expressed in thousands of United States Dollar ("USD") unless otherwise stated.)

3 Significant accounting policies *(continued)*

c) Financial instruments *(continued)*

ii) Classification and subsequent measurement (continued)

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

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

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

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

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

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

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

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

Çalık Holding Anonim Şirketi and its Subsidiaries
Notes to Consolidated Financial Statements
As at and for the Year Ended 31 December 2019
(Amounts expressed in thousands of United States Dollar ("USD") unless otherwise stated.)

3 Significant accounting policies *(continued)*

***c) Financial instruments** (continued)*

ii) Classification and subsequent measurement (continued)

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

Financial assets at FVTPL	These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in profit or loss.
Financial assets at amortised cost	These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.
Debt investments at FVOCI	These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognised in profit or loss. Other net gains and losses are recognised in OCI. On derecognition, gains and losses accumulated in OCI are reclassified to profit or loss.
Equity investments at FVOCI	These assets are subsequently measured at fair value. Dividends are recognised as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognised in OCI and are never reclassified to profit or loss.

iii) Derivative financial instruments

Cash and cash equivalents

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

Service concession arrangements

According to the "Transfer of Operating Rights Agreement" ("TORA") signed between Turkey Elektrik Dağıtım Anonim Şirketi ("TEDAŞ") and YEDAŞ on 24 July 2006, the operating rights on the distribution installations and other items related thereto were transferred to YEDAŞ for a consideration of USD 68.420. TORA consideration has been amortized by adding to revenue cap during the first tariff period (2006-2010). As of December 31, 2019, the aforementioned TORA consideration amount has been fully amortized.

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

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

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

Çalık Holding Anonim Şirketi and its Subsidiaries
Notes to Consolidated Financial Statements
As at and for the Year Ended 31 December 2019
(Amounts expressed in thousands of United States Dollar ("USD") unless otherwise stated.)

3 Significant accounting policies *(continued)*

***c) Financial instruments** (continued)*

iii) Derivative financial instruments (continued)

Service concession arrangements (continued)

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

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

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

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

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

Security deposit

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

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

Income and expenses arising from the repurchase and resale agreements over investments are recognised on an accruals basis over the period of the transaction and are included in "interest income" or "interest expense" presented under "revenue from finance sector operations" and "cost of revenue from finance sector operations", respectively.

d) Repurchase transactions

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

Çalık Holding Anonim Şirketi and its Subsidiaries
Notes to Consolidated Financial Statements
As at and for the Year Ended 31 December 2019
(Amounts expressed in thousands of United States Dollar ("USD") unless otherwise stated.)

3 Significant accounting policies *(continued)*

d) Repurchase transactions *(continued)*

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

(e) Property, plant and equipment

i) Recognition and measurement

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

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

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

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

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

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

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

ii) Reclassification to investment property

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

iii) Subsequent costs

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

iv) Depreciation

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

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

Çalık Holding Anonim Şirketi and its Subsidiaries
Notes to Consolidated Financial Statements
As at and for the Year Ended 31 December 2019
(Amounts expressed in thousands of United States Dollar ("USD") unless otherwise stated.)

3 Significant accounting policies *(continued)*

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

iv) Depreciation (continued)

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

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

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

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

f) Intangible assets and goodwill

i) Goodwill

Goodwill arising on the acquisition of subsidiaries is measured at cost less accumulated impairment losses.

Subsequent measurement

Goodwill is measured at cost less accumulated impairment losses (see accounting policy 3(j) ii). In respect of equity accounted investees, the carrying amount of goodwill is included in the carrying amount of the investment, and any impairment loss is allocated to the carrying amount of the equity-accounted investee.

ii) Other intangible assets

Other intangible assets of the Group mainly consist of licences for oil exploration, hydroelectric power generation, wind power generation and liquefied natural gas import, electricity distribution rights and computer software acquired by the Group, which have finite useful lives, and are measured at cost less accumulated amortisation and any accumulated impairment losses, if any.

iii) Subsequent expenditures

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

iv) Amortisation

Intangible assets are amortised on a straight-line basis in profit or loss over their estimated useful lives, from the date that they are available for use.

Amortisation of service concession rights acquired by the Group is recognised in profit or loss on a straight-line basis over their respective concession periods.

Amortisation of electricity distribution rights is based on the fair value of the asset which is acquired through business combination under scope of IFRS 3 "Business Combinations". The remaining amortisation period for electricity distribution rights are 26 years which is the service concession period of YEDAŞ as it was acquired by ÇEDAŞ. Licences and other intangible assets including computer software are amortised between 10 and 50 years and 2 and 10 years, respectively.

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

Çalık Holding Anonim Şirketi and its Subsidiaries
Notes to Consolidated Financial Statements
As at and for the Year Ended 31 December 2019
(Amounts expressed in thousands of United States Dollar ("USD") unless otherwise stated.)

3 Significant accounting policies *(continued)*

g) Investment property

Investment property is initially measured at cost and subsequently at fair value with any change therein recognised in profit or loss.

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

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

Rental income from other property is recognised as other income.

h) Inventories

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

Cost of trading properties are determined on cost or deemed cost method by the entities operating in construction business. Trading properties comprised lands that are held for construction projects to sell and cost of buildings that are held for trading purposes.

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

i) Construction contracts in progress / deferred revenue

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

Construction contracts in progress is presented as "Due from customers for contract work" within trade receivables in the consolidated statement of financial position for all contracts in which the sum of costs incurred and recognised expected losses plus recognised profits exceed progress billings. If the sum of progress billings and recognised expected losses exceed cost incurred plus recognised profits, then the difference is presented as "Due to customers for contract work" within deferred income in the consolidated statement of financial position.

When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately. Revenue measurements are based on estimates that are revised as events and uncertainties are resolved. Cost and revenues may be revised based on variations to the original contract, penalties on delays, cost escalation clauses and other similar items. These revisions are recognised in the consolidated financial statements as they are incurred. Revenue incentive are recognised as revenue to the extent that the amount can be measured reliably and its receipt is considered probable.

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

Çalık Holding Anonim Şirketi and its Subsidiaries
Notes to Consolidated Financial Statements
As at and for the Year Ended 31 December 2019
(Amounts expressed in thousands of United States Dollar ("USD") unless otherwise stated.)

3 Significant accounting policies *(continued)*

i) Construction contracts in progress / deferred revenue (continued)

Contract assets

It is used to monitor the assets defined as contract assets in IFRS 15. According to IFRS 15, contract assets are the right to receive the fee, in exchange for the goods or services that the business transfers to the customer, which is bound to another condition (for example, the future performance of the business), except that time has passed.

The total amount of the contract assets is shown separately in the statement of financial position. In addition, the companies divide the contract assets into sub-items according to the type of contract they are born (in the form of contract assets arising from ongoing construction and contracting works, contract assets arising from sales of goods and services, other contract assets).

Contract Liabilities

It is used for monitoring the obligations defined as contractual obligation in IFRS 15. According to IFRS 15, the contractual obligation is the obligation of the business to transfer the goods or services to the customer in exchange for the amount collected (or entitled to be collected) from the customer.

Before a good or service is transferred to the customer, the contractual obligation arises if the customer has the right to pay the price or the entity has unconditional right to receive the price (in other words, a receivable).

The total amount of contractual obligations is shown separately in the statement of financial position. In addition, the companies divide their contractual obligations into sub-items according to the type of contract they are born (in the form of contractual obligations arising from ongoing construction and contracting works, contractual obligations from sales of goods and services, other contractual obligations).

j) Impairment

i) Non-derivative financial assets

Policy applicable from 1 January 2018

Financial instruments and contract assets

The Group recognises loss allowances for ECLs on:

- financial assets measured at amortised cost;
- debt investments measured at FVOCI; and
- contract assets.

The Group measures loss allowances at an amount equal to lifetime ECLs, except for the following, which are measured at 12-month ECLs:

- debt securities that are determined to have low credit risk at the reporting date; and
- other debt securities and bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

Loss allowances for trade receivables and contract assets are always measured at an amount equal to lifetime ECLs

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment and including forward-looking information.

Çalık Holding Anonim Şirketi and its Subsidiaries
Notes to Consolidated Financial Statements
As at and for the Year Ended 31 December 2019
(Amounts expressed in thousands of United States Dollar ("USD") unless otherwise stated.)

3 Significant accounting policies *(continued)*

***j) Impairment** (continued)*

i) Non-derivative financial assets (continued)

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

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

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

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

Measurement of ECLs

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

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

Credit-impaired financial assets

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

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

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

the disappearance of an active market for a security because of financial difficulties.

Presentation of allowance for ECL in the statement of financial position

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

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

Write-off

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

Çalık Holding Anonim Şirketi and its Subsidiaries
Notes to Consolidated Financial Statements
As at and for the Year Ended 31 December 2019
(Amounts expressed in thousands of United States Dollar ("USD") unless otherwise stated.)

3 Significant accounting policies *(continued)*

k) Assets held for sale or distribution

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

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

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

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

l) Employee benefits

i) Reserve for employee severance indemnity

Reserve for employee severance indemnity represents the present value of the estimated future probable obligation of the Group arising from the retirement of the employees of the Group's entities operating in Turkey and calculated in accordance with the Turkish Labour Law. It is computed and reflected in the consolidated financial statements on an accrual basis as it is earned by serving employees. The computation of the liabilities is based upon the retirement pay ceiling announced by the Government. The ceiling amounts applicable for each year of employment were USD 1,07 and USD 1,03 (equivalent to TL 6,38 and TL 5,43 respectively) at 31 December 2019 and 2018, respectively.

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

Income ceiling calculation for the Group's entities holding electricity distribution and retail sale license per the service concession agreement is updated yearly in accordance with EMRA decision No. 2991 dated 28 December 2010 to compensate the expenditures (such as employee benefit costs) relevant to the operations performed under these licenses as they incurred. Accordingly, the employee severance indemnity amounting to USD 1.941 (31 December 2018: USD 1.074) had no effect on the Group's consolidated financial statements since the same amount will be compensated by the Government as a adjusting item in the following income ceiling calculation.

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

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

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

Çalık Holding Anonim Şirketi and its Subsidiaries
Notes to Consolidated Financial Statements
As at and for the Year Ended 31 December 2019
(Amounts expressed in thousands of United States Dollar ("USD") unless otherwise stated.)

3 Significant accounting policies *(continued)*

***l) Employee benefits** (continued)*

ii) Defined benefit plans

The Group's banking subsidiary in Albania created a fully employer sponsored pension plan fund-Staff Support Program during 2002. The amount charged to this fund (SSP) was decided as 5 percent of yearly budgeted personnel salary expenses.

The amount due to employees based on the above plan would be grossed up by the interest that will accrue from the date the employees leave the Group's banking subsidiary in Albania until their retirement. It would be paid to employees only when they reach the Albanian statutory retirement age, in monthly instalments equal to a minimum of 75 percent of their state monthly pension until the accumulated fund for the employee is consumed.

Based on the Board of Directors resolution effective on 30 September 2010, the Group's banking subsidiary in Albania stopped the investment in this fund (SSP), by transforming it into the Staff Retention Credit Program (SRCP). The demographic changes in labour force during the last ten years and the employees' average age at 31, where 80 percent of employees are below the age of 40, has resulted in SSP not being attractive for most employees of the Group's banking subsidiary in Albania, as it can only be enjoyed at retirement. In contrast, SRCP will be more readily beneficial for all staff of the Group's banking subsidiary in Albania, as it will provide consumer and home loans with preferential terms. The entire due amount calculated for eligible employees in Staff Support Program has been frozen on the same date. The frozen amount due to change of SSP into SRCP on 30 September 2010 and the corresponding annual interest that will be gained by the investment in AAA sovereign bonds in the future until retirement age, is recorded as a liability by the Group's banking subsidiary in Albania.

iii) Vacation pay liability

Short-term employee benefit obligations are consisting of reserve for the vacation pay liability due to the earned and unused vacation rights of its employees of the Group's Turkish entities, and measured on an undiscounted basis and are recognised in profit or loss as the related service is provided.

m) Provisions

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

i) Provisions for EMRA regulations

In case of incompliance with the Electricity Market Act numbered 6446 which is effective after the publication on the Official Gazette dated 30 March 2013, numbered 28603 as well as with the regulations and communiqués promulgated by EMRA, EMRA sends a letter notifying the reason and related penalty fee with payment maturity to the Group. Although these penalties generally are paid in advance, some payments could be delayed until the final confirmation is reached in case of disagreement with EMRA. Based on the final conclusions of the legal department of the Group and assumption/analysis made by the Group management, required provision is made on the consolidated statement of the financial position when the notification is received.

ii) Onerous contracts

A provision for onerous contracts is recognised when the expected benefits to be derived by the Group from a contract are lower than the unavoidable cost of meeting its obligations under the contract. The provision is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract. Before a provision is established, the Group recognises any impairment loss on the assets associated with that contract.

Çalık Holding Anonim Şirketi and its Subsidiaries
Notes to Consolidated Financial Statements
As at and for the Year Ended 31 December 2019
(Amounts expressed in thousands of United States Dollar ("USD") unless otherwise stated.)

3 Significant accounting policies *(continued)*

n) Revenue

General model for revenue recognition

IFRS 15 requires revenue recognition for all contracts with customers to follow the five-step approach to revenue recognition.

Step 1: Identifying the contract
A contract exists only if it is legally enforceable, the collection of the consideration is probable, the rights to goods and services and payment terms can be identified, the contract has commercial substance; and the contract is approved, and the parties are committed to their obligations.

If either contract were negotiated as a single commercial package, or consideration in one contract depends on the other contract or goods or services (or some of the goods or services) are a single performance obligation the Group accounts the contracts as a single contract.

Step 2: Identifying the performance obligations

The Group defines 'performance obligation' as a unit of account for revenue recognition. The Group assesses the goods or services promised in a contract with a customer and identifies as a performance obligation either a good or service that is distinct; or a series of distinct goods or services that are substantially the same and have the same pattern of transfer to the customer. A contract may contain promises to deliver a series of distinct goods or services that are substantially the same. At contract inception, an entity determines whether the series of goods or services is a single performance obligation.

Step 3: Determining the transaction price
In order to determine the transaction price, the Group assesses how much consideration it expects to be entitled to by fulfilling the contract. In arriving at the assessment, the Group considers variable elements of consideration, as well as the existence of a significant financing component.

Significant financing component

The Group revises the promised amount of consideration for the effect of a significant financing component to the amount that reflects what the cash selling price of the promised good or service. As a practical expedient, the Group does not adjust the transaction price for the effects of a significant financing component if, at contract inception, the entity expects the period between customer payment and the transfer of goods or services to be one year or less. In cases where advance for the services are received and the payment scheme is broadly aligned with the Group's performance throughout the period, the Group concludes that the period between performance and payment is never more than 12 months, therefore the expedient is applied.

Variable consideration

The Group identifies items such as price concessions, incentives, performance bonuses, completion bonuses, price adjustment clauses, penalties.

Step 4: Allocating the transaction price to performance obligations

If distinct goods or services are delivered under a single arrangement, then the consideration is allocated based on relative stand-alone selling prices of the distinct goods or services (performance obligations). If directly observable stand-alone selling prices are not available, the total consideration in the service contracts is allocated based on their expected cost plus a margin.

Step 5: Recognition of revenue

The Group recognises revenue over-time if any of the following conditions is met:
- Customer simultaneously receives and consumes the benefits as the entity performs, or
- The customer controls the asset as the entity creates or enhances it, or

- Group's performance does not create an asset for which the entity has an use; and alternative there is a right to payment for performance to date.

Çalık Holding Anonim Şirketi and its Subsidiaries
Notes to Consolidated Financial Statements
As at and for the Year Ended 31 December 2019
(Amounts expressed in thousands of United States Dollar ("USD") unless otherwise stated.)

3 Significant accounting policies *(continued)*

n) ***Revenue*** *(continued)*

Step 5: Recognition of revenue *(continued)*

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

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

Rental income

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

Sale of trading properties

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

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

ii) *Energy business*

Electricity sales

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

Retail electricity sales service income

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

Çalık Holding Anonim Şirketi and its Subsidiaries
Notes to Consolidated Financial Statements
As at and for the Year Ended 31 December 2019
(Amounts expressed in thousands of United States Dollar ("USD") unless otherwise stated.)

3 Significant accounting policies *(continued)*

n) ***Revenue*** *(continued)*

ii) *Energy business (continued)*

Transmission system utilisation

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

Distribution system utilisation

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

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

Electricity dissipation and theft

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

Price balancing

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

iii) *Banking and finance business*

Interest income / expense

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

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

Çalık Holding Anonim Şirketi and its Subsidiaries
Notes to Consolidated Financial Statements
As at and for the Year Ended 31 December 2019
(Amounts expressed in thousands of United States Dollar ("USD") unless otherwise stated.)

3 Significant accounting policies *(continued)*

n) ***Revenue*** *(continued)*

iii) Banking and finance business (continued)

Interest income / expense (continued)

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

Fees and commission

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

Net trading income

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

iv) Telecommunication business

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

Services rendered

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

Monthly subscription fee

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

Usage charges and value-added services fees

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

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

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

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

Sales of goods

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

Çalık Holding Anonim Şirketi and its Subsidiaries
Notes to Consolidated Financial Statements
As at and for the Year Ended 31 December 2019
(Amounts expressed in thousands of United States Dollar ("USD") unless otherwise stated.)

3 Significant accounting policies *(continued)*

n) ***Revenue*** *(continued)*

v) Other businesses

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

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

vi) Commissions

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

o) Research and development costs

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

p) Dividend income

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

r) Right-of-use assets and leases liabilities

i) Right-of-use asset

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

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

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

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

Right-of-use assets are subject to impairment.

ii) Lease liabilities

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

Çalık Holding Anonim Şirketi and its Subsidiaries
Notes to Consolidated Financial Statements
As at and for the Year Ended 31 December 2019
(Amounts expressed in thousands of United States Dollar ("USD") unless otherwise stated.)

3 Significant accounting policies *(continued)*

r) ***Leases*** *(continued)*

ii) Lease liabilities (continued)

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

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

iii) Short-term leases and low-value leases

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

s) Finance income and finance cost

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

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

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

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

t) Other income and expenses from operating activities

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

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

Çalık Holding Anonim Şirketi and its Subsidiaries
Notes to Consolidated Financial Statements
As at and for the Year Ended 31 December 2019
(Amounts expressed in thousands of United States Dollar ("USD") unless otherwise stated.)

3 Significant accounting policies *(continued)*

u) Income and losses from investing activities

Income from investing activities comprises gain on sale of property, plant and equipment and intangible assets, fair value gain of financial assets at fair value through profit or loss from the operations other than those held by finance sector entities of the Group, available for sale financial assets and financial assets at fair value through profit or loss, gain on derivative instruments (including other trading derivatives held by the finance sector entities of the Group), fair value gains on investment property and other income from investing activities.

Losses from investing activities comprises gain on sale of property, plant and equipment and intangible assets, fair value loss on investment property, fair value loss of financial assets at fair value through profit from the operations other than those held by finance sector entities of the Group or loss on derivative financial instruments (including other trading derivatives held by the finance sector entities of the Group) and other losses from investing activities.

v) Income tax

Tax expense comprises current and deferred tax. Current tax and deferred tax are recognised in profit or loss except to the extent that it relates to a business combination, or items recognised directly in equity or in other comprehensive income.

Current tax

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for:

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

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

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

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

Çalık Holding Anonim Şirketi and its Subsidiaries
Notes to Consolidated Financial Statements
As at and for the Year Ended 31 December 2019
(Amounts expressed in thousands of United States Dollar ("USD") unless otherwise stated.)

3 Significant accounting policies *(continued)*

v) Income tax (*continued)*

Deferred tax (continued)

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

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

Transfer pricing in Turkey

Transfer pricing is disclosed in the 13th clause of the Corporate Tax Law under the heading "veiled shifting of profit" via transfer pricing. The application details are stated in the "general communiqué regarding veiled shifting of profits via transfer pricing" published on 18 November 2007.

If the taxpayer involves in transactions with related parties relating to trading of products or goods not performed within the framework of the principals regarding to pricing according to peers, then it will be considered that the related profits are shifted in a veiled way via transfer pricing. Such veiled shifting of profits via transfer pricing will not be deducted from tax assessment for the purposes of corporate tax.

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

The financial borrowings were regarded as thin capitalisation provided with:

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

w) Segment reporting

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. All operating segments' operating results are reviewed regularly by the CEO ("Chief Executive Officer") and BOD members to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

x) De-merger/ Spin off

Economically a de-merger represents a division of an entity into separate parts. The result of a de-merger is that the same shareholders own the same group of businesses; the shareholders structure and their ownership interests are identical both before and after the de-merger. In the absence of further guidance in IFRS, the Group has accounted the de-merger by recognising the book values.

y) Contingent assets and liabilities

If the inflows of the economic benefits to the Group are probable, contingent assets are disclosed in the notes to the consolidated financial statements. If it has become virtually certain that an inflow of economic benefits will arise, the asset and the related income are recognised in the consolidated financial statements in the period in which the change occurs.

Contingent liabilities are assessed continuously to determine whether an outflow of resources embodying economic benefits has become probable. Unless the possibility of any outflow in settlement is remote, contingent liabilities are disclosed in the notes to the financial statements.

Çalık Holding Anonim Şirketi and its Subsidiaries
Notes to Consolidated Financial Statements
As at and for the Year Ended 31 December 2019
(Amounts expressed in thousands of United States Dollar ("USD") unless otherwise stated.)

3 Significant accounting policies *(continued)*

z) Subsequent events

Subsequent events represent the events after reporting date comprising any event between the reporting date and the date of authorisation for the consolidated financial statements' issue to the benefit or loss of the entity. Conditions of subsequent events are as follows:

- to have new evidences of subsequent events as of reporting date (adjusting events); and

- to have evidences of related subsequent events occurred after reporting date (non-adjusting).

The Group adjusts its consolidated financial statements according to the new condition if adjusting subsequent events arise after the reporting date. If it is not necessary to adjust the consolidated financial statements according to subsequent events, these subsequent events must be disclosed in the notes to the consolidated financial statements.

aa) Statement of cash flows

Cash flows during the period are classified and reported by operating, investing and financing activities in the cash flow statements.

Cash flows from operating activities reflect cash flows mainly generated from main operations of the Group. The Group presents the cash flows from operating activities by using the indirect method such as adjusting the accruals for cash inflows and outflows from gross profit/loss, other non-cash transactions, prior and future transactions or deferrals.

Cash flows from investment activities reflect cash used in investment activities (direct investments and financial investments) and cash flows generated from investment activities of the Group.

Cash flows relating to financing activities reflect sources of financial activities and payment schedules of the Group.

Cash and cash equivalents comprise cash on hand and demand deposits, investment funds, reverse repo receivables and other bank deposits whose maturities are three months or less from date of acquisition. Any restricted cash and cash equivalents that are not ready for the Group's use as at the reporting date, are excluded from the sum of the cash and cash equivalent in the consolidated statement of cash flows.

ab) Related parties

Parties are considered related to the Group if:

(a) Directly, or indirectly through one or more intermediaries, the party:

(i) controls, is controlled by, or is under common control with the Group (this includes parent, subsidiaries and fellow subsidiaries);

(ii) has an interest in the Group that gives it significant influence over the Group; or

(iii) has joint control over the Group;

(b) the party is an associate of the Group;

(c) the party is a joint venture/operation in which the Group is a venturer;

(d) the party is member of the key management personnel of the Group and its parent;

(e) the party is a close member of the family of any individual referred to in (a) or (d);

(f) the party is an entity that is controlled or significantly influenced by, or for which significant voting power in such entity resides with directly or indirectly, any individual referred to in (d) or (e);

(g) the party is a post-employment benefit plan for the benefit of employees of the Group, or of any entity that is a related party of the Group.

A related party transaction is a transfer of resources, services or obligations between related parties, regardless of whether a price is charged.

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

Çalık Holding Anonim Şirketi and its Subsidiaries
Notes to Consolidated Financial Statements
As at and for the Year Ended 31 December 2019
(Amounts expressed in thousands of United States Dollar ("USD") unless otherwise stated.)

4 Acquisition and disposals of subsidiary and non-controlling interest

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

Çalık Gaz ve Petrol

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

Çalık Emlak ve Gayrimenkul

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

Çalık Güneş Enerji

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

Çalık Enerji Elektrik

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

Doğu Akdeniz

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

Çalık Solar Enerji

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

Olimpos Solar

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

Pasifik Solar

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

Çalık Holding Anonim Şirketi and its Subsidiaries
Notes to Consolidated Financial Statements
As at and for the Year Ended 31 December 2019
(Amounts expressed in thousands of United States Dollar ("USD") unless otherwise stated.)

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

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

Çalık Petrol

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

Aktif Halk Enerji

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

IFM

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

Kumtaşı Solar

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

Synergy Marketing, Granite Holding, TAPCO

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

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

Technovision

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

Ant Enerji

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

Gap Pazarlama

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

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

Çalık Pamuk

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

Çalık Holding Anonim Şirketi and its Subsidiaries
Notes to Consolidated Financial Statements
As at and for the Year Ended 31 December 2019
(Amounts expressed in thousands of United States Dollar ("USD") unless otherwise stated.).

5 Discontinued operation and disposal group held for sale

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

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

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

Liabilities held for sale	**31 December 2019**	**31 December 2018**
Trade payables	8.352	6.610
	8.352	**6.610**

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

Çalık Holding Anonim Şirketi and its Subsidiaries
Notes to Consolidated Financial Statements
As at and for the Year Ended 31 December 2019
(Amounts expressed in thousands of United States Dollar ("USD") unless otherwise stated.)

6 Operating segments

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

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

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

Energy: Entities in energy segment operate in sale of electricity, operation of natural gas and crude oil resources, exploration-production of these resources and sale and transportation of these resources to international markets.

Construction: Entities in construction segment are operating in construction, contracting and decoration businesses both within Turkey and abroad. In addition, these entities are managing mining of all kinds of minerals, marble, lime, clay, coal and stone if the necessary permits are granted and trading of marble, store cutting machines with its spare parts, ceramic floor and wall tiles both within the country and abroad. These entities are also providing services for land development and project development services for urban renewal, office residential and housing markets.

Textile: Entities in textile segment mainly deal with production and trading activities of yarn, texture and ready wear besides providing consulting services related to importation and exportation of cotton.

Marketing: Entities in marketing segment mainly supplies goods used in the production and the domestic or foreign projects carried out mainly by the Group entities.

Telecommunication: Entities in telecommunication segment mainly provides telecommunication, communication, press and internet services.

Banking and finance: Entities in banking and finance segment mainly provides commercial and investment banking, financial leasing, insurance, project financing, other financial services, trading of marketable securities and credit financial services.

Other: Entities in other segment mainly engage in electronic fee collection, organisation, mining, transportation energy licence procurement and various services.

Çalık Holding Anonim Şirketi and its Subsidiaries
Notes to Consolidated Financial Statements
As at and for the Year Ended 31 December 2019
(Amounts expressed in thousands of United States Dollar ("USD") unless otherwise stated.).

6 Operating segments *(continued)*

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

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

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

Çalık Holding Anonim Şirketi and its Subsidiaries
Notes to Consolidated Financial Statements
As at and for the Year Ended 31 December 2019
(Amounts expressed in thousands of United States Dollar ("USD") unless otherwise stated.).

6 Operating segments *(continued)*

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

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

Çalık Holding Anonim Şirketi and its Subsidiaries
Notes to Consolidated Financial Statements
As at and for the Year Ended 31 December 2019
(Amounts expressed in thousands of United States Dollar (”USD”) unless otherwise stated.).

6 Operating segments *(continued)*

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

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

7 Related party disclosures

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

Related party balances

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

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

Çalık Holding Anonim Şirketi and its Subsidiaries
Notes to Consolidated Financial Statements
As at and for the Year Ended 31 December 2019
(Amounts expressed in thousands of United States Dollar (“USD”) unless otherwise stated.)

7 Related party disclosures *(continued)*

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

(*) As of 31 December 2019, USD 24.381 (31 December 2018: USD 152.011) portion of the other payables to shareholders is comprised of the debt of GAP İnşaat Dubai FZE to shareholders.
(**) As of 31 December 2019, USD 320.000 (31 December 2018: USD 320.000) of the other receivables from the shareholders consist of the receivable of the GAP Construction Dubai FZE from Delta Netherlands B.V.

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

No impairment losses have been recognised against balances outstanding as at 31 December 2019 (31 December 2018: None) and no specific allowance has been made for impairment losses on balances with the related parties.

As at 31 December, the Group had the following transaction with its related parties:

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

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

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

Çalık Holding Anonim Şirketi and its Subsidiaries
Notes to Consolidated Financial Statements
As at and for the Year Ended 31 December 2019
(Amounts expressed in thousands of United States Dollar ("USD") unless otherwise stated.)

7 Related party disclosures *(continued)*

Transactions with key management personnel
On a consolidated basis, key management costs included in general and administrative expenses for the year ended 31 December 2019 amounted to USD 24.671 (2018: USD 20.585).

8 Cash and cash equivalents

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

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

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

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

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

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

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

Çalık Holding Anonim Şirketi and its Subsidiaries
Notes to Consolidated Financial Statements
As at and for the Year Ended 31 December 2019
(Amounts expressed in thousands of United States Dollar ("USD") unless otherwise stated.)

8 Cash and cash equivalents *(continued)*

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

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

9 Financial investments

At 31 December, financial investments comprised the following:

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

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

(*) As at 31 December 2019 and 2018, equity securities in Anagold Madencilik Sanayi ve Ticaret Anonim Şirketi which is classified as equity securities at fair value through profit or loss were valued for the consolidated financial statements. These investments are valued periodically by an independent valuation firm by using discounted cash flow method. As at 31 December 2019, an increase in fair value for this investment amounting to USD 17.090 (31 December 2018: USD 19.242) has been recognised under "Gain from investing activities" in profit or loss due to valuation of equity securities at fair value through profit or loss after in the tax effect.

As of the reporting date, 50 basis point increase/decrease in the discount rate used in the valuation of discounted cash flows of the financial asset at fair value through profit or loss would have decreased/increased the profit before tax by USD 2.609 / USD 4.817 (31 December 2018: USD 11.981 / USD 10.674), respectively.

Çalık Holding Anonim Şirketi and its Subsidiaries
Notes to Consolidated Financial Statements
As at and for the Year Ended 31 December 2019
(Amounts expressed in thousands of United States Dollar (”USD”) unless otherwise stated.).

9 Financial investments *(continued)*

Financial assets at FVTOCI and ve Financial assets at FVTPL

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

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

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

As at 31 December 2019, investments in equity securities amounting to USD 856 (31 December 2018: USD 2.975) are measured at cost less impairment, if any, as these equity securities are not traded in stock exchange and have no quoted market price, and therefore their fair value cannot be reliably estimated since there is significant variability in the range of reasonable fair value estimates and the probabilities of the various estimates within the range cannot be assessed reasonably.

Held to maturity financial investments

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

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

Çalık Holding Anonim Şirketi and its Subsidiaries
Notes to Consolidated Financial Statements
As at and for the Year Ended 31 December 2019
(Amounts expressed in thousands of United States Dollar (“USD”) unless otherwise stated.)

9 Financial investments *(continued)*

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

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

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

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

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

10 Financial assets related to concession agreements

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

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

Çalık Holding Anonim Şirketi and its Subsidiaries
Notes to Consolidated Financial Statements
As at and for the Year Ended 31 December 2019
(Amounts expressed in thousands of United States Dollar ("USD") unless otherwise stated.)

10 Financial assets related to concession agreements *(continued)*

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

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

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

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

11 Trade receivables and payables

Trade receivables

Short-term trade receivables

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

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

Çalık Holding Anonim Şirketi and its Subsidiaries
Notes to Consolidated Financial Statements
As at and for the Year Ended 31 December 2019
(Amounts expressed in thousands of United States Dollar ("USD") unless otherwise stated.)

11 Trade receivables and payables *(continued)*

Trade receivables *(continued)*

Short-term trade receivables *(continued)*

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

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

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

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

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

Long-term trade receivables

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

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

Çalık Holding Anonim Şirketi and its Subsidiaries
Notes to Consolidated Financial Statements
As at and for the Year Ended 31 December 2019
(Amounts expressed in thousands of United States Dollar ("USD") unless otherwise stated.).

11 Trade receivables and trade payables *(continued)*

Trade payables

Short-term trade payables

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

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

(*) Accounts payables mainly consists of payables to suppliers of material and equipment for the EPC projects and payables to the subcontractors for the ongoing construction projects.

Long-term trade payables

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

	2019	2018
Accounts payables	8.959	13.508
Total	**8.959**	**13.508**

The Group's exposure to credit and currency risks related to trade receivables and liquidity and currency risks of trade payables are disclosed in Note 36.

12 Receivables and payables related finance sector operations

Receivables related finance sector operations

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

Current receivables related to finance sector operations	2019	2018
Due from related parties	3.061	35.357
Due from third parties	641.646	916.238
Total	**644.707**	**951.595**

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

Çalık Holding Anonim Şirketi and its Subsidiaries
Notes to Consolidated Financial Statements
As at and for the Year Ended 31 December 2019
(Amounts expressed in thousands of United States Dollar ("USD") unless otherwise stated.)

12 Receivables and payables related finance sector operations *(continued)*

Receivables related finance sector operations *(continued)*

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

Non-current receivables related to finance sector operations	2019	2018
Due from related parties	--	79
Due from third parties	1.478.473	1.240.307
Total	**1.478.473**	**1.240.386**

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

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

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

Çalık Holding Anonim Şirketi and its Subsidiaries
Notes to Consolidated Financial Statements
As at and for the Year Ended 31 December 2019
(Amounts expressed in thousands of United States Dollar ("USD") unless otherwise stated.)

12 Receivables and payables related finance sector operations *(continued)*

Payables related to finance sector operations

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

Short term payables related to finance sector operations	2019	2018
Due to related parties	932	2.802
Due to third parties	3.964.030	3.697.726
Total	**3.964.962**	**3.700.528**

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

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

(*) The Group's banking subsidiary in Turkey is not entitled to collect deposits. The customer accounts represent the transitory balances of loan customers for the respective transactions. As at 31 December 2019, this account does not include any deposit amount (31 December 2018: None).

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

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

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

Other short-term receivables

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

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

Çalık Holding Anonim Şirketi and its Subsidiaries
Notes to Consolidated Financial Statements
As at and for the Year Ended 31 December 2019
(Amounts expressed in thousands of United States Dollar ("USD") unless otherwise stated.)

13 Other receivables and other payables

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

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

Other long-term receivables

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

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

Other short-term payables

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

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

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

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

Other long-term payables

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

	2019	2018
Due to third parties	48.254	42.869
	48.254	**42.869**

Çalık Holding Anonim Şirketi and its Subsidiaries
Notes to Consolidated Financial Statements
As at and for the Year Ended 31 December 2019
(Amounts expressed in thousands of United States Dollar ("USD") unless otherwise stated.)

13 Other receivables and other payables *(continued)*

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

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

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

14 Inventories

As at 31 December, inventories comprised the following:

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

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

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

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

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

15 Prepayments and deferred revenue

Current prepayments

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

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

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

Çalık Holding Anonim Şirketi and its Subsidiaries
Notes to Consolidated Financial Statements
As at and for the Year Ended 31 December 2019
(Amounts expressed in thousands of United States Dollar ("USD") unless otherwise stated.)

15 Prepayments and deferred revenue *(continued)*

Non-current prepayments

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

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

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

Short term deferred revenue

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

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

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

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

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

(**) As at 31 December, USD 91.079 of deferred revenue was mainly due to real estate development and contracting projects of the Group's subsidiaries operating in the construction and real estate sectors. (31 December 2018: USD 75.026).

16 Investments in equity-accounted investees

i) Joint ventures

KÇLE

KÇLE was established as a joint venture with a joint agreement between ÇEDAŞ, Çalık Enerji and Limak Yatırım on 17 September 2012 with the participation of these three companies by 25 percent, 25 percent and 50 percent, respectively, in the share capital of KÇLE. On 8 May 2013, KÇLE purchased all shares of the state-owned enterprise namely Kompania Per Distribuim Dhe Fumizim Me Energji Elektrike SH.A ("KEDS") which is operating in electricity distribution and procurement in Kosovo for a consideration of USD 29.038 (equivalent of EUR 26.300) within the scope of a tender in the privatisation process initiated by the Government of Republic of Kosovo.

Çalık Holding Anonim Şirketi and its Subsidiaries
Notes to Consolidated Financial Statements
As at and for the Year Ended 31 December 2019
(Amounts expressed in thousands of United States Dollar ("USD") unless otherwise stated.)

16 Investments in equity-accounted investees *(continued)*

i) Joint ventures (continued)

KÇLE

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

Doğu Aras

Doğu Aras was founded in accordance with energy market regulations as a joint venture with a joint agreement between ÇED and Kiler Alışveriş on 5 May 2013 with the participation of these two companies by 50 percent and 50 percent, respectively, for the purpose of establishing and participating to the companies that are engaged in distribution, retail and wholesale of electricity energy and/or capacity, assigning management of these established and participated companies, providing consultancy services on technical, financial, information processing and human resources management issues and making industrial and commercial investments through this companies.

On 28 June 2013, Doğu Aras purchased all shares of EDAŞ and EPAŞ which were previously state owned companies operating in electricity distribution and procurement in cities Kars, Ardahan, Iğdır, Ercincan, Ağrı, Bayburt and Erzurum within the privatisation by paying an amount of USD 128.500 as a result of a tender in the privatisation process.

LC Electricity

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

Kartaltepe

Kartaltepe was established in 2011 as a wholly owned subsidiary of YAMAS. Kartaltepe is registered in Ankara, Turkey and is engaged in the operation of mining in Erzincan region. As at reporting date, Kartaltepe is a joint venture of Lidya Madencilik Sanayi ve Ticaret Anonim Şirketi ("Lidya Maden") and YAMAS with an ownership structure of 50 percent and 50 percent, respectively.

Polimetal

Polimetal was incorporated in 2011 as a wholly owned subsidiary of Yeni Anadolu Mineral Madencilik Sanayi ve Ticaret Ltd. Şti. ("YAMAS"). Polimetal is registered in Ankara, Turkey and is engaged in the development and operation of mining assets. As at reporting date, Polimetal is a joint venture of Lidya Maden and YAMAS with an ownership structure of 50 percent and 50 percent, respectively.

Çalık Holding Anonim Şirketi and its Subsidiaries
Notes to Consolidated Financial Statements
As at and for the Year Ended 31 December 2019
(Amounts expressed in thousands of United States Dollar ("USD") unless otherwise stated.)

16 Investments in equity-accounted investees *(continued)*

i) Joint ventures (continued)

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

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

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

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

Çalık Holding Anonim Şirketi and its Subsidiaries

Notes to Consolidated Financial Statements
As at and for the Year Ended 31 December 2019
(Amounts expressed in thousands of United States Dollar ("USD") unless otherwise stated.)

16 Investments in equity accounted investees *(continued)*

ii) Associates

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

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

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

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

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

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

Çalık Holding Anonim Şirketi and its Subsidiaries

Notes to Consolidated Financial Statements
As at and for the Year Ended 31 December 2019
(Amounts expressed in thousands of United States Dollar ("USD") unless otherwise stated.)

16 Investments in equity-accounted investees *(continued)*

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

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

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

	31 December 2019												
Company name-Joint ventures	Reporting period	Ownership rates (%)	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liabilities	Total liabilities	Net assets	Profit/ (loss)	Group's share of net assets	Carrying amount	Group's share of profit/ (loss)
KÇLE	31 December	50	78.394	154.190	232.584	49.775	9.193	58.968	173.616	5.508	86.808	100.831	2.754
Doğu Aras	31 December	50	118.721	--	118.721	4.798	--	4.798	113.923	75.956	56.962	68.570	37.978
Çalık Limak Adı Ortaklığı	31 December	50	3.312	--	3.312	3.309	--	3.309	3	224	2	524	112
Polimetal	31 December	50	916	11.938	12.854	1.702	119	1.821	11.033	(1.946)	5.517	7.880	(973)
Tuncpınar	31 December	50	77	--	77	10	--	10	67	(190)	34	1.450	(95)
Kartaltepe	31 December	50	16.090	804	16.894	4.741	--	4.741	12.153	10.552	6.077	9.176	5.276
LC Electricity	31 December	50	--	--	--	--	--	--	--	--	--	10	--
Total												**188.441**	**45.052**

Çalık Holding Anonim Şirketi and its Subsidiaries

Notes to Consolidated Financial Statements

As at and for the Year Ended 31 December 2019

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

16 Investments in equity-accounted investees *(continued)*

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

			31 December 2018										
Company name-Associates	**Reporting period**	**Ownership rates (%)**	**Current assets**	**Non-current assets**	**Total assets**	**Current liabilities**	**Non-current liabilities**	**Total liabilities**	**Net assets**	**Profit/ (loss)**	**Group's share of net assets**	**Carrying amount**	**Group's share of profit/ (loss)**
Kazakhstan Ijara Company Jsc.	31 December	14,31	1.301	18.986	20.287	2.950	--	2.950	17.337	1.996	2.481	2.411	286
Eurasian Leasing Company	31 December	36,71	109	2.962	3.071	446	--	446	2.625	2	964	964	1
Euro Mediterranean	31 December	25,57	8.655	803	9.458	4.912	--	4.912	4.547	30	1.163	1.226	8
Haliç Finansal Kiralama	31 December	32	6.942	64	7.005	2.750	--	2.750	4.255	389	1.362	1.382	124
Aktif Halk Enerji	31 December	50	27.006	2.378	29.384	28.128	--	28.128	1.255	(3.780)	628	--	(1.890)
Halk Yenilenebilir Enerji	31 December	50	1.649	18	1.667	1.308	--	1.308	358	67	179	2.105	33
Idea Farm	31 December	30	1.539	--	1.539	--	--	--	1.539	--	462	1.539	--
Albania Leasing Company	31 December	29,99	--	--	--	--	--	--	--	--	--	1.373	--
E-Post Dış Ticaret	31 December	100	10	--	10	--	--	--	10	--	10	10	--
TAPCO	31 December	50	160	--	160	(14)	--	(14)	174	(581)	87	(41)	(290)
Total												**10.969**	**(1.728)**

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

			31 December 2018										
Company name-Joint ventures	**Reporting period**	**Ownership rates (%)**	**Current assets**	**Non-current assets**	**Total assets**	**Current liabilities**	**Non-current liabilities**	**Total liabilities**	**Net assets**	**Profit/ (loss)**	**Group's share of net assets**	**Carrying amount**	**Group's share of profit/ (loss)**
KÇLE	31 December	50	75.907	147.070	222.977	44.877	2.843	47.720	175.257	12.019	87.629	87.628	6.010
Doğu Aras	31 December	50	85.038	172.016	257.054	96.462	76.646	173.108	83.946	44.387	41.973	36.484	22.194
Çalık Limak Adı Ortaklığı	31 December	50	3.562	--	3.562	3.558	--	3.558	4	1.151	2	1.063	576
Polimetal	31 December	50	1.226	11.950	13.176	1.063	105	1.167	12.009	615	6.005	8.727	308
Tuncpınar	31 December	50	191	--	192	13	--	13	178	(79)	89	1.688	(40)
Kartaltepe	31 December	50	3.533	4.152	7.685	5.340	--	5.340	2.346	(2.655)	1.173	4.620	(1.328)
LC Electricity	31 December	50	51	12	63	37	--	37	26	--	13	4	--
Total												**140.214**	**27.720**

Çalık Holding Anonim Şirketi and its Subsidiaries

Notes to Consolidated Financial Statements

As at and for the Year Ended 31 December 2019

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

16 Investments in equity-accounted investees *(continued)*

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

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

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

Çalık Holding Anonim Şirketi and its Subsidiaries
Notes to Consolidated Financial Statements
As at and for the Year Ended 31 December 2019
(Amounts expressed in thousands of United States Dollar ("USD") unless otherwise stated.)

17 Property, plant and equipment

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

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

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

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

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

Çalık Holding Anonim Şirketi and its Subsidiaries
Notes to Consolidated Financial Statements
As at and for the Year Ended 31 December 2019
(Amounts expressed in thousands of United States Dollar ("USD") unless otherwise stated.)

17 Property, plant and equipment *(continued)*

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

Çalık Holding Anonim Şirketi and its Subsidiaries

Notes to Consolidated Financial Statements

As at and for the Year Ended 31 December 2019

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

18 Intangible assets

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

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

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

Çalık Holding Anonim Şirketi and its Subsidiaries

Notes to Consolidated Financial Statements

As at and for the Year Ended 31 December 2019

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

19 Right of Use Assets

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

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

20 Investment property

As at 31 December, investment property comprised the following:

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

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

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

The Group obtained independent appraisal reports for each item of investment property and measured them at their fair values. Fair value information for all investment property within the scope of IFRS 13 based on fair value hierarchy are as follows:

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

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

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

Çalık Holding Anonim Şirketi and its Subsidiaries
Notes to Consolidated Financial Statements
As at and for the Year Ended 31 December 2019
(Amounts expressed in thousands of United States Dollar ("USD") unless otherwise stated.)

20 Investment property *(continued)*

Peer comparison method determines recently listed or sold properties in market and takes into consideration of other factors for the adjustment of value based on size of land of property with current condition and location. For current market outlook, the appraisers contact with the property sale intermediaries.

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

21 Other assets and liabilities

Other current assets

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

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

(*) As at 31 December 2019 and 2018, this amount consists only of reserve deposits, which represents the mandatory deposit and is not available in the Group's day-to-day operations.

Other short-term liabilities

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

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

Çalık Holding Anonim Şirketi and its Subsidiaries
Notes to Consolidated Financial Statements
As at and for the Year Ended 31 December 2019
(Amounts expressed in thousands of United States Dollar ("USD") unless otherwise stated.)

22 Due from/due to customers for contract work

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

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

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

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

23 Borrowings

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

Short term loans and borrowings	**2019**	**2018**
Securities issued	1.019.645	731.230
Funds borrowed by the Group's banking subsidiaries	787.836	566.740
Current portion of long-term bank loans	233.768	228.560
Bank loans	332.965	166.977
Issued bonds	1.890	30.000
Factoring payables	6.578	14.325
Lease obligations	16.323	9.054
Total	**2.399.005**	**1.746.886**

Long term loans and borrowings	**2019**	**2018**
Bank loans	422.903	325.453
Securities issued	7.141	98.611
Subordinated liabilities	28.021	28.617
Lease obligations	42.233	12.060
Funds borrowed by the Group's banking subsidiaries	24.927	2.593
Total	**525.225**	**467.334**

Çalık Holding Anonim Şirketi and its Subsidiaries
Notes to Consolidated Financial Statements
As at and for the Year Ended 31 December 2019
(Amounts expressed in thousands of United States Dollar ("USD") unless otherwise stated.)

23 Borrowings *(continued)*

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

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

Çalık Holding Anonim Şirketi and its Subsidiaries
Notes to Consolidated Financial Statements
As at and for the Year Ended 31 December 2019
(Amounts expressed in thousands of United States Dollar ("USD") unless otherwise stated.)

23 Borrowings *(continued)*

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

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

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

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

24 Derivatives

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

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

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

Further disclosure regarding the derivative contracts of the Group are explained at Note 36.

Çalık Holding Anonim Şirketi and its Subsidiaries
Notes to Consolidated Financial Statements
As at and for the Year Ended 31 December 2019
(Amounts expressed in thousands of United States Dollar ("USD") unless otherwise stated.)

25 Payables related to employee benefits

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

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

26 Provisions

As at 31 December, provisions comprised the following items:

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

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

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

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

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

Çalık Holding Anonim Şirketi and its Subsidiaries
Notes to Consolidated Financial Statements
As at and for the Year Ended 31 December 2019
(Amounts expressed in thousands of United States Dollar ("USD") unless otherwise stated.)

26 Provisions *(continued)*

Reserve for employee severance indemnity

In accordance with the existing labour law in Turkey, the Group entities operating in Turkey are required to make lump-sum payments to employees who have completed one year of service and whose employment is terminated without cause or who retire (age of 58 for women, age of 60 for men) or completed service years of 20 for women or 25 for men, are called up for military service or die. According to change of regulation, dated 8 September 1999, there are additional liabilities for the integration articles.

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

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

The reserve has been calculated by estimating the present value of future probable obligation of the Group arising from the retirement of the employees.

Actuarial valuation methods were developed to estimate the Group's obligation under defined benefit plans. Accordingly, the following actuarial assumptions were used in the calculation of the total liability:

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

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

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

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

Çalık Holding Anonim Şirketi and its Subsidiaries
Notes to Consolidated Financial Statements
As at and for the Year Ended 31 December 2019
(Amounts expressed in thousands of United States Dollar ("USD") unless otherwise stated.)

26 Provisions *(continued)*

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

27 Commitments and contingencies

Guarantee, pledge and mortgages ("GPM") in respect of commitment and contingencies realised in the ordinary course of business were given as at 31 December 2019 are as follows:

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

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

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

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

Çalık Holding Anonim Şirketi and its Subsidiaries
Notes to Consolidated Financial Statements
As at and for the Year Ended 31 December 2019
(Amounts expressed in thousands of United States Dollar ("USD") unless otherwise stated.)

27 Commitments and contingencies *(continued)*

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

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

Litigation and claims

As at 31 December 2019, the expected cash outflow amount for the pending claims filed against to the Group is USD 16.350 (31 December 2018: USD 12.596). As at 31 December 2019, the provision for litigation and claims are mainly related to the labor cases against the Group. The Group made a provision for the whole amount related to these claims.

Pending tax audits

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

28 Taxation

Turkey

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

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

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

Çalık Holding Anonim Şirketi and its Subsidiaries
Notes to Consolidated Financial Statements
As at and for the Year Ended 31 December 2019
(Amounts expressed in thousands of United States Dollar ("USD") unless otherwise stated.)

28 Taxation *(continued)*

Turkey

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

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

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

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

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

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

Transfer pricing regulations

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

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

Tax applications for foreign subsidiaries and joint ventures of the Group

Republic of Albania

The applicable corporate tax rate in Republic of Albania is 15 percent (31 December 2018:15 percent). Tax base is by modifying accounting income for certain exclusions and allowances in accordance with the related tax legislations. Non-documented expenses, repayments of loans and borrowings which are four times higher than equity, pre-payments, representation and accommodation expenses and fringe benefits over a certain limit are not subject to reduction for tax purposes.

Çalık Holding Anonim Şirketi and its Subsidiaries
Notes to Consolidated Financial Statements
As at and for the Year Ended 31 December 2019
(Amounts expressed in thousands of United States Dollar ("USD") unless otherwise stated.)

28 Taxation

Republic of Kosovo

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

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

Republic of Iraq

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

Arab Republic of Egypt

The applicable corporate tax rate for the subsidiaries operating in Egypt is 22.5 percent (31 December 2018: 22.5 percent). Since the Group is operating in free trade zone of Egypt, the Group is not subject to corporate tax.

United Arab Emirates

As at 31 December 2019, the Group has subsidiaries in the United Arab Emirates located in Dubai. There is no federal corporate tax in United Arab Emirates. However, similar taxes are implemented in different sectors in different emirates. As at 31 December 2019 and 2018, the Group's subsidiaries operating in Dubai are not subject to corporate tax.

USA

Federal corporate income tax applicable in bands of taxable income from 15 percent to 40 percent (31 December 2018: 15-35 percent). State and local governments may also impose income taxes ranging from less than 1 percent to 12 percent

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

Georgia

The applicable corporate tax rate in Georgia is 15 percent (31 December 2018: 15 percent).

Turkmenistan

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

Libya

The corporate tax rate is 20 percent (31 December 2018: 20 percent). In addition to the 20 percent tax rate, a Jihad tax is levied by 4 percent.

Serbia

The applicable corporate tax rate in Serbia is 15 percent (31 December 2018: 15 percent).

Çalık Holding Anonim Şirketi and its Subsidiaries
Notes to Consolidated Financial Statements
As at and for the Year Ended 31 December 2019
(Amounts expressed in thousands of United States Dollar ("USD") unless otherwise stated.)

28 Taxation *(continued)*

Uzbekistan

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

The Netherlands

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

Malawi

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

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

Switzerland

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

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

Qatar

As of 31 December 2019, the Group has a branch operating in Qatar and a subsidiary. In Qatar Emirates, companies are subject to corporate tax. Taxes and duties related to the project carried out by the Group in Qatar are tax exempt.

Sweden

The applicable corporate tax rate in Sweden is 22 percent.

Iran

The applicable corporate tax rate in Iran is 25 percent.

Çalık Holding Anonim Şirketi and its Subsidiaries
Notes to Consolidated Financial Statements
As at and for the Year Ended 31 December 2019
(Amounts expressed in thousands of United States Dollar ("USD") unless otherwise stated.)

28 Taxation *(continued)*

Tax recognised in profit or loss

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

Reconciliation of effective tax rate

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

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

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

Current tax assets/liabilities

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

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

Çalık Holding Anonim Şirketi and its Subsidiaries
Notes to Consolidated Financial Statements
As at and for the Year Ended 31 December 2019
(Amounts expressed in thousands of United States Dollar ("USD") unless otherwise stated.)

28 Taxation *(continued)*

Reconciliation of effective tax rate *(continued)*

Current tax assets/liabilities *(continued)*

As at 31 December 2019, current tax liabilities on income amounting to USD 4.082 (31 December 2018: USD 9.329) is not offset with prepaid taxes amounting to USD 8.156 (31 December 2018: USD 11.002) since they are related to different tax jurisdictions.

Deferred tax assets and liabilities

Deferred tax is provided in respect of taxable temporary differences arising between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes, except for the differences relating to goodwill not deductible for tax purposes and the initial recognition of assets and liabilities which affect neither accounting nor taxable profit.

Unrecognised deferred tax assets and liabilities

As at 31 December 2019, deferred tax assets amounting to USD 56.974 have not been recognised with respect to the statutory tax losses carried forward as at 31 December 2019 (31 December 2018: USD 59.278). Such losses carried forward expire until 2021. Deferred tax assets have not been recognised in respect of these items because it is not probable that future taxable profit will be available against which the Group can utilise the benefits therefrom.

The table below shows the expiration date of the tax losses carried forward for which no deferred asset has been recognised:

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

Çalık Holding Anonim Şirketi and its Subsidiaries
Notes to Consolidated Financial Statements
As at and for the Year Ended 31 December 2019
(Amounts expressed in thousands of United States Dollar ("USD") unless otherwise stated.)

28 Taxation *(continued)*

Unrecognised deferred tax assets and liabilities *(continued)*

Recognised deferred tax assets and liabilities

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

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

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

29 Capital and reserves

Paid in capital

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

Çalık Holding Anonim Şirketi and its Subsidiaries
Notes to Consolidated Financial Statements
As at and for the Year Ended 31 December 2019
(Amounts expressed in thousands of United States Dollar ("USD") unless otherwise stated.)

29 Capital and reserves *(continued)*

Paid in capital (continued)

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

	2019		2018	
	Thousands of s shares	%	Thousands of shares	%
Ahmet Çalık	367.999	91,99	367.999	91,99
Delta Netherlands B.V. (*)	32.000	8	32.000	8
Other	1	0,01	1	0,01
	400.000	**100**	**400.000**	**100**

(*) The company's shareholder Ahmet Çalık transferred his shares nominal values of 32.000.000 TL having par value of TL 1, 32.000.000 shares at full terms to Delta Holding B.V. on 24 December 2018 decision of the Board of Directors.

Restricted reserves

The legal reserves are established by annual appropriations amounting to 5 percent of income disclosed in the Group's statutory accounts until it reaches 20 percent of paid-in share capital (first legal reserve). Without limit, a further 10 percent of dividend distributions in excess of 5 percent of share capital is to be appropriated to increase legal reserves (second legal reserve). The first legal reserve is restricted and is not available for distribution as dividend unless it exceeds 50 percent of share capital.

According to the 5th paragraph of the Corporate Tax Law numbered 5520, 75 percent of the capital gains arising from the sale of tangible assets and investments owned for at least two years are exempted from corporate tax on the condition that such gains are reflected in the restricted reserve within equity as a special fund with the intention to be utilised in a share capital increase within five years from the date of the sale. The remaining 25 percent of such capital gains are subject to corporate tax.

As at 31 December 2019, in the accompanying consolidated financial statements, special funds arising from the sale of associates classified to legal reserves excluding the non-controlling interest portion are amounting to USD 159.568 (31 December 2018: USD 133.494).

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

Non-controlling interests

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

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

Translation reserve

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

Çalık Holding Anonim Şirketi and its Subsidiaries
Notes to Consolidated Financial Statements
As at and for the Year Ended 31 December 2019
(Amounts expressed in thousands of United States Dollar ("USD") unless otherwise stated.)

30 Revenue and cost of sales

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

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

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

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

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

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

Çalık Holding Anonim Şirketi and its Subsidiaries
Notes to Consolidated Financial Statements
As at and for the Year Ended 31 December 2019
(Amounts expressed in thousands of United States Dollar ("USD") unless otherwise stated.)

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

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

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

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

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

(*) Field research expenses consist by field research and development activities of the Group's subsidiaries operating in the field of mining and oil production.

For the year ended 31 December, personnel and depreciation and amortization expenses comprised the following.

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

Çalık Holding Anonim Şirketi and its Subsidiaries
Notes to Consolidated Financial Statements
As at and for the Year Ended 31 December 2019
(Amounts expressed in thousands of United States Dollar ("USD") unless otherwise stated.)

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

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

32 Other income and expense from operating activities

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

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

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

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

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

Çalık Holding Anonim Şirketi and its Subsidiaries
Notes to Consolidated Financial Statements
As at and for the Year Ended 31 December 2019
(Amounts expressed in thousands of United States Dollar ("USD") unless otherwise stated.)

33 Gain and loss from investing activities

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

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

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

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

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

34 Finance income and finance cost

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

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

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

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

Çalık Holding Anonim Şirketi and its Subsidiaries
Notes to Consolidated Financial Statements
As at and for the Year Ended 31 December 2019
(Amounts expressed in thousands of United States Dollar ("USD") unless otherwise stated.)

35 Disclosure of interests in other entities

Information regarding the subsidiaries in which the Group has major non-controlling interests is as follows:

Subsidiaries	***Non-controlling interests***	***Profit attributable to non-controlling interests***	***Cumulative non-controlling interests***	***Dividends paid to non-controlling interests***
Albtelecom				
31 December 2019	19,73	(948)	8.562	--
31 December 2018	19,73	(346)	10.800	--
Çalık Enerji				
31 December 2019	4,58	9.039	27.649	(10.530)
31 December 2018	4,58	9.909	40.038	(6.957)

The financial information of Albtelecom before the Group's consolidation adjustments and eliminations is as follows:

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

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

Çalık Holding Anonim Şirketi and its Subsidiaries
Notes to Consolidated Financial Statements
As at and for the Year Ended 31 December 2019
(Amounts expressed in thousands of United States Dollar ("USD") unless otherwise stated.)

35 Disclosure of interests in other entities *(continued)*

The consolidated financial information of Çalık Enerji before the Group's consolidation adjustments and eliminations is as follows:

Summary of Çalık Enerji's statement of financial position	**31 December 2019**	**31 December 2018**
Cash and cash equivalents	154.200	63.042
Trade receivables	176.799	339.206
Other current assets	125.381	130.639
Non-current assets	728.180	849.434
Total assets	**1.184.560**	**1.382.321**
Short-term borrowings	108.088	32.436
Short term portion of long-term loans and borrowings	91.020	91.825
Other short-term liabilities	219.185	355.996
Long-term liabilities	159.411	241.845
Total liabilities	**577.704**	**722.102**
Total equity	**606.856**	**660.219**
Total equity and liabilities	**1.184.560**	**1.382.321**

Summary of Çalık Enerji's statement of profit or loss	**2019**	**2018**
Revenue	747.639	1.108.723
Cost of sales	(500.789)	(783.528)
Other income from operating activities	(66.495)	(80.514)
(Loss) / gain from investing activities	46.550	28.670
Finance cost	(17.907)	(33.979)
Tax expenses	(11.643)	(25.776)
Profit/(loss) for the period	**197.355**	**213.596**

Çalık Holding Anonim Şirketi and its Subsidiaries
Notes to Consolidated Financial Statements
As at and for the Year Ended 31 December 2019
(Amounts expressed in thousands of United States Dollar ("USD") unless otherwise stated.)

36 Financial instruments – Fair values and risk management

Financial risk management

Overview

The Group has exposure to the following risks from its use of financial instruments:

- credit risk
- liquidity risk
- market risk
- operational risk

This note presents information about the Group's exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing risks, and the Group's management of capital. Further quantitative disclosures are included throughout these consolidated financial statements.

Risk management framework

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

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

Banking:

Risk management framework

For the Group's banking group, Aktifbank and BKT actively use collateral management as the major risk mitigation mechanism. The Board of Directors of the Group's banking group has overall responsibility for the establishment and oversight of the risk management framework. The Board has established the Audit Committee and Risk Management Department, which are responsible for developing and monitoring the Group's banking group's risk management policies in their specified areas. The Audit Committee has non-executive members and report regularly to the Board of Directors on their activities.

The Group's banking group's risk management policies are established to identify and analyse the risks faced, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions, products and services offered. The Group's banking group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment, in which all employees understand their roles and obligations.

The Audit Committee is responsible for monitoring compliance with the risk management policies and procedures, and for reviewing the adequacy of the risk management framework in relation to the risks faced by the Aktif Bank and BKT. The Audit Committee is assisted in these functions by Internal Audit. Internal Audit undertakes both regular and ad-hoc reviews of risk management controls and procedures, the results of which are reported to the Audit Committee.

Çalık Holding Anonim Şirketi and its Subsidiaries

Notes to Consolidated Financial Statements
As at and for the Year Ended 31 December 2019
(Amounts expressed in thousands of United States Dollar ("USD") unless otherwise stated.)

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

Financial risk management *(continued)*

Credit risk:

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the Group's receivables from customers and investment securities.

The Group's principal financial assets are cash and cash equivalents, financial investments, trade receivables and other receivables. The Group requires a certain amount of collateral in respect of its account receivable. Credit evaluations are performed on all customers requiring credit over a certain amount on individual level.

At reporting date, there were no significant concentrations of credit risk. The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the consolidated statement of financial position.

Banking:

Impaired loans and advances to customers and investment securities

Impaired loans and advances to customers and investment debt securities are those for which the Group's banking group determines that it is probable that it will be unable to collect all principal and interest due to according to the contractual terms of the loans and investment debt securities.

Allowance for impairment

The Group's banking and finance group establishes an allowance for impairment losses on assets carried at amortised cost that represents its estimate of incurred losses in its loans and advances to customers and investment in debt security portfolio. This allowance is a specific loss component that relates to individually significant exposures.

Due to the increase in the consumer loan portfolio of Aktifbank and the availability of the historical trends of the probability of default, starting from 1 January 2012, Aktifbank started to provide collective loan loss allowance established for groups of homogeneous assets in respect of losses that have been incurred but have not been identified except for loans and receivables subject to individual assessment for impairment.

Write-off policy

The Group's banking group write off a loan or investment debt security balance, and any related allowances for impairment losses, when the Group's banking subsidiaries determine that the loan or security is uncollectible. This determination is reached after considering information such as occurrence of significant changes in the borrower's / issuer's financial position such that the borrower / issuer can no longer pay the obligation, or that proceeds from collateral will not be enough to pay back the entire exposure.

Loans with renegotiated terms

Loans with renegotiated terms are loans that have been restructured due to deterioration in the borrower's financial position and where the Group's banking subsidiaries have made concessions that it would not otherwise consider. Once the loan is restructured it remains in this category independent of satisfactory performance after restructuring.

Çalık Holding Anonim Şirketi and its Subsidiaries

Notes to Consolidated Financial Statements
As at and for the Year Ended 31 December 2019
(Amounts expressed in thousands of United States Dollar ("USD") unless otherwise stated.)

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

Credit risk *(continued)*:

Exposure to credit risk:

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at 31 December 2019 was:

31 December 2019	Receivables: Trade receivables – Related party	Receivables: Trade receivables – Third party	Receivables: Other receivables – Related party	Receivables: Other receivables – Third party	Cash at banks and other cash and cash equivalents (*)	Financial investments (**)	Receivables from finance sector operations	Derivatives
Maximum credit risk exposure at reporting date (A+B+C+D)	**49.207**	**379.736**	**366.540**	**189.927**	**1.660.953**	**2.135.578**	**2.123.180**	**4.943**
Portion of maximum risk covered by guarantees	--	**12.942**	--	--	--	--	--	--
A. Carrying value of financial assets that are neither past due nor impaired	49.207	352.226	366.540	189.927	1.660.953	2.135.578	2.020.452	4.943
B. Carrying value of financial assets that are past due but not impaired	--	27.510	--	--	--	--	--	--
C. Carrying value of impaired assets	--	--	--	--	--	--	102.728	--
Past due (gross carrying amount)	--	54.238	--	3.345	--	--	201.175	--
- Impairment (-)	--	(54.238)	--	(3.345)	--	--	(98.447)	--
- The part of net value under guarantee with collateral etc	--	--	--	--	--	--	--	--
Not past due (gross carrying amount)	--	--	--	--	--	--	--	--
- Impairment (-)	--	--	--	--	--	--	--	--
D. Elements including credit risk on off statement of financial position	--	--	--	--	--	--	--	--

(*) Balances at central banks and cash on hand are excluded.
(**) Equity securities and investment funds are excluded.

Çalık Holding Anonim Şirketi and its Subsidiaries
Notes to Consolidated Financial Statements
As at and for the Year Ended 31 December 2019
(Amounts expressed in thousands of United States Dollar ("USD") unless otherwise stated.)

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

Credit risk *(continued)***:**

Exposure to credit risk *(continued):*

31 December 2018	Receivables – Trade receivables – Related party	Receivables – Trade receivables – Third party	Receivables – Other receivables – Related party	Receivables – Other receivables – Third party	Cash at banks and other cash and cash equivalents (*)	Financial investments (**)	Receivables from finance sector operations	Derivatives
Maximum credit risk exposure at reporting date (A+B+C+D)	**154.824**	**350.281**	**325.741**	**183.227**	**727.117**	**1.829.412**	**2.191.981**	**9.996**
Portion of maximum risk covered by guarantees	--	11.137	--	--	--	--	--	--
A. Carrying value of financial assets that are neither past due nor impaired	154.824	301.969	325.741	183.227	727.117	1.829.412	1.949.105	9.996
B .Carrying value of financial assets that are past due but not impaired	--	48.312	--	--	--	--	181.742	--
C. Carrying value of impaired assets	--	--	--	--	--	--	61.134	--
Past due (gross carrying amount)	--	47.470	--	3.387	--	--	155.687	--
- Impairment (-)	--	(47.470)	--	(3.387)	--	--	(94.553)	--
- The part of net value under guarantee with collateral etc	--	--	--	--	--	--	--	--
Not past due (gross carrying amount)	--	--	--	--	--	--	--	--
- Impairment (-)	--	--	--	--	--	--	--	--
D. Elements including credit risk on off statement of financial position	--	--	--	--	--	--	--	--

(*) Balances at central banks and cash on hand are excluded.
(**) Equity securities and investment funds are excluded.

Çalık Holding Anonim Şirketi and its Subsidiaries
Notes to Consolidated Financial Statements
As at and for the Year Ended 31 December 2019
(Amounts expressed in thousands of United States Dollar ("USD") unless otherwise stated.)

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

Credit risk *(continued)***:**

Impairment losses

As of 31 December 2019 and 2018, the aging of trade receivables that are past due but not impaired was as below:

31 December 2019	Receivables – Trade Receivables	Receivables – Other Receivables	Receivables from financial sector operations
Past due 0-30 days	10.680	--	--
Past due 1-3 months	3.693	--	--
Past due 3-12 months	5.997	--	--
Past due 1-5 years	7.140	--	--
More than five years	--	--	--
Total	**27.510**	**--**	**--**
Part of secured with guarantee etc.	--	--	--

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

Liquidity risk

Liquidity risk arises in the general funding of the Group's activities and in the management of positions. It includes both risk of being unable to fund assets at appropriate maturities and rates and risk of being unable to liquidate an asset at a reasonable price and in an appropriate time frame. The Group has access to funding sources from banks and keeps certain level assets as cash and cash equivalents. The Group continuously assesses liquidity risk by identifying and monitoring changes in funding required in meeting business goals and targets set in terms of the overall Group strategy.

Banking:

Management of liquidity risk

The Group's banking group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to their reputation.

Çalık Holding Anonim Şirketi and its Subsidiaries
Notes to Consolidated Financial Statements
As at and for the Year Ended 31 December 2019
(Amounts expressed in thousands of United States Dollar ("USD") unless otherwise stated.)

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

Liquidity risk *(continued)***:**

Banking:

Management of liquidity risk

The Group's banking group funds its short-term liquidity with interbank. In the case of long-term liquidity need, the Group's banking group utilises capital and debt market instruments. Additionally, the Group's banking group also funds itself from the domestic and foreign market when it needs additional funds.

Exposure to liquidity risk

The key measure used by the Group's banking group for managing liquidity risk is the ratio of net liquid assets to short-term loans and borrowings. Net liquid assets include cash and cash equivalents and trading debt securities for which there is an active market.

As at 31 December, the followings are carrying amounts, contractual cash flows and the contractual maturities of financial liabilities are as follows:

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

Çalık Holding Anonim Şirketi and its Subsidiaries
Notes to Consolidated Financial Statements
As at and for the Year Ended 31 December 2019
(Amounts expressed in thousands of United States Dollar ("USD") unless otherwise stated.)

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

Liquidity risk *(continued)*

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

Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices, will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

Çalık Holding Anonim Şirketi and its Subsidiaries
Notes to Consolidated Financial Statements
As at and for the Year Ended 31 December 2019
(Amounts expressed in thousands of United States Dollar ("USD") unless otherwise stated.)

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

Interest rate risk

The Group's operations are subject to the risk of interest rate fluctuations to the extent that interest-earning assets and interest-bearing liabilities mature or reprise at different times or in differing amounts. In the case of floating rate assets and liabilities the Group is also exposed to basis risk, which is the difference in reprising characteristics of the various floating rate indices, such as six months Libor and different types of interest. Risk management activities are aimed at optimizing net interest income, given market interest rate levels consistent with the Group's business strategies.

Profile

As at 31 December, the interest rate profile of the Group's interest-bearing financial instruments was as follows:

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

As of 31 December 2019, an increase of 100 basis points in interest rates dominated in Turkish Lira would have decreased profit or loss before tax and allocation of the non-controlling interest by USD 310.262. Under the same conditions, a decrease of 100 basis points in interest rates dominated in Turkish Lira would have increased profit or loss by USD 309.317. This analysis assumes that all other variables remain constant (31 December 2018: USD 3.030, USD 2.080 respectively).

Fair value sensitivity analysis for fixed rate instruments

The Group does not account for any fixed rate financial assets and liabilities at fair value through profit or loss and the Group does not designate derivatives (interest rate swaps) as hedging instruments under fair value hedge accounting model. Therefore, a change in interest rate as of the reporting date would not affect profit or loss and equity.

Çalık Holding Anonim Şirketi and its Subsidiaries
Notes to Consolidated Financial Statements
As at and for the Year Ended 31 December 2019
(Amounts expressed in thousands of United States Dollar ("USD") unless otherwise stated.)

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

Currency risk

The Group is exposed to currency risk on sales, purchases and borrowings that are denominated in a currency other than the respective functional currencies of Group entities. The currencies in which these transactions primarily are denominated are TL and Euro (31 December 2018: TL and Euro).

In respect of other monetary assets and liabilities denominated in foreign currencies, the Group ensures that its net exposure is kept to an acceptable level by buying or selling foreign currencies at spot rates when necessary to address short-term imbalances.

The Group is exposed to currency risk through the impact of rate changes on the translation of foreign currency denominated payables and bank borrowings from financial institutions. Such risk is monitored by the Board of Directors and limited through taking positions within approved limits as well as using derivative instruments where necessary.

To minimise risk arising from foreign currency denominated statement of financial position items, the Group sometimes utilises derivative instruments as well as keeping part of its idle cash in foreign currencies.

At 31 December 2019, the currency risk exposures of the Group in USD equivalents are as follows:

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

(*) USD equivalents are given.

Çalık Holding Anonim Şirketi and its Subsidiaries

Notes to Consolidated Financial Statements
As at and for the Year Ended 31 December 2019
(Amounts expressed in thousands of United States Dollar ("USD") unless otherwise stated.)

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

Currency risk *(continued)*

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

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

(*) USD equivalents are given.

Çalık Holding Anonim Şirketi and its Subsidiaries

Notes to Consolidated Financial Statements
As at and for the Year Ended 31 December 2019
(Amounts expressed in thousands of United States Dollar ("USD") unless otherwise stated.)

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

Currency risk *(continued)*

Sensitivity analysis

A 10 percent strengthening/weakening of the USD against the other currencies below would have increased/ (decreased) the comprehensive income and profit/loss (excluding the tax effect) of 31 December as follows:

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

Çalık Holding Anonim Şirketi and its Subsidiaries
Notes to Consolidated Financial Statements
As at and for the Year Ended 31 December 2019
(Amounts expressed in thousands of United States Dollar ("USD") unless otherwise stated.)

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

Currency risk *(continued)*

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

Capital management

The Group's objectives when managing capital include:

- to comply with the capital requirements required by the regulators of the financial markets where the Group operates;
- to safeguard the Group's ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders; and
- to provide an adequate return to shareholders.

Çalık Holding Anonim Şirketi and its Subsidiaries
Notes to Consolidated Financial Statements
As at and for the Year Ended 31 December 2019
(Amounts expressed in thousands of United States Dollar ("USD") unless otherwise stated.)

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

Capital management *(continued)*

Banking:

Aktifbank

BRSA sets and monitors capital requirements for the Aktifbank regularly.

The capital adequacy ratio calculations are made in accordance with the "Regulation on Measurement and Evaluation of Capital Adequacy of Banks" published in Official Journal No 28337 of 28 June 2012 from 1 July 2012. Standard Method is used to calculate market risk, which is included in computation of capital adequacy ratio.

In implementing current capital requirements of BRSA requires Aktifbank to maintain a 12 percent ratio of total capital to total risk-weighted assets.

As at 31 December 2019, the Aktifbank's capital adequacy ratio is 14,85 percent (31 December 2018: 12,87 percent).

BKT

BKT's policy is to maintain a strong capital base to maintain investor, creditor and market confidence and to sustain future development of the business. The impact of the level of capital on shareholder's return is also recognised and BKT recognises the need to maintain a balance between the higher returns that might be possible with greater gearing and the advantages and security afforded by a sound capital position. There have been no material changes in BKT's management of capital during the period.

Regulatory capital: BKT monitors the adequacy of its capital using, among other measures, the rules and ratios established by the Albanian regulator, the Bank of Albania ("BoA"), which ultimately determines the statutory capital required to underpin its business. The regulation "On capital adequacy" is issued pursuant to Law No. 8269 date 23 December 1997 "On the Bank of Albania", and Law No. 9662 dated 18 December 2006 "On Banks in the Republic of Albania".

The Capital Adequacy Ratio is the proportion of the regulatory capital to risk weighted exposures, calculated as the sum of the risk-weighted exposure amounts, on- and off-statement of financial position for credit risk and for credit counterparty risk, capital requirement for market and operational risk. The minimum Capital Adequacy Ratio required by Bank of Albania is 12 percent, while BKT has maintained this ratio at 18,62 percent as at 31 December 2019 (31 December 2018: 17,53 percent).

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

Risk-Weighted Assets (RWAs): For calculation of credit risk, exposures, on- and off-statement of financial position are classified in 15 exposure classes. In general terms, client/ issuer type, loan destination and collateral are the main determinants of the exposure class. Each exposure class has its own specific requirements on how to assess the appropriate risk weight and respective risk weighted exposures. For credit risk and counterparty risk is applied the Standardised Approach. Market risk capital requirements are calculated in case the BKT has a trading portfolio that fulfils the requirements defined by the regulation and/ or a total net open currency position that is larger than the defined minimum threshold. Operational risk capital requirement is calculated based on the Basic Indicator Approach.

Compliance: BKT and its individually regulated operations have complied with all internally and externally imposed capital requirements throughout the year.

Çalık Holding Anonim Şirketi and its Subsidiaries

Notes to Consolidated Financial Statements
As at and for the Year Ended 31 December 2019
(Amounts expressed in thousands of United States Dollar ("USD") unless otherwise stated.)

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

Operational risk

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the Group's processes, personnel, technology and infrastructure, and from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of corporate behavior. Operational risks arise from all of the Group's operations.

The Group's objective is to manage operational risk to balance the avoidance of financial losses and damage to the Group's reputation with overall cost effectiveness and to avoid control procedures that restrict initiative and creativity.

The primary responsibility for the development and implementation of controls to address operational risk is assigned to senior management within each business unit. This responsibility is supported by the development of overall Group standards for the management of operational risk in the following areas:

- requirements for appropriate segregation of duties, including the independent authorisation of transactions
- requirements for the reconciliation and monitoring of transactions,
- compliance with regulatory and other legal requirements,
- documentation of controls and procedures,
- requirements for the periodic assessment of operational risks faced, and the adequacy of controls and procedures to address the risks identified,
- requirements for the reporting of operational losses and proposed remedial action,
- development of contingency plans,
- training and professional development,
- ethical and business standards,
- risk mitigation, including insurance where this is effective.

Compliance with Group standards is supported by a programme of periodic reviews undertaken by Internal Audit.

Fair value information

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or in its absence, the most advantageous market to which the Group has access at that date.

When available, the Group measures the fair value of an instrument using the quoted price in an active market for that instrument. A market is regarded as active if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis. If there is no quoted market price in an active market, then the Group uses valuation techniques that maximise the use of relevant observable inputs and minimise the use of unobservable inputs.

Çalık Holding Anonim Şirketi and its Subsidiaries

Notes to Consolidated Financial Statements
As at and for the Year Ended 31 December 2019
(Amounts expressed in thousands of United States Dollar ("USD") unless otherwise stated.)

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

Fair value information

The table below shows the carrying amount and fair values of financial assets and financial liabilities, including their levels in the fair value. It does not include fair value information for financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value.

31 December 2019	Amortised costs	Measured at fair value through profit or loss	Measured at fair value through other comprehensive income	Total book value	Level 1	Level 2	Level 3	Total net realisable value
Financial assets measured at fair value								
Financial investments	150.752	228.106	2.068.482	**2.447.340**	1.630.319	588.914	228.106	**2.447.339**
Derivatives	--	4.943	--	**4.943**	--	4.943	--	**4.943**
Financial assets not measured at fair value								
Financial investments	--	856	--	**856**	--	--	856	**856**
Trade receivables	428.943	--	--	**428.943**	--	--	--	**--**
Other receivables	556.467	--	--	**556.467**	--	--	--	**--**
Cash and cash equivalents	1.754.177	--	--	**1.754.177**	--	--	--	**--**
Receivables related to finance sector operations	2.123.180	--	--	**2.123.180**	--	--	--	**--**
Total	**5.013.519**	**233.905**	**2.068.482**	**7.315.906**	**1.630.319**	**593.857**	**228.962**	**2.453.138**
Financial liabilities measured at fair value								
Derivatives	--	2.867	--	**2.867**	--	2.867	--	**2.867**
Financial liabilities not measured at fair value								
Loans and borrowings	2.924.230	--	--	**2.924.230**	--	--	2.924.229	**2.924.229**
Trade payables	265.290	--	--	**265.290**	--	--	--	**--**
Payables related to finance sector operations	4.413.073	--	--	**4.413.073**	--	--	--	**--**
Other payables(*)	48.440	--	--	**48.440**	--	--	--	**--**
Total	**7.651.033**	**2.867**	**--**	**7.653.900**	**--**	**2.867**	**2.924.229**	**2.927.096**

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

Çalık Holding Anonim Şirketi and its Subsidiaries
Notes to Consolidated Financial Statements
As at and for the Year Ended 31 December 2019
(Amounts expressed in thousands of United States Dollar ("USD") unless otherwise stated.)

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

Fair value information *(continued)*

The table below shows the carrying amount and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy. It does not include fair value information for financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value.

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

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

Çalık Holding Anonim Şirketi and its Subsidiaries
Notes to Consolidated Financial Statements
As at and for the Year Ended 31 December 2019
(Amounts expressed in thousands of United States Dollar ("USD") unless otherwise stated.)

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

Fair value information *(continued)*

Fair value hierarchy

The fair value hierarchy consists of three levels, depending upon whether fair values are determined based on quoted prices in an active market (Level 1), valuation techniques with observable inputs (Level 2) or valuation techniques that incorporate inputs which are unobservable and which have significant impact on the fair value of the instrument (Level 3):

The Group measures fair values using the following fair value hierarchy, which reflects the significance of the inputs used in making the measurements.

- Level 1: This category includes inputs that are quoted market prices (unadjusted) in active markets for identical instruments. These are instruments where the fair value can be determined directly from prices which are quoted in active, liquid markets and where the instrument observed in the market is representative of that being priced in the Group's portfolio.
- Level 2: This category includes inputs other than quoted prices included within Level 1 that are observable either directly (i.e. as prices) or indirectly (i.e. derived from prices). This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques in which all significant inputs are directly or indirectly observable from market data.
- Level 3: This category includes all instruments where the valuation technique uses inputs based on unobservable data, which could have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments where significant, unobservable adjustments or assumptions are required to reflect differences between instruments. Unobservable in this context means that there is little or no current market data available from which the price at which an arm's length transaction would be likely to occur can be derived.

Valuation models

The Group uses following assumptions to estimate the fair value of financial instruments:

Equity securities: Fair values of publicly traded equity securities are based on quoted market prices where available. In the case of where no quoted market is available, fair value is determined based on quoted prices for similar securities or other valuation techniques. Valuation techniques include discounted cash flow models and transaction multiple methods.

Valuation of equity securities designated as at fair value through profit or loss was carried out by an independent appraiser firm as at 31 December 2019. Discounted cash flow method was used as valuation method and the fair value of this investment was assessed USD 228.106 (31 December 2018: USD 221.736).

Debt securities: Fair values are based on quoted market prices, where available. Quoted market prices may be obtained from an exchange, dealer, broker, pricing service or regulatory service. If quoted prices in an active market are not available, fair value is based on an analysis of available market inputs, which may include values obtained from one or more pricing services or by a valuation technique that discounts expected future cash flows using a market interest rate curves, referenced credit spreads and maturity of the investment.

Çalık Holding Anonim Şirketi and its Subsidiaries
Notes to Consolidated Financial Statements
As at and for the Year Ended 31 December 2019
(Amounts expressed in thousands of United States Dollar ("USD") unless otherwise stated.)

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

Fair value information *(continued)*

Valuation models (continued)

Derivative assets and liabilities: Derivatives are valued using valuation techniques. The valuation techniques and inputs depend on the type of derivative and the nature of the underlying instruments. Observable prices or model inputs are usually available in the market for exchange-traded derivatives and simple over-the-counter derivatives.

Availability of observable market prices and model inputs reduces the need for management judgement and estimation and also reduces the uncertainty associated with determining fair values. The principal technique used to value these instruments are based on discounted cash flows. These valuation models calculate the present value of expected future cash flows. Inputs to valuation models are determined from observable market data where possible. The inputs used include prices available from exchanges, dealers, brokers or providers of consensus pricing, yield curves, credit spreads, default rates, recovery rates, volatility of underlying interest rates, equity prices and foreign currency exchange rates. These inputs are determined with reference to quoted prices, recently executed trades, independent market quotes, where available.

Fair value estimates obtained from models are adjusted for any other factors, such as liquidity risk or model uncertainties; to the extent that the Group believes that a third party market participant would take them into account in pricing a transaction. Fair values reflect the credit risk of the instrument and include adjustments to take account of the credit risk of the Group entity and the counterparty where appropriate. For measuring derivatives, fair values taken into account both credit valuation adjustments and debit valuation adjustments.

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Çalık Holding Anonim Şirketi and its Subsidiaries
Notes to Consolidated Financial Statements
As at and for the Year Ended 31 December 2019
(Amounts expressed in thousands of United States Dollar ("USD") unless otherwise stated.)

37 Group enterprises

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

Subsidiaries

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

	Direct controlling interest of Çalık Holding and its subsidiaries		*Effective ownership interest of Çalık Holding and its Subsidiaries*	
Company name	***2019***	***2018***	***2019***	***2018***
Adacami Enerji (1)	99,95	99,95	95,38	95,38
Akılcı Bilişim (1)	70,00	70,00	66,76	66,76
Aktifbank	99,43	99,87	99,87	99,87
Akuamarin(6)	100,00	50,00	99,87	49,93
Akyarlar (6)	100,00	--	99,87	--
Albatros(6)	100,00	100,00	99,87	99,86
Albtelecom(5)	80,27	80,27	74,78	74,78
Amethyst(8)	100,00	100,00	99,29	99,29
Ametist Solar(6)	100,00	50,00	99,87	49,93
Ant Enerji(1)	100,00	100,00	95,42	95,42
Artmin(8)	70,00	70,00	69,50	69,50
Atayurt İnşaat(1)	99,50	99,75	95,20	95,20
Attivo (6)	90,00	90,00	89,88	89,88
Aytaşı(6)	100,00	50,00	99,87	49,93
BKT Kosova (7)	100,00	100,00	100,00	100,00
BKT(7)	100,00	100,00	100,00	100,00
Başak Yönetim	100,00	100,00	100,00	100,00
Çalık Denim B.V. (3)	100,00	100,00	99,72	99,72
Cetel Telekom	93,16	93,16	93,16	93,16
Çalık Alexandria(3)	94,00	100,00	99,72	99,72
Çalık Denim	99,72	99,72	99,72	99,72
Çalık Dijital	100,00	100,00	100,00	100,00
ÇEDAŞ(1)	99,90	99,95	95,38	95,38
Çalık Emlak	--	98,06	--	98,06
Çalık Enerji Dubai(1)	100,00	100,00	95,42	95,42
Çalık Elektrik(1)	--	100,00	--	95,42
Çalık Enerji	95,42	95,42	95,42	95,42
Çalık Enerji Swiss A.G. (1)	100,00	100,00	95,42	95,42
Çalık Finansal Hizmetler	100,00	100,00	100,00	100,00
Çalık Gaz	--	99,89	--	99,89
Çalık Georgia(1)	100,00	100,00	95,42	95,42
Çalık Güneş (1)	100,00	99,75	95,42	99,64
Çalık Hava	100,00	100,00	100,00	100,00
Çalık İnşaat(2)	99,95	99,75	98,90	99,24
Çalık NTF(1)	100,00	100,00	95,42	95,42
Çalık Pamuk	86,39	86,39	86,39	86,39
Çalık Petrol	--	80,00	--	79,91
Çalık Rüzgar(1)	95,00	95,00	90,65	90,65
Çalık Solar	97,50	97,50	97,50	97,40
Çalık Tarım(9)	100,00	100,00	86,39	86,39
Çalık Yenilenebilir(1)	100,00	100,00	95,42	95,42
ÇEDYAŞ(1)	100,00	100,00	95,42	95,42
Çiğdem (6)	100,00	50,00	99,87	49,93
Çöl Yıldızı(6)	100,00	100,00	99,87	99,87

Çalık Holding Anonim Şirketi and its Subsidiaries

Notes to Consolidated Financial Statements
As at and for the Year Ended 31 December 2019
(Amounts expressed in thousands of United States Dollar ("USD") unless otherwise stated.)

37 Group enterprises *(continued)*

Subsidiaries *(continued)*

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

Çalık Holding Anonim Şirketi and its Subsidiaries

Notes to Consolidated Financial Statements
As at and for the Year Ended 31 December 2019
(Amounts expressed in thousands of United States Dollar ("USD") unless otherwise stated.)

37 Group enterprises *(continued)*

Subsidiaries *(continued)*

	Direct controlling interest of Çalık Holding and its subsidiaries		*Effective ownership interest of Çalık Holding and its Subsidiaries*	
Company name	***2019***	***2018***	***2019***	***2018***
Lapis [6]	100,00	50,00	99,87	49,93
Leylak [6]	100,00	50,00	99,87	49,93
Lidya Maden	99,28	99,29	99,29	99,29
Lilyum [6]	100,00	50,00	99,87	49,93
Malatya Boya[3]	100,00	100,00	99,72	99,72
Martı[6]	100,00	100,00	99,87	99,87
Mayestan Clean Energy[1]	100,00	100,00	95,42	95,42
Mehtap[6]	100,00	100,00	99,87	99,87
Mercan[6]	100,00	100,00	99,87	99,87
Momentum Enerji[1]	100,00	100,00	95,42	95,42
Mükafat Portföy [6]	80,00	80,00	79,89	79,89
Nilüfer[6]	100,00	100,00	99,87	99,87
N-Kolay [6]	90,04	100,00	89,92	99,87
Nouvelle Frontiere [8]	100,00	--	99,29	--
Olimpos[6]	73,42	100,00	96,60	99,87
Olivin [6]	100,00	50,00	99,87	49,93
Oniki Teknoloji [6]	100,00	100,00	99,87	99,86
Oniks [6]	100,00	50,00	99,87	49,93
Onyx [1]	100,00	100,00	95,42	95,42
Opal [6]	100,00	50,00	99,87	49,93
Pasifik[6]	73,13	100,00	96,62	99,87
Passo Spor[6]	100,00	--	99,87	--
Pavo [6]	100,00	80,00	99,87	79,89
Petrotrans Enerji	99,92	99,92	99,92	99,92
Polimetal Mineral [8]	100,00	100,00	99,29	99,29
Sedef [6]	100,00	50,00	99,87	49,93
Seher[6]	100,00	100,00	99,87	99,87
Seher Yıldızı[6]	100,00	100,00	99,87	99,87
Sembol Enerji	100,00	100,00	100,00	99,89
Sigortayeri [6]	100,00	100,00	99,87	99,87
Synchron [4]	100,00	100,00	99,43	99,43
Synergy Marketin N.V. [4]	--	100,00	--	99,43
Tanyeri[6]	100,00	100,00	99,87	99,87
Taşkent Merkez [1]	100,00	50,00	95,42	47,71
TCB İnşaat	100,00	100,00	97,50	97,40
Technological Energy[1]	100,00	100,00	95,42	95,42
Technovision[1]	99,99	99,00	95,42	94,47
Tura Moda [4]	100,00	100,00	99,43	99,43
Turkuvaz [6]	100,00	50,00	99,87	49,93
Türkmen Elektrik[1]	95,50	97,00	92,63	92,63
Ufuk[6]	100,00	100,00	99,87	99,87
UPT[6]	100,00	100,00	99,87	99,86
Uztur [1]	100,00	--	95,42	--
White Construction N.V [2]	100,00	100,00	98,91	99,48
Yakamoz[6]	100,00	100,00	99,87	99,87
Yakut[6]	100,00	100,00	99,87	99,87
Yalıkavak [6]	100,00	--	99,87	--
Yeşilçay Enerji[1]	100,00	100,00	95,42	95,42

Çalık Holding Anonim Şirketi and its Subsidiaries
Notes to Consolidated Financial Statements
As at and for the Year Ended 31 December 2019
(Amounts expressed in thousands of United States Dollar (“USD”) unless otherwise stated.)

37 Group enterprises *(continued)*

***Subsidiaries** (continued*

	Direct controlling interest of Çalık Holding and its subsidiaries		*Effective ownership interest of Çalık Holding and its Subsidiaries*	
Company name	***2019***	***2018***	***2019***	***2018***
YEDAŞ[(1)]	100,00	100,00	95,38	95,38
YEPAŞ[(1)]	100,00	100,00	95,38	95,38
Zirkon [(6)]	100,00	50,00	99,87	49,93

[1] *First consolidated under Çalık Enerji, then consolidated under the Group*
[2] *First consolidated under Gap İnşaat, then consolidated under the Group*
[3] *First consolidated under Çalık Denim, then consolidated under the Group*
[4] *First consolidated under Gap Pazarlama, then consolidated under the Group*
[5] *First consolidated under Cetel Telekom, then consolidated under Cetel Çalık, then consolidated under the Group*
[6] *First consolidated under Aktifbank, then consolidated under the Group*
[7] *First consolidated under Çalık Finansal Hizmetler, then consolidated under the Group*
[8] *First consolidated under Lidya Maden, then consolidated under the Group*
[9] *First consolidated under Çalık Pamuk, then consolidated under the Group*

Joint ventures

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

	Direct controlling interest of Çalık Holding and its subsidiaries		*Effective ownership interest of Çalık Holding and its Subsidiaries*	
	2019	***2018***	***2019***	***2018***
Aktif Halk Enerji	--	50,00	--	49,93
Çalık Limak Adi Ortaklığı	50,00	50,00	47,69	47,69
ÇL Enerji	50,00	--	47,71	--
Doğu Aras	50,00	50,00	47,71	47,71
Halk Yenilenebilir	50,00	50,00	49,93	49,93
Kartaltepe	50,00	50,00	49,64	49,64
KÇLE	50,00	50,00	47,71	47,71
Kumtaşı	--	50,00	--	49,93
LC Electricity	50,00	50,00	46,31	46,31
Polimetal	50,00	50,00	49,64	49,64
Secom Aktif Güvenlik	100,00	--	49,93	--
Secom Aktif Yatırım	50,00	--	49,93	--
TAPCO	--	50,00	--	49,96
Tunçpınar	50,00	50,00	49,64	49,64

Çalık Holding Anonim Şirketi and its Subsidiaries
Notes to Consolidated Financial Statements
As at and for the Year Ended 31 December 2019
(Amounts expressed in thousands of United States Dollar (“USD”) unless otherwise stated.)

37 Group enterprises *(continued)*

Associates

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

	Direct controlling interest of Çalık Holding and its subsidiaries		*Effective ownership interest of Çalık Holding and its Subsidiaries*	
	2019	***2018***	***2019***	***2018***
Şirket adı	***2019***	***2018***	***2019***	***2018***
Aktif VKŞ	100,00	100,00	99,87	99,87
Albania Leasing	29,99	29,99	29,99	29,99
Balkan Dokuma	31,00	31,00	31,00	31,00
CYDEV Investment	99,99	99,99	25,53	25,50
Dome Zero	1,98	--	1,98	--
Emyap Development	51,00	51,00	13,02	13,01
ELC	36,71	36,70	36,66	36,65
Euro-Mediterranean	25,57	25,57	25,54	25,50
TJK	34,80	34,80	34,70	34,70
Haliç Leasing	32,00	32,00	31,96	31,96
Idea Farm	30,00	30,00	29,96	29,96
IFM	--	5,00	--	4,99
Kazakhstan Ijara Company KIC Leasing	14,32	14,32	14,30	14,30
Kıbrıs Besicilik	99,99	99,99	25,53	25,50
Serdar Pamuk	10,00	10,00	10,00	10,00
Silent Valley	51,00	51,00	13,02	13,00

38 Subsequent events

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

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