Çalık Holding Anonim Şirketi
and its Subsidiaries

Consolidated Financial Statements
As at and for the Year Ended
31 December 2018
With Independent Auditor's Report

25 March 2019

This report includes 5 pages of independent auditor's report and 148 pages of consolidated financial statements together wtih their explanatory notes.

Çalık Holding Anonim Şirketi and its Subsidiaries

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Independent Auditor's Report

To the Board of Directors of Çalık Holding Anonim Şirketi

Opinion

We have audited the consolidated financial statements of Çalık Holding Anonim Şirketi ("the Company") and its subsidiaries (together "the Group"), which comprise the consolidated statement of financial position as at 31 December 2018, the consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2018, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRS").

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 *Auditors' Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with 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 consolidated financial statements in Turkey and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

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

Revenue recognition on construction contracts

Refer to Note 3 (n) "Construction contracts revenue" for the relevant accounting policy and a discussion of significant accounting estimates

The key audit matter	How the matter was addressed in our audit
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 and construction sector amounting to USD 763.642 thousands for a total construction cost amounting to USD 753.028 thousands constitutes a significant portion of the Group's total revenue. Due from customers for contract work and due to suppliers and subcontractors for the construction contract works were USD 220.309 thousands and USD 72.378 thousands, respectively. 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 recognises 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 judgement, in particular with respect to estimation the cost to complete and the amounts of variation orders to be recognised. The recognition of revenue from the construction contracts identified key audit metter due to be 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 contract revenue figures. - We inspected the terms and conditions of material EPC contracts in evaluating the judgements used and determining the timing of the revenue recognition. - We discussed on the status of projects under construction with finance and technical staff of the Group and evidenced our understanding with the supporting documents. - We recomputed contract revenues by using the percentage of completion method. - We tested the revenue recognised from the construction contracts to amounts invoiced to customers and the subsequent receipt of payment from those customers. - We tested the by using sampling method cost for the construction contracts recognised to amounts invoiced by suppliers and subcontractors and the subsequent receipt of payment to those parties by controlling the relevant reconciliations. - We performed an assessment of the historical level of accuracy and prudence in the contract cost budgets and forecasts and challenged management's current assumptions in respect of completion stages of the EPC projects or change in the cost budgets. - We tested revenue and contract accounting journal entries focusing on unusual or irregular items. -We performed detailed cut off tests performed over revenue and revenue return accounts.

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Allowance for probable losses on loans and receivables from customers

Refer to notes 3 (c) and 3 (j) "Loans and receivables" for the relevant accounting policy and a discussion of significant accounting estimates

The key audit matter	How the matter was addressed in our audit
At 31 December 2018, gross receivables related to finance sector operations were USD 2.286.534 thousands against which loan allowance for impairment of USD 94.553 thousands were provided ending with a net carrying amount of USD 2.191.981 thousands. For specific allowances, a management decision and judgement is required to determine when an impairment event has occurred and a necessary classification 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. As of 1 January 2018, due to the adoption of the Standard, in determining the impairment of loans and advances to customers is started to apply "expected credit loss model" rather than the "incurred loss model". 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 and advances to 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 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 past data sets and expectations and the forward looking expectations are reflected by macroeconomic models. Impairment on loans and advances to 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 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 the 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 qualitative and quantitative assessments which are used in determining the significant increase in credit risk. Additionally, we also evaluated the adequacy of the consolidated financial statement disclosures related to impairment provisions.

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 IFRS, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

Those charged with governance are responsible for overseeing the Group's consolidated financial reporting process.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

KPMG Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik Anonim Şirketi
A member of KPMG International Cooperative

Hakkı Özgür Sıvacı
Partner
25 March 2019
Istanbul, Turkey

Çalık Holding Anonim Şirketi and its Subsidiaries

As at 31 December 2018

Consolidated Statement of Financial Position

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

Assets	Notes	31 December 2018	31 December 2017
Current assets			
Cash and cash equivalents	8	803.852	415.595
Financial investments	9	1.023.428	1.020.674
Trade receivables	10	722.110	1.749.627
Due from related parties	*7*	*107.082*	*30.102*
Due from third parties		*615.028*	*1.719.525*
Receivables related to finance sector operations	11	951.595	1.346.600
Due from related parties	*7*	*35.357*	*161.614*
Due from third parties		*916.238*	*1.184.986*
Other receivables	12	75.665	261.979
Due from related parties	*7*	*5.741*	*135.499*
Due from third parties		*69.924*	*126.480*
Inventories	13	250.721	362.736
Derivatives	22	9.996	3.361
Prepayments	14	90.172	161.892
Current tax assets	26	11.002	10.468
Other current assets	19	738.266	750.891
Subtotal		**4.676.807**	**6.083.823**
Assets held for sale	5	61.426	65.614
Total current assets		**4.738.233**	**6.149.437**
Non- current assets			
Trade receivables	10	378.763	431.147
Due from related parties		*47.742*	--
Due from third parties		*331.021*	*431.147*
Receivables related to finance sector operations	11	1.240.386	1.440.696
Due from related parties		*79*	--
Due from third parties		*1.240.307*	*1.440.696*
Other receivables	12	433.303	117.717
Due from related parties		*320.000*	--
Due from third parties		*113.303*	*117.717*
Financial investments	9	1.088.534	867.473
Investments in equity-accounted investees	15	151.224	140.933
Investment property	18	133.915	171.924
Property, plant and equipment	16	626.911	630.783
Intangible assets	17	133.145	163.627
Goodwill		*722*	*1.006*
Other intangible assets		*132.423*	*162.621*
Prepayments	14	42.602	38.003
Deferred tax assets	26	38.533	27.329
Other non-current assets		805	--
Total non-current assets		**4.268.121**	**4.029.632**
Total assets		**9.006.354**	**10.179.069**

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

Çalık Holding Anonim Şirketi and its Subsidiaries

As at 31 December 2018

Consolidated Statement of Financial Position *(continued)*

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

Liabilities	Notes	31 December 2018	31 December 2017
Short term liabilities			
Short term loans and borrowings	21	1.488.326	2.242.707
Short term portion of long term loans and borrowings	21	258.560	15.959
Derivatives	22	4.375	2.221
Trade payables	10	435.962	647.976
Due to related parties	*7*	*2.505*	*268*
Due to third parties		*433.457*	*647.708*
Payables related to finance sector operations	11	3.700.528	3.327.208
Due to related parties	7	*2.802*	*3.258*
Due to third parties		*3.697.726*	*3.323.950*
Payables related to employee benefits	23	10.521	11.803
Other payables	12	186.859	49.896
Due to related parties	*7*	*152.098*	*77*
Due to third parties		*34.761*	*49.819*
Deferred revenue	14	324.963	946.704
Current tax liabilities	26	9.329	20.789
Short term provisions	24	32.383	38.470
Short term employee benefits	*24*	*16.440*	*18.518*
Other short term provisions	*24*	*15.943*	*19.952*
Other short term liabilities	19	101.663	78.885
Subtotal		**6.553.469**	**7.382.618**
Liabilities held for sale	5	6.610	3.313
Total short term liabilities		**6.560.079**	**7.385.931**
Long term liabilities			
Long term loans and borrowings	21	467.334	513.010
Trade payables	10	13.508	13.127
Due to third parties		*13.508*	*13.127*
Payables related to finance sector operations	11	384.435	392.043
Due to third parties		*384.435*	*392.043*
Other payables	12	42.869	49.848
Due to third parties		*42.869*	*49.848*
Deferred revenue	14	100.103	143.411
Long term provisions	24	8.279	11.623
Long term employee benefits	*24*	*8.279*	*11.300*
Other long term provisions	*24*	--	*323*
Deferred tax liabilities	26	59.683	67.202
Investments in equity-accounted investees		41	--
Other long term liabilities		--	45.377
Total long term liabilities		**1.076.252**	**1.235.641**
Total liabilities		**7.636.331**	**8.621.572**

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

Çalık Holding Anonim Şirketi and its Subsidiaries

As at 31 December 2018

Consolidated Statement of Financial Position *(continued)*

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

	Notes	31 December 2018	31 December 2017
Equity			
Equity attributable to the owners of the Company			
Share capital	27	200.302	200.302
Adjustment to share capital		3.388	3.388
Other comprehensive income that is or may be reclassified to profit or loss		(183.762)	(1.350)
Restricted reserves	27	537.963	453.786
Retained earnings		715.812	352.572
Profit for the year		(5.728)	441.602
Total equity attributable to the owners of the Company		**1.267.975**	**1.450.300**
Total non-controlling interests	27	102.048	107.197
Total equity		**1.370.023**	**1.557.497**
Total equity and liabilities		**9.006.354**	**10.179.069**

Çalık Holding Anonim Şirketi and its Subsidiaries

Consolidated Statement of Profit or Loss and Other Comprehensive Income
For the Year Ended 31 December 2018

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

Continuing operations	**Notes**	**2018**	**2017**
Revenue	28	1.899.600	3.123.993
Cost of sales	28	(1.593.742)	(2.466.215)
Gross profit from non-finance sector operations	**28**	**305.858**	**657.778**
Revenue from finance sector operations	28	432.042	452.756
Cost of revenues from finance sector operations	28	(190.012)	(156.898)
Gross profit from finance sector operations	**28**	**242.030**	**295.858**
Gross profit	**28**	**547.888**	**953.636**
Other income from operating activities	30	183.348	189.728
General and administrative expenses	29	(211.047)	(241.824)
Selling, marketing and distribution expenses	29	(66.037)	(91.987)
Research and development expenses	29	(11.264)	(20.566)
Share of profit of equity accounted investees	15	26.187	34.329
Other expenses from operating activities	30	(206.799)	(142.072)
Operating profit		**262.276**	**681.244**
Gain from investing activities	31	68.482	100.988
Loss from investing activities	31	(7.718)	(14.273)
Operating profit before finance costs		**323.040**	**767.959**
Finance income	32	18.271	33.673
Finance costs	32	(301.480)	(259.925)
Net finance costs		**(283.209)**	**(226.252)**
Profit before tax from continuing operations		**39.831**	**541.707**
Current tax expense	26	(48.698)	(69.259)
Deferred tax benefit/(expense)	26	11.063	(14.950)
Total tax expense		**(37.635)**	**(84.209)**
Profit for the year		**2.196**	**457.498**

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 2018 *(continued)*

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

Other comprehensive income	**Notes**	**2018**	**2017**
Profit for the year		**2.196**	**457.498**
Items that are or may be reclassified to profit or loss			
Foreign currency translation differences for foreign operations and reporting currency translation differences		(197.030)	121.402
Change in fair value of available-for-sale financial assets	9	32.225	1.166
Deferred tax benefit/(expense)	26	(5.280)	(175)
Total other comprehensive income/(loss)		**(170.085)**	**122.393**
Total comprehensive income		**(167.889)**	**579.891**
Net profit attributable to:			
Owners of the Company		(5.728)	441.602
Non-controlling interests		7.924	15.896
Net profit for the year		**2.196**	**457.498**
Total comprehensive income attributable to:			
Owners of the Company		(188.140)	558.459
Non-controlling interests		20.251	21.432
Total other comprehensive income		**(167.889)**	**579.891**

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 2018

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

	Attributable to owners of the Company									
			Restricted reserves	**Accumulated other comprehensive income/(expense) that may be reclassified to profit or loss**		**Retained earnings/ (accumulated losses)**				
	Paid-in capital	*Adjustment to share capital*	*Legal reserves*	*Fair value reserve of financial assets available-for-sale*	*Translation reserve*	*Retained earnings*	*Profit for the year*	*Total*	*Non-controlling interests*	*Total equity*
Balances at 1 January 2017	**200.302**	**3.388**	**424.033**	**(7.849)**	**(110.358)**	**168.760**	**208.666**	**886.942**	**93.693**	**980.635**
Total comprehensive income for the period										
Profit for the period	--	--	--	--	--	--	441.602	441.602	15.896	457.498
Other comprehensive income										
Net fair value change in financial assets available-for-sale	--	--	--	991	--	--	--	991	--	991
Foreign currency translation differences for foreign operations and reporting currency translation differences					115.866			115.866	5.536	121.402
Total other comprehensive income	**--**	**--**	**--**	**991**	**115.866**	**--**	**--**	**116.857**	**5.536**	**122.393**
Total comprehensive income/(loss) for the period	**--**	**--**	**--**	**991**	**115.866**	**--**	**441.602**	**558.459**	**21.432**	**579.891**
Transactions with owners, recorded directly in equity										
Change in non-controlling interest in consolidated subsidiaries without change in control	--	--	53	--	--	4.846	--	4.899	(4.899)	--
Formation of subsidiary with non controlling interest									645	645
Contribution to capital increase by non-controlling interests in subsidiaries with non-controlling share	--	--	--	--	--	--	--	--	3.358	3.358
Dividends paid	--	--	--	--	--	--	--	--	(7.032)	(7.032)
Transfers	--	--	29.700	--	--	178.966	(208.666)	--	--	--
Total transactions with owners	**--**	**--**	**29.753**	**--**	**--**	**183.812**	**(208.666)**	**4.899**	**(7.928)**	**(3.029)**
Balances at 31 December 2017	**200.302**	**3.388**	**453.786**	**(6.858)**	**5.508**	**352.572**	**441.602**	**1.450.300**	**107.197**	**1.557.497**
Balances at 1 January 2018	**200.302**	**3.388**	**453.786**	**(6.858)**	**5.508**	**352.572**	**441.602**	**1.450.300**	**107.197**	**1.557.497**
Effect on accounting policy changes and other adjustments (Note 3)	**--**	**--**	**--**	**--**	**--**	**2.387**	**--**	**2.387**	**820**	**3.207**
Total comprehensive income for the period										
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)**
Transactions with owners, recorded directly in equity										
Contribution to capital increase resulting to set power of control in a subsidiary	--	--	--	--	--	--	--	--	(23.689)	(23.689)
Change in non-controlling interest in consolidated subsidiaries without change in control	--	--	--	--	--	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	**200.302**	**3.388**	**537.963**	**20.087**	**(203.849)**	**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 Cash Flows

For the Year Ended 31 December 2018

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

	Notes	2018	2017
A.CASH FLOWS (USED IN) / FROM OPERATING ACTIVITIES		**507.238**	**(70.324)**
Profit for the period		**2.196**	**457.498**
Adjustments to reconcile cash flow generated from operating activities:		**(537.440)**	**(83.674)**
Adjustments for depreciation and amortisation	16.17	75.772	76.066
(Gain)/loss on sale of derivative financial instruments	31	(32.435)	11.320
Gain on sales of joint operation	31	--	(50.849)
Adjustments for fair value (gains) / loss of financial investments	9	(21.456)	(30.852)
Adjustments for provision for doubtful receivables	10	9.857	11.526
Adjustments for fair value (gain) / loss of investment property	18	14.294	(26.777)
Adjustments for inventory impairment, net	13	1.180	582
Adjustments for provision for long term employee benefits	24	2.267	1.707
Adjustments for provisions for loan impairment	11	30.714	20.758
Adjustments for provisions, net	24	2.913	13.808
Adjustments for vacation pay liability	24	226	913
Adjustments for share of (profit)/ loss of equity accounted investees	15	(26.187)	(34.329)
Adjustments for interest income and expenses		(17.347)	(85.679)
Impairement of investments in equity accounted investees	31	21	--
Adjustments for fair value changes of the service concession receivables	30	(54.666)	(51.698)
Rediscount interest (gain) / losses, net	30	411	3.185
Unrealized foreign currency (income) / loss		(546.101)	(19.729)
Adjustments for tax expense	26	37.635	84.209
Adjustment for business acquisition		(15.551)	(6.764)
Adjustments for the gains and losses on sales of property, plant and equipment, net	31	1.013	(1.071)
Changes in working capital		**898.176**	**(613.360)**
Adjustments for change in inventories		9.003	105.970
Adjustments for change in trade receivables		540.008	(746.272)
Adjustments for change in payables related to employee benefits		2.242	3.413
Adjustments for change in other receivables, other current assets and other non-current assets related with operating activities		(478.272)	(386.386)
Adjustments for change in assets held for sale		(15.665)	(14.080)
Adjustments for change in liabilities held for sale		4.613	806
Adjustments for change in receivables from finance sector operations		(294.179)	(697.340)
Adjustments for change in payables from finance sector operations		1.544.874	772.758
Change in restricted cash and cash equivalents		(28.921)	(36.790)
Adjustments for change in trade payables		(26.707)	138.725
Adjustments for change in prepayments		11.485	(23.525)
Adjustments for change in deferred income		(390.719)	182.248
Adjustments for change in other payables and other liabilities related with operating activities		20.414	87.113

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 2018
(Amounts expressed in thousands of USD unless otherwise stated.)

Cash flows from operating activities		**144.306**	**169.212**
Employee termination indemnity paid	24	(2.074)	(263)
Recoveries from receivables from finance operations	11	23.128	11.571
Interest received with financial sector activities		382.136	380.276
Interest paid on financial sector activities		(200.408)	(142.163)
Acquisition of investment property	18	(5.011)	(2.387)
Collection from doubtful receivables	10	7.377	8.347
Taxes paid	26	(60.842)	(86.169)
B. CASH FLOWS USED IN INVESTING ACTIVITIES		**(372.151)**	**(294.273)**
Proceeds from sales of property and equipment and intangible assets	16,17	69.841	12.027
Dividend received from equity accounted investees	15	--	162
Proceeds from disposal of held to maturity financial investments / financial assets at amortised costs	9	19.066	102.541
Formation and capital contribution of share capital of equity accounted investees	15	(3.118)	(10.373)
Acquisition of non-controlling interests in entities under common control		3	4.003
Proceeds from formation and capital increase of subsidiaries without change in control		(15.838)	--
Proceeds from / (repayment of) derivative financial instruments		27.202	(12.923)
Proceeds from available for sale financial investments / financial assets at FVTOCI	9	694.016	761.867
Acquisition of held to maturity financial investments / financial assets at amortised costs	9	(41.675)	(181.806)
Acquisition of available for sale financial investments / financial assets at FVTOCI	9	(892.765)	(871.243)
Acquisition of property, plant and equipment	16	(210.007)	(89.087)
Acquisition of intangible assets	17	(18.876)	(9.441)
C. CASH FLOWS FROM FINANCING ACTIVITIES		**241.524**	**241.689**
Proceeds from/ (payments of) the funding of related parties	7,12	165.602	(317)
Dividend payment	27	(6.957)	(7.032)
Proceeds from / (repayment of) loans and borrowings, net		247.261	365.606
Interest paid		(164.382)	(116.568)
NET (DECREASE) / INCREASE IN CASH AND CASH EQUIVALENTS (A+B+C)		**376.611**	**(122.908)**
D. CASH AND CASH EQUIVALENTS AT THE BEGINING OF THE PERIOD		**362.923**	**485.831**
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD (A+B+C+D)	**8**	**739.534**	**362.923**

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

Notes to Consolidated Financial Statements

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 2018, Çalık Holding has 115 (31 December 2017: 84) subsidiaries ("the Subsidiaries"), 30 (31 December 2017: 9) joint ventures ("the Joint Ventures"), and 16 (31 December 2017: 15) associates ("the Associates") (referred to as "the Group" or "Çalık Group" herein and after). As at 31 December 2018 Çalık Goup does not have any joint operations ("the Joint Operations"). As at 31 December 2017 the group does not have any joint operations. 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 2018, the number of employees of the Group is 19.321 (31 December 2017: 18.632).

As explained in more detail in Note 6, the Group operates mainly under six segments:

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

As at 31 December 2018, the list of the subsidiaries, the joint ventures, the joint operation and the associates included in the consolidated financial statements of Çalık Holding, the details of the subsidiaries, the joint ventures, the joint operation and the associates included or excluded to the consolidated financial statement of Çalık Holding after 31 December 2017 are as follows:

Transfers of controlling shares within Group

Tura Moda Mağazacılık ve Elektronik Ticaret Anonim Şirketi ("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 Anonim Şirketi ("Gap Pazarlama") at nominal values. The name of the company has been changed to "Tura Moda Mağazacılık ve Elektronik Ticaret Anonim Şirketi" on 4 May 2018.

Mergers and acquisitions

Çalık Gaz ve Petrol Anonim Şirketi ("Çalık Gaz") acquired the Group's energy sector subsidiary Atlas Petrol Gaz İthalat ve Pazarlama Ticaret Anonim Şirketi ("Atlas Petrol") all rights and obligations through merger based on the merger agreement signed between Atlas Petrol and Çalık Gaz on 31 December 2018. As a result of this transaction, Atlas Petrol's legal entity has ended.

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 (''Adacami Enerji'')	Subsidiary	Turkey
Akılcı Bilişim Hizmetleri ve Danışmanlık Anonim Şirketi ("Akılcı Bilişim") (*)	Subsidiary	Turkey
Ant Enerji Sanayi ve Ticaret Limited Şirketi ("Ant Enerji")	Subsidiary	Turkey
Atayurt İnşaat Anonim Şirketi ("Atayurt İnşaat")	Subsidiary	Turkey
Başak Yönetim Sistemleri Anonim Şirketi ("Başak Yönetim")	Subsidiary	Turkey
Çalık Elektrik Dağıtım Anonim Şirketi ("ÇEDAŞ")	Subsidiary	Turkey
Çalık Enerji Dubai FZE ("Çalık Enerji Dubai ")	Subsidiary	UAE
Çalık Enerji Elektrik Üretim ve Madencilik Anonim Şirketi ("Çalık Elektrik")	Subsidiary	Turkey
Çalık Enerji Sanayi ve Ticaret Anonim Şirketi ("Çalık Enerji")	Subsidiary	Turkey
Çalık Enerji Swiss AG ("Çalık Swiss") (*)	Subsidiary	Switzerland
Çalık Gaz	Subsidiary	Turkey
Çalık Georgia LLC ("Çalık Georgia") (*)	Subsidiary	Georgia
Çalık Güneş Enerji Üretim Anonim Şirketi ("Çalık Güneş")	Subsidiary	Turkey
Çalık Limak Adi Ortaklığı	Joint Venture	Turkey
Çalık NTF Elektrik Üretim ve Madencilik Anonim Şirketi ("Çalık NTF")	Subsidiary	Turkey
Çalık Petrol Arama Üretim Sanayi ve Ticaret Anonim Şirketi ("Çalık Petrol")	Subsidiary	Turkey
Çalık Rüzgar Enerjisi Elektrik Üretim Limited Şirketi ("Çalık Rüzgar")	Subsidiary	Turkey
Çalık Solar Enerji Anonim Şirketi ("Çalık Solar")	Subsidiary	Turkey
Çalık Yenilenebilir Enerji Anonim Şirketi ("Çalık Yenilenebilir Enerji")	Subsidiary	Turkey
Çedaş Elektrik Dağıtım Yatırımları Anonim Şirketi ("ÇED")	Subsidiary	Turkey
Demircili Rüzgar Enerjisi Elektrik Üretim Anonim Şirketi ("Demircili Rüzgar")	Subsidiary	Turkey
Doğu Akdeniz Petrokimya ve Rafineri Sanayi ve Ticaret Anonim Şirketi ("Doğu Akdeniz")	Subsidiary	Turkey
Doğu Aras Enerji Yatırımları Anonim Şirketi ("Doğu Aras")	Joint Venture	Turkey
Energy Sabz Arman Pars Anonim Şirketi ("Enerji Sabz Arman Pars")	Subsidiary	Iran
Enerji Sabz Pouya Pars Anonim Şirketi ("Enerji Sabz Pouya Pars") (*)	Subsidiary	Iran
Gap Elektrik Dağıtım Sanayi ve Ticaret Anonim Şirketi ("Gap Elektrik")	Subsidiary	Turkey
Granite Holding N.V. ("Granite") (*)	Subsidiary	Netherlands
Hamerz Green Energy ("Hamerz") (*)	Subsidiary	Iran
Irmak Yönetim Sistemleri Anonim Şirketi ("Irmak Yönetim")	Subsidiary	Turkey
İkideniz Petrol ve Gaz Sanayi ve Ticaret Anonim Şirketi ("İkideniz Petrol")	Subsidiary	Turkey
JSC Calik Georgia Wind ("JSC Georgia")	Subsidiary	Georgia
Kızılırmak Enerji Elektrik Anonim Şirketi ("Kızılırmak")	Subsidiary	Turkey
Kosova Çalık Limak Energy Sh.A. ("KÇLE")	Joint Venture	Kosovo
LC Electricity Supply and Trading d.o.o. ("LC Electricity")	Joint Venture	Serbia
Mayestan Clean Energy ("Mayestan") (*)	Subsidiary	Iran
Momentum Enerji Elektrik Üretim Sanayi ve Ticaret Anonim Şirketi ("Momentum Enerji")	Subsidiary	Turkey
Onyx Trading Innovation FZE ("Onyx Trading")	Subsidiary	UAE
Petrotrans Enerji Anonim Şirketi ("Petrotrans Enerji")	Subsidiary	Turkey
Sembol Enerji Anonim Şirketi ("Sembol Enerji")	Subsidiary	Turkey
TAPCO Petrol Boru Hattı Sanayi ve Ticaret Anonim Şirketi ("TAPCO") (**)	Joint Venture	Turkey
Taşkent Merkez Park Gayrimenkul Yatırım Anonim Şirketi ("Taşkent Merkez Park") (*)	Joint Venture	Turkey
TCB İnşaat Yatırım Anonim Şirketi ("TCB İnşaat")	Subsidiary	Turkey
Technological Energy N.V. ("Technological Energy")	Subsidiary	Netherlands
Technovision Mühendislik Danışmanlık ve Dış Ticaret Limited Şirketi ("Technovision")	Subsidiary	Turkey
Türkmen'in Altın Asrı Elektrik Enerjisi Toptan Satış Anonim Şirketi ("Türkmen Elektrik")	Subsidiary	Turkey
Yeşilçay Enerji Elektrik Üretim Sanayi ve Ticaret Anonim Şirketi ("Yeşilçay Enerji")	Subsidiary	Turkey
Yeşilırmak Elektrik Dağıtım Anonim Şirketi ("YEDAŞ")	Subsidiary	Turkey
Yeşilırmak Elektrik Perakende Satış Anonim Şirketi ("YEPAŞ")	Subsidiary	Turkey

(*)Akılcı Bilişim, Çalık Georgia, Calik Swiss, Enerji Sabz Pouya Pars, Granite, Hamerz, Mayestan and its subsidiary Taşkent Merkez Park, are non-operating or in startup phase and are not consolidated due to the insignificance of their financial impact on the consolidated financial statements as of and for the year ended on 31 December 2018.

(**) TAPCO was in liquidation process held on 21 December 2018 decision of the Board of Directors.

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 in Istanbul in 2017 for the purpose of providing hardware supply and information technology services.

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

Çalık Enerji Dubai was incorporated in Jebel Ali Free Zone, Dubai and has a branch in Turkmenistan.

Çalık Elektrik

Çalık Elektrik was established in 2004, in Istanbul for the purpose of building, operating and renting electricity power plants.

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.

1 Reporting entity *(continued)*

1.1 Entities in energy segment *(continued)*

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 Gaz

Çalık Gaz; formerly known as Akçay Enerji Anonim Şirketi was established in 2010 in Istanbul for the purpose of building, renting and setting electricity production facility into operation, producing electricity and selling produced electricity and/or electricity capacity to the customers. Çalık Gaz acquired the Group's energy sector subsidiary Atlas Petrol all rights and obligations thorıugh merger based on the merger agreement signed between Atlas Petrol and Çalık Gaz on 31 December 2018. As a result of this transaction, Atlas Petrol's legal entity has ended.

Çalık Georgia

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

Çalık 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 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

Çalık NTF was established in 2006, in Istanbul for the purpose of establishing, operating and renting power generation plants.

Çalık Petrol

Çalık Petrol was established in 2012 for natural gas and oil exploration, production, distribution, sale, transport and trading.

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

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

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.

1 Reporting entity *(continued)*

1.1 Entities in energy segment *(continued)*

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.

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.

Doğu Akdeniz

Doğu Akdeniz Petrokimya (formerly known as Enerji Petrol Gaz İthalat Pazarlama Sanayi ve Ticaret Anonim Şirketi) was established at the end of 2005 in Istanbul for the purpose of realising prospects for oil and natural gas, producing, importing and exporting and distribution of these products to other plants.

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

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

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

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.

Granite

Granite Holding N.V. was established in 2017 in the Netherlands for the purpose of operating as a holding company

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.

1 Reporting entity *(continued)*

1.1 Entities in energy segment *(continued)*

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

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 Georgia

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

Kızılırmak

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.

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

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

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

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

Onyx Trading was established in Dubai in 2016.

1 Reporting entity *(continued)*

1.1 Entities in energy segment *(continued)*

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.

TAPCO

TAPCO 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.

Taşkent Merkez Park

Taşkent Merkez Park was established in 2018 and its main activity is the construction of residential buildings.

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

Technological Energy was established in 2016, in The Netherlands as of reporting date, Technological Energy is non-operating.

Technovision

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 Elektrik

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

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.

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

1 Reporting entity *(continued)*

1.1 Entities in energy segment *(continued)*

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.

1.2 Entities in construction segment

Company name	Type of partnership	Country
Çalık Emlak ve Gayrimenkul Yatırımları Anonim Şirketi ("Çalık Emlak")	Subsidiary	Turkey
Çalık İnşaat Anonim Şirketi ("Çalık İnşaat")	Subsidiary	Turkey
Gap Construction Co. ("Gap Libya")	Subsidiary	Libya
Gap Construction Investment and Foreign Trade LLC-Qatar ("Gap Qatar")	Subsidiary	Qatar
Gap İnşaat Construction and Investment Co. Ltd. ("Gap Inşaat Cons.")	Subsidiary	Sudan
Gap İnşaat Dubai FZE	Subsidiary	UAE
Gap İnşaat Saudi Arabia Ltd.	Subsidiary	S. Arabia
Gap İnşaat Ukraine Ltd. ("Gap İnşaat Ukraine")	Subsidiary	Ukraine
Gap İnşaat Yatırım ve Dış Ticaret Anonim Şirketi ("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 ("Kentsel Dönüşüm")	Subsidiary	Turkey
White Construction N.V. ("White Construciton")	Subsidiary	The Netherlands

Çalık Emlak

Çalık Gayrimenkul Ticaret Anonim Şirketi and Çalık Turizm Kültür İnşaat Sanayi ve Ticaret Anonim Şirketi, the formerly consolidated subsidiaries of the Group, were merged in 2015 and name of the merged company was changed as the Çalık Emlak. The purpose of Çalık Emlak is to participate or acquire the companies operating in selling and buying constructing, projecting, renting all kind of real estate property.

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 Iraq which are established to conduct several construction projects.

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.

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.

(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 for the purpose of manufacturing and marketing yarn.

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.

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 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.

1 Reporting entity *(continued)*

1.4 Entities in marketing segment

Company name	Type of partnership	Country
Gap Pazarlama Anonim Şirketi ("Gap Pazarlama")	Subsidiary	Turkey
Gap Pazarlama FZE Jebel Ali Free Zone ("Gap Pazarlama FZE")	Subsidiary	UAE – Dubai
Gappa Textile Inc. ("Gappa")	Subsidiary	USA
Synergy Marketing N.V. ("Synergy Marketing")	Subsidiary	The Netherlands
Synchron Global Trading FZE ("Synchron Global")	Subsidiary	UAE – Dubai
Tura Moda Mağazacılık ve Elektronik Tic. Anonim Şirketi	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.

Synergy Marketing

Synergy Marketing was established in 2016, in the Netherlands for the purpose to import and export of the trade goods.

Synchron Global

Synchron Global was established in 2017 in UAE for the purpose of importing and exporting of trading goods.

Tura Moda

Tura Moda was established in 2010 in Istanbul to mine, operate, buy and rent underground and aboveground mine and natural resources in accordance with existing regulations. 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.

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

1 Reporting entity *(continued)*

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.

(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 Kombetare Tregtare Sh.a ("BKT")	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

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.

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.

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 Reporting entity *(continued)*

1.7 Entities in other segments

Company name	Type of partnership	Country
Aktif Halk Enerji Yatırımları Anonim Şirketi	Joint Venture	Turkey
Aktif Yatırım Bankası Sukuk Varlık Kiralama Anonim Şirketi	Associate	Turkey
Akuamarin Solar Enerji Üretim Anonim Şirketi	Joint Venture	Turkey
Albatros Solar Enerji Üretim Anonim Şirketi	Subsidiary	Turkey
Amethyst Holding N.V.	Subsidiary	The Netherlands
Ametist Solar Enerji Üretim Anonim Şirketi	Joint Venture	Turkey
Artmin Madencilik Sanayi ve Ticaret Anonim Şirketi	Subsidiary	Turkey
Attivo Bilişim Anonim Şirketi	Subsidiary	Turkey
Aytaşı Solar Enerji Üretim Anonim Şirketi	Joint Venture	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	Joint Venture	Turkey
Çöl Yıldızı Solar Enerji Üretim Anonim Şirketi	Subsidiary	Turkey
Defne Solar Enerji Üretim Anonim Şirketi	Joint Venture	Turkey
Deniz Güneş Enerjisi Üretimi Anonim Şirketi	Subsidiary	Turkey
Deniz Yıldızı Solar Enerji Üretim Anonim Şirketi	Subsidiary	Turkey
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
E-Post İç ve Dış Ticaret Anonim Şirketi	Subsidiary	Turkey
Esen Güneş Enerjisi Üretim Anonim Şirketi	Subsidiary	Turkey
Gelincik Solar Enerji Üretim Anonim Şirketi	Joint Venture	Turkey
Gök Safir Solar Enerji Üretim Anonim Şirketi	Subsidiary	Turkey
Güneştaşı Solar Enerji Üretim Anonim Şirketi	Joint Venture	Turkey
Halk Yenilenebilir Enerji Anonim Şirketi	Joint Venture	Turkey
Idea Farm Ventures Limited	Associate	UAE
IFM İstanbul Finans Merkezi İnşaat Taahhüt Anonim Şirketi	Associate	Turkey
İnovaban İnovasyon ve Finansal Danışmanlık Anonim Şirketi	Subsidiary	Turkey
İpek Güneş Enerjisi Üretim Anonim Şirketi	Subsidiary	Turkey
Kamelya Solar Enerji Üretim Anonim Şirketi	Subsidiary	Turkey
Kaplan Gözü Solar Enerji Üretim Anonim Şirketi	Joint Venture	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
Kumtaşı Solar Enerji Üretim Anonim Şirketi	Joint Venture	Turkey
Kuvars Solar Enerji Üretim Anonim Şirketi	Joint Venture	Turkey
Kuzey Yıldızı Solar Enerji Üretim Anonim Şirketi	Subsidiary	Turkey
Lapis Solar Enerji Üretim Anonim Şirketi	Joint Venture	Turkey
Leylak Solar Enerji Üretim Anonim Şirketi	Joint Venture	Turkey
Lidya Madencilik Sanayi ve Ticaret Anonim Şirketi	Subsidiary	Turkey
Lilyum Solar Enerji Üretim Anonim Şirketi	Joint Venture	Turkey
Martı Solar Enerji Üretim Anonim Şirketi	Subsidiary	Turkey
Mehtap Güneş Enerjisi Üretim Anonim Şirketi	Subsidiary	Turkey

1 Reporting entity *(continued)*

1.7 Entities in other segments

Company name	Type of partnership	Country
Mercan Solar Enerji Üretim Anonim Şirketi	Subsidiary	Turkey
N-Kolay Ödeme Kuruluşu Anonim Şirketi	Subsidiary	Turkey
Nilüfer Solar Enerji Üretim Anonim Şirketi	Subsidiary	Turkey
Olimpos Solar Enerji Üretim Anonim Şirketi	Subsidiary	Turkey
Olivin Solar Enerji Üretim Anonim Şirketi	Joint Venture	Turkey
Oniks Solar Enerji Üretim Anonim Şirketi	Joint Venture	Turkey
Opal Solar Enerji Üretim Anonim Şirketi	Joint Venture	Turkey
Pasifik Solar Enerji Üretim Anonim Şirketi	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
Sedef Solar Enerji Üretim Anonim Şirketi	Joint Venture	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	Joint Venture	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
Zirkon Solar Enerji Üretim Anonim Şirketi	Joint Venture	Turkey

Aktif Halk Enerji Yatırımları Anonim Şirketi ("Aktif Halk Enerji")

The Company was established in 2017, in Istanbul for the purpose of establishing and providing maintenance-repair services to power generation plants.

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.

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.

1 Reporting entity *(continued)*

1.7 Entities in other segments *(continued)*

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 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 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.

1 Reporting entity *(continued)*

1.7 Entities in other segments *(continued)*

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.

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.

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.

E-Post İç ve Dış Ticaret Anonim Şirketi ("E-Post Ticaret")

E-Post Dış Ticaret, was established in order to provide intermediary services in domestic and foreign trade in Istanbul in 2018.

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.

1 Reporting entity *(continued)*

1.7 Entities in other segments *(continued)*

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.

IFM İstanbul Finans Merkezi İnşaat Taahhüt Anonim Şirketi ("IFM")

IFM operates in special projects, land recreation, area sales and revenue sharing provisions for the construction of the immovable, construction and sales activity is independent sections.

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.

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.

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.

Kumtaşı Solar Enerji Üretim Anonim Şirketi ("Kumtaşı")

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

1 Reporting entity *(continued)*

1.7 Entities in other segments *(continued)*

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.

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.

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.

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.

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.

1 Reporting entity *(continued)*

1.7 Entities in other segments *(continued)*

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.

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.

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.

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.

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").

(b) Preparation of financial statements

The consolidated financial statements were approved by the Group management on 25 March 2018. Çalık Holding's General Assembly and the other regulatory bodies have the power to amend the consolidated financial statements which after their issue.

(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 2005, 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 34.

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

2 Basis of preparation

(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 Group functional currency is USD effective from 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.

Equity items are translated to USD at exchange rates at the dates of the transactions. All assets and liabilities are retranslated to USD at the exchange rate at the reporting date. All profit or loss and other comprehensive income items are translated to USD at average exchange rates of the corresponding year.

The rates used in the conversion of the Group's consolidated financial statements are as follows:

	Average rate		**Yearend rate**	
	2018	**2017**	**2018**	**2017**
USD/TL	4,8301	3,6445	5,2609	3,7719

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 10– Trade receivables and payables
- Note 14 – Prepayments and deferred revenue
- Note 18 – Investment property
- Note 22 – Derivatives
- Note 24 – Provisions
- Note 26 – Taxation
- Note 34 – Financial instruments – Fair values and risk management *(including fair value explanations)*

2 Basis of preparation *(continued)*

f) Changes in accounting policies, estimates and error

Accounting policies have been applied consistently to all periods presented in these consolidated financial statements. Material changes in accounting policies and material accounting errors are adjusted retrospectively and prior periods' financial statements are restated.

The Group has initially applied IFRS9, IFRS 15 and IFRIC 22 from 1 January 2018. A number of other new standarts are also effective from 1 January 2018 but they do not have material effect on the Group financial statements.

IFRS 15 Revenue from contracts with customers

IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognized. It replaced IAS 18 Revenue, IAS 11 Construction Contracts and related interpretation.

The Group has adopted IFRS 15 using the cumulative effect method, with the effect of initially applying this standard recognised at the date of initial application 1 January 2018. Accordingly, the information presented for 2017 has not been restated, it is presented, as previously reported, under IAS 18, IAS 11 and related interpretations.

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 contracts 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: Identifiying 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.

2 Basis of preparation *(continued)*

f) ***Changes in accounting policies, estimates and error*** *(continued)*

IFRS 15 Revenue from contracts with customers *(continued)*

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, discounts, credits, or similar items may result in variable consideration if there is any in a customer contract.

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.

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 recognise 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.

2 Basis of preparation *(continued)*

f) ***Changes in accounting policies, estimates and error*** *(continued)*

IFRS 15 Revenue from contracts with customers *(continued)*

Contract modifications

The Group recognises a contract modification as a separate contract if the modification results in a promise to deliver additional goods or services that are distinct and an increase in the price of the contract by an amount of consideration that reflects the entity's stand-alone selling price of those goods or services adjusted to reflect the circumstances of the contract. If the goods or services are distinct, then the entity accounts for the modification as if it were a termination of the existing contract and the creation of a new contract. If the modification to the contract does not add distinct goods or services, then the entity accounts for it on a combined basis with the original contract, as if the additional goods or services were part of the initial contract.

The details of the new significant accounting policies and the nature of the changes to previous accounting policies in relation to the Group's various goods and services are set out below:

Construction contracts

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

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

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 and the delays of 5-10 days in electricity usage count do not have a significant impact on the accompanying financial statements. Revenue from the sale of electricity to subscribers is stated net of returns. Revenue is recognised when the significant risks and rewards of ownership have been transferred to the subscribers. Transfer of risk and rewards depends on the consumption of electricity by subscribers.

Transmission system utilisation

The transmission tariff is prepared by the Türkiye 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 on the basis of non-discriminatory conduct principle in accordance with the Electricity Market Law Article 13. Grid investments made by TEİAŞ and transmission surcharges are included in the transmission tariff. Transmission system utilisation fees charged to the customers are the unit prices allocated by the entities holding electricity distribution license in order to compensate the transmission tariff charges invoiced by TEİAŞ to those entities.

2 Basis of preparation *(continued)*

f) ***Changes in accounting policies, estimates and error*** *(continued)*

IFRS 15 Revenue from contracts with customers *(continued)*

Contract modifications *(continued)*

Distribution system utilisation

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

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

Meter reading

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

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.

Indefeasible right of use ("IRU") contracts of the Group are adjusted for significant financing component. The Group previously was not adjusting for significant financing component under IAS 18. Under IFRS 15, consideration is adjusted to reflect the financing component of the transaction and related financing component is recognized as interest expense in financial expenses and presented separately from revenue from customers in profit or loss.

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

2 Basis of preparation *(continued)*

f) ***Changes in accounting policies, estimates and error*** *(continued)*

IFRS 15 Revenue from contracts with customers *(continued)*

Contract modifications *(continued)*

The following table summarizes the impact, net of tax, of transition to IFRS 15 on retained earnings at 1 January 2018:

	Impact of adopting IFRS 15 at 1 January 2018
Retained earnings	
Significant financing component	(5.988)
Connection price, equipment sales and other services	(286)
Deferred tax	1.360
Impact at 1 January 2018	**(4.914)**

IFRS 9 Financial instruments

IFRS 9 sets out requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. This standard replaces IAS 39 Financial Instruments: Recognition and Measurement.

Classification of financial assets and financial liabilities

IFRS 9 largely retains the existing requirements in IAS 39 for the classification and measurement of financial liabilities. However, it eliminates the previous IAS 39 categories for financial assets of held to maturity, loans and receivables and available for sale.

Under IFRS 9, on initial recognition, a financial asset is classified as measured at: amortised cost; fair value through other comprehensive income ("FVOCI") – debt investment; FVOCI – equity investment; or fair value through profit or loss ("FVTPL"). The classification of financial assets under IFRS 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. Derivatives embedded in contracts where the host is a financial asset in the scope of the standard are never separated. Instead, the hybrid financial instrument as a whole is assessed for classification.

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.

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

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

2 Basis of preparation *(continued)*

IFRS 9 Financial instruments *(continued)*

The following accounting policies apply to the subsequent measurement of financial assets:

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.

The following table and the accompanying notes below explain the original measurement categories under IAS 39 and the new measurement categories under IFRS 9 for each class of the Group's financial assets as at 1 January 2018.

	Under IAS 39		**Under IFRS 9**	
	31 December 2017		**1 January 2018**	
Financial assets	**Classification category**	**Carrying amount**	**Classification category**	**Carrying amount**
Cash and cash equivalents	Loans and receivables	415.595	Amortised cost	415.595
Trade receivables	Loans and receivables	2.180.774	Amortised cost	2.177.560
Receivables from financial operations	Loans and receivables	2.787.296	Amortised cost	2.773.973
Other receivables	Loans and receivables	379.696	Amortised cost	379.534
Financial investments	Available for sale financial assets(*)	8.598	Financial assets at fair value through profit or loss	30.788
Financial investments	Available for sale financial assets(*)	1.446.802	Changes in fair value attributable to other comprehensive income	1.446.367
Financial investments	Marketable securities to be held until maturity	241.947	Amortised cost	241.811
Financial investments	Financial assets at fair value through profit or loss	190.800	Financial assets at fair value through profit or loss	190.800
Derivative financial assets	Financial assets at fair value through profit or loss	3.361	Financial assets at fair value through profit or loss	3.361

(*) On initial recognition of an equity investment, 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.

2 Basis of preparation *(continued)*

Impairment of financial assets

IFRS 9 replaces the 'incurred loss' model in IAS 39 with an 'expected credit loss' (ECL) model. The new impairment model applies to financial assets measured at amortised cost, contract assets and debt investments at FVOCI, but not to investments in equity instruments. Under IFRS 9, credit losses are recognised earlier than under IAS 39.

The financial assets at amortised cost consist of trade receivables, cash and cash equivalents, and corporate debt securities.

Under IFRS 9, loss allowances are measured on either of the following bases:

- 12-month ECLs: these are ECLs that result from possible default events within the 12 months after the reporting date; and
- lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument.

The Group measures loss allowances at an amount equal to lifetime ECLs, except for the following, which are measured as 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.

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.

The Group asses credit risk on a country terms of payments basis and assumes that the credit risk on a financial asset has been increased considerably if it is more than determined date for each country to operate past due.

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).

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 Company expects to receive).

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

Credit-impaired financial assets

At each reporting date, the Company 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.

Presentation of impairment

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 recognised in OCI, instead of reducing the carrying amount of the asset.

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

2 Basis of preparation *(continued)*

Impact of the new impairment model

For assets in the scope of the IFRS 9 impairment model, impairment losses are generally expected to increase and become more volatile. The Company has determined that the application of IFRS 9's impairment requirements at 1 January 2018 results in an additional impairment allowance as follows.

	Impact of adopting IFRS 9 at 1 January 2018
Impairment	
Energy	(2.911)
Marketing	(303)
Banking and finance	(14.053)
	(17.267)
Value increase	
Energy	22.189
	22.189
Deferred tax	1.022
Total IFRS 9 Effect	**5.944**

IFRIC 22 Foreign currency transactions and advance considerations

IFRIC 22 clarifies which date should be used for translation when a foreign currency transaction involves an advance payment or receipt.

The Group has initially adopted IFRIC 22 Foreign currency transactions and advance considerations with a date of initial application of 1 January 2018. As a result, the Group has changed its accounting policy as detailed below. IFRIC 22 applies to foreign currency transactions in which an entity recognizes a non-monetary asset or liability arising from the payment or receipt of consideration in advance of recognizing the related asset, expense or income. The interpretation does not apply if the related asset, expense or income is measured at its fair value or at the fair value of the consideration paid or received if this is measured at a date different from the date of recognition of the non-monetary asset or liability relating to the advance consideration - e.g. financial assets and financial liabilities, goodwill. In addition, an entity is not required to apply the interpretation to insurance contracts that it issues or income taxes.

Impacts on the consolidated financial statements

The following table summarizes the impact, net of tax, of transition to IFRIC 22 on retained earnings at 1 January 2018:

	Impact of adopting IFRIC 22 at 1 January 2018
Retained earnings	
Advances received	2.791
Related tax	(614)
Impact at 1 January 2018	**2.177**

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

2 Basis of preparation *(continued)*

IFRIC 22 Foreign currency transactions and advance considerations *(continued)*

The effects of IFRS 15 and IFRIC 22 on the Consolidated Statements of Financial Position

The following table summarizes the items of the Group's application of IFRS 15 and IFRIC 22 that are impacted on the financial statements as at 31 December 2018 in the condensed consolidated financial statements:

31 December 2018	Reported	IFRS 15 adjustments	IFRIC 22 adjustments	Before applying IFRS 15 and IFRIC 22
Assets				
Current assets	4.738.233	--	--	4.738.233
Non-current assetsr	4.268.121	--	--	4.268.121
Total assets	**9.006.354**	**--**	**--**	**9.006.354**
Liabilities				
Short term liabilities	**6.560.079**	**(5.603)**	**(10.126)**	**6.544.350**
Deferred income	324.963	(5.603)	(10.126)	309.234
Long term liabilities	**1.076.252**	**1.233**	**2.214**	**1.079.699**
Deferred tax liability	59.683	1.233	2.214	63.130
Total liabilities	**7.636.331**	**(4.371)**	**(7.912)**	**7.624.048**
Equity				
Accumulated other comprehensive income/(expense) that may be reclassified to profit or loss	(183.762)	438	(1.662)	(184.986)
Retained earnings	715.812	(2.177)	4.914	718.549
Net period profit or (loss)	(5.728)	6.110	4.660	5.042
Total Equity	**1.370.023**	**4.371**	**7.912**	**1.382.306**
Total liabilities and equity	**9.006.354**	**--**	**--**	**9.006.354**

The following table summarizes the items of the Group's application of IFRS 15 and IFRIC 22 that are impacted on the condensed consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2018:

31 December 2018	Reported	IFRS 15 adjustments	IFRIC 22 adjustments	Before applying IFRS 15 and IFRIC 22
Revenue	1.899.600	--	(4.715)	1.894.885
Gross profit	**547.888**	**--**	**(4.715)**	**543.173**
Other operating income	183.348	7.834	--	191.182
Operating profit	**262.276**	**7.834**	**--**	**270.110**
Finance costs (-)	(301.480)	--	10.688	(290.792)
Finance costs, net	**(283.209)**	**--**	**10.688**	**(272.521)**
Profit or (loss) before tax	**39.831**	**7.834**	**5.974**	**53.639**
Deferred tax (expense) / income	11.063	(1.723)	(1.314)	8.026
Net period (loss) / profit	**2.196**	**6.110**	**4.660**	**12.966**

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.

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.

(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 (2017: 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 2018 and 31 December 2017 are as follows:

	31 December 2018	**31 December 2017**
Euro / TL	6,0280	4,5155
USD / TL	5,2609	3,7719
Euro / USD	1,1458	1,1971
TL / USD	0,1901	0,2651

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.

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.

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.

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.

The Group classified its financial assets into one of the following categories:

– loans and receivables;

– held to maturity;

– available for sale; and

– at FVTPL, and within this category as: -held for trading;

– held for trading held for trading

– derivative hedging instruments; or

– designated as at FVTPL.

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 before 1 January 2018

Financial assets at FVTPL	Measured at fair value and changes therein, including any interest or dividend income, were recognised in profit or loss.
Held-to-maturity financial assets	Measured at amortised cost using the effective interest method.
Loans and receivables	Measured at amortised cost using the effective interest method.
Available-for-sale financial assets	Measured at fair value and changes therein, other than impairment losses, interest income and foreign currency differences on debt instruments, were recognised in OCI and accumulated in the fair value reserve. When these assets were derecognised, the gain or loss accumulated in equity was reclassified to profit or loss.

Financial liabilities – Classification, subsequent measurement and gains and losses

Financial liabilities are classified as measured at amortised cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognised in profit or loss. Other financial liabilities are subsequently measured at amortised cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognised in profit or loss. Any gain or loss on derecognition is also recognised in profit or loss.

iii) Derecognition

Financial assets

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

The Group enters into transactions whereby it transfers assets recognised in its statement of financial position, but retains either all or substantially all of the risks and rewards of the transferred assets. In these cases, the transferred assets are not derecognised.

Financial liabilities

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

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

3 Significant accounting policies *(continued)*

c) ***Financial instruments*** *(continued)*

iv) Offsetting

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

v) Derivative financial instruments

Derivative financial instruments– Policy applicable from 1 January 2018

The Group holds derivative financial instruments to hedge its foreign currency and interest rate risk exposures. Embedded derivatives are separated from the host contract and accounted for separately if the host contract is not a financial asset and certain criteria are met.

Derivatives are initially measured at fair value. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are generally recognised in profit or loss.

Derivative financial instruments– Policy applicable before 1 January 2018

The policy applied in the comparative information presented for 2017 is similar to that applied for 2018.

However for all cash flow hedges, including hedges of transactions resulting in the recognition of non-financial items, the amounts accumulated in the cash flow hedge reserve were reclassified to profit or loss in the same period or periods during which the hedge expected future cash flows affected profit or loss.Furthermore, for cash flow hedge that for terminated before 2017, forward points were recognized immediatly in profit or loss.

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 TL 105.599 . TORA consideration has been amortized by adding to revenue cap during the first tariff period (2006-2010). The aforementioned TORA consideration amount has been fully amortised at the end of the first tariff period.

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.

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

3 Significant accounting policies *(continued)*

c) *Financial instruments (continued)*

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.

d) *Repurchase transactions*

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

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

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.

3 Significant accounting policies *(continued)*

(e) Property, plant and equipment

i) Recognition and measurement

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

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

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

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

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

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

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

ii) Reclassification to investment property

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

iii) Subsequent costs

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

iv) Depreciation

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

Depreciation is calculated to write off the cost of items of property, plant and equipment less their estimated residual values using the straight-line method over their estimated useful lives, and is generally recognised in profit or loss. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Group will obtain ownership by the end of the lease term. Land is not depreciated.

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

3 Significant accounting policies *(continued)*

(e) Property, plant and equipment

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 as a whole.

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.

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.

3 Significant accounting policies *(continued)*

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.

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.

3 Significant accounting policies *(continued)*

j) ***Impairment*** *(continued)*

Policy applicable from 1 January 2018 (continued)

Financial instruments and contract assets (continued)

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.

Policy applicable before 1 January 2018

Non-derivative financial assets

Financial assets not classified as at FVTPL were assessed at each reporting date to determine whether there was objective evidence of impairment.

Objective evidence that financial assets were impaired included

- default or delinquency by a debtor;
- restructuring of an amount due to the Group on terms that the Group would not consider otherwise;
- indications that a debtor or issuer would enter bankruptcy;
- adverse changes in the payment status of borrowers or issuers;
- the disappearance of an active market for a security because of financial difficulties; or
- observable data indicating that there was a measurable decrease in the expected cash flows from a group of financial assets.

3 Significant accounting policies *(continued)*

j) ***Impairment*** *(continued)*

Financial assets measured at amortised cost	The Group considered evidence of impairment for these assets at both an individual asset and a collective level. All individually significant assets were individually assessed for impairment. Those found not to be impaired were then collectively assessed for any impairment that had been incurred but not yet individually identified. Assets that were not individually significant were collectively assessed for impairment. Collective assessment was carried out by grouping together assets with similar risk characteristics.
	In assessing collective impairment, the Group used historical information on the timing of recoveries and the amount of loss incurred, and made an adjustment if current economic and credit conditions were such that the actual losses were likely to be greater or lesser than suggested by historical trends.
	An impairment loss was calculated as the difference between an asset's carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses were recognised in profit or loss and reflected in an allowance account. When the Group considered that there were no realistic prospects of recovery of the asset, the relevant amounts were written off. If the amount of impairment loss subsequently decreased and the decrease was related objectively to an event occurring after the impairment was recognised, then the previously recognised impairment loss was reversed through profit or loss.
Available-for-sale financial assets	Impairment losses on available-for-sale financial assets were recognised by reclassifying the losses accumulated in the fair value reserve to profit or loss. The amount reclassified was the difference between the acquisition cost (net of any principal repayment and amortisation) and the current fair value, less any impairment loss previously recognised in profit or loss. If the fair value of an impaired available-for-sale debt security subsequently increased and the increase was related objectively to an event occurring after the impairment loss was recognised, then the impairment loss was reversed through profit or loss. Impairment losses recognised in profit or loss for an investment in an equity instrument classified as available-for-sale were not reversed through profit or loss.
Non-financial assets	At each reporting date, the Group reviews the carrying amounts of its non-financial assets (other than biological assets, investment property, inventories and deferred tax assets) to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. Goodwill is tested annually for impairment. For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGUs. Goodwill arising from a business combination is allocated to CGUs or groups of CGUs that are expected to benefit from the synergies of the combination. The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. Value in use is based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU. An impairment loss is recognised if the carrying amount of an asset or CGU exceeds its recoverable amount. Impairment losses are recognised in profit or loss. They are allocated first to reduce the carrying amount of any goodwill allocated to the CGU, and then to reduce the carrying amounts of the other assets in the CGU on a pro rata basis.

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 1,03 and USD 1,25 (equivalent to TL 5,43 and TL 4,73, respectively) at 31 December 2018 and 2017, 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 in order 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 1.074 (31 December 2017: USD 1.884) 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. As a result of the adoption of IAS 19 (2011), all actuarial differences have to be recognised in other comprehensive income. However due to insignificance of the balances, the Group 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.

3 Significant accounting policies *(continued)*

l) ***Employee benefits*** *(continued)*

i) Reserve for employee severance indemnity (continued)

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.

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.

3 Significant accounting policies *(continued)*

***m) Provisions** (continued)*

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.

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 contracts 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: Identifiying 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.

3 Significant accounting policies *(continued)*

n) ***Revenue*** *(continued)*

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.

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 in the course of 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.

3 Significant accounting policies *(continued)*

n) ***Revenue*** *(continued)*

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.

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 on the basis of non-discriminatory conduct principle in accordance with the Electricity Market Law Article 13. Grid investments made by TEİAŞ and transmission surcharges are included in the transmission tariff. Transmission system utilisation fees charged to the customers are the unit prices allocated by the entities holding electricity distribution license in order to compensate the transmission tariff charges invoiced by TEİAŞ to those entities.

Distribution system utilisation

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

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

3 Significant accounting policies *(continued)*

n) ***Revenue*** *(continued)*

ii) Energy business (continued)

Meter reading

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

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.

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.

3 Significant accounting policies *(continued)*

n) ***Revenue*** *(continued)*

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.

3 Significant accounting policies *(continued)*

n) Revenue *(continued)*

v) Other businesses

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

Transfers of risks and rewards vary depending on the individual terms of the contract of sale. 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) Leases

i) Leased assets

Leases of property, plant and equipment that transfer to the Group substantially all of the risks and rewards of ownership are classified as finance leases. The leased assets are measured initially at an amount equal to the lower of their fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the assets are accounted for in accordance with the accounting policy applicable to that asset.

Assets held under other leases are classified as operating leases and are not recognised in the Group's statement of financial position.

ii) Lease payments

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised as an integral part of the total lease expense, over the term of the lease.

Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

3 Significant accounting policies *(continued)*

r) ***Leases*** *(continued)*

iii) Determining whether an arrangement contains a lease

At inception of an arrangement, the Group determines whether such an arrangement is or contains a lease. The following two criteria must be met for a "lease":

- the fulfillment of the arrangement is dependent on the use of a specific asset or assets; and
- the arrangement contains a right to use the asset(s).

At inception or upon reassessment of the arrangement, the Group separates payments and other consideration required by such an arrangement into those for the lease and those for other elements on the basis of their relative fair values. If the Group concludes for a finance lease that it is impracticable to separate the payments reliably, an asset and a liability are recognised at an amount equal to the fair value of the underlying asset. Subsequently the liability is reduced as payments are made and an imputed finance charge on the liability is recognised using the Group's incremental borrowing rate.

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), fair value gains on investment property, 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), fair value loss on investment property 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.

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) 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 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 is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future; and
- 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.

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.

3 Significant accounting policies *(continued)*

v) ***Income tax*** *(continued)*

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 tax payer involves in transactions with related parties relating to trading of products or goods not performed within the framework of the principals regarding to pricing according to peers, then it will be considered that the related profits are shifted in a veiled way via transfer pricing. Such veiled shifting of profits via transfer pricing will not be deducted from tax assessment for the purposes of corporate tax.

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.

y) 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.

aa) 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.

3 Significant accounting policies *(continued)*

ab) Subsequent events

Subsequent events represents 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 subsequent to the reporting date. If it is not necessary to adjust the consolidated financial statements according to subsequent events, these subsequent events must be disclosed in the notes to the consolidated financial statements.

ac) 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.

ad) 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.

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

3 Significant accounting policies *(continued)*

ae) Standards issued but not yet effective and not early adopted

New standards, interpretations and amendments to existing standards are not effective at reporting date and earlier application is permitted; however the Group has not early adopted are as follows. The Group will make the necessary changes if not indicated otherwise, which will be affecting the consolidated financial statements and disclosures, after the new standards and interpretations become in effect.

IFRS 16 Leases

On 13 January 2016, IASB issued the new leasing standard which will replace IAS 17 Leases, IFRIC 4 Determining Whether an Arrangement Contains a Lease, SIC 15 Operating Leases – Incentives, and SIC 27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease and consequently changes to IAS 40 *Investment Properties*. IFRS 16 *Leases* eliminates the current dual accounting model for lessees, which distinguishes between on-balance sheet finance leases and off-balance sheet operating leases. Instead, there is a single, on-balance sheet accounting model that is similar to current finance lease accounting. Lessor accounting remains similar to current practice. IFRS 16 is effective for annual periods beginning on or after 1 January 2019, with early adoption permitted provided that an entity also adopts IFRS 15 Revenue from Contracts with Customers.

The Group is assessing the potential impact on its consolidated financial statements resulting from the application of IFRS 16.

IFRIC 23 Uncertainty over Income Tax Treatments

On 17 June 2017, IASB issued IFRIC 23 Uncertainty over Income Tax Treatments to specify how to reflect uncertainty in accounting for income taxes. It may be unclear how tax law applies to a particular transaction or circumstance, or whether a taxation authority will accept a company's tax treatment. IAS 12 Income Taxes specifies how to account for current and deferred tax, but not how to reflect the effects of uncertainty. IFRIC 23 provides requirements that add to the requirements in IAS 12 by specifying how to reflect the effects of uncertainty in accounting for income taxes. IFRIC 23 is effective from 1 January 2019, with earlier application is permitted.

The Group is assessing the potential impact on its consolidated financial statements resulting from the application of IFRIC 23.

IFRS 17 Insurance Contracts

On 18 May 2017, IASB issued IFRS 17 Insurance Contracts. This first truly globally accepted standard for insurance contracts will help investors and others better understand insurers' risk exposure, profitability and financial position. IFRS 17 replaces IFRS 4, which was brought in as an interim Standard in 2004. IFRS 4 has given companies dispensation to carry on accounting for insurance contracts using national accounting standards, resulting in a multitude of different approaches. As a consequence, it is difficult for investors to compare and contrast the financial performance of otherwise similar companies. IFRS 17 solves the comparison problems created by IFRS 4 by requiring all insurance contracts to be accounted for in a consistent manner, benefiting both investors and insurance companies. Insurance obligations will be accounted for using current values – instead of historical cost. The information will be updated regularly, providing more useful information to users of financial statements. IFRS 17 has an effective date of 1 January 2021 but companies can apply it earlier.

The Group does not expect that application of IFRS 17 will have significant impact on its consolidated financial statements.

3 Significant accounting policies *(continued)*

ae) Standards issued but not yet effective and not early adopted

Amendments to IFRS 4: Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts

IFRS 4 has been amended by IASB to reduce the impact of the differing effective dates of the new insurance contracts standard and IFRS 9. These amendments to IFRS 4 provide two optional solutions for insurers to reduce concerns about implementations: i) when applying IFRS 9 by insurers to its financial assets, an insurer will be permitted to reclassify the difference between profit or loss and other comprehensive income and the amounts recognised in profit or loss under IFRS 9 and those that would have been reported under IAS 39; or ii) an optional temporary exemption from applying IFRS 9 for companies whose activities are predominantly connected with insurance before January 1, 2021. These companies will be permitted to continue to apply existing requirements for financial instruments in IAS 39.

The Group does not expect that application of these amendments to IFRS 4 will have significant impact on its consolidated financial statements.

The revised Conceptual Framework

The revised Conceptual Framework issued on 28 March 2018 by the IASB. The Conceptual Framework sets out the fundamental concepts for financial reporting that guide the Board in developing IFRS Standards. It helps to ensure that the Standards are conceptually consistent and that similar transactions are treated the same way, so as to provide useful information for investors, lenders and other creditors. The Conceptual Framework also assists companies in developing accounting policies when no IFRS Standard applies to a particular transaction, and more broadly, helps stakeholders to understand and interpret the Standards. The revised Framework is more comprehensive than the old one – its aim is to provide the Board with the full set of tools for standard setting. It covers all aspects of standard setting from the objective of financial reporting, to presentation and disclosures. For companies that use the Conceptual Framework to develop accounting policies when no IFRS Standard applies to a particular transaction, the revised Conceptual Framework is effective for annual reporting periods beginning on or after 1 January 2020, with earlier application permitted.

Annual Improvements to IFRSs 2015-2017 Cycle

Improvements to IFRSs

IASB issued Annual Improvements to IFRSs - 2015–2017 Cycle. The amendments are effective as of 1 January 2019. Earlier application is permitted. The Group does not expect that application of these improvements to IFRSs will have significant impact on its consolidated financial statements.

IFRS 3 Business Combinations and *IFRS 11 Joint Arrangements*

IFRS 3 and IFRS 11 are amended to clarify how a company accounts for increasing its interest in a joint operation that meets the definition of a business. If a party obtains control, then the transaction is a business combination achieved in stages and the acquiring party remeasures the previously held interest at fair value. If a party maintains (or obtains) joint control, then the previously held interest is not remeasured.

IAS 12 Income Taxes

IAS 12 is amended to clarify that all income tax consequences of dividends (including payments on financial instruments classified as equity) are recognised consistently with the transactions that generated the distributable profits – i.e. in profit or loss, other comprehensive income (OCI) or equity.

IAS 23 Borrowing Costs

IAS 23 is amended to clarify that the general borrowings pool used to calculate eligible borrowing costs excludes only borrowings that specifically finance qualifying assets that are still under development or construction. Borrowings that were intended to specifically finance qualifying assets that are now ready for their intended use or sale – or any non-qualifying assets – are included in that general pool.

3 Significant accounting policies *(continued)*

ae) *Standards issued but not yet effective and not early adopted*

Amendments to IAS 28- Long-term Interests in Associates and Joint Ventures

On 12 October 2017, IASB has issued amendments to IAS 28 to clarify that entities also apply IFRS 9 to other financial instruments in an associate or joint venture to which the equity method is not applied. These include long-term interests that, in substance, form part of the entity's net investment in an associate or joint venture. An entity applies IFRS 9 to such long-term interests before it applies related paragraphs of IAS 28. In applying IFRS 9, the entity does not take account of any adjustments to the carrying amount of long-term interests that arise from applying IAS 28. The amendments are effective for periods beginning on or after 1 January 2019, with earlier application permitted.

The Group is assessing the potential impact on its consolidated financial statements resulting from the application of the amendments to IAS 28.

Amendments to IFRS 9 - Prepayment Features With Negative Compensation

On 12 October 2017, IASB has issued amendments to IFRS 9 to clarify that financial assets containing prepayment features with negative compensation can now be measured at amortised cost or at fair value through other comprehensive income (FVOCI) if they meet the other relevant requirements of IFRS 9. Under IFRS 9, a prepayment option in a financial asset meets this criterion if the prepayment amount substantially represents unpaid amounts of principal and interest, which may include 'reasonable additional compensation' for early termination of the contract.

The amendments are effective for periods beginning on or after 1 January 2019, with earlier application permitted.

The Group does not expect that application of these amendments to IAS 28 will have significant impact on its consolidated financial statements.

Amendments to IAS 19 - Plan Amendment, Curtailment or Settlement -

On 7 February 2018, IASB issued Plan Amendment, Curtailment or Settlement (Amendments to IAS 19). The amendments clarify the accounting when a plan amendment, curtailment or settlement occurs. A company now uses updated actuarial assumptions to determine its current service cost and net interest for the period; and the effect of the asset ceiling is disregarded when calculating the gain or loss on any settlement of the plan and is dealt with separately in other comprehensive income (OCI). The amendments are effective for periods beginning on or after 1 January 2019, with earlier application permitted.

The Group is assessing the potential impact on its consolidated financial statements resulting from the application of the amendments to IAS 19.

Amendments to IAS 1 and IAS 8 - Definition of Material

In October 2018 the IASB issued Definition of Material (Amendments to IAS 1 and IAS 8). The amendments clarify and align the definition of 'material' and provide guidance to help improve consistency in the application of that concept whenever it is used in IFRS Standards. Those amendments are prospectively effective for annual periods beginning on or after 1 January 2020 with earlier application permitted.

The Group is assessing the potential impact on its consolidated financial statements resulting from the application of the amendments to IAS 1 and IAS 8.

3 Significant accounting policies *(continued)*

ae) Standards issued but not yet effective and not early adopted

Amendments to IFRS 3 - Definition of a Business

Determining whether a transaction results in an asset or a business acquisition has long been a challenging but important area of judgement. The IASB has issued amendments to IFRS 3 Business Combinations that seek to clarify this matter. The amendments include an election to use a concentration test. This is a simplified assessment that results in an asset acquisition if substantially all of the fair value of the gross assets is concentrated in a single identifiable asset or a group of similar identifiable assets. If a preparer chooses not to apply the concentration test, or the test is failed, then the assessment focuses on the existence of a substantive process. The amendment applies to businesses acquired in annual reporting periods beginning on or after 1 January 2020. Earlier application is permitted.

The Group is assessing the potential impact on its consolidated financial statements resulting from the application of the amendments to IFRS 3.

4 Acquisition and disposals of subsidiary and non-controlling interest

4.1 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.

4.2 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 tranferred to the Group with 86,39 percent.

4.3 Purchase of non-controlling interests without change in control during 2017

Gap İnşaat

In General Assembly Meetings of Gap İnşaat held on 7 March 2017, Çalık Holding individually participated in capital increase amounting to USD 15.265 whereas the other shareholders of Gap İnşaat did not use their right of preferences. As a result of this transaction Group's ownership interest increased to 99,42 percent from 99,32 percent in Gap İnşaat.

Çalık Denim

In General Assembly Meetings of Çalık Denim held on 27 December 2017, Çalık Holding individually participated in capital increase amounting to USD 88.774 whereas the other shareholders of Çalık Denim did not use their right of preferences. As a result of this transaction Group's ownership interest increased to 99,72 percent from 99,18 percent in Çalık Denim.

Cetel Telekom

In General Assembly Meetings of Çetel Telekom held on 1 November 2017, Çalık Holding individually participated in capital increase amounting to USD 30.143 whereas the other shareholders of Çetel Telekom did not use their right of preferences. As a result of this transaction Group's ownership interest increased to 93,16 percent from 80,00 percent in Cetel Telekom.

Alb Telecom

In General Assembly Meetings of Alb Telekom held on 27 July 2017, Çalık Holding individually participated in capital increase amounting to Albanian Lek 3.250.000 whereas the other shareholders of Alb Telekom did not use their right of preferences. As a result of this transaction Group's ownership interest increased to 80,27 percent from 76,00 percent in Alb Telecom.

Malatya Boya

Çalık Denim acquired interest of Malatya Boya ve Emprime Fabrikaları Anonim Şirketi with 12.000.000 shares having per value of TL 1 each from Zentist AG amounting to USD 9.181.

(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 2018, assets and liabilities including those of discontinued operations are USD 61.426 and USD 6.610 (31 December 2017: USD 65.614 and USD 3.313), respectively, and details are as follows:

Assets held for sale	31 December 2018	31 December 2017
Inventories	3.444	711
Property, plant and equipment (*)	57.738	64.870
Intangible assets	11	15
Other assets	233	18
	61.426	**65.614**

Liabilities held for sale	31 December 2018	31 December 2017
Trade payables	6.610	3.313
	6.610	**3.313**

(*) Property, plant and equipment consists of properties classified as held for sale of the subsidiaries in textile sector amounting to USD 8.987 (31 December 2017: USD 8.924), land and buildings with a carrying value of USD 679 (31 December 2017: USD 796) obtained against the doubtful receivables in marketing sector and properties amounting to USD 48.072 (31 December 2017: USD 55.150) which were acquired as a result of legal proceedings of uncollectable loans and receivables of banking sector operations.

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 as long as the necessary permits are granted and trading of marble, store cutting machines with its spare parts, ceramic floor and wall tiles both within the country and abroad. These entities are also providing services for land development and project development services for urban renewal, office residential and housing markets.

Textile: Entities in textile segment mainly deal with production and trading activities of yarn, texture and ready wear besides providing consulting services related to importation and exportation of cotton.

Marketing: Entities in marketing segment mainly supplies goods used in the production and the domestic or foreign projects carried out mainly by the Group entities.

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.

(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.

					2018				
	Energy	**Construction**	**Textile**	**Marketing**	**Tele-communication**	**Banking and finance**	**Others**	**Eliminations**	**Total**
Revenue	1.026.857	409.767	191.378	54.055	75.305	584.388	97.072	(107.180)	2.331.642
Gross profit	243.329	(115.493)	69.956	6.712	26.998	276.440	37.188	2.758	547.888
Share of profit or (loss) accounted investees	28.779	--	--	--	--	(1.243)	(1.059)	(290)	26.187
Interest income	31.515	933	111	1	--	2.659	282	(747)	34.754
Other income/(costs), net	(25.849)	(26.693)	(60.951)	(1.066)	(26.824)	(141.839)	(42.197)	(21.134)	(346.553)
Results from operating activities	**277.774**	**(141.253)**	**9.116**	**5.647**	**174**	**136.017**	**(5.786)**	**(19.413)**	**262.276**
Gain /(loss) from investing activities	(108)	803	25	(2)	(2.037)	42.724	202.910	(183.551)	60.764
Interest expense	(19.047)	(13.036)	(19.585)	(5.352)	(9.683)	(5.311)	(96.815)	4.447	(164.382)
Finance cost / income, net	(19.248)	(1.904)	(36.611)	(4.133)	9.529	(21.154)	(61.045)	15.739	(118.827)
Consolidated profit / (loss) before tax	**239.371**	**(155.390)**	**(47.055)**	**(3.840)**	**(2.017)**	**152.276**	**39.264**	**(182.778)**	**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	**213.596**	**(145.564)**	**(33.597)**	**(3.799)**	**(2.056)**	**120.103**	**37.122**	**(183.609)**	**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)	(3.304)	--	(75.772)

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

6 Operating segments *(continued)*

	2017								
	Energy	**Construction**	**Textile**	**Marketing**	**Tele-communication**	**Banking and finance**	**Others**	**Eliminations**	**Total**
Revenue	1.318.958	1.405.182	167.759	91.097	66.631	553.383	42.122	(68.383)	3.576.749
Gross profit	396.807	113.239	59.427	19.663	23.463	305.636	34.545	856	953.636
Share of profit or (loss) accounted investees	35.347	--	--	--	--	2.786	(3.797)	(7)	34.329
Interest income	27.868	436	367	17	--	297	6.035	(56)	34.964
Other income/(costs), net	(36.991)	(24.418)	(19.058)	(5.424)	(25.252)	(167.627)	(50.80	(12.114)	(341.685)
Results from operating activities	**423.031**	**89.257**	**40.736**	**14.256**	**(1.789)**	**141.092**	**(14.01**	**(11.321)**	**681.244**
Gain /(loss) from investing activities	407	50.876	97	(43)	(179)	2.673	212.22	(179.344)	86.715
Interest expense	(27.411)	(31.217)	(12.935)	(6.059)	(9.790)	(4.398)	(71.40	42.567	(120.643)
Finance cost / income, net	1.623	31.056	(26.029)	(6.733)	3.475	(29.438)	(86.79	7.228	(105.609)
Consolidated profit / (loss) before tax	**397.650**	**139.972**	**1.869**	**1.421**	**(8.283)**	**109.929**	**40.019**	**(140.870)**	**541.707**
Income tax benefit / (expense)	(34.506)	(9.100)	(236)	177	(86)	(35.283)	(4.704)	(471)	(84.209)
Net profit/(loss) for the year	**363.144**	**130.872**	**1.633**	**1.598**	**(8.369)**	**74.646**	**35.315**	**(141.341)**	**457.498**

	Energy	**Construction**	**Textile**	**Marketing**	**Tele-communication**	**Banking and finance**	**Other**	**Eliminations**	**Total**
Segment assets	1.872.352	1.896.014	367.809	131.362	235.586	6.620.637	1.609.131	(2.553.822)	10.179.069
Segment liabilities	(1.177.539)	(1.463.404)	(221.504)	(96.418)	(182.352)	(5.909.858)	(1.167.362)	1.596.865	(8.621.572)
Capital expenditure	15.261	4.233	28.318	188	7.588	37.589	11.720	(3.982)	100.915
Depreciation and amortisation	(15.633)	(12.804)	(7.799)	(158)	(14.036)	(23.675)	(1.961)	--	(76.066)

(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:

	2018	2017
Revenue		
Turkey	1.255.172	1.297.630
Turkmenistan	421.162	1.817.140
Albania	247.571	338.629
Other	407.737	123.350
	2.331.642	**3.576.749**
Non-current Assets		
Albania	2.102.795	1.957.512
Turkey	1.541.307	1.657.442
Turkmenistan	201.278	285.010
Other	422.741	129.668
	4.268.121	**4.029.632**

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:

	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 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 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 2018, USD 102.311 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

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

7 Related party disclosures *(continued)*

	2017				
	Shareholders	**Associates**	**Joint ventures**	**Other**	**Total**
Trade receivables	--	28.060	2.009	33	30.102
Other receivables	135.294	--	205	--	135.499
Receivables related to finance sector operations	--	107.400	40.640	13.574	161.614
Borrowings	--	(67.893)	(102)	(333)	(68.328)
Trade payables	--	--	(265)	(3)	(268)
Payables related to finance sector operations	(30)	(4)	(2.236)	(988)	(3.258)
Other payables	(39)	-	(38)	-	(77)
Total	**135.225**	**67.563**	**40.213**	**12.283**	**255.284**

No impairment losses have been recognised against balances outstanding as at 31 December 2018 (31 December 2017: 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:

	2018				
	Shareholders	**Associates**	**Joint ventures**	**Other**	**Total**
Revenue	198	67.638	6.182	2.088	76.106
Cost of sales	--	(8.651)	(345)	(3.303)	(12.299)
General and administrative expenses	(448)	(32)	(193)	(153)	(826)
Sales, marketing and distributon expenses	--	--	--	(11)	(11)
Gain from investing activities	--	(9)	1	217	209
Other Income/(expense) from operating activities	--	3	2.790	39	2.832
Income/(expense) from financing activities	5.039	2	22	333	5.396
Total	**4.789**	**58.951**	**8.457**	**(790)**	**71.407**

	2017				
	Shareholders	**Associates**	**Joint ventures**	**Other**	**Total**
Revenue	--	111.658	3.832	2.218	117.708
Cost of sales	--	(43.164)	(18)	(70)	(43.252)
General and administrative expenses	(6)	(39)	(231)	(33)	(309)
Gain from investing activities	--	--	1.500	--	1.500
Other Income/(expense) from operating activities	83	14	65	955	1.117
Income/(expense) from financing activities	12.146	(11.123)	54	74	1.151
Total	**12.223**	**57.346**	**5.202**	**3.144**	**77.915**

Transactions with key management personnel

On a consolidated basis, key management costs included in general and administrative expenses for the year ended 31 December 2018 amounted to USD 18.023 (2017: USD 22.359).

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

8 Cash and cash equivalents

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

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**

2017	**Finance(*)**	**Non-finance(**)**	**Total**
Cash on hand	49.872	356	50.228
Cash at banks	209.428	137.445	346.873
-Time deposits	*110.688*	*54.661*	*165.349*
-Demand deposits	*98.740*	*82.784*	*181.524*
Balances at central bank (excluding statutory reserve)	17.684	--	17.684
Other cash and cash equivalents(***)	295	515	810
Cash and cash equivalents	**277.279**	**138.316**	**415.595**
Restricted amounts	(5.081)	(47.591)	(52.672)
Cash and cash equivalents in the consolidated statement of cash flows	**272.198**	**90.725**	**362.923**

(*) 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 from money market amounting to 5.877, money in transit amounting to USD 115 and short-term bonds and bond funds amounting to USD 861 as at 31 December 2018 (31 December 2017: money in transit amounting to USD 495 and credit card receivables amounting to USD 315).

As at 31 December 2018, restricted cash in cash equivalents amounting to USD 64.318 (31 December 2017: USD 52.672) is not available in the Group's day-to-day operations. 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 (31 December 2017: USD 24.921). USD 534 of the restricted amounts (31 December 2017: None) is related to the mandatory bank deposits at a bank in Uzbekistan. Amount of USD 638 of the restricted amounts (31 December 2017: USD 638) is related to the mandatory bank deposits at a bank in Georgia for a maintenance contract and amount of USD 23.516 are held in domestic banks as security for the outstanding bank loans (31 December 2017: 18.451). The remaining restricted cash balance of USD 1.425 (31 December 2017: USD 2.068) mainly comprised of cash security given to İstanbul Takas ve Saklama Bankası Anonim Şirketi for the electricity purchases from Market Financial Settlement Center ("PMUM") and USD 1.061 of the restricted amount mainly comprised of security held in banks (31 December 2018: 1.480). The amount of USD 24 comprises of the court-restricted amount on expropriation cases (31 December 2017: 33).

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

8 Cash and cash equivalents *(continued)*

The mandatory restricted account amounting to USD 37.074 (31 December 2017: USD 5.081). This amounts arising from the Group's banking activities in Albania and Turkey.

9 Financial investments

At 31 December, financial investments comprised the following:

	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**

	2017		
	Current	**Non-current**	**Total**
Available-for-sale financial investments	710.406	744.995	1.455.401
Held to maturity financial investments	119.468	122.478	241.946
Financial assets at fair value through profit or loss (*)	190.800	--	190.800
	1.020.674	**867.473**	**1.888.147**

(*) As at 31 December 2018 and 2017, 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 2018, an increase in fair value for this investment amounting to USD 19.242 (31 December 2017: USD 30.852) 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 11.981 / USD 10.674 (31 December 2017: USD 6.200 / USD 6.800), respectively.

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

9 Financial investments *(continued)*

Available-for-sale financial investments

As at 31 December, available-for-sale financial investments comprised the following:

	2018	2017
	Carrying Amount	**Carrying amount**
Financial investments of finance sector companies entities		
Public sector bonds, notes and bills	1.276.287	1.145.283
Private sector bonds, notes and bills	199.604	231.202
Investment funds	69.080	11.193
Asset backed securities and lease certificates	94.099	47.797
Equity securities – listed	8.760	8.443
Equity securities – non-listed		
Anagold Madencilik Sanayi ve Ticaret Anonim Şirketi	180.200	190.800
Bursagaz Bursa Şehiriçi Doğal Gaz Dağıtım Ticaret ve Taahhüt Anonim Şirketi	15.396	6.930
Kayserigaz Kayseri Doğalgaz Dağıtım Pazarlama Ticaret Anonim Şirketi	6.140	1.668
Other	2.974	2.883
Balance at 31 December	**1.852.540**	**1.646.199**

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

As at 31 December 2018, investments in equity securities amounting to USD 2.974 (31 December 2017: USD 2.883) 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.

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

9 Financial investments *(continued)*

Held to maturity financial investments

At 31 December, held to maturity financial investments comprised the following:

	2018 Carrying Amount	2017 Carrying Amount
Financial investments of finance sector companies entities		
Asset backed securities and lease certificates	128.364	126.919
Public sector bonds, notes and bills	64.622	68.287
Private sector bonds, notes and bills	59.470	32.824
Other(*)	6.966	13.916
Total	**259.422**	**241.946**

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	(8.391)	--	6.715
Disposals (sale and redemption)	(694.016)	(19.066)	--
Foreign currency translation differences	(26.745)	(7.212)	(37.210)
At 31 December 2018	**1.650.804**	**259.422**	**201.736**

The movements in financial investments during the year ended 31 December 2017 were as follows:

	Available-for-sale portfolio	*Held to maturity portfolio*	*Fair value through profit or loss portfolio*
At 1 January 2017	**1.284.646**	**154.011**	**171.400**
Additions through purchases	871.243	181.806	--
Fair value gains/ (losses)	1.166	--	30.852
Disposals (sale and redemption)	(761.867)	(102.541)	--
Foreign currency translation differences	60.213	8.670	(11.452)
At 31 December 2017	**1.455.401**	**241.946**	**190.800**

The Group's exposure to credit, currency and interest rate risks related to investment securities are disclosed in Note 34.

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

10 Trade receivables and payables

Trade receivables

Short-term trade receivables

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

	2018	2017
Due from related parties	107.082	30.102
Due from third parties	615.028	1.719.525
	722.110	**1.749.627**

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

	2018	2017
Accounts receivables	375.972	503.246
Due from customers for contract work (Note 20)	220.309	1.037.742
Service concession receivables	84.027	81.449
Doubtful receivables	53.599	57.640
Notes receivables(*)	36.194	98.947
Postdated cheques received	3.449	28.834
Other trade receivables	3.146	3.218
	776.696	**1.811.076**
Allowances for doubtful trade receivables (-)	(53.599)	(57.640)
Discount on trade receivables (-)	(987)	(3.809)
Total	**722.110**	**1.749.627**

(*) As of December 31, 2018, USD 27.105 of notes receivable consists of notes received from Çalık Denim's commercial activities. (As at 31 December 2017, the Group sold its joint venture Gap - Kefeli in return for a consideration of USD 106.047 based on the Ordinary Partnership Share Transfer agreement signed on 27 December 2017. As of 31 December 2017, the total amount of the overdued notes receivables related with the joint venture sales operations were USD 92.791).

Trade receivable of the Group mainly consists of uncollected portion of invoices billed in accordance with ongoing engineering, procurement and construction projects ("EPC") contracts abroad including excess cost amounting to USD 469.779 at of 31 December 2018 (31 December 2017: USD 678.370).

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

	2018	2017
Balance at 1 January	**57.640**	**53.413**
IFRS 9 effects as at January 1, 2018	3.214	--
Allowance for the period	8.322	10.900
Recoveries of amounts previously impaired (-)	(7.377)	(8.347)
Additions through acquisitions of subsidiaries	470	--
Foreign currency translation difference	(8.670)	1.674
Total	**53.599**	**57.640**

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

10 Trade receivables and trade payables *(continued)*

Trade receivables *(continue)*

Long-term trade receivables

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

	2018	2017
Service concession receivables	268.989	291.488
Accounts receivables	109.785	139.659
Total	**378.774**	**431.147**
Discount on trade receivables (-)	(11)	--
Total	**378.763**	**431.147**

(*)Consists of the uncontrollable cost component for the years 2018 and 2017 calculated in accordance with the parameters of the YEPAŞ in accordance with the decision of the EMRA dated 15 December 2016 and numbered 6768 regarding the YEPAŞ as at 31 December as explained in the third implementation period of the YEPAŞ within the framework of determining the retail sales revenue requirement.

	Receivables subject to redemption	
Redemption year	**31 December 2018**	**31 December 2017**
2019	--	69.612
2020	72.528	58.188
2021	52.718	47.499
2022	41.875	38.089
2023	34.264	30.722
2024	27.077	23.650
2025	21.849	15.893
2026	13.462	7.835
2027	5.216	--
Total	**268.989**	**291.488**

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

	2018	2017
At 1 January	**372.937**	**267.483**
Additions	58.484	94.323
Redemptions related to current year investments	(35.306)	(34.284)
Fair value gain (Note 30)	54.666	51.698
Foreign currency translation difference	(113.190)	(22.231)
Adjustments for investments of 2011-2015	--	5.211
Correction at current period regarding revenue caps	16.105	10.389
Other	(680)	348
At 31 December	**353.016**	**372.937**

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

10 Trade receivables and trade payables *(continued)*

Short-term trade payables

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

	2018	2017
Accounts payables(*)	408.345	572.993
Notes payable	21.649	68.150
Other trade payables	5.968	6.833
Total	**435.962**	**647.976**

(*) 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:

	2018	2017
Accounts payables	13.508	13.127
Total	**13.508**	**13.127**

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 34.

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

11 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	2018	2017
Due from related parties	35.357	161.614
Due from third parties	916.238	1.184.986
Total	**951.595**	**1.346.600**

Receivables related to finance sector operations	2018	2017
Loans and receivables from customers	793.850	973.414
Loans and receivables from banks	141.986	357.238
Non-performing loans and receivables	51.439	50.558
Subtotal	**987.275**	**1.381.210**
Provision for impairment in value of loans and receivables	(35.680)	(34.610)
Total	**951.595**	**1.346.600**

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

Non current receivables related to finance sector operations	2018	2017
Due from related parties	79	--
Due from third parties	1.240.307	1.440.696
Total	**1.240.386**	**1.440.696**

Receivables related to finance sector operations	2018	2017
Loans and receivables from customers	1.245.568	1.422.990
Loans and receivables from banks	53.691	67.490
Subtotal	**1.299.259**	**1.490.480**
Provision for impairment in value of loans and receivables	(58.873)	(49.784)
Total	**1.240.386**	**1.440.696**

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

11 Receivables and payables related to finance sector operations *(continued)*

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

	2018	2017
Specific allowances for impairment		
Balance on 1 January	**71.442**	**57.986**
IFRS 9 effects as at January 1, 2018	8.277	--
Impairment loss for the year	10.199	7.646
- Charge for the year	*26.585*	*18.984*
- Recoveries	*(16.386)*	*(11.338)*
Translation difference	(5.746)	5.810
Balance on 31 December	**84.172**	**71.442**
Collective allowances for impairment		
Balance on 1 January	**12.952**	**10.595**
IFRS 9 effects as at January 1, 2018	5.045	**--**
Impairment loss for the year	(2.613)	1.541
- Charge for the year	*4.129*	*1.774*
- Recoveries	*(6.742)*	*(233)*
Translation difference	(5.003)	816
Balance on 31 December	**10.381**	**12.952**
Total allowances for impairment	**94.553**	**84.394**

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

11 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	**2018**	**2017**
Due to related parties	2.802	3.258
Due to third parties	3.697.726	3.323.950
Total	**3.700.528**	**3.327.208**

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

Short term payables related to finance sector operations	**2018**	**2017**
Due to banks	**34.710**	**39.099**
Time deposits	33.314	38.723
Current accounts	1.396	376
Due to customers	**2.744.646**	**2.475.359**
Individual	2.204.293	2.008.029
Private enterprises	409.971	364.988
Public institutions	58.198	62.408
Other	72.184	39.934
Customer accounts (*)	**399.731**	**404.115**
Funds from repo transactions	**521.441**	**408.635**
Total	**3.700.528**	**3.327.208**

(*) 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 2018, this account does not include any deposit amount (31 December 2017: None).

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

Long term payables related to finance sector operations	**2018**	**2017**
Payables from finance sector activities to third parties	384.435	392.043
Total	**384.435**	**392.043**

Long term payables related to finance sector operations	**2018**	**2017**
Due to customers		
Individual	*356.703*	*359.227*
Private enterprises	*25.963*	*24.177*
Public institutions	--	*6.025*
Other	*1.769*	*2.614*
Total	**384.435**	**392.043**

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

12 Other receivables and other payables

Other short-term receivables

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

	2018	2017
Due from related parties	5.741	135.499
Due from third parties	69.924	126.480
	75.665	**261.979**

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

	2018	2017
Receivables from tax authorities	5.580	6.065
Due from joint ventures	3.051	205
Deposits and guarantees given	1.834	16.828
Due from shareholders	660	135.294
Due from associates	14	--
Receivables from personnel	37	79
Other receivables	67.876	106.869
	79.052	**265.340**
Allowance for other doubtful receivables (-)	(3.387)	(3.361)
Total	**75.665**	**261.979**

Other long-term receivables

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

	2018	2017
Due from shareholders	320.000	--
Deposits and guarantees given	112.168	115.934
Other receivables	1.135	1.783
Total	**433.303**	**117.717**

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

12 Other receivables and other payables *(continued)*

Other short-term payables

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

	2018	2017
Due to related parties	152.098	77
Due to third parties	34.761	49.819
Total	**186.859**	**49.896**

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

	2018	2017
Due to shareholders	152.023	39
Deposits and guarantees received (*)	23.087	36.575
Other payables	11.749	13.282
Total	**186.859**	**49.896**

Other long-term payables

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

	2018	2017
Due to third parties	42.869	49.848
	42.869	**49.848**

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

	2018	2017
Deposits and guarantees received (*)	42.869	49.663
Other	--	185
Total	**42.869**	**49.848**

(*) 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.

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

13 Inventories

As at 31 December, inventories comprised the following:

	2018	2017
Trading properties(*)	130.546	158.634
Raw materials	69.306	141.671
Trading goods	26.475	34.580
Finished goods	18.373	17.117
Semi finished goods in production	10.088	12.072
Other inventories	612	2.581
Allowance for impairment of inventories	(4.679)	(3.919)
Total	**250.721**	**362.736**

(*) 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:

	2018	2017
Beginning balance	3.919	3.180
Current year provision	1.180	582
Translation difference	(420)	157
	4.679	**3.919**

As at 31 December 2018, the Group capitalised borrowing costs amounting to USD 41.736 (accumulated) on trading properties under development (31 December 2017: USD 43.674 (accumulated)).

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

14 Prepayments and deferred revenue

Current prepayments

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

	2018	**2017**
Advances given (*)	70.875	145.766
Other	19.297	16.126
Total	**90.172**	**161.892**

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

Non-current prepayments

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

	2018	**2017**
Advances given for property, plant and equipment acquisitions	9.257	1.804
Other(*)	33.345	36.199
Total	**42.602**	**38.003**

(*)The other non-current prepayments mainly consist of the payment made to football clubs and Turkish Football Federation ("TFF") amounting to USD 25.547 (31 December 2017: USD 33.100) 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	**2018**	**2017**
Advances received (*)	246.744	872.226
Contract progress income (Note 20)	72.378	65.799
Short term deferred income	5.841	8.679
Total	**324.963**	**946.704**

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

Long term deferred revenue	**2018**	**2017**
Long term deferred income (**)	100.103	143.411
Total	**100.103**	**143.411**

(*)As at 31 December 2018, advances received mainly comprised from advance payments from the customers of the Group's subsidiaries operating in energy sector for which the Group constructs electricity power plant and electricity distribution lines and other advances received from the Turkmenistan Government for the construction projects being conducted in Turkmenistan.

(**) As at 31 December, USD 95.738 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 2017: USD 143.411).

15 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.

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.

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

15 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 2018		31 December 2017	
Joint ventures	**Carrying value**	**% of ownership**	**Carrying value**	**% of ownership**
Assets				
KÇLE	87.628	50,00	85.435	50,00
Doğu Aras	36.484	50,00	22.466	50,00
Polimetal	8.727	50,00	7.951	50,00
Kartaltepe	4.620	50,00	8.144	50,00
Tunçpınar	1.688	50,00	2.252	50,00
Çalık Limak Adı Ortaklığı	1.063	50,00	746	50,00
LC Electricity	4	50,00	5	50,00
	140.214		**126.999**	

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

	2018	2017
Balance at 1 January	126.999	81.409
Share of profit of equity accounted investees	27.720	31.551
Translation difference	(17.613)	7.312
Share capital increases	3.108	7.030
Dividend income	--	(162)
Disposal	--	(141)
Balance at 31 December	**140.214**	**126.999**

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

15 Investments in equity accounted investees *(continued)*

ii) Associates

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

	31 December 2018		31 December 2017	
Associates	**Carrying value**	**% of ownership**	**Carrying value**	**% of ownership**
Assets				
Kazakhstan Ijara Company KIC Leasing	2.411	14,31	2.465	14,31
Halk Yenilenebilir Enerji (*)	2.105	50,00	2.894	50,00
Ideam Farm	1.539	30,00	--	50,00
Haliç Leasing	1.382	32,00	1.768	32,00
Albania Leasing	1.373	29,99	1.436	29,99
Euro-Mediterranean	1.226	25,57	1.701	25,57
Eurasian Leasing Company	964	36,70	1.159	25,00
E-Post Ticaret	10	100,00	--	--
Aktif VKŞ (**)	--	100,00	27	100,00
Aktif Halk Enerji (*)	--	50,00	2.420	50,00
Subtotal	**11.010**		**13.870**	
Liabilities				
TAPCO	(41)	50	314	49,87
Soleren S4 Enerji	--	--	(250)	50,00
Subtotal	**(41)**		**64**	
Total	**10.969**		**13.934**	

(*) Aktif Halk Enerji and Halk Yenilenebilir Enerji are established in 2017, in Ankara for the purpose of 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 in order 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 2018 and 2017.

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

	2018	**2017**
Balance at 1 January	**13.934**	**7.769**
Acquisition of shares in associates	10	--
Share of gain of equity accounted investees	(1.533)	2.778
Translation difference	(3.097)	44
Effect of control change in investments classified as available-for-sale financial assets	1.676	--
Impairment	(21)	--
Capital contribution to share increase in associates	--	3.343
Balance at 31 December	**10.969**	**13.934**

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

15 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	4.546	30	1.162	1.226	8
Haliç Finansal Kiralama	31 December	32	6.941	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	1.256	(3.780)	628	--	(1.890)
Halk Yenilenebilir Enerji	31 December	50	1.649	18	1.667	1.308	--	1.308	359	67	180	2.105	33
Soleren S4 Enerji	31 December	--	--	--	--	--	--	--	--	--	--	--	195
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**	**(1.533)**

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	575
Polimetal(*)	31 December	50	1.226	11.950	13.176	1.063	104	1.167	12.009	615	6.004	8.727	308
Tuncpınar	31 December	50	191	--	191	13	--	13	178	(78)	89	1.688	(39)
Kartaltepe	31 December	50	3.533	4.152	7.685	5.340	--	5.340	2.345	(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**

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

15 Investments in equity-accounted investees *(continued)*

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

						31 December 2017							
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	1.625	18.410	20.035	--	--	--	20.035	702	2.867	2.465	100
Eurasian Leasing Company	31 December	36,71	145	3.697	3.842	474	--	474	3.368	46	1.236	1.159	17
Euro Mediterranean	31 December	25,57	1.422	6.243	7.665	1.251	--	1.251	6.414	598	1.640	1.701	155
Haliç Finansal Kiralama	31 December	32,00	6.548	32	6.580	1.144	--	1.144	5.436	101	1.740	1.768	32
Aktif Halk Enerji	31 December	50,00	4.730	10.426	15.156	10.316	--	10.316	4.840	(479)	2.420	2.420	(240)
Halk Yenilenebilir Enerji	31 December	50,00	13.684	--	13.684	6.438	--	6.438	7.246	5.962	3.623	2.894	2.981
Soleren S4 Enerji	31 December	50,00	968	1.760	2.728	3.260	--	3.260	(532)	(517)	(266)	(250)	(259)
Aktif VKŞ	31 December	100	27	--	27	--	--	--	27	--	27	27	--
Albania Leasing Company	31 December	29,99	--	--	--	--	--	--	--	--	--	1.436	--
TAPCO	31 December	50,00	220	415	635	6	--	6	629	(15)	315	314	(8)
Total												**13.934**	**2.778**

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

						31 December 2017							
Company name-Joint ventures	**Reporting period**	**Ownership rates (%)**	**Current assets**	**Non-current assets**	**Total assets**	**Current liabilities**	**Non-current liabilities**	**Total liabilities**	**Net assets**	**Profit/ (loss)**	**Group's share of net assets**	**Carrying amount**	**Group's share of profit/ (loss)**
KÇLE	31 December	50,00	89.133	139.853	228.986	49.201	8.915	58.116	170.870	24.849	85.435	85.435	12.425
Doğu Aras	31 December	50,00	72.053	227.171	299.224	137.582	111.023	248.605	50.619	46.766	25.310	22.466	22.593
Çalık Limak Adı Ortaklığı	31 December	50,00	1.240	--	1.240	--	1.233	1.233	7	341	4	746	171
Polimetal	31 December	50,00	1.970	10.608	12.578	962	141	1.103	11.475	(2.600)	5.738	7.951	(1.300)
Tuncpınar	31 December	50,00	211	--	211	168	--	168	43	(322)	22	2.252	(161)
Kartaltepe	31 December	50,00	1.299	5.571	6.870	198	--	198	6.672	(4.671)	3.336	8.144	(2.336)
LC Electricity	31 December	50,00	439	2	441	258	--	258	183	(6)	92	5	(3)
Total												**126.999**	**31.389**

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

15 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 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	--	--	--

Company name	**31 December 2017**			
	Cash and cash equivalents	**Depreciation and amortisation**	**Interest income**	**Interest expense**
KÇLE	15.268	(13.456)	--	(910)
Doğu Aras	13.294	(3.445)	--	(29.649)
Çalık Limak Adi Ortaklığı	58	--	--	(54)
Kartaltepe	1.250	(34)	--	--
Polimetal	681	(305)	202	--
Tunçpınar	211	--	--	--
LC Electricity	16	--	--	(5)

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

16 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 2017	**178.417**	**468.477**	**18.186**	**88.355**	**20.574**	**72.923**	**15.502**	**862.434**
Additions	17.976	3.405	1.814	6.162	1.788	53.802	4.140	89.087
Transfers	22.055	29.297	60	3.098	--	(54.510)	--	--
Foreign currency translation differences	10.122	14.561	329	2.019	2.355	(3.057)	(1.151)	25.178
Addition of business acquisition	7.100	2.764	--	56	5	--	--	9.925
Disposals	(81)	(2.123)	(780)	(4.384)	(1)	(14.562)	(599)	(22.530)
Balance at 31 December 2017	**235.589**	**516.381**	**19.609**	**95.306**	**24.721**	**54.596**	**17.892**	**964.094**
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 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**

(*)The construction in progress mainly consists of the cost of the headquarter building constructions of the subsidiary operating in the banking sector, Çalık Rüzgar's wind power plant construction located in Sarpıncık and Çalık Solar Enerji's solar power plant construction.

As at 31 December 2018, total insurance coverage on property, plant and equipment is USD 387.402 (31 December 2017: USD 213.494).

At 31 December 2018, there are mortgages on property, plant and equipment amounting to USD 100.000 (31 December 2017: USD 87.439).

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

16 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 2017	**(47.303)**	**(156.483)**	**(12.108)**	**(41.486)**	**(5.711)**	**--**	**(10.781)**	**(273.872)**
Current year depreciation	(5.926)	(30.412)	(2.531)	(10.387)	(1.378)	--	(1.800)	(52.434)
Foreign currency translation differences	(4.628)	(6.683)	(5)	(2.756)	(2.557)	--	556	(16.073)
Addition of business acquisition	(504)	(2.566)	--	(50)	(5)	--	--	(3.125)
Disposal	70	1.755	313	3.642	1	--	6.412	12.193
Balance at 31 December 2017	**(58.291)**	**(194.389)**	**(14.331)**	**(51.037)**	**(9.650)**	**--**	**(5.613)**	**(333.311)**
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 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)**
Net carrying value at 1 January 2017	**131.114**	**311.994**	**6.078**	**46.869**	**14.863**	**72.923**	**4.721**	**588.562**
Net carrying value at 31 December 2017	**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**

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

17 Intangible assets

Movements of intangible assets and related accumulated amortisation during the years ended 31 December 2018 and 2017 were as follows

Cost	Goodwill	Licences & software	Electricity distribution rights	Brand names	Other intangibles	Total
Balance at 1 January 2017	**1.079**	**102.442**	**141.814**	**3.254**	**31.115**	**279.704**
Additions	--	6.191	--	--	3.250	9.441
Foreign currency translation differences	(73)	(2.471)	(9.501)	(218)	(397)	(12.660)
Addition of business acquisition	--	15	--	--	--	15
Disposals	--	(2.130)	--	--	(1.040)	(3.170)
Balance at 31 December 2017	**1.006**	**104.047**	**132.313**	**3.036**	**32.928**	**273.330**
Balance at 1 January 2018	**1.006**	**104.047**	**132.313**	**3.036**	**32.928**	**273.330**
Additions	--	383	1.984	3	16.506	18.876
Transfers	--	900	--	--	--	900
Foreign currency translation differences	(284)	(21.784)	(37.611)	(860)	(7.024)	(67.563)
Addition of business acquisition	--	5.180	--	--	--	5.180
Disposals	--	(1.266)	--	--	(38)	(1.304)
Balance at 31 December 2018	**722**	**87.460**	**96.686**	**2.179**	**42.372**	**229.419**

Accumulated amortization						
Balance at 1 January 2017	**--**	**(49.384)**	**(32.756)**	**(6)**	**(10.292)**	**(92.438)**
Current year amortisation	--	(16.883)	(5.267)	--	(1.482)	(23.632)
Foreign currency translation differences	--	3.378	2.373	1	(1.931)	3.821
Addition of business acquisition	--	(4)	--	--	--	(4)
Disposals	--	1.588	--	--	962	2.550
Balance at 31 December 2017	**--**	**(61.305)**	**(35.650)**	**(5)**	**(12.743)**	**(109.703)**
Balance at 1 January 2018	**--**	**(61.305)**	**(35.650)**	**(5)**	**(12.743)**	**(109.703)**
Current year amortisation	--	(7.217)	(3.974)	(5)	(2.095)	(13.291)
Transfers		(732)	--	--	94	(638)
Foreign currency translation differences	--	14.650	10.415	1	988	26.054
Disposals	--	1.266	--	--	38	1.304
Balance at 31 December 2018	**--**	**(53.338)**	**(29.209)**	**(9)**	**(13.718)**	**(96.274)**
Net carrying value at 1 January 2017	**1.079**	**53.058**	**109.058**	**3.248**	**20.823**	**187.266**
Net book value at 31 December 2017	**1.006**	**42.742**	**96.663**	**3.031**	**20.185**	**163.627**
Net book value at 31 December 2018	**722**	**34.122**	**67.477**	**2.170**	**28.654**	**133.145**

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

18 Investment property

As at 31 December, investment property comprised the following:

	2018	2017
Investment property under development	89.799	120.961
Investment property	44.116	50.963
	133.915	**171.924**

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

	2018	2017
Balance at 1 January	171.924	154.067
Additions	5.011	2.387
Changes in fair value (Note 30)	(14.294)	26.777
Foreign currency translation differences	(28.726)	(11.307)
Total	**133.915**	**171.924**

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:

2018	**Level 1**	**Level 2**	**Level 3**	**Total**
Investment property	--	--	133.915	133.915
Total	--	**--**	**133.915**	**133.915**

2017	**Level 1**	**Level 2**	**Level 3**	**Total**
Investment property	--	--	171.924	171.924
Total	--	**--**	**171.924**	**171.924**

As at 31 December, fair value of the investment properties is calculated by using a peer comparison by independent appraisal.

Peer comparison method determines recently listed or sold properties in market and takes into consideration of other factors for the adjustment of value based on size of land of property with current condition and location. For current market outlook, the appraisers contact with the property sale intermediaries.

As at 31 December 2018, borrowing costs capitalised by the Group are amounting to USD 29.207 (accumulated) on investment properties (31 December 2017: USD 25.055 (accumulated)).

As at 31 December 2018, the Group have mortgages amounting to USD 200.000 on investment properties (31 December 2017: 200.000).

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

19 Other assets and liabilities

Other current assets

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

	2018	2017
Reserve Deposits at Central Banks (*)	605.615	647.732
Value Added Tax ("VAT") receivables	53.992	73.290
Personnel advances	1.005	2.873
Other income accruals	3.466	2.682
Other current assets	74.188	24.314
	738.266	**750.891**

(*) As at 31 December 2018 and 2017, 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:

	2018	2017
Taxes and funds payable	21.507	19.877
Blockage on corporate collection account	11.395	22.531
Turkish Football Federations' share on collection of card sales	2.134	6.154
VAT payable	234	380
Other current liabilities	66.393	29.943
	101.663	**78.885**

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

20 Due from/due to customers for contract work

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

	31 December 2018	31 December 2017
Due from customers for contract work (Note 10)	220.309	1.037.742
Due to customers for contract work (Note 14)	(72.378)	(65.799)
Total	**147.931**	**971.943**

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

	2018	2017
Total costs incurred on uncompleted contracts	3.813.202	3.601.181
Estimated earnings	857.601	1.027.222
Total estimated revenue on uncompleted contracts	**4.670.803**	**4.628.403**
Less: Billings to date	(4.522.872)	(3.656.460)
Net amounts due from customers for contract work	**147.931**	**971.943**

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

21 Loans and borrowings

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

Short term loans and borrowings	**2018**	**2017**
Securities issued	731.230	729.424
Funds borrowed by the Group's banking subsidiaries	566.740	1.060.632
Current portion of long term bank loans	228.560	3.103
Bank loans	166.977	425.122
Issued bonds	29.999	12.856
Factoring payables	14.325	17.864
Lease obligations	9.055	9.638
Other financial liabilities	--	27
Total	**1.746.886**	**2.258.666**

Long term loans and borrowings	**2018**	**2017**
Bank loans	325.453	417.675
Securities issued	98.611	4.875
Subordinated liabilities	28.617	29.917
Lease obligations	12.067	8.902
Funds borrowed by the Group's banking subsidiaries	2.593	19.867
Issued bonds	--	31.877
Deferred interest of lease obligation	(7)	(103)
Total	**467.334**	**513.010**

As at 31 December 2018, the terms and conditions of outstanding loans and borrowings including factoring payables comprised the following:

		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
				2.477.633	**2.193.105**

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

21 Loans and borrowings *(continued)*

At 31 December 2017, the terms and conditions of outstanding loans and borrowings including factoring payables were as follows:

		2017			
	Currency	**Nominal interest rate (%)**	**Year of maturity**	**Nominal value**	**Carrying Amount**
Secured bank borrowings	TL	15,75-19,10	2018-2024	333.929	340.729
Secured bank borrowings	TL	Revolving	2018	31.080	31.080
Secured bank borrowings	USD	2,10 - 8,3	2018-2021	131.000	129.827
Secured bank borrowings	EUR	4,29 - 8,05	2018-2025	75.342	75.313
Unsecured bank borrowings	TL	4,43 - 18,60	2018	331.619	331.619
Unsecured bank borrowings	TL	Revolving	2018	4.640	4.640
Unsecured bank borrowings	USD	0,6 -12	2018	493.414	496.474
Unsecured bank borrowings	USD	Revolving	2018	257	257
Unsecured bank borrowings	EUR	1,00 - 7,5	2018-2031	542.330	544.531
Unsecured bank borrowings	GBP	1	2018	1.845	1.845
Debt securities issued	TL	1,14 - 17,23	2018 -2020	648.036	652.796
Debt securities issued	EUR	1,5 – 3,35	2018	65.644	65.644
Debt securities issued	USD	Variable	2018-2020	60.151	60.593
Factoring payables	TL	20,82	2018	16.860	17.864
				2.736.147	**2.753.212**

As at 31 December 2018, the Group has mortgages on administrative building amounting to USD 100.000 (31 December 2017: USD 100.000) and investment properties under construction amounting to USD 200.000 (31 December 2017: 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.

22 Derivatives

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

	2018		**2017**	
	Assets	**Liabilities**	**Assets**	**Liabilities**
Forward transactions	5.146	(1.958)	447	(454)
Swap transactions	4.595	(2.161)	2.911	(1.767)
Currency options	255	(256)	3	--
	9.996	**(4.375)**	**3.361**	**(2.221)**

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 34.

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

23 Payables related to employee benefits

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

	2018	2017
Due to personnel	7.706	7.230
Social security premiums payable	2.815	4.573
	10.521	**11.803**

24 Provisions

As at 31 December, provisions comprised the following items:

	2018	2017
Short term provisions		
Short term employee benefits	16.440	18.518
Other short term provisions	15.943	19.952
Total short term provisions	**32.383**	**38.470**
Long term provisions		
Long term employee benefits	8.279	11.300
Other long term provisions	--	323
Total long term provisions	**8.279**	**11.623**
Total provisions	**40.662**	**50.093**

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

	2018	2017
Short-term		
Bonus provisions	11.868	12.639
Vacation pay liability	4.572	5.879
	16.440	**18.518**
Long term		
Employee termination benefits	8.279	11.300
	8.279	**11.300**

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

Short-term	2018	2017
Provision for litigations	12.596	15.515
Provisions for expenses	1.153	1.638
Other current provisions	2.194	2.799
	15.943	**19.952**

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

24 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:

	2018	2017
Balance at the beginning of the year	11.300	11.359
Interest cost	589	151
Cost of services	991	314
Paid during the year	(2.074)	(263)
Actuarial difference	687	525
Translation difference	(3.214)	(786)
Balance at the end of the year	**8.279**	**11.300**

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:

	2018	2017
	%	%
Discount rate	4,72	4,72
Interest rate	14,50	11,00
Expected rate of salary/limit increase	10,00	7,50-8,50
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 2018, the ceiling amount was USD 1,03 (31 December 2017: USD 1,25).

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

	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
Employee termination benefits	11.300	1.280	(1.370)	(2.931)	8.279
Vacation pay liability	5.879	420	(194)	(1.533)	4.572
Other expense provisions	4.760	44	(279)	(1.178)	3.347
Total	**50.093**	**16.086**	**(13.037)**	**(12.480)**	**40.662**

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

24 Provisions *(continued)*

	1 January 2017	Provision for the reserve	Reversal	Currency translation differences	31 December 2017
Provision for litigations	10.120	7.463	(1.318)	(750)	15.515
Vacation pay liability	5.278	1.036	(123)	(312)	5.879
Bonus provisions	7.464	13.108	(7.449)	(484)	12.639
Employee termination benefits	11.359	1.707	(1.033)	(733)	11.300
Other expense provisions	2.930	3.359	(1.353)	(176)	4.760
Total	**37.151**	**26.673**	**(11.276)**	**(2.455)**	**50.093**

25 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 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**

GPMs in respect of commitment and contingencies realised in the ordinary course of business were given as at 31 December 2017 are as follows:

31 December 2017	**Original currency (USD equivalent)**			
	USD	**TL**	**Others**	**Total**
A Total amount of GPMs given in the name of its own legal personality	725.376	77.257	6.695	809.328
B Total amount of GPMs given in the name of the consolidated subsidiaries and joint ventures	--	211.622	--	211.622
- Total amount of GPMs given in the name of the consolidated subsidiaries	--	211.622	--	211.622
C Total amount of GPMs given to be able to conduct ordinary business transactions to secure payables of third parties	--	--	--	--
D Other GPMs given(*)	--	34.461	--	34.461
Total	**725.376**	**323.340**	**6.695**	**1.055.411**

(*) As at 31 December 2018, The ratio of other GPMs given to total equity is 2,6 percent (31 December 2017: 2,2 percent).

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

25 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:

	2018	**2017**
Given for ongoing EPC projects	438.124	667.399
Pledge on shares	151.726	211.621
TETAŞ and TEİAŞ	28.790	51.559
Given to banks	89.309	67.935
Given to EMRA	319	1.278
Given to other suppliers and government agencies	71.981	55.619
Total contingent liabilities	**780.249**	**1.055.411**

Litigation and claims

As at 31 December 2018, the expected cash outflow amount for the pending claims filed against to the Group is USD 12.596 (31 December 2017: USD 15.515). As at 31 December 2018, 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.

Lease commitments

As at 31 December, non-cancellable operating lease commitments are payable as follows:

Operating lease commitment	**2018**	**2017**
After one year not more than five years	11.723	12.300
More than five years	6.172	3.800
Within one year	5.180	5.351
Total	**23.075**	**21.451**

26 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 2018 (2017: 20 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 2017 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 (2017: 20 percent) to be calculated and paid based on earnings generated for each quarter for the period ended 31 December 2018. The amounts thus calculated and paid are offset against the final corporate tax liability for the year. With the amendment to the Law, corporate rate is set to 22 percent for the years 2018, 2019 and 2020.

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 2018. However, according to the amendments by Law numbered 7061, this rate is reduced from 75 percent to 50 percent and tax declarations starting from 2018 will be calculated using 50 percent for the properties held In order to be able to benefit from the exemption, the relevant income should be kept under a fund account in the liabilities and should not be withdrawn from the enterprise for 5 years. The sales amount should be collected by the end of the second calendar year following the year of sale. However companies engaged in developing and selling or rental of properties are not entitled to this exemption.

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

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

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.

26 Taxation

Turkey *(continued)*

Transfer pricing regulations

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

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

Tax applications for foreign subsidiaries and joint ventures of the Group

Republic of Albania

The applicable corporate tax rate in Republic of Albania is 15 percent (31 December 2017:15 percent). Tax base is by modifying accounting income for certain exclusions and allowances in accordance with the related tax legislations. Non-documented expenses, repayments of loans and borrowings which are four times higher than equity, pre-payments, representation and accommodation expenses and fringe benefits over a certain limit are not subject to reduction for tax purposes.

Republic of Kosovo

The applicable corporate tax rate in Republic of Kosovo is 10 percent (31 December 2017:10 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 2018, the applicable corporate tax rate for the subsidiaries and branches operating in Iraq is 15 percent (31 December 2017: 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 2018 and 2017, 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 2017: 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 2018, 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 2018 and 2017, the Group's subsidiaries operating in Dubai are not subject to corporate tax.

26 Taxation *(continued)*

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

USA

Federal corporate income tax applicable in bands of taxable income from 15 percent to 35 percent (31 December 2017: 40 percent). State and local governments may also impose income taxes ranging from less than 1 percent to 12 percent

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

Georgia

The applicable corporate tax rate in Georgia is 15 percent (31 December 2017: 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 2017: 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 2017: 15 percent).

Uzbekistan

The applicable corporate tax rate in Uzbekistan is 17,20 percent (31 December 2017: 17,20 percent). As at 31 December 2018, the Group's operation in Uzbekistan aren't subject to corporate tax due to dispention.

The Netherlands

Corporate income tax is levied at the rate of 25 percent (31 December 2017: 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.

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.

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

26 Taxation *(continued)*

Malawi

In Malawi, the applicable corporate tax rate is for local company and foreign 30 percent and 35 percent, respectively. As at 31 December 2018, the Group is not subject to corporate tax due to exemption for income from the activities at abroad in Malawi.

Sweden

The applicable corporate tax rate in Sweden is 22 percent .

Iran

The applicable corporate tax rate in Iran is 25 percent .

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*	
	2018	**2017**	**2018**	**2017**	**2018**	**2017**
Current corporation and income taxes	48.698	69.259	--	--	48.698	69.259
Deferred tax expense / (benefit)	(11.063)	14.950	--	--	(11.063)	14.950
Total income tax expense / (benefit)	**37.635**	**84.209**	**--**	**--**	**37.635**	**84.209**

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:

	2018		**2017**	
	Amount	**%**	**Amount**	**%**
Reported profit before taxation	39.831	--	541.707	--
Taxes on reported profit per statutory tax rate of the Company	(8.763)	(22,00)	(108.342)	(20)
Permanent differences:				
Disallowable expenses	(110.380)	(277,12)	(39.996)	(7,38)
Tax exempt income	132.135	331,73	137.735	25,43
Effect of different tax rates in foreign jurisdictions	(146)	(0,37)	2.860	0,53
Investment incentives effect	15.309	38,43	--	--
Effect of tax rate changes	4.892	12,28	(2.235)	(0,41)
Effect of tax base increase	(1.219)	(3,06)	--	--
Unrecorded deferred tax assets	2.445	6,14	--	--
Effect of period loss	(822)	(2,06)	--	--
Recognition of previously unrecognized temporary differences	1.345	3,38	1.828	0,34
Effect of share of profit of equity-accounted investees and other consolidated adjustments	(36.304)	(91,14)	(61.022)	(11,26)
Utilisation of previously unrecognised tax losses	(34.457)	(86,51)	(750)	(0,14)
Current-year amortisation expense of electricity distribution rights for which no deferred tax asset is recognised	(874)	(2,20)	615	0,11
Others, net	(796)	(1,81)	(14.902)	(2,75)
Tax expense	**(37.635)**	**(94,49)**	**(84.209)**	**(15,53)**

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

26 Taxation *(continued)*

Current tax assets/liabilities

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

	2018	2017
Taxes on income	37.635	84.209
Less: Deferred tax expense/ (benefit)	(11.063)	14.950
Corporation taxes paid in advance	50.521	79.940
Foreign currency translation difference	150	21.002
Current tax liabilities/(assets), net	**(1.673)**	**10.321**

As at 31 December 2018, current tax liabilities on income amounting to USD 9.329 (31 December 2017: USD 20.789) is not offset with prepaid taxes amounting to USD 11.002 (31 December 2017: USD 10.468) 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 2018, deferred tax assets amounting to USD 59.278 have not been recognised with respect to the statutory tax losses carried forward as at 31 December 2018 (31 December 2017: USD 31.559). 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:

	2018	2017
2018	-	30.270
2019	11.568	55.962
2020	17.079	66.462
2021	48.055	4.559
2022	28.480	544
2023	188.344	-
	293.526	**157.797**

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

26 Taxation *(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:

	2018		2017	
	Asset	**Liability**	**Asset**	**Liability**
Vacation pay liability	2.449	--	1.176	--
Employee severance indemnity	1.120	(1)	2.260	--
Loans and receivables impairment provision	112	(931)	1.267	--
Financial assets at fair value through profit or loss	561	(1.651)	--	(6.943)
Available for sale investment securities	--	--	3.141	--
Financial assets at FVTPL	--	(2.596)	--	--
Derivative financial instruments	--	--	--	(262)
Provisions	1.942	(2.587)	1.668	(301)
Inventories	--	(11.512)	--	(8.178)
IAS 39 effect on loans and borrowings	2.374	(213)	1.783	(4.279)
Investment property	--	(34.787)	--	(46.359)
Property, plant and equipment and intangible assets	54.488	(6.248)	65.864	(8.252)
Construction in progress	10.844	(1.029)	--	(1.382)
Investment incentives	25.090	--	16.248	--
Tax losses carried forward	13.828	--	6.981	--
Effect of percentage of completion method	513	--	--	(1.982)
Service concession receivables	--	(81.063)	--	(82.953)
Allowance for doubtful receivables	1.423	219	1.259	--
Security deposits	2.994	--	2.890	--
IFRS 9, 15 and IFRIC 22 effects as at January 1, 2018	(1.564)	--	--	--
Other temporary differences	5.119	(44)	17.826	(1.345)
Total deferred tax assets/(liabilities)	**121.293**	**(142.443)**	**122.363**	**(162.236)**
Set off of tax	(82.760)	82.760	(95.034)	95.034
Deferred tax assets/(liabilities), net	**38.533**	**(59.683)**	**27.329**	**(67.202)**

According to the Tax Procedural Law in Turkey, statutory losses can be carried forward maximum for five years. Consequently, 2023 is the latest year for recovering the deferred tax assets arising from such tax losses carried forward.

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

26 Taxation *(continued)*

Movements in deferred tax balances during the year 2018:

	1 January 2018	***Effects of opening***	***Effects of translation***	***Recognised in profit or loss***	***Recognised in other comprehensive income***	***31 December 2018***
Vacation pay liability	1.176	--	(476)	1.749	--	2.449
Employee severance indemnity	2.260	--	(594)	(547)	--	1.119
Loan impairment provision	1.267	--	(204)	(1.882)	--	(819)
Financial assets at fair value through profit or loss	(6.943)	--	1.619	4.234	--	(1.090)
Available for sale investment securities	3.141	--	(688)	--	(2.453)	--
Derivative financial instruments	(262)	--	57	205	--	--
Financial assets at FVTPL	--	--	231	--	(2.827)	(2.596)
Provisions	1.367	--	(242)	(1.770)	--	(645)
Inventories	(8.178)	--	2.819	(6.153)	--	(11.512)
IAS 39 effect on borrowings	(2.496)	--	354	4.302	--	2.161
Investment property	(46.359)	--	13.259	(1.687)	--	(34.787)
Property, plant and equipment and intangible assets	57.612	--	(16.924)	7.552	--	48.240
Construction in progress	(1.382)	--	(572)	11.769	--	9.815
Investment incentives	16.248	--	(5.797)	14.639	--	25.090
Tax losses carried forward	6.981	--	(2.763)	9.610	--	13.828
Effect of percentage of completion method	(1.982)	--	388	2.107	--	513
IFRS 9, 15 and IFRIC 22 effects as at January 1, 2018	--	1.768	(294)	(3.038)	--	(1.564)
Service concession receivables	(82.953)	--	25.404	(23.514)	--	(81.063)
Allowance for doubtful receivables	1.259	--	(423)	806	--	1.642
Security deposits	2.890	--	(901)	1.005	--	2.994
Other temporary differences	16.481	--	(3.081)	(8.324)	--	5.075
Total deferred tax assets/(liabilities)	**(39.873)**	**1.768**	**11.172**	**11.063**	**(5.280)**	**(21.150)**

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

26 Taxation *(continued)*

Movements in deferred tax balances during the year 2017:

	1 January 2017	*Effects of translation*	*Recognised in profit or loss*	*Recognised in other comprehensive income*	*31 December 2017*
Vacation pay liability	1.740	(100)	(464)	--	1.176
Employee severance indemnity	1.536	(132)	856	--	2.260
Loan impairment provision	1.203	(86)	150	--	1.267
Financial assets at fair value through profit or loss	(6.029)	450	(1.364)	--	(6.943)
Available for sale investment securities	1.878	(175)	1.613	92	3.141
Derivative financial instruments	192	2	(456)	--	(262)
Contract progress	(650)	22	628	--	--
Provisions	1.327	(93)	133	--	1.367
Inventories	(12.051)	700	3.173	--	(8.178)
Deferred income	(1.937)	154	(713)	--	(2.496)
IAS 39 effect on borrowings	(24.154)	2.451	(24.656)	--	(46.359)
Investment property	42.904	(3.488)	18.196	--	57.612
Property, plant and equipment and intangible assets	--	48	(1.430)	--	(1.382)
Investment incentives	18.161	(1.193)	(720)	--	16.248
Tax losses carried forward	8.809	(547)	(1.281)	--	6.981
Effect of percentage of completion method	(3.358)	185	1.191	--	(1.982)
Service concession receivables	(57.133)	4.864	(30.684)	--	(82.953)
Allowance for doubtful receivables	1.319	(89)	29	--	1.259
Security deposits	3.639	(226)	(523)	--	2.890
Other temporary differences	(3.570)	(1.321)	21.372	--	16.481
Total deferred tax assets/(liabilities)	**(26.174)**	**1.426**	**(14.950)**	**92**	**(39.873)**

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

27 Capital and reserves

Paid in capital

At 31 December 2018, the Group's statutory nominal value of authorised and paid-in share capital is USD 200.302 (31 December 2017: USD 200.302) (comprising of 400.000.000 registered shares (31 December 2017: 400.000.000) having par value of TL 1 at full terms (31 December 2017: TL 1 at full terms) each).

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

	2018		2017	
	Thousands of shares	*%*	*Thousands of shares*	*%*
Ahmet Çalık	367.999	91,99	399.999	99,99
Delta Netherlands B.V. (*)	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 2018, 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 133.494 (31 December 2017: USD 234.936).

In the accompanying consolidated financial statements, the total legal restricted reserves excluding the non-controlling interest portion amounted to USD 537.963 as at 31 December 2018 (31 December 2017: USD 453.786).

Non-controlling interests

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

	2018	*2017*
Non controlling interest at the beginning of the year	**107.197**	**93.693**
Net profit for the year attributable to non controlling interests	7.924	15.896
Foreign currency translation differences	12.327	5.536
Effect on accounting policy changes and other adjustments	820	--
Effect of the acquisition/(disposal) of non-controlling interests	4.423	(4.899)
Merger effect	(23.689)	--
Formation of a subsidiary with non-controlling interests	--	645
Contribution to the capital increase by the non-controlling interests	3	3.358
Dividend distribution	(6.957)	(7.032)
Balance at the end of the year	**102.048**	**107.197**

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

27 Capital and reserves *(continued)*

Translation reserve

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

28 Revenue and cost of sales

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

	2018	**2017**
Domestic sales	976.860	1.037.928
Export sales	932.336	2.085.993
Other sales	8.552	10.183
Sales discounts (-)	(18.148)	(10.111)
Subtotal	**1.899.600**	**3.123.993**
Cost of sales (-)	(1.593.742)	(2.466.215)
Gross profit from non-finance operations	**305.858**	**657.778**
Revenue from finance sector operations	432.042	452.756
Cost of revenues from finance sector operations (-)	(190.012)	(156.898)
Gross profit from finance sector activities	**242.030**	**295.858**
Gross profit	**547.888**	**953.636**

The depreciation and amortization expense of USD 53.426 was recognised in the cost of sales (2017: USD 46.328).

29 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:

	2018	**2017**
Personnel expenses	92.680	105.234
Depreciation and amortisation expenses	20.151	27.219
Maintenance and repair expenses	15.815	14.657
Rent expense	11.040	20.063
Insurance expenses	10.459	9.688
Outsourced services	8.628	11.075
Taxes, duties and fees other than on income	8.558	7.082
Consulting expenses	7.883	8.811
Travel and accommodation expenses	5.567	5.520
Representation expenses	4.998	5.698
Telecomminication expenses	3.657	5.496
Office expenses	1.213	1.628
Other	20.398	19.653
Total	**211.047**	**241.824**

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

29 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:

	2018	**2017**
Advertising and promotion expenses	20.718	21.806
Personnel expenses	19.370	24.495
Rent expense	4.380	4.236
Commission expense	4.004	3.171
Transportation expenses	2.935	3.434
Maintenance and repair expenses	2.903	15.984
Consulting expenses	1.732	2.832
Travel and accommodation expenses	1.333	2.954
Depreciation and amortisation expenses	1.218	1.009
Taxes, duties and fees other than on income	1.024	1.113
Telecommunication expenses	212	285
Office expenses	104	2.593
Other	6.104	8.075
Total	**66.037**	**91.987**

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

	2018	**2017**
Field research expenses (*)	3.901	12.119
Personnel expenses	3.065	2.106
Travel and accommodation expenses	1.134	743
Depreciation and amortization expenses	977	1.510
Consulting expenses	729	675
Representation expenses	166	227
Rent expense	74	92
Other	1.218	3.094
Total	**11.264**	**20.566**

(*) Field research expenses consists 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, personel and depreciation and amortization expenses comprised the following.

	2018	**2017**
Personnel expenses		
Cost of sales (-)	164.129	176.882
General and administrative expenses	92.680	105.234
Selling, marketing and distribution expenses	19.370	24.495
Research and development expenses	3.065	2.106
Total	**279.244**	**308.717**

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

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

	2018	2017
Depreciation and amortization expenses		
Cost of sales (-)	53.426	46.328
General and administrative expenses	20.151	27.219
Selling, marketing and distribution expenses	1.218	1.009
Research and development expenses	977	1.510
Total	**75.772**	**76.066**

30 Other income and expense from operating activities

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

	2018	2017
Fair value differences of service concession receivables (Note 10)	54.666	51.699
Recoveries/reversals of provisions made	34.133	22.589
Foreign exchange gains	30.778	24.879
Updated alternative return on investment	27.200	24.331
Interest income	7.554	10.647
Fair value gain on revaluation of investment properties (Note 18)	--	26.777
Other income from operating activities	29.017	28.806
Total	**183.348**	**189.728**

For the year ended 31 December, other expense from operating activities comprised the following

	2018	2017
Foreign exchange losses	77.612	81.520
Deducted receivable loses(*)	54.997	--
Impairment of loans and receivables of finance sector entities	30.714	20.758
Fair value loss on revaluation of investment properties (Note 18)	14.294	--
Provision for doubtful receivables	9.857	11.526
Other provision expenses	7.553	17.918
Rediscount interest expense	411	3.185
Other expense from operating activities	11.361	7.165
Total	**206.799**	**142.072**

(*) The receivable from the Anateks Anadolu Tekstil Fabrikalari Anonim Şirketi, which is amount of USD 54.997 has been renounced.

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

31 Gain and loss from investing activities

For the years ended 31 December, gains from investing activities comprised the following:

	2018	2017
Gain from sale of derivative financial instruments	32.435	2.515
Gain on financial assets at fair value through profit or loss	20.720	30.852
Dividend income from equity securities held	2.108	43
Gain on sale of property, plant and equipment	1.560	1.317
Gain on sales of joint operation	--	50.849
Gain on sale of associate (subsidiary)	--	11.862
Other	11.659	3.550
Total	**68.482**	**100.988**

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

	2018	2017
Loss on sale of property, plant and equipment	2.573	246
Loss on financial assets at fair value through profit or loss	1.478	--
Foreign exchange loss	43	12
Loss on sale of derivative financial instruments	--	13.835
Other(*)	3.624	180
Total	**7.718**	**14.273**

(*) Other expenses from the investment activities for the year ended 31 December 2018 consist mainly of revocation of Doğu Akdeniz's investments for USD 3.555.

32 Finance income and finance cost

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

	2018	2017
Foreign exchange gains on borrowings	18.271	33.673
Total	**18.271**	**33.673**

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

	2018	2017
Interest expense on borrowings	164.382	120.643
Foreign exchange losses on borrowings	127.489	111.663
Letters of guarantees commission expenses	4.646	4.056
Bank commission expenses	4.122	7.467
Other charges and commission expenses	841	16.096
Total	**301.480**	**259.925**

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

33 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 2018	19,73	(346)	10.800	--
31 December 2017	25,22	(2.002)	8.713	--
Çalık Enerji				
31 December 2018	4,58	9.909	40.038	(6.957)
31 December 2017	4,58	15.878	27.025	(7.012)

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 2018**	**31 December 2017**
Cash and cash equivalents	1.519	1.363
Trade receivables	7.813	12.720
Other current assets	7.393	6.382
Non-current assets	198.357	214.283
Total assets	**215.082**	**234.748**
Short-term borrowings	3.851	4.011
Other short term liabilities	55.348	60.755
Long-term liabilities	101.250	115.882
Total liabilities	**160.449**	**180.648**
Total equity	**54.633**	**54.100**
Total equity and liabilities	**215.082**	**234.748**

Summary of Albtelecom's statement of profit or loss	**2018**	**2017**
Revenue	75.305	66.631
Cost of sales	(48.307)	(43.168)
Other expenses from operating activities	(26.814)	(25.339)
Loss from investing activities	(2.037)	(179)
Finance income / (cost)	140	(5.797)
Tax expenses	(39)	(86)
Profit/(loss) for the period	**(1.752)**	**(7.938)**

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

33 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 2018**	**31 December 2017**
Cash and cash equivalents	63.042	72.182
Trade receivables	339.206	655.650
Other current assets	130.639	153.272
Non-current assets	849.434	991.248
Total assets	**1.382.321**	**1.872.352**
Short-term borrowings	32.436	33.080
Short term portion of long term loans and borrowings	91.825	44.761
Other short term liabilities	355.996	715.601
Long-term liabilities	241.844	384.097
Total liabilities	**722.101**	**1.177.539**
Total equity	**660.220**	**694.813**
Total equity and liabilities	**1.382.321**	**1.872.352**

Summary of Çalık Enerji's statement of profit or loss	**2018**	**2017**
Revenue	1.026.857	1.318.958
Cost of sales	(783.528)	(922.151)
Other income from operating activities	34.445	26.225
(Loss) / gain from investing activities	(108)	407
Finance cost	(38.295)	(25.788)
Tax expenses	(25.775)	(34.506)
Profit/(loss) for the period	**213.596**	**363.145**

34 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.

34 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 sufficient 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.

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

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

Credit risk *(continued)***:**

Exposure to credit risk:

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

31 December 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**	**946.049**	**325.741**	**183.227**	**727.117**	**1.829.412**	**2.191.981**	**9.996**
Portion of maximum risk covered by guarantees	--	12.574	--	--	--	--	--	--
A. Carrying value of financial assets that are neither past due nor impaired	154.824	891.499	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	--	54.550	--	--	--	--	181.742	--
C. Carrying value of impaired assets	--	--	--	--	--	--	61.134	--
Past due (gross carrying amount)	--	53.599	--	3.387	--	--	155.687	--
- Impairment (-)	--	(53.599)	--	(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.

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

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

Credit risk *(continued)***:**

Exposure to credit risk *(continued)****:***

31 December 2017	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)	**30.102**	**2.150.672**	**135.499**	**244.197**	**347.683**	**1.666.228**	**2.787.296**	**3.361**
Portion of maximum risk covered by guarantees								
A. Carrying value of financial assets that are neither past due nor impaired	30.102	2.102.460	135.499	244.197	347.683	1.666.228	2.552.287	3.361
B. Carrying value of financial assets that are past due but not impaired	--	48.212	--	--	--	--	184.451	--
C. Carrying value of impaired assets	--	--	--	--	--	--	--	--
Past due (gross carrying amount)	--	57.640	--	3.361	--	--	134.952	--
- Impairment (-)	--	(57.640)	--	(3.361)	--	--	(84.394)	--
- 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.

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

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

Credit risk *(continued)***:**

Impairment losses

As of 31 December 2018 and 2017, the aging of trade receivables that are past due but not impaired was as below:

	Receivables		Receivables from financial sector operations
31 December 2018	**Trade Receivables**	**Other Receivables**	
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.	--	--	--

	Receivables		Receivables from financial sector operations
31 December 2017	**Trade Receivables**	**Other Receivables**	
Past due 0-30 days	12.608	--	124.089
Past due 1-3 months	6.473	--	4.109
Past due 3-12 months	7.941	--	5.041
Past due 1-5 years	21.190	--	51.212
More than five years	--	--	--
Total	**48.212**	**--**	**184.451**
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.

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

34 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 2018	Carrying amount	Contractual cash flows	3 months or less	3-12 months	1-5 years	More than five 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**	**--**

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

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

Liquidity risk *(continued)*

31 December 2017	Carrying amount	Contractual cash flows	3 months or less	3-12 months	1-5 years	More than five year
Contractual maturities						
Non-derivative financial liabilities						
Payables related to finance sector operations	(3.719.251)	(3.719.441)	(2.273.369)	(1.054.028)	(363.914)	(28.130)
Loans and borrowings	(2.771.676)	(3.000.279)	(1.482.150)	(744.948)	(534.282)	(238.899)
	(6.490.927)	**(6.719.720)**	**(3.755.519)**	**(1.798.976)**	**(898.196)**	**(267.029)**
Expected maturities						
Non-derivative financial liabilities						
Trade payables	(661.103)	(696.226)	(191.845)	(484.087)	(20.294)	--
Other payable	(99.744)	(99.744)	(60.027)	(18.555)	(21.162)	--
Payable related to employee benefits	(11.803)	(11.803)	(7.423)	(4.380)	--	--
	(772.650)	**(807.773)**	**(259.295)**	**(507.022)**	**(41.456)**	**--**
Derivative financial instruments						
Inflow	3.361	591.446	457.323	134.123	--	--
Outflow	(2.221)	(432.375)	(287.648)	(144.728)	--	--
	1.140	**159.071**	**169.675**	**(10.605)**	**--**	**--**

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.

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

34 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:

	2018	2017
Fixed rate instruments		
Financial assets	1.284.519	1.588.836
Financial liabilities	5.946.643	5.899.980
Variable rate instruments		
Financial assets	2.828.350	3.030.038
Financial liabilities	352.540	590.946

As of 31 December 2018, 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 3.030. 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 2.080. This analysis assumes that all other variables remain constant (31 December 2017: USD 3.182, USD 3.182 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.

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

34 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 2017: USD 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 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.

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

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

Currency risk *(continued)*

At 31 December 2017, the currency risk exposures of the Group in USD equivalents are as follows:

CURRENCY POSITION STATEMENT	**31 DECEMBER 2017**			
	USD equivalent	**USD**	**EURO**	**OTHER(*)**
1. Trade Receivables	185.872	113.591	58.323	2.461
2a. Monetary financial assets	1.988.604	807.142	909.508	92.652
2b. Non-monetary financial assets	--	--	--	--
3. Other	181.561	26.289	129.061	767
4. Current assets (1+2+3)	**2.356.037**	**947.022**	**1.096.892**	**95.880**
5. Trade Receivables	68.422	29.743	32.309	--
6a. Monetary financial assets	862.688	287.560	441.774	46.262
6b. Non-monetary financial assets	--	--	--	--
7. Other	5.308	3.232	1.728	9
8. Non-current assets (5+6+7)	**936.418**	**320.535**	**475.811**	**46.271**
9. Total Assets (4+8)	**3.292.455**	**1.267.557**	**1.572.703**	**142.151**
10. Trade payables	(1.618.778)	(292.849)	(1.068.172)	(47.175)
11. Financial liabilities	(1.151.518)	(496.062)	(492.669)	(65.661)
12a. Other monetary liabilities	(530.226)	(296.869)	(135.707)	(70.896)
12b. Other non-monetary liabilities	(2.799)	(2.582)	(181)	--
13. Short term liabilities (10+11+12)	**(3.303.321)**	**(1.088.362)**	**(1.696.729)**	**(183.732)**
14. Trade payables	(210.477)	(53.859)	(129.632)	(1.431)
15. Financial liabilities	(286.781)	(191.089)	(79.935)	--
16a. Other monetary liabilities	(915)	(915)	--	--
16b. Other non-monetary liabilities	--	--	--	--
17. Long term liabilities (14+15+16)	**(498.173)**	**(245.863)**	**(209.567)**	**(1.431)**
18. Total liabilities (13+17)	**(3.801.494)**	**(1.334.225)**	**(1.906.296)**	**(185.163)**
19. Outside of the financial statements derivatives instruments net assets / (liability) position (19a+19b)	**72.687**	**20.329**	**(3.734)**	**56.829**
19a. Hedged portion of assets amount	393.578	181.815	114.908	74.202
19b. Hedged portion of liabilities amount	(320.891)	(161.486)	(118.642)	(17.373)
20. Net foreign currencies assets / (liability) position (9+18+19)	**(436.352)**	**(46.339)**	**(337.327)**	**13.817**
21. Monetary items Net foreign currencies assets / (liability) position (IFRS 7.b23) (=1+2a+5+6a+10+11+12a+14+15+16a)	**(693.109)**	**(93.607)**	**(464.201)**	**(43.788)**

(*) USD equivalents are given.

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

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

Currency risk *(continued)*

Sensitivity analysis

A 10 percent strengthening/weakening of the USD (31 December 2017: TL) 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 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)**	**--**	**--**

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

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

Currency risk *(continued)*

	Profit / (Loss)		Equity	
31 December 2017	**Strengthening of TL**	**Weakening of TL**	**Strengthening of TL**	**Weakening of TL**
Increase/(decrease) 10 percent of USD parity				
1-US Dollar net asset / liability	4.634	(4.634)	--	--
2-Hedged portion of US Dollar amounts(-)	--	--	--	--
3-Net effect of US Dollar (1+2)	**4.634**	**(4.634)**	**--**	**--**
Increase/(decrease) 10 percent of EUR parity				
4-EUR net asset / liability	40.384	(40.384)	--	--
5-Hedged portion of EUR amounts(-)	--	--	--	--
6-Net effect of EUR (4+5)	**40.384**	**(40.384)**	**--**	**--**
Increase/(decrease) 10 percent of other parities				
7-Other foreign currency net asset / liability	(1.383)	1.383	--	--
8-Hedged portion of other foreign currency amounts(-)	--	--	--	--
9-Net effect of other foreign currencies (7+8)	**(1.383)**	**1.383**	**--**	**--**
TOTAL (3+6+9)	**43.635**	**(43.635)**	**--**	**--**

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.

34 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 2018, the Aktifbank's capital adequacy ratio is 12,87 percent (31 December 2017: 13,37 percent).

BKT

BKT's policy is to maintain a strong capital base so as 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 17,53 percent as at 31 December 2018 (31 December 2017: 14,28 percent).

In December 2017, BKT has reported Regulatory Capital Ratio, Tier 1 Capital Ratio and Common Equity Tier 1 Ratio as 17,53 percent , 16,19 percent and 16,19 percent , respectively. (31 December 2017: 14,28 percent , 13,08 percent and 13,08 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.

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

Operational risk

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the Group's processes, personnel, technology and infrastructure, and from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of corporate behaviour. Operational risks arise from all of the Group's operations.

The Group's objective is to manage operational risk so as to balance the avoidance of financial losses and damage to the Group's reputation with overall cost effectiveness and to avoid control procedures that restrict initiative and creativity.

The primary responsibility for the development and implementation of controls to address operational risk is assigned to senior management within each business unit. This responsibility is supported by the development of overall Group standards for the management of operational risk in the following areas:

- requirements for appropriate segregation of duties, including the independent authorisation of transactions
- requirements for the reconciliation and monitoring of transactions,
- compliance with regulatory and other legal requirements,
- documentation of controls and procedures,
- requirements for the periodic assessment of operational risks faced, and the adequacy of controls and procedures to address the risks identified,
- requirements for the reporting of operational losses and proposed remedial action,
- development of contingency plans,
- training and professional development,
- ethical and business standards,
- risk mitigation, including insurance where this is effective.

Compliance with Group standards is supported by a programme of periodic reviews undertaken by 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.

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

34 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 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.

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

34 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 2017	Held-for trading	Designated at fair value	Loans and receivables	Available for-sale	Held to maturity	Other financial liabilities	Total carrying values Total	Level 1	Level 2	Level 3	Total fair values
Financial assets measured at fair value											
Financial investments	--	190.800	--	1.443.919	--	--	1.634.719	1.037.783	420.618	176.318	**1.634.719**
Derivatives	3.361	--	--	--	--	--	3.361	--	3.361	--	**3.361**
Financial assets not measured at fair value	--	--	--	--	--	--		--	--	--	
Financial investments	--	--	--	11.482	241.947	--	253.429	--	--	253.429	**253.429**
Trade receivables	--	--	2.180.774	--	--	--	2.180.774	--	--	--	**--**
Other receivables	--	--	379.696	--	--	--	379.696	--	--	--	**--**
Cash and cash equivalents	--	--	415.595	--	--	--	415.595	--	--	--	**--**
Receivables related to finance sector operations	--	--	2.787.296	--	--	--	2.787.296	--	--	--	**--**
	3.361	**190.800**	**5.763.361**	**1.455.401**	**241.947**	**--**	**7.654.870**	**1.037.783**	**423.979**	**429.747**	**1.891.509**
Financial liabilities measured at fair value											
Derivatives	2.221	--	--	--	--	--	2.221	--	2.221	--	**2.221**
Financial liabilities not measured at fair value											
Loans and borrowings	--	--	--	--	--	2.771.676	2.771.676	--	--	2.771.676	**2.771.676**
Trade payables	--	--	--	--	--	661.103	661.103	--	--	--	**--**
Payables related to finance sector operations	--	--	--	--	--	3.719.251	3.719.251	--	--	--	**--**
Other payables(*)	--	--	--	--	--	13.506	13.506	--	--	--	**--**
	2.221	**--**	**--**	**--**	**--**	**7.165.536**	**7.167.757**	**--**	**2.221**	**2.771.676**	**2.773.897**

(*) Deposits and guarantees given are excluded from other liabilities.

34 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 2018. Discounted cash flow method was used as valuation method and the fair value of this investment was assessed USD 201.736 (31 December 2017: USD 190.800).

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.

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

35 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	***2018***	***2017***	***2018***	***2017***
Adacami Enerji (1)	99,95	99,95	95,38	95,38
Akılcı Bilişim (1)	70,00	70	66,76	69,96
Aktifbank	99,87	99,86	99,87	99,86
Albatros(6)	100	--	99,86	--
Albtelecom(5)	80,27	80,27	74,78	74,8
Amethyst(8)	100	100	99,29	99,29
Ant Enerji(1)	100	50	95,42	47,71
Artmin(8)	70,00	70	69,50	69,5
Atayurt İnşaat(1)	99,75	99,75	95,20	95,2
Attivo (6)	90,00	--	89,88	--
Atlas Petrol	--	100	--	99,89
BKT(7)	100	100	100	100
Başak Yönetim	100	100	100	100
Çalık Denim B.V.	100	100	99,72	99,72
Cetel Telekom(5)	93,16	93,16	93,16	93,16
Çalık Alexandria(3)	100	100	99,72	99,59
Çalık Denim	99,72	99,72	99,72	99,72
Çalık Dijital	100	100	100	100
ÇEDAŞ(1)	99,95	99,95	95,38	95,38
Çalık Emlak	98,06	98,06	98,06	98,06
Çalık Enerji Dubai(1)	100	100	95,42	95,42
Çalık Elektrik(1)	100	100	95,42	95,42
Çalık Enerji	95,42	95,42	95,42	95,42
Çalık Enerji Swiss A.G. (1)	100	100	95,42	95,42
Çalık Finansal Hizmetler	100	100	100	100
Çalık Gaz	99,89	99,89	99,89	99,89
Çalık Georgia(1)	100	100	95,42	95,42
Çalık Güneş	99,75	99,75	99,64	99,64
Çalık Hava	100	100	100	100
Çalık İnşaat(2)	99,75	99,75	99,24	99,24
Çalık NTF(1)	100	100	95,42	95,42
Çalık Pamuk	86,39	--	86,39	--
Çalık Petrol	80,00	80	79,91	79,91
Çalık Rüzgar(1)	95,00	95	90,65	90,65
Çalık Solar	97,50	97,5	97,40	97,4
Çalık Tarım(9)	100	--	86,39	--
Çalık Yenilenebilir(1)	100	100	95,42	95,42
ÇEDYAŞ(1)	100	100	95,42	95,42
Çöl Yıldızı(6)	100	--	99,87	--
Demircili(1)	85,00	--	81,11	--
Deniz Güneş Enerjisi(6)	100	--	99,87	--
Deniz Yıldızı(6)	100	--	99,87	--
Doğu Akdeniz Petrokimya	99,40	99,4	99,40	99,4
Duru(6)	100	--	99,87	--
E-Kent(6)	100	100	99,87	99,86

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

35 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	*2018*	*2017*	*2018*	*2017*
Eko Biokütle[(6)]	100	--	99,87	--
Emlak Girişim[(6)]	100	100	99,87	99,86
Energy Sabz Arman[(1)]	100	100	95,42	95,42
Energy Sabz Pouya[(1)]	100	100	95,42	95,42
E-Post[(6)]	100	100	99,87	99,86
E-post Dış Ticaret [(6)]	100	--	99,86	--
Esen[(6)]	100	--	99,87	--
Gap Construction Co. [(2)]	100	100	98,67	98,67
Gap İnşaat Katar[(2)]	100	100	99,48	99,48
Gap Elektrik	99,96	99,96	99,93	99,93
Gap İnşaat Sudan [(2)]	100	100	99,48	99,48
Gap İnşaat Dubai[(2)]	100	100	99,48	99,48
Gap İnşaat Saudi Arabia Ltd [(2)]	100	100	99,48	99,48
Gap İnşaat Ukraine[(2)]	99,00	100	98,49	99,48
Gap İnşaat	99,48	99,48	99,48	99,48
Gap Pazarlama	99,43	95,01	99,43	95,01
Gap Pazarlama FZE[(4)]	100	100	99,43	95,01
Gappa[(4)]	100	100	99,43	95,01
Gap Yapı	99,75	99,75	99,75	99,75
Gök Safir[(6)]	100	--	99,87	--
Granite Holding N.V.[(1)]	100	100	95,42	95,42
Hamerz Green Energy[(1)]	100	100	95,42	95,42
Innovative Construction [(2)]	100	100	99,48	99,48
Irmak Yönetim	100	100	100	100
İkideniz Petrol	99,99	99,99	99,89	99,89
İnovaban İnovasyon[(6)]	67,00	--	66,91	--
İpek[(6)]	100	--	99,87	--
JSC Georgia[(1)]	85,00	85	81,11	81,11
Kamelya[(6)]	100	--	99,87	--
Kasımpatı[(6)]	100	--	99,87	--
Kentsel Dönüşüm[(2)]	99,75	99,75	99,24	99,24
Kırlangıç[(6)]	100	--	99,87	--
Kızılırmak[(1)]	99,40	99,4	94,86	94,86
Kızılyıldızı[(6)]	100	--	99,87	--
Kuzey Yıldızı[(6)]	100	--	99,87	--
Lidya Maden	99,29	99,29	99,29	99,29
Malatya Boya[(3)]	100	100	99,72	99,72
Martı[(6)]	100	--	99,87	--
Mayestan Clean Energy[(1)]	100	100	95,42	95,42
Mehtap[(6)]	100	--	99,87	--
Mercan[(6)]	100	--	99,87	--
Momentum Enerji[(1)]	100	100	95,42	95,42
Mükafat Portföy [(6)]	80,00	80	79,89	79,89
N-Kolay [(6)]	100	100	99,87	99,86
Nilüfer[(6)]	100	--	99,87	--
Olimpos[(6)]	100	--	99,87	--
Onyx [(1)]	100	100	95,42	95,42
Pasifik[(6)]	100	--	99,87	--
Pavo [(6)]	80,00	80	79,89	79,89
Petrotrans Enerji	99,92	99,92	99,92	99,92
Polimetal Mineral [(8)]	100	100	99,29	99,29

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

35 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	***2018***	***2017***	***2018***	***2017***
Seher(6)	100,00	--	99,87	--
Seher Yıldızı(6)	100,00	--	99,87	--
Sembol Enerji	100,00	100	99,89	99,89
Sigortayeri (6)	100,00	100	99,87	99,86
Synchron (4)	100,00	100	99,43	95,01
Synergy Marketin N.V. (4)	100,00	100	99,43	95,01
Tanyeri(6)	100,00	--	99,87	--
TCB İnşaat	100,00	100	97,40	97,4
Technological Energy(1)	100,00	100	95,42	95,42
Technovision(1)	99,00	90	94,47	85,88
Tura Moda (4)	100,00	100	99,43	100
Türkmen Elektrik(1)	97,00	97	92,63	92,63
Ufuk(6)	100,00	--	99,87	--
UPT(6)	100,00	100	99,86	99,86
White Construction N.V	100,00	100	99,48	99,48
Yakamoz(6)	100,00	--	99,87	--
Yakut(6)	100,00	--	99,87	--
Yeşilçay Enerji(1)	100,00	100	95,42	95,42
YEDAŞ(1)	100,00	100	95,38	95,38
YEPAŞ(1)	100,00	100	95,38	95,38

[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*

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

35 Group enterprises *(continued)*

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*	
	2018	***2017***	***2018***	***2017***
Aktif Halk Enerji	50	50	49,93	50
Akuamarin	50	--	49,93	--
Ametist Solar	50	--	49,93	--
Ant Enerji(*)	100	50	95,42	47,71
Aytaşı	50	--	49,93	--
Çalık Limak Adi Ortaklığı	50	50	47,69	47,69
Çiğdem	50	--	49,93	--
Defne	50	--	49,93	--
Doğu Aras	50	50	47,71	47,71
Echo	--	50	--	49,93
Gelincik	50	--	49,93	--
Güneştaşı	50	--	49,93	--
Halk Yenilenebilir	50	50	49,93	50
Kaplan Gözü	50	--	49,93	--
Kartaltepe	50	50	49,64	49,65
KÇLE	50	50	47,71	47,71
Kumtaşı	50	--	49,93	--
Kuvars	50	--	49,93	--
Lapis	50	--	49,93	--
LC Electricity	50	50	46,31	50
Leylak	50	--	49,93	--
Lilyum	50	--	49,93	--
Olivin	50	--	49,93	--
Oniks	50	--	49,93	--
Opal	50	--	49,93	--
Polimetal	50	50	49,64	49,64
Sedef	50	--	49,93	--
TAPCO	50	50	49,96	49,96
Taşkent Merkez	50	--	47,71	--
Tunçpınar	50	50	49,64	49,65
Turkuvaz	50	--	49,93	--
Zirkon	50	--	49,93	--

* *The control of Ant Enerji was transferred to the Group as of 3 January 2018.*

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

35 Group enterprises *(continued)*

Joint ventures

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*	
	2018	***2017***	***2018***	***2017***
Aktif VKŞ	100	100	99,87	100
Albania Leasing	29,99	29,99	29,99	29,99
Balkan Dokuma	31	31	31	31
CYDEV Investment	99,99	--	25,50	--
Emyap Development	51	--	13,01	--
ELC	36,70	25	36,65	25
Euro-Mediterranean	25,57	21,28	25,50	21,28
Haliç Leasing	32	32	31,96	31,96
Idea Farm	30	--	29,96	--
IFM	5	5	4,99	5
Kazakhstan Ijara Company KIC Leasing	14,32	14,31	14,30	14,31
Kıbrıs Besicilik	99,99	--	25,50	--
Serdar Pamuk	10	10	10	10
Silent Valley	51	--	13	--
Soleren S4 Enerji Anonim Şirketi	--	100	--	50
TTK	32	32	32	32
TJK	34,80	38	34,70	37,89

36 Subsequent events

None.