



ÇALIK HOLDİNG IN FIGURES

Çalık Holding operates in energy, construction, textile, mining, telecom, finance and digital sectors across 5 continents and 22 countries, developing successful and innovative business models and progresses in business areas it operates in while ensuring sustainable growth.

The foundations of Çalık Holding were laid in **1981** by the venture of Ahmet Çalık.

Çalık Holding employs **28 thousand employees.**

Çalık Holding operates across **5 continents.**

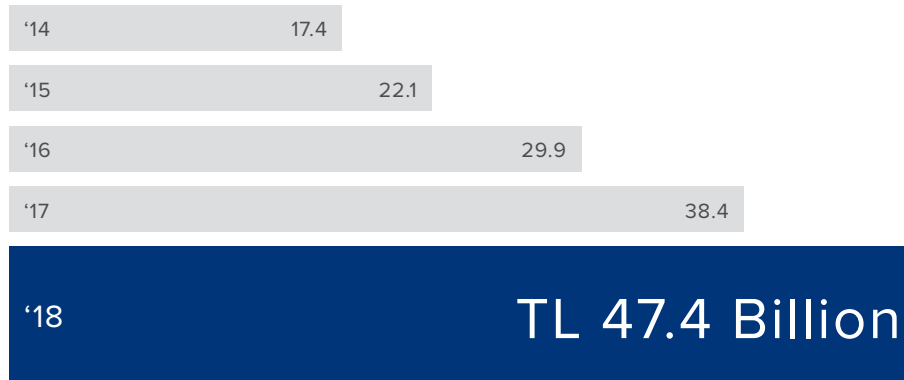
Çalık Holding operates in **22 countries.**

Çalık Holding operates in **7 sectors.**

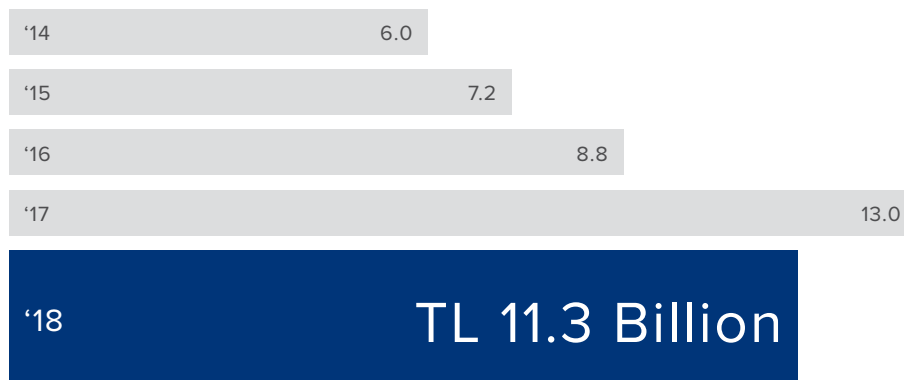
23% →

Çalık Holding's assets grew by **23%** reaching **TL 7.2 billion.**

ÇALIK HOLDİNG'S TOTAL ASSETS (TL BILLION)



ÇALIK HOLDİNG'S TOTAL SALES (TL BILLION)



Çalik Holding's social responsibility projects focus on 6 main areas;
education, innovation and entrepreneurship, social solidarity, environment, arts and sports.

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AN OVERVIEW OF ÇALIK GROUP

Çalık Group companies implement innovative practices and develop creative solutions that meet current market needs in their respective industries, undertaking successful projects across various regions around the world.



Energy

Çalık Holding energy companies continued to demonstrate a remarkable performance in 2018 and carried out their existing projects in line with their goals and strategies.

NET SALES

TL 5.0 Billion

EQUITY

TL 3.5 Billion

Energy
Total Assets (TL Billion)

'16	5.0
'17	7.1
'18	7.3

► See page 38 for detailed information.



Construction

Having completed more than 100 projects to date, GAP İnşaat successfully represents the Turkish construction industry in international markets.

NET SALES

TL 2.0 Billion

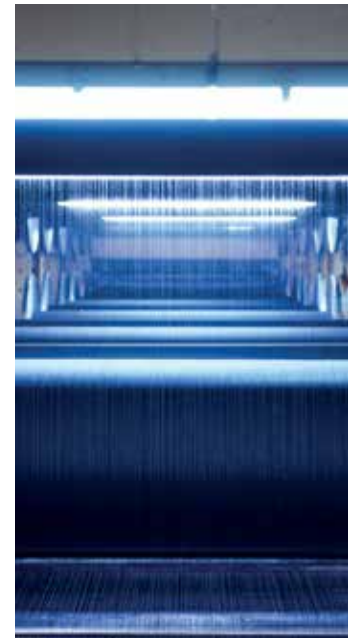
EQUITY

TL 1.3 Billion

Construction
Total Assets (TL Billion)

'16	5.3
'17	7.0
'18	5.8

► See page 64 for detailed information.



Textile

Çalık Denim increased its net sales by 51% in 2018 from TL 611 million in 2017.

NET SALES

TL 924 Million

EQUITY

TL 383 Million

Textile
Total Assets (TL Billion)

'16	1.1
'17	1.4
'18	1.7

► See page 72 for detailed information.



Mining

The strategic partnership between Lidya Madencilik and Alacer Gold is one of the first and most prominent international business collaborations in the Turkish mining industry.



Telecom

ALBtelecom aims to become the most preferred operator in Albania with its innovative, customer-focused services and well-established brand.



Finance

Aktif Bank, a pioneering banking institution in Turkey's capital markets, achieved many firsts in the industry in 2018.



Digital

Çalık Dijital started its operations in order to conduct both the digital transformation within the Group and also to carry out its projects in the areas it focuses on in various markets.

EBITDA

TL -18.7 Million

NET SALES

TL 364 Million

TOTAL DEPOSIT

TL 2.8 Billion

CAPITAL

TL 6 Million

EQUITY

TL 681 Million

EQUITY

TL 283 Million

EQUITY

TL 4.0 Billion

EQUITY

TL 3.8 Million

Mining
Total Assets (TL Billion)

'16	0.7
'17	0.8
'18	1.0

Telecom
Total Assets (TL Billion)

'16	0.8
'17	0.9
'18	1.1

Finance
Total Assets (TL Billion)

'16	20.1
'17	24.9
'18	34.8

► See page 84 for detailed information.

► See page 92 for detailed information.

► See page 100 for detailed information.

► See page 118 for detailed information.

OUR VISION

To grow four-fold on four continents by our 44th anniversary in 2025, adding value to every life we touch in each area of our operation with reliable teams empowered by our innovative, entrepreneurial spirit.

OUR MISSION

To contribute to rising standards of living by using our talents and energy to develop solutions that add value to people's lives in every region in which we operate.

OUR VALUES

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

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

Reputation: Our good reputation comes before anything else.

Work From the Heart: No matter what, we put our hearts into what we do for our company, to achieve our goals and to realize projects we firmly believe that will add value to people's lives.

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

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

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

MEMBERS OF ÇALIK FAMILY

**FIRST PUT THEIR HEARTS
INTO EVERYTHING THEY DO
TO ADD VALUE TO THE LIVES
OF OTHERS, THEN SET THEIR
STRATEGY; THEY NEVER
BREAK THEIR PROMISES
AND THEY HAVE A STRONG
COMMITMENT TO WORK AND
ETHICS.**

As Çalık family, we operate in the energy, construction, textiles, mining, telecom, finance and digital industries.

We are a large, innovative and entrepreneurial family with 28 thousand employees operating across five continents, looking towards the future with the target of creating a better world, and carrying out projects that add value to people's lives, while also prioritizing digital transformation.



STOMATOLOGIYA MERKAZI



BEING A MEMBER OF ÇALIK FAMILY

**MEANS A
CONSISTENT
FOCUS ON
FAIRNESS AND
JUSTICE, WHILE
WORKING IN
SOLIDARITY.**

With 28 thousand colleagues operating in seven industries across five continents, we are striving for a better world. We are equal in our business approaches and efforts. Each project signifies our steady progress towards the future, and we are gratified to offer projects that add value to people's lives.

EMRE DENİZ

Director of Project Management Office
and IT Governance
Çalık Holding



MESSAGE FROM THE CHAIRMAN

As Çalık Group, we aim to develop global projects, present innovative solutions in our lines of business, and create brands renowned worldwide. We continue investing in digital transformation, one of our most important tools for renewal and for new investments.

HIGHLIGHTS IN FIGURES

TOTAL SALES

TL 11.3 Billion

TOTAL ASSETS

TL 47.4 Billion

EBITDA

TL 1.8 Billion

Dear Business Partners and Valued Employees,

The year 2018 was marked by uncertainty in the global economy, trade disputes among the world's biggest economies, and fluctuations in financial markets. In particular, US economic data driving bond yields, reaching the highest level since 2011, limited the capital flow towards developing countries and directed a hot money flow to the US. Ongoing trade wars between the US and China have fueled tension in the global markets; while the decision to continue negotiations at the G20 Summit in Argentina has come as a relief, uncertainties linger due to this tension on economic activities, and the Chinese economy continues to suffer. The uncertainty surrounding Brexit persisted in the Euro Region, and all signs suggest that the Brexit process will continue unless the conflict between the European Union and the United Kingdom Government is resolved.

In Turkey, we experienced some economic turbulence in 2018. The Turkish lira endured a considerable gradual depreciation against major currencies of other developing countries, starting from August. However, thanks to the rapid actions and policies of economy management and the New Economy Program, which met the expectations

of the market, the Turkish lira started to stabilize and our economy entered into a period of recovery during the last months of the year. Despite these significant challenges, thanks to the rapidly shrinking foreign trade deficit and revenue generated by tourism, Turkey had a current surplus in three consecutive months as of August.

AN OVERVIEW OF ÇALIK GROUP

In 2018, we completed pioneering mega projects that stand out in the world. Among these projects was the opening of Mary-3 Combined Cycle Power Plant in Turkmenistan, with Çalık Enerji. The Plant is the largest combined cycle power plant in the Middle East; built in one stage and with modern technology, and it was also the largest project carried out worldwide in 2018. The foundations of Tedzani-4 Hydroelectric Power Plant - the first power plant built in Sub-Saharan Africa - were laid. Construction of Navoi-2 Combined Heat and Power Plant and Turakurgan Power Plant in Uzbekistan is ongoing. We undertook the first seaport project of Çalık Enerji, Port Rehabilitation Project, to be realized in the Basra Region of Iraq, together with Mitsubishi Corporation. Our Çalık Enerji and Gap İnşaat companies assumed an important role in the EPC section of this tender. Again, with Çalık Enerji, we took on TAP Project, the most critical energy project of Asia. Our Company undertook

MESSAGE FROM THE CHAIRMAN

In 2018, we completed pioneering mega projects that stand out worldwide. Çalık Enerji completed Mary-3 Combined Cycle Power Plant, while Gap İnşaat completed Turkmenbashi International Seaport project, set in an important logistical hub dating from the ancient Silk Road to the present. We focused on digitalization in each line of business.

Çalık Denim increased its capacity by 20% at the beginning of 2018 with investments made in the beginning of 2018; the Company will reach 663 counters and a 55 million-meter production facility by the beginning of 2019. Declared as the innovation partner for leading global brands, the Company, which has become customers' leading solution partner due to our pioneering R&D and innovation activities, published its first Sustainability Report this year.

Our representative in the Turkish banking sector, Aktif Bank, continued efforts as well, in 2018, to develop new products that will facilitate the lives of its customers and enhance productivity through technology. Managing its balance sheet in line with a disciplined, smart and cautious risk approach in an environment where macroeconomic conditions tend to change frequently, Aktif Bank maintained its high liquidity and profitability. Aktif Bank, a large Fintech platform with a convenient, productive and profitable approach, also maintained its investments into financial technology in 2018. During the year, the UPT, Pavo and Sigortayeri subsidiaries contributed significantly to the consolidated profitability of Aktif Bank. The guarantee contract, which will ensure US\$ 1 billion foreign trade limit and financing to Turkish exporters through 250 banks in 50 countries, was signed with the Africa Export-Import Bank (Afreximbank). Aktif Bank continued to develop new financing models and systematic integration solutions for the renewable energy sector, one of its strategic investment areas. The Bank became the first institution offering EPC service in the solar power plant (GES) sector; and demonstrated its role as a sector pioneer and leader by establishing more than 250 MWp GES projects via the financial support it provided.

HIGHLIGHTS

- Turkmenbashi International Seaport is the largest port on the Caspian Sea and a key logistics hub on both the ancient Silk Road and current international trading corridors. The project was completed and opened in 2018. Turkmenbashi International Seaport Project was recognized as a "Global Best Project, Airport/Port & Project of the Year" by ENR.
- Banka Kombetare Tregtare (BKT) (National Commerce Bank), a subsidiary of Çalık Group operating in Albania and Kosovo, was again named the "Bank of the Year in Albania" by the Banker, a magazine published by the Financial Times, among the most prestigious newspapers published in the UK.
- Çalık Enerji ranked 104th in the "Top 250 International Contractors" list published by ENR.
- Mary-3 Combined Cycle Plant, the largest combined cycle plant in the world, was completed and opened in Turkmenistan in 2018. The foundations of Tedzani-4 Hydroelectric Power Plant, the first power plant built in Sub-Saharan Africa, were laid and construction started.

the funding, engineering, construction and maintenance-repair of the project; the power generated in Turkmenistan will be exported to Afghanistan and Pakistan. Adding new success stories to its accomplishments, Çalık Enerji ranked 104th in "Top 250 International Contractors" list published by ENR, the most prestigious publication in the engineering, architecture and contracting world.

Another of our companies, Gap İnşaat, made us proud by ranking 73rd on ENR's list. Turkmenbashi International Seaport project, the largest port on the Caspian Sea - and a key logistics hub dating from the ancient Silk Road to the present - was opened through the efforts of Gap İnşaat in 2018. Our multiple award-winning project added yet another award, and was recognized by ENR as the "Best Global Airport/Seaport." In 2018, Gap İnşaat also opened Garaboğaz Fertilizer Factory, the largest ammonia and urea production plant in Turkmenistan.

Other Çalık Holding group companies also showcased successful performances throughout 2018. The most critical development in 2018 for Lidya Madencilik, which is actively seeking mining fields overseas, commenced operations at Sulfide Gold Plant. In Erzincan, this US\$ 700 million investment, in which we are a partner, is a first in gold production in Turkey; it is also of utmost importance as it is Gap İnşaat's first project in this sector. Our Company aims to transform this significant experience into an additional field of expertise.

The office segments - the first stage of our Taksim 360 project, constructed by Çalık Gayrimenkul - were completed in 2018. Gap Pazarlama, continuing its operations successfully, has begun production by re-commissioning our Çalık Alexandra plant in Egypt.

Albania's leading bank BKT again had a successful year. BKT's balance sheet and profit won "Best Bank in Albania" award from The Banker, one of the most prestigious international financial magazine. Due to the increase in the Bank's asset size over 10%, the Kosovo operations were separated in the beginning of 2018 from the Tirana operations.

ALBtelecom recorded a significant rise in the number of mobile phones and fixed line subscribers, as a result of its effective communications and customer-focused activities.

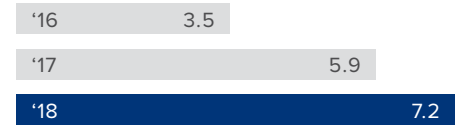
YEDAŞ, one of our electricity distribution companies, continued investments aimed at enhancing the speed and productivity of its operations, and launched the YEDAŞ Online System to follow all stages in new applications of consumers online. Demonstrating our Group's synergy, YEPAŞ converted the operation centers of the project it has developed together with the subsidiary of Aktif Bank, N-Kolay, into YEPAŞ-N Easy Authorized Operation Centers. In line with our target of maximizing productivity, the KEDS and ARAS companies took the first steps in the SCADA project.

At Çalık Petrol, we excavated a total of three pits, one exploratory shaft and two production wells in Mardin's Çalıktepe fields. In 2018, we produced 317,500 barrels of crude oil, as well as obtaining two 20-year business licenses and three five-year oil exploration licenses in the Southeastern Anatolia Region.

OUR FOCUS IN 2019 IS ON INNOVATION AND DIGITALIZATION

As Çalık Group, we aim to develop global projects, present innovative solutions in our business lines and create world-renowned brands. Although we are effectively part of the global network, we also must undertake initiatives to remain competitive in this rapidly transforming world. In this respect, we will continue investing in digital transformation, one of our most important tools for renewals and advances in 2019, and we will continue our progress in the geographies and sectors in which we are engaged with a continuous innovation approach. With the contribution of Çalık Digital, which started its operations in 2018 as an essential part of our digitalization vision, we aim to benefit even further this year from the opportunities offered by digitalization.

Total Equity (TL Billion)



Our colleagues and business partners, who work with care and devotion, made a spectacular contribution to our financial performance in 2018. I would like to thank all our stakeholders and colleagues for their continued support and commitment.

I also want to emphasize that we are progressing in all our projects with a sensitive approach to our society and the environment, while working with steadfast determination to achieve our targets and our vision.

I look forward to carrying out new projects together in the coming year, and continuing to create added value for all.

Kind regards,

AHMET ÇALIK
Chairman

BOARD OF DIRECTORS





AHMET ÇALIK Chairman

Ahmet Çalik is a member of a family that has been actively involved in the textile industry since 1930. Ahmet Çalik launched his first business initiative in this sector in 1981, followed by investments in the energy, construction, mining, textile, telecoms and finance sectors thereby laying the foundations of Çalik Holding, one of the leading companies in Turkey and the nearby geography.

Ahmet Çalik made the first large private sector industrial investment in Eastern Anatolia in the second half of the 1980s by founding Gap Güneydoğu Tekstil in Malatya. The Company is among the largest 10 premium denim producers in the world today. After Turkic Republics gained their independence in the 1990s, Mr. Çalik established commercial enterprises in these countries and became one of the first foreign businessmen to invest in Turkmenistan by setting up textile factories in the country.

In the midst of 1990s, Ahmet Çalik restructured Gap İnşaat and geared up its business development efforts to focus on projects generating value for society-at-large. Specializing in superstructure, infrastructure, industry and energy plants, healthcare facility, real estate development, and urban transformation projects particularly in challenging regions, Gap İnşaat has implemented over 100 major projects in its history. The company

has also undertaken and completed the construction of the Turkmenbashi International Seaport, which is designed to boost Turkmenistan's logistical importance as a link between Europe and Asia. Meanwhile, Gap İnşaat's real estate sector subsidiary Çalik Gayrimenkul has launched the project "Taksim 360," which received the first prize in the "Urban Transformation" category at Europe's most renowned real estate award event, the European Property Awards in 2013.

Mr. Çalik first entered the energy industry, a sector of critical importance today, in the midst of 1990s, and founded Çalik Enerji, which currently operates in two business areas: "Power Systems" and "Oil and Gas." The company has already signed contracts for seven power plants with a total capacity of approximately 1,500 MW in Central Asia. Having become Georgia's largest EPC contractor with the Gardabani project, Çalik Enerji has also completed two power plants with a total capacity of 2.000 MW in Iraq. The installed power of Çalik Enerji in Turkey in renewable energy resources is currently 227 MW and it has an investment target of 1,000 MV for 2023. In addition, Çalik Enerji and Gap İnşaat were featured in the "Top 250 International Contractors" list published every year by the esteemed ENR (Engineering News Record).

Çalik Holding acquired YEDAŞ through privatization tender in 2010, Kosovo Energy Distribution and Supply Company (KEDS) in 2012, and ARAS EDAŞ in 2013, making a strong entry into the electrical distribution sector.

Thanks to an expanding business volume, Ahmet Çalik entered into the financial services industry in 1999, setting up Aktif Bank in Turkey and acquiring BKT, which became one of the two biggest banks in Albania under the Group's management. To date, Aktif Bank has received a total of 73 awards, including the "World's Most Innovative Bank." Aktif Bank received the first prize for its "Aktif Nokta" Project in the "Physical Distribution Channels" category during the event held by the European Financial Management and

Marketing Association (EFMA). BKT was recognized for the sixth consecutive time in 2018, and in total for the ninth time, as "The Best Bank" by The Banker, one of the most prestigious magazines on international financial markets. Aktif Bank's operations are mainly focused on Retail Banking, Corporate Banking, Investment Banking, and Urban Banking. The Bank offers customers a wide range of products and services, such as money transfers, insurance, card products, and comprehensive kiosk solutions.

One of the largest Turkish investors in the Balkans, Mr. Çalik acquired Albania's largest fixed line operator and internet service provider ALBtelecom in 2007, and entered the telecoms business. In 2008, Çalik Holding entered the GSM market in Albania by establishing Eagle Mobile.

Ahmet Çalik set up Lidya Madencilik in 2010 in order to enter the mining business and to create an added value for the economy with the underground natural resources of Turkey. The company's mine site portfolio makes it one of the leading mining enterprises in Turkey. As a joint venture of Lidya Madencilik and Alacer Gold, Anagold is the first large international collaboration in the Turkish mining industry.

With a vision to create significant contribution and to enrich countries in which the Group companies operate, Mr. Çalik established Çalik Holding in 1997 to bring all companies together under a single banner. Today, the Holding conducts business operations in seven main lines of business with 28 thousand employees across 22 countries. According to the "Emerging Markets Global Player" 2010 report, the Holding is one of the five-largest Turkish groups in terms of overseas investments.

With a business model focused on a geography encompassing countries with ample financial resources including Turkey and home to 60% of the world's entire hydrocarbon (oil and gas) reserves, the consolidated asset size of the Holding amounts to approximately USD 8 billion.

BOARD OF DIRECTORS

FIELDS OF OPERATION

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

SIGNIFICANT INVESTMENTS ACHIEVED

- Ortadoğu Tekstil, 1981
- Gap Güneydoğu Tekstil, 1987
- Gap Pazarlama, 1994
- Gap İnşaat, 1996
- Çalık Holding, 1997
- Çalık Enerji, 1998
- Aktif Bank, 1999
- TTK, Turkmenistan Textile Investment, 2000
- E-Kent, 2002
- Bursagaz, 2004
- BKT, 2006
- Kayserigaz, 2007
- ALBtelecom and Eagle Mobile, 2007
- Lidya Madencilik, 2010
- Yeşilirmak Elektrik Dağıtım (YEDAŞ), 2010
- Çalık Gayrimenkul, 2010
- Kosova Elektrik Dağıtım (KEDS), 2012
- Aras Elektrik Dağıtım (ARAS EDAŞ), 2013
- Çalık Digital, 2017

AWARDS AND HONORS

- Order of State of Turkmenistan, 1997
- Mahdum Guli Award, 1997
- Entrepreneur of the Year Award, Para Magazine, 1997
- Best Industrial Enterprise of the Year, GESIAD, 1997
- İpek Yolu Foundation Service Award, 1998
- Turkmenistan "Gayrat" Medal, 1999
- Order of Merit of the Turkish Republic, 1999
- Turkmenistan Golden Century Medal, 2001
- R.T. Order of Merit of the Ministry of Foreign Affairs of the Turkish Republic, 2002
- National Productivity Center Businessman of the Year Award, 2004

- Faculty of Business Administration, Istanbul University, Dünya Newspaper National Business Manager of the Year, 2005
- Grand National Assembly of Turkey Order of Merit, 2006
- Dünya Newspaper National Business Manager of the Year, 2006
- Turgut Özal Economy Award, 2008
- Turkey in Europe- Franco Nobili, 2010
- Turkish Red Crescent, Gold Medal Certificate, 2012
- Matsumoto Dental University, Japan, Honorary PhD Title, 2014
- Ellis Island Medal of Honor, 2014
- Tiran University, Honorary PhD Title, 2014
- Turkmenistan "Garaşsyz, Baky, Bitarap Turkmenistan" Medal Certificate, 2015
- Kindai University, Honorary PhD Title, 2016

SOCIAL RESPONSIBILITY PROJECTS

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

GOVERNMENT-LEVEL DUTIES

- Bursa Honorary Consulate of Republic of Kazakhstan, 2012

PERSONAL

1958, Malatya
Married with four children



MEHMET ERTUĞRUL GÜRLER
Deputy Chairman

Born in 1958, Mehmet Ertuğrul Gürler is a graduate of Marmara University, Faculty of Business Administration. With a 38-year work experience, Gürler acted as the Co-Head of Department of Refinery at BP Overseas Refining Company Ltd. between 1983 and 1987. From 1987 to 1994, he worked at different posts at Dow Türkiye A.Ş. and acted as the Financial Affairs Manager and Board of Directors Member. Gürler, assumed the position of Assistant General Manager at Total Oil Türkiye A.Ş. between 1994 and 1998 and joined Çalık Holding A.Ş. in 1998 as the General Manager. Mehmet Ertuğrul Gürler still acts as the Board of Directors Member at Çalık Holding, Banka Kombetare Tregtare, ALBtelecom, Çalık Denim, Başak Yönetim Sistemleri, Cetel Telekom, Çalık Finansal Hizmetler, Çalık Hava Taşımacılık, Irmak Yönetim Sistemleri and Deputy Chairman of Kentsel Dönüşüm İnşaat, Aktif Bank, Gap İnşaat, Gap Pazarlama, Çalık Emlak ve Gayrimenkul, Çalık İnşaat, Doğu Akdeniz Petro Kimya. Mehmet Ertuğrul Gürler also acts as the Chairman of the Board of Audit at Çalık Holding, Çalık Enerji, YEPAS, ALBtelecom and Gap İnşaat and also as the Credit Committee and Remuneration Committee Member of Aktif Bank.



AHMET YILDIRIM
Board Member, President of the
Financial Affairs and Strategic
Planning Group (CSO)

Graduating from Istanbul University, English Department of Economics in 1991 and completing Harvard Business School General Management Program in 2012, Ahmet Yıldırım acts as the President of the Financial Affairs And Strategic Planning Group and Holding Board Member, reliable for strategic planning, financial analysis, merger and purchasing, tax planning and investors relations since 2014. Before joining Çalık Holding in 2014, Yıldırım had 24 years of experience in corporate banking, investment and treasury banking and has acted as the CEO and Board Member of Yapı Kredi Bank for five years in Germany.

EXECUTIVE MANAGEMENT

STANDING (FROM LEFT TO RIGHT)

HIROSHI MIYOSHI
AHMET YILDIRIM
ÖZLEM YALÇIN
SAİM ÜSTÜNDAĞ
HAKKI AKİL
AYŞE NİLÜFER TÜRKÇÜ HIRA
ENDER HİDİROĞLU

SITTING (FROM LEFT TO RIGHT)

İZZETİYE KEÇECİ
AHMET ÇALIK
MEHMET ERTUĞRUL GÜRLER

THE MEMBER WHO IS NOT
IN THE PHOTO
GALİP TÖZGE





ÇALIK HOLDİNG GROUP

Çalık Holding currently operates in a wide range of industries – energy, construction, textiles, mining, telecommunications, financial and digital services.

ENERGY

ÇALIK ENERJİ



YEDAŞ



YEPAŞ



KEDS*



ARAS EDAŞ**



ARAS EPAŞ**



ÇALIK PETROL



CONSTRUCTION

GAP İNŞAAT



TEXTILE

ÇALIK DENİM



GAP PAZARLAMA



* Partnership with Limak Holding A.Ş.

** Partnership with Kiler Holding A.Ş.

MINING

LİDYA MADENCİLİK



TELECOM

ALBTELECOM



FINANCE

AKTİF BANK



BKT



DIGITAL

ÇALIK DIGITAL



ÇALIK HOLDING IN BRIEF

Çalık Holding meticulously focused on creation and transfer of corporate memory, creating talents within the Group, sharing of knowledge and experience, common implementation of the processes by all Group companies and on effective performance management. In addition, in order to create the road map of digital transformation and specify innovative projects, Çalık Digital started organizing internal workshops with Çalık Holding companies.

FOUNDATION DATE

1981

NUMBER OF EMPLOYEES

28,027

ACTIVE GEOGRAPHY

22 countries

www.calik.com

As of the end of 2018, Çalık Holding has been operating in seven different sectors as one of the leading Turkish investor in 22 countries in the Middle East, Balkans and MENA region and was founded with the initiative of Ahmet Çalık in 1981. Maintaining its stable growth performance for 37 years, Çalık Holding employs 28,027 employees in total.

Çalık Holding meticulously focused on creation and transfer of corporate memory, creating talents within the Group, sharing of knowledge and experience, common implementation of the processes by all Group companies and on effective performance management. Enhancing its network and data security works in the past year, the Holding completed all these works and guaranteed the security of all its corporate data.

In order to improve innovation and corporate entrepreneurship culture, Çalık Holding set up "İşte Fikir" competition in 2018 and aims to continue the competition in the following years to reach brand new project ideas.

Carrying out investments to ensure digital transformation, the Holding established its digital committee this year and handled its digitalization efforts in a consolidated manner and created synergy possibilities. Çalık Digital, which started its operations in 2018 in this respect, supports all Group companies in creating their road maps

and plans to continue its activities that will accelerate the digital formation of group companies.

Çalık Enerji delivered Mary-3 Combined Cycle Power Plant in Turkmenistan, which is the largest combined cycle power plant in the Middle East, built at once and with modern technology is also the largest project carried out in 2018 worldwide. In addition, the foundations were laid for Tedzani-4 Hydroelectric Power Plant, which will be the first HEPP built in Sub-Saharan Africa and the company also continues construction works of Navoi-2 Combined Heat and Power Plant and Turakurgan Power Plant in Uzbekistan. The first seaport project to be constructed in Basra region of Iraq, "Seaport Rehabilitation Project" by Çalık Enerji was undertaken together with Mitsubishi Corporation and the company will play an important role in the EPC section of the tender together with Gap İnşaat.

By assuming the most important energy project of Asia, TAP Project; Çalık Enerji will export the electricity power generated in Turkmenistan to Afghanistan and Pakistan and it also undertook the financing, engineering, construction and maintenance-repair of the project.

Çalık Holding companies continued achieving international success in 2018 as well. Çalık Enerji ranked 104th on the



ACTIVITY SCOPE

- Active in seven sectors as energy, construction, textile, mining, telecom, finance and digital

TARGET

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

COMPETITIVE ADVANTAGES

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

“Top 250 International Contractors” list, compiled by ENR, the most prestigious institution of engineering, architecture and contracting world while GAP İnşaat ranked 73rd in 2018.

Gap İnşaat held the opening of Turkmenbashi International Seaport project, which will be the largest port on the Caspian Sea and a key logistics hub on the ancient “Silk Road” and the multi-award winning project was deemed as the “Best Global Airport/Seaport” by ENR, one of the most prestigious publications of the world.

In addition, Garaboğaz Fertilizer Factory, the largest ammonia and urea production center and also the largest ammonia and urea production plant in the world, was opened in 2018 by Gap İnşaat.

Çalık Gayrimenkul, which will continue its activities under Gap İnşaat’s umbrella, has completed the office section, the first phase of Taksim 360 Project and handed over the completed sections to their owners in 2018.

Undertaken by Gap İnşaat, Sulfide Gold plant in Erzincan is now the number one plant in terms of gold production in Turkey. The plant was opened in 2018 with an investment of US\$ 70 million with Lidya Madencilik, the mining company of Çalık Holding and Alacer Gold partnership.

Lidya Madencilik is planning on making an investment decision in Balıkesir Project, of which the feasibility works are completed, together with Alacer Gold in 2019.

In addition, Lidya Madencilik completed the pre-feasibility works of Hod Mine Project in Artvin and started the detailed feasibility works in the first quarter of 2019. Continuing its search for new mining fields abroad in the Middle East, Balkans, and Africa, the company signed its first overseas mining field contract in Morocco.

The textile company of the Group, which increased its capacity by 20% at the beginning of 2018 with the investments it made in 2018 and reached 663 counters and 55 million meters of production facility in 2018, Çalık Denim is deemed as the innovation partner of leading global companies with its pioneering works in R&D and innovation. Reflecting the importance it places on innovation to all lines of business, the Company is now capable of producing its own production machinery with its own experience and technology.

In addition, by prioritizing sustainability, one of the major issues of the world and textile sector, Çalık Denim published its first Sustainability Report in 2018.

Another company of the group in textile sector, Gap Pazarlama also continued its successful activities throughout 2018 and started its operations in by re-commissioning Çalık Alexandra facility in Egypt.

Aktif Bank, a large Fintech platform with convenient, productive and profitable ways of doing business, maintained its investments in financial technology in 2018 as well. The bank initiated N Kolay, an application that will cover all the needs related to inner-city transportation, and continues offering digital banking products such as N Kolay Bond, N Kolay Loan with the N Kolay world and also developing innovative solutions that will facilitate the lives of its customers.

ÇALIK HOLDING IN BRIEF

In order to improve innovation and corporate entrepreneurship culture, Çalık Holding set up “İşte Fikir” competition in 2018 and aims to continue the competition in the following years to reach brand new project ideas.

Offering service to more than 2 thousand SMEs in the first six months with İnovaban established in 2018, Aktif Bank aims to provide Strategic Growth Consultancy to 20 thousand SMEs in five years.

Reaching over 4.2 million Passolig card holders by year-end 2018, Aktif Bank offered mediation and consultancy service in issuance of asset backed securities to three public banks and one private bank.

The Bank, which maintained its contribution to the Turkish economy with services focusing in Africa in 2018, with a foreign trade limit of US\$ 725 million in total established in favor of 112 banks in 35 countries in Africa and a large network of corresponding banks, offers solutions for problems encountered by exporters.

BKT, the leading bank of Albania, reached the highest profitability in 2018 and won the “Best Bank of Albania” award again from prestigious international publications. Revising its profitability and treasury operations, the bank continues its investments in line with its digitalization strategy. Due to the increase of the market share in the assets over 10%, BKT was separated from the Kosovo operations at the beginning of 2018 and became a separate bank from Tiran and continues to grow its balance sheet and profitability.

ALBtelecom company, the telecom company of the group, had a great surge in the number of mobile phones and fixed line subscribers as a result of customer-focused activities and communication works in 2018.

YEDAŞ, one of the power distribution companies, completed the 3rd phase of Mobile Workforce Management Project in 2018 and managed its field staff to track the real-time status of the grid from their mobile devices in order to improve the speed and efficiency of its operations. In addition, YEDAŞ Online system, allowing new connection requests of the consumers to be tracked online, was completed in 2018.

YEPAŞ, as an example of our Group's synergy, converted its operation centers developed as a subsidiary of Aktif Bank as N-Kolay into YEPAŞ-N Easy Authorized Operation Centers and established more extensive and efficient service channels.

Çalık Holding's Limak partnered company KEDS, realized the SCADA project within the scope of its digitalization works and improved its productivity rates. The company, which opened a training center with the target of zero accidents, trained its employees with regards to operations at the grid and presented certificates to the participants of this training.

Kiler partnered company of the Group, Aras was one of the companies initiating the SCADA infrastructure in order to maximize its productivity in 2018.

Çalık Petrol excavated in total three pits, one expletory shaft and two production wells in Çalıktepe fields in Mardin and produced 317,500 barrels of crude oil in 2018 and 700 thousand in total until today. The company also received two 20-year operation and three five-year exploration licenses in the Southeastern Anatolia Region.

In order to create the road map of digital transformation and specify innovative projects, Çalık Digital, which started its activities at the beginning of 2018, initiated internal workshops with Çalık Holding companies. It is expected to obtain the results of these workshops completed in September with success in 2019.



MILESTONES

Mary-3 Combined Cycle Plant, completed in 2018 and the largest combined cycle plant of the world, was opened in Turkmenistan. The foundations of Tedzani-4 Hydroelectric Power Plant, which is the first power plant built in Sub-Saharan Africa, were laid and construction works started.



A STORY OF SUCCESS DATING BACK TO 1930s...

1930

- Ahmet Çalık is a member of Çalık Family, whose involvement in textiles dates back to the 1930s.

1981

- In 1981, Ahmet Çalık initiated his first personal investment in the textile industry, a family tradition, going on to lead new ventures in the sector during the 1980s.

1987

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

1994

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

1995

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

1996

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

80s: FIRST PERSONAL STEPS IN TEXTILE SECTOR...

1997

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

1998

- Çalık Enerji was established.

1999

- The Holding entered into the financial services industry.

2004

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

2006

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

2007

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



90s: FIRST INVESTMENTS ABROAD...

2008

- In line with its growth strategy and restructuring initiative, Çalık Enerji sold off majority shares in Bursagaz and Kayserigaz to the Germany-based international energy company EWE.
- Çalık Holding completed the legal processes for the takeover of the media group ATV-Sabah Commercial and Economic Entity with a bid of US\$ 1,1 billion at the tender held by the Turkish Savings Deposit Insurance Fund. Çalık Holding sold a 25% stake in ATV-Sabah Media Group to the Qatar Investment Authority.
- The Group's financial services subsidiary was restructured and renamed Aktif Bank.
- Eagle Mobile entered into the Albanian GSM market as the newest operator, and commenced operations in March after completing launch preparations in a record time of six months.

2009

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



2000s: STABLE GROWTH WITH CORRECT INVESTMENT DECISIONS...

2010

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

2011

- Çalık Cotton was established.

2012

- Lidya Madencilik increased its stake in Anagold from 5% to 20%.
- A geological survey commenced in June in the Polimetall Madencilik's sites.
- Çalık Holding completed the repayment of the 5-year Eurobonds, worth US\$ 200 million, that it had issued in 2007.

2013

- Çalık Cotton became the first Turkish company to acquire an AQSIQ Certification required to export cotton to China.
- Çalık Holding, in partnership with Kiler Holding, acquired Aras Electricity Distribution, which distributes electricity to seven provinces in Eastern Anatolia.
- E-Kent became the Central System Integrator by winning the e-ticket tender of the Turkish Football Federation (TFF).
- Çalık Holding exited from ATV-Sabah Commercial and Economic Entity (Turkuvaz Medya).



2010s: GROWTH IN OVERSEAS INVESTMENTS...

- Lidya Madencilik raised its stake in Polimetall Madencilik, a joint venture with Alacer Gold, from 50% to 80%.

2014

- In mid-2014, BKT reached its target of becoming the largest bank in Albania by year-end 2015.
- Çalık Denim opened an office in Bangladesh and appointed a company representative to Los Angeles in order to boost its market shares in the Far East and America.
- Çalık Cotton added China, Egypt, and Bangladesh to its cotton export destinations in 2014.
- Çalık Enerji's 1,250 MW Al Khairat Power Plant project was awarded the "World's Best Project" in the industry category by Engineering News Record.
- Çalık Enerji expanded into the African market with the 550 MW Al Khoums Power Plant project in Libya.
- Gap İnşaat held the ground breaking ceremony for the Turkmenbashi International Seaport turnkey project, which will become a key logistics hub in the Caspian region, widely considered the new "Silk Road."
- Foundations were laid for the Garaboğaz Fertilizer Factory, to be built by a consortium between Gap İnşaat and Japanese Mitsubishi Corporation for US\$ 1.3 billion.

MILESTONES

Turkmenbashi International Seaport Project, the largest port on the Caspian Sea and a key logistics hub on the ancient “Silk Road,” was completed and opened in 2018. Turkmenbashi International Seaport Project was awarded as the “Best Project, Airport/Port” by ENR.



2010s: RENEWABLE ENERGY INVESTMENTS...

2015

Çalık Enerji completed and delivered Gardabani Natural Gas Combined Cycle Power Plant. The company also carried out the operation of the facility, thereby venturing into the area of power plant operation.

After more than 20 years of close collaboration in constructing industrial facilities dating back to the early 1990s, Mitsubishi Corporation and Çalık Holding entered into a full partnership agreement. Mitsubishi Corporation acquired a 4.48% stake in Çalık Enerji.

Çalık Enerji issued a corporate bond with a 2-year maturity and nominal value of TL 150 million.

Following the signing ceremony, Çalık Enerji began construction on the 1,574 MW Combined Cycle Power Plant in the city of Mary, Turkmenistan. When completed, Mary Power Plant will be the largest power plant in the country.



2010s: DEVELOPMENTS IN FABRIC TECHNOLOGY...

The consortium consisting of Çalık Enerji, TPAO and Bayat Enerji signed an agreement with the Afghan Ministry of Mines and Petroleum for oil and gas exploration in the Totimaidan Block in northern Afghanistan.

Gap İnşaat completed the Turkmenistan Science and Education Center, which will serve as a model for future teaching hospitals with its state-of-the-art technology simulation techniques and robotic surgery practices. Additionally, the company signed an agreement for the construction of the Endocrinology and Surgery Center.

Çalık Denim developed a new technology to manufacture denim fabric with easy stretch, high recovery and low shrinkage performance, and began offering it to international markets.

Celebrating 90th anniversary of foundation, BKT added its 90th branch to its service network.



2010s: BREAKTHROUGH IN ENERGY INVESTMENTS...

2016

Çalık Enerji commissioned its AST Project (Provision of Continuous Electricity to the City of Ashgabat); the project was granted four awards and certificates. The company completed the 254 MW Watan Public Power Plant project in Turkmenistan in July, six months before the contract delivery date.

Çalık Enerji began production at the South Çalıktepe-1 oil field in the southeastern Anatolia region.

The 40 MW Demircili and the 32 MW Sarpıncık Wind Power Plants in Izmir started their operations in September and October, respectively. As a result, Çalık Enerji's renewable energy installed capacity rose to 103 MW.

GAP İnşaat completed the construction of and opened the Morphology, Neurology, Dangerous Infections Center and the Public Health Center in Turkmenistan.



2010s: TEXTILE INVESTMENTS CONTINUE...

The physical separation of YEDAŞ and YEPAS, both of which have been engaging in electricity distribution and retail sales in the same service areas, was completed in 2016.

In 2016, Çalık Denim invested US\$ 14.4 million in new capacity and US\$ 10.7 million in operations.

In addition to its current lines of business, Gap Pazarlama ventured into the petrochemical industry and began its operations in 2016.

Aktif Bank launched initiatives in 2016, including Eurobond issuance, financing of Vodafone Arena Stadium, Shopping Loan, and securitization issuance. Aktif Bank also established two subsidiaries: Mükâfat Asset Management and EchoPOS.



2010s: ÇALIK DENIM INITIATED ITS DIGITAL TRANSFORMATION...

2017

The construction agreement for the 18 MW Tedzani-4 Hydroelectric Power Plant, which will be the first HEPP in Sub-Saharan Africa and jointly built by Çalık Enerji and Mitsubishi Corporation, was signed in Lilongwe, Malawi's capital.

Çalık Enerji and HT-SAAE signed solar panel purchase agreement.

Construction of Al-Khums Simple Cycle Power Plant in Libya was completed during the year.

Aden Fast-Track Mobile Power Plant, the first mobile power plant contract in the Middle East and the first project in Yemen, commenced operations in 2017.

Çalık Enerji, a joint venture between Çalık Holding and Mitsubishi Corporation, increased the size of its bond issue from TL 100 million to TL 150 million after receiving strong demand from investors.

Construction began on Navoi-2 Combined Heat and Power Plant and Turakurgan Power Plant in Uzbekistan.

MILESTONES

Çalık Enerji ranked 104th in the “Top 250 International contractors” list published by ENR.



2010s: TURKMENBASHI INTERNATIONAL SEAPORT PROJECT CONTINUES...

In 2017, Gap İnşaat opened Endocrinology Hospital, Ashgabat, Turkmenistan. The two-building hospital serves as an Endocrinology and Surgery Center.

GAP İnşaat rose to 92nd place on the “Top 250 International Contractors” list, compiled by ENR based on year-end 2016 data, ranking among the world’s 100 largest contractors.

Çalık Denim celebrated its 30th anniversary with the “Denim Loves Art” exhibition, featuring the works of 30 young international designers. The exhibition was held in Istanbul, Amsterdam and Los Angeles.

Çalık Denim initiated its digital transformation program.

YEDAŞ launched Smart Meter Circuitry and Low Voltage Grid Monitoring System.



2010s: GAP İNŞAAT RANKS AMONG THE WORLD’S TOP 100 CONTRACTING FIRMS...

Aktif Bank entered into an equal partnership with Halk Enerji, establishing Aktif Halk Enerji Yatırımları A.Ş. and Halk Enerji İnşaat A.Ş. to invest in licensed and unlicensed solar power plant projects.

Çalık Dijital was established in partnership with GE to focus on digital transformation efforts at the Group companies while also developing sustainable projects in cyber security and artificial intelligence.



2010s: TAKSİM 360 PROJECT CONTINUES...

2018

Energy

The largest combined cycle plant of the world, Mary-3 Combined Cycle Plant, was completed in 2018 and opened in Turkmenistan. The foundations of Tedzani-4 Hydroelectric Power Plant, which will be the first power plant built in Sub-Saharan Africa, were laid and construction began.

The tender for Seaport Rehabilitation Project, entered into with Çalık Enerji and Gap İnşaat, for the EPC section in Iraq's Basra Region, was won together with Mitsubishi Corporation. The Agreement for TAP 500, the most important energy project in Asia, was signed and the financing, engineering, construction and maintenance-repair of the project were undertaken.

In addition, Çalık Enerji ranked 104th in the "Top 250 International Contractors" list published by ENR.



2010s: ÇALIK ENERJİ IN LEAGUE WITH GLOBAL GIANTS...

Construction

Turkmenbashi International Seaport, the largest port on the Caspian Sea and a key logistics hub dating from the ancient Silk Road to the present, was completed and opened in 2018. Turkmenbashi International Seaport project was recognized as "Global Best Project, Airport/Port" by ENR.

Garaboğaz Fertilizer Factory, Turkmenistan's largest ammonia and urea production facility, was opened.

Mining

In Erzincan, the Sulfide Gold Plant, in which Lidya Madencilik is a partner, commenced operations with an investment of US\$ 700 million.



2010s: THE GARABOĞAZ FERTILIZER FACTORY OPENED...

Textile

Çalık Denim published its first Sustainability Report.

The Çalık Alexandra Plant in Egypt was re-commissioned and started production in 2018.

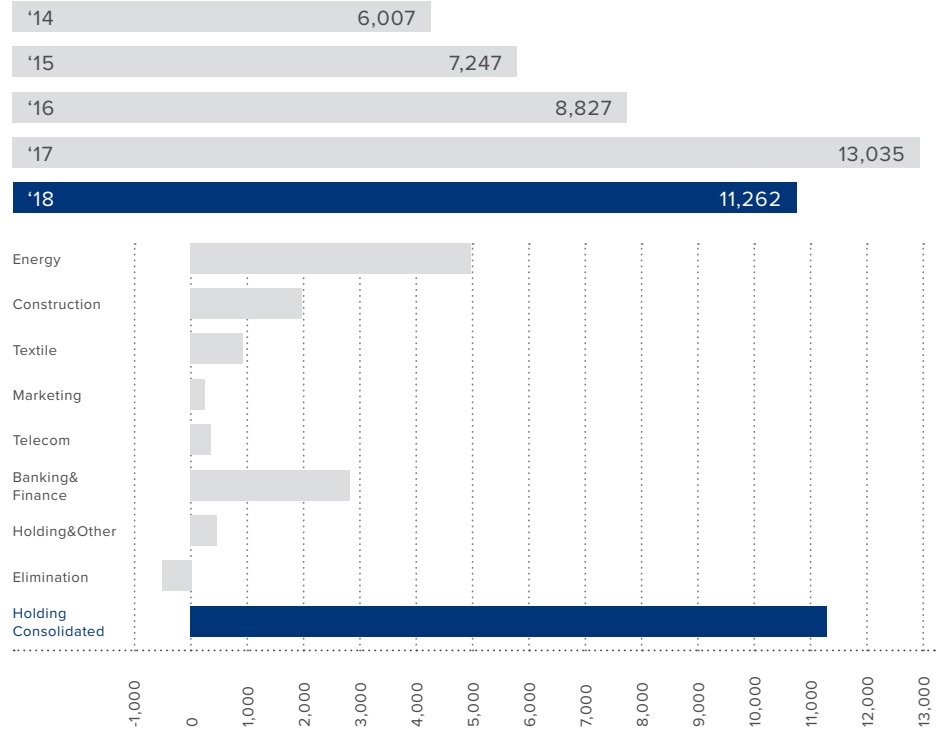
Finance

Winning the "Best Local Bank Award" of Albania, presented by EMEA Finance, for the eighth time and the "Bank of the Year Award" from the Banker, for the ninth time, in Albania, BKT separated its Kosovo operations from those in Tirana and became a separate bank, as the market share of its assets exceeded 10% at the beginning of 2018.

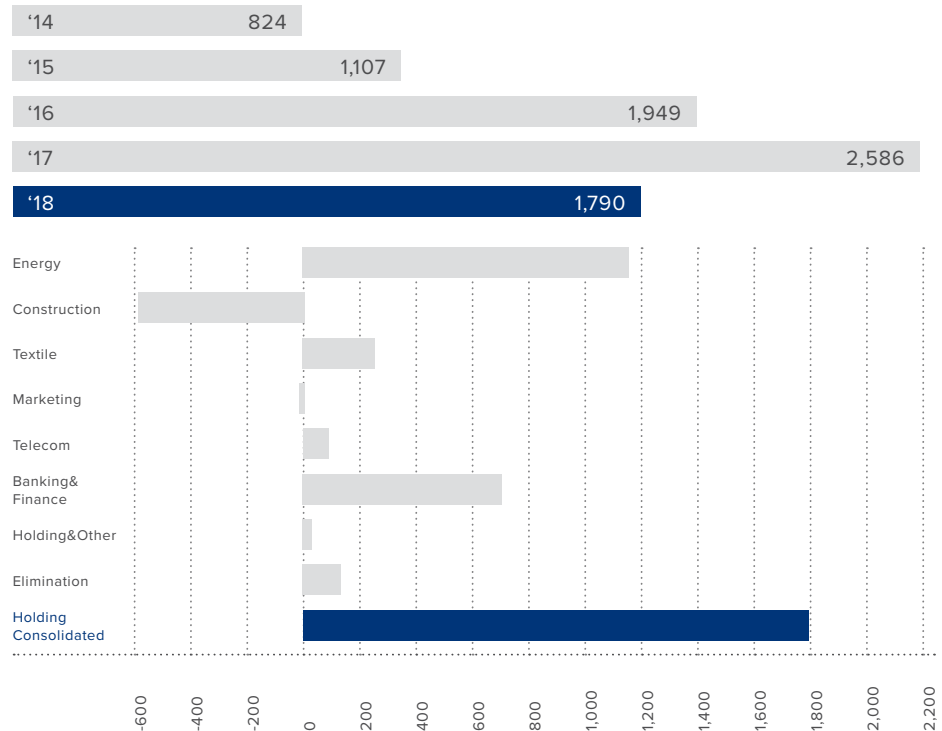
KEY FINANCIAL INDICATORS

Investing US\$ 234 million as of year-end 2018, Çalık Holding continued creating value for Turkey. Net consolidated sales amount of the Holding as of the end of 2018 reached TL 11.3 billion.

NET SALES (TL MILLION)

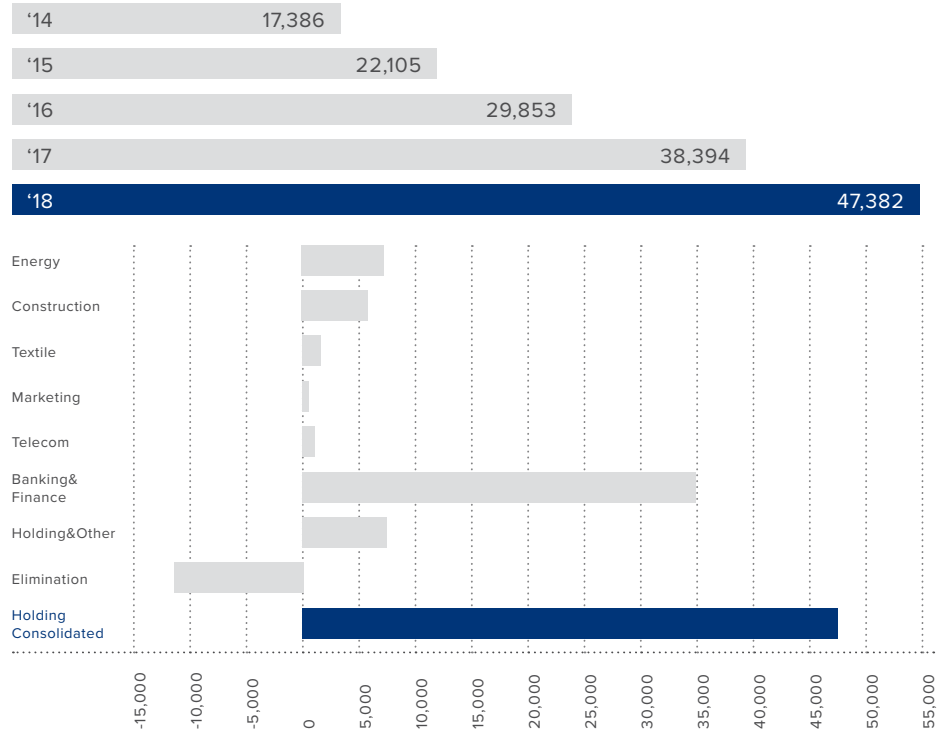


EBITDA (TL MILLION)

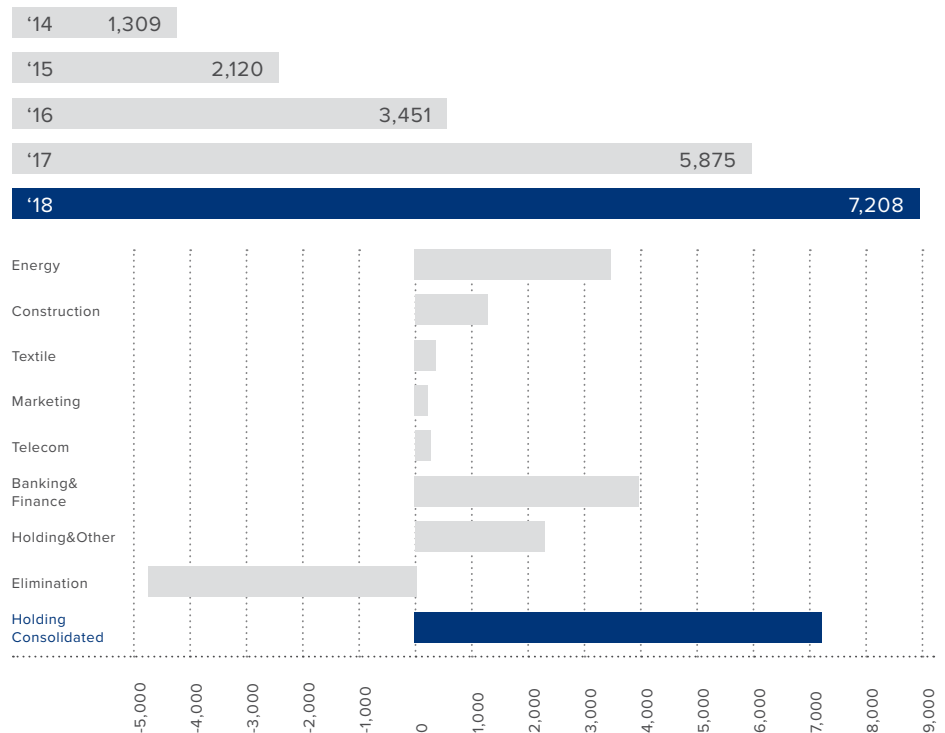


Deriving its strength from Turkey, Çalık Holding continued to improve its performance, achieving successful operational and financial results in 2018. Maintaining its robust financial structure in 2018, Çalık Holding closed a highly successful year.

TOTAL ASSETS (TL MILLION)



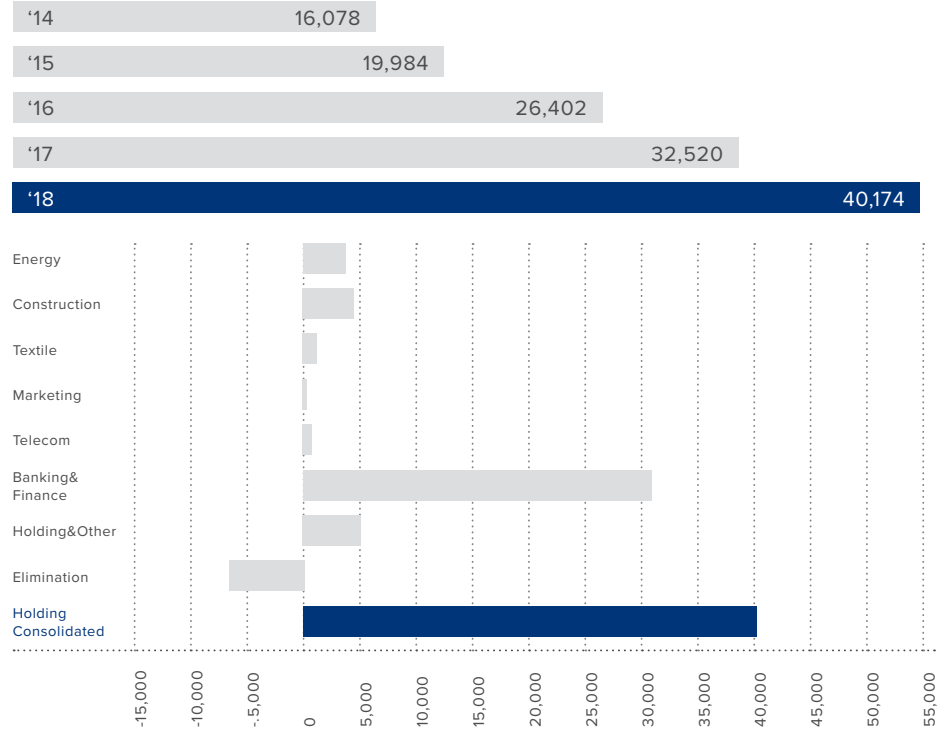
TOTAL EQUITY (TL MILLION)



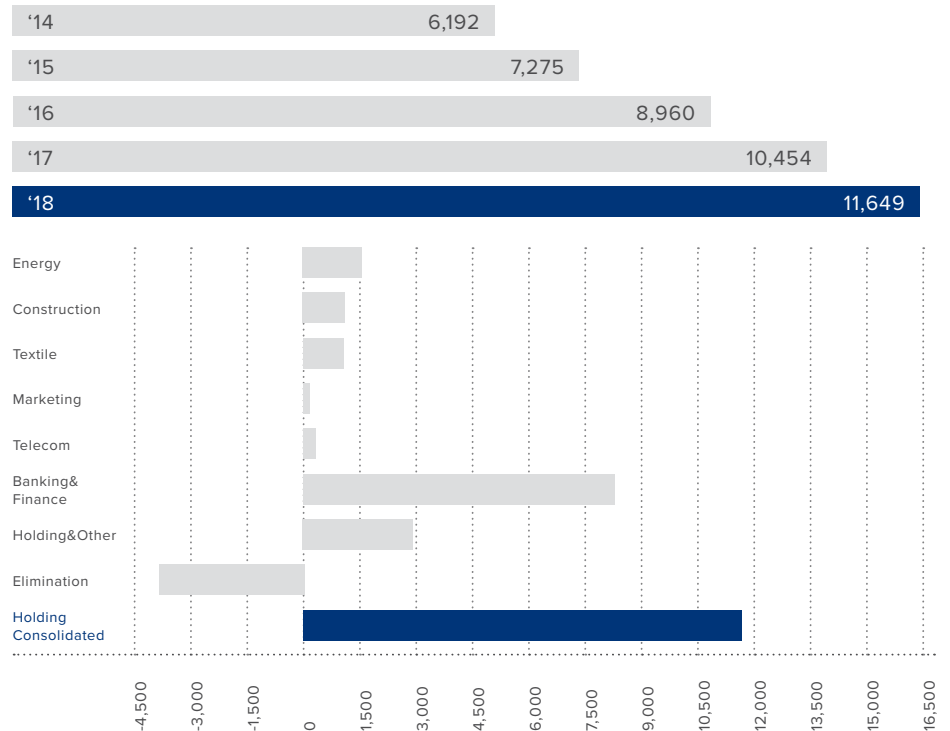
KEY FINANCIAL INDICATORS

While the total liabilities of Çalık Holding reached TL 40 billion in 2018, its financial debts were around TL 11.7 billion.

TOTAL LIABILITIES (TL MILLION)



FINANCIAL DEBTS (TL MILLION)





OPERATION MAP

Çalık Holding currently operates in a wide range of industries – **energy, construction, textiles, mining, telecommunications, financial and digital services.**

USA
Textile (GAP Pazarlama)



Çalık Holding is **a leading Turkish investor** with operations in 22 countries in Central Asia, the Balkans, and the MENA region, and about 28,027 employees.

Çalık Holding strives **to add permanent value to each person's life it touches** in all the geographies it operates in.

THE NETHERLANDS

Energy (Çalık Enerji-Technological Energy NV)
Construction (GAP İnşaat-White Construction NV)
Textile (GAP Pazarlama)

SWEDEN

Energy (Çalık Enerji-Çalık Energy AB)
Construction (GAP İnşaat-Gap Construction AB)

KOSOVO

Energy (Çalık Enerji)
Finance (BKT)

RUSSIA

Finance (Aktif Bank Yatırım Bank)

TATARSTAN

Finance (Aktif Bank)

KAZAKHSTAN

Construction (GAP İnşaat)
Finance (Aktif Bank - İjara Leasing)

GEORGIA

Energy (Çalık Enerji)

UZBEKISTAN

Energy (Çalık Enerji)
Construction (GAP İnşaat)

JAPAN

Energy (Çalık Enerji)

TURKMENISTAN

Energy (Çalık Enerji)
Construction (GAP İnşaat)
Textile (GAP Pazarlama)

ITALY

Textile (Çalık Denim)

LIBYA

Energy (Çalık Enerji)
Construction (GAP İnşaat)

ALBANIA

Telecom (Albtelecom)
Finance (BKT)

IRAQ

Energy (Çalık Enerji)
Construction (GAP İnşaat)

TRNC

Finance (Aktif Bank - Euro-Mediterranean Investment Company Limited)

UNITED ARAB EMIRATES

Energy (Çalık Enerji)
Construction (GAP İnşaat)
Textile (GAP Pazarlama)

BANGLADESH

Textile (Çalık Denim)

QATAR

Construction (GAP İnşaat)

SAUDI ARABIA

Construction (GAP İnşaat)

SERBIA

Energy (Çalık Enerji-İş Ortaklığı-
 LC Electricity Supply
 and Trading D.O.O)

SUDAN

Construction (GAP İnşaat-
 Gap İnşaat Construction
 and Investment Co. Ltd.)





BEING A MEMBER OF ÇALIK FAMILY

**MEANS
REACHING FOR
THE SKY WITH
ENERGY DRAWN
FROM A WIDE
GEOGRAPHICAL
NETWORK.**

We strive to offer energy from nature in the service of people in a wide geography that extends to the Middle East, Central Asia, Africa and the Balkans, and to create a better and sustainable future. I am proud to be among the world's leading energy companies with our successful projects.

BURAK DOĞRU
GES Operations Chief
Çalık Enerji

AN OVERVIEW OF THE ENERGY SECTOR IN 2018

In today's world, personal infrastructure customers are expecting better service, digital and flexible access to these services, and greater audit rights; in this respect, it is of utmost importance that energy distribution companies adapt to developing technology and constantly evolving customer expectations.

HIGHLIGHTS

- In the energy sector, global energy demand is on the rise due to increasing income levels and rising numbers of city dwellers.
- Another important development in the sector last year was the drop in the free consumer limit, from an annual 2,000 kWh to 1,600 kWh for 2018, by EMRA.

GLOBAL ENERGY SECTOR OVERVIEW

Trade disputes between the US and China, Brexit uncertainty in the Eurozone, and the highest bond yields since 2011 by the Fed all contributed to making 2018 a tough year for the global economy. The Turkish economy also suffered; issues such as high inflation due to exchange rate volatility in the Turkish lira, an increase in market interests and an increase in financing costs were among the year's challenges. However, thanks to the fast action of the economy management and the New Economic Program, which mainly met market expectations, the Turkish economy moved into a fast recovery process.

In terms of the energy sector, global energy demand is on the rise due to increasing income levels and a surge in the number of people living in cities. Data indicates that the majority of this growth is from developing countries. Until 2000, more than 40% of global energy demand came from Europe and North America and 20% from developing countries in Asia; projections up to 2040 point to a reversal. Energy consumption mainly that of China and India - countries outside of the OECD - will surpass the total energy consumption of OECD countries and this difference is expected to grow in the coming years. On the other hand, since 2015, the world's renewable energy investments have been led by China and developing economies.

THE ENERGY SECTOR IN TURKEY

More recently, Turkey's energy market is continuing its liberation works in parallel to the European model. In line with expanding industry and a growing population, the market is expected to meet increasing energy demand via both local and foreign investments. The installed power in the energy sector continues to rise, reaching 88.3 GW as of November 2018, with an annual rise of 6.3%. While the share of natural gas cycle plants regressed within installed power, investments towards solar and wind power continue to be high.

Another important development in the sector last year was the drop in the free consumer limit, from an annual 2,000 kWh to 1,600 kWh for 2018, by EMRA. With this arrangement, an additional five million subscribers became eligible consumers.

In today's environment, personal infrastructure customers expect better service, along with digital and flexible access to these services, and greater audit rights; in this respect, it is of utmost importance that energy distribution companies adapt to developing technology and constantly evolving customer expectations.

Çalık Enerji continued to demonstrate a remarkable performance in 2018 and carried out its existing projects according to schedule and developed new projects in line with its goals and strategies. Çalık Enerji, which performs all its projects according to its commitments, evaluated profitable investment opportunities in Turkey and abroad and potential new markets to create competitive advantage and to further bolster its strong position.



ÇALIK ENERJİ

The company's expert and highly experienced staff develops creative and innovative solutions across all areas of the global energy industry with the use of emerging technologies.



2018 DEVELOPMENTS

TURAKURGAN AND NAVOI-2 PROJECT

1,350 MW

- The commissioning and construction of Trakurgan and Navoi-2 projects with a total capacity of 1,350 MW, of which the contract process was initiated in 2017, were initiated.

INTEGRATED PV PANEL PRODUCTION PLANT

500 MW

- Çalık Enerji's subsidiary Atayurt İnşaat A.Ş. won the project-based incentive certificate of 500 MW Integrated PV Panel Production Plant in April 2018.

TOTAL ASSETS

TL 7.3 Billion

- Total assets of Çalık Enerji reached TL 7.3 billion in 2018.

NET SALES

TL 5.0 Billion

- Çalık Enerji's net sales reached TL 5.0 billion in 2018.

One of the leading energy companies of the world with numerous success projects, Çalık Enerji, since its foundation, has been offering the energy from the nature to the service of people in order to create a better and more successful future in a wide geography expanding across the Middle East, Central Asia, Africa and Balkans. The company's expert and highly experienced staff develops creative and innovative solutions across all areas of the global energy industry with the use of emerging technologies. Currently, Çalık Enerji operates in Turkey, Turkmenistan, Uzbekistan, Iraq, Georgia, Libya, Russia, Dubai, Afghanistan, Yemen, Malawi, and Kosovo.

The company playing a pivotal role in the world's fast-growing markets, such as Africa and the Middle East, is expanding its fields of interest and continues its works in transportation, desalination and hybrid energy sectors. In this respect, Çalık Enerji will continue operating in new geographies together with Mitsubishi Corporation and it also become re-active in Iraq market and signed the first project, "Basra Port Project, in transportation sector in 2018.

The Company enhanced its recognition by entering new countries in Sub-Saharan Africa and also initiated establishment of a branch in Saudi Arabia to evaluate its potential. On the other hand, by signing a "Goodwill Agreement" with Sonatrach in Algeria, Çalık Enerji started its collaboration in various projects and aims to obtain the results of its bids in oil and gas sector in 2019.

Commencing its works for hybrid distributed energy, one of the latest trend of the energy sector, Çalık Enerji continues its works over real projects. Çalık Enerji also started its works in electricity and oil and natural gas sectors in Russia, where it was not active before, and initiated CCPP (1,574 MW), the largest CIS in Mary Turkmenistan during this period.

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

IQB SOLUTIONS

IQB Solutions (Akılcı Bilişim Çözümleri ve Danışmanlık A.Ş.) was established as a subsidiary of Çalık Elektrik Dağıtım A.Ş. in 2017 May, in order to provide project-based software and consultancy services locally and internationally. With the mission of offering high quality, safe, fast and scalable solutions using up-to-date technologies to its customers, IQB Solutions continues developing the following projects as of the end of 2018:

- IQN Sales and Trade Solution (YEPAS) (Phase 1 was commissioned.)
- EDAŞ Online New Connection Solution (YEDAŞ) (Phase 1 was commissioned.)
- IQBig Big Data Platform (YEDAŞ, Çalık Enerji) (Under development.)
- Central Data Management System (Central Scada) (Çalık Enerji) (Under development.)
- Power Distribution Data Warehouse and Reporting System (YEDAŞ) (Under development.)

"FIRSTS" AND "BESTS" IN THE SECTOR

- Built after the independence of Turkmenistan and starting its operations in 2018, the largest power plant commissioned in 2018, "1,574 MW Mary Combined Cycle Power Plant."
- Construction of the "1,250 MW Al-Khairat Simple Cycle Power Plant" and "750 MW Nainawa Simple Cycle Power Plant" in Iraq, the biggest power plants in the country.
- Completed by Çalık Enerji, the AST Project (Provision of Continuous Electricity to the City of Ashgabat) is the first-of-its-kind project in the world with the largest budget; the entire electrical energy infrastructure of a city was replaced and revamped under a single contract.
- Construction of the 230 MW Gardabani Combined Cycle Power Plant, the first-of-its-kind in Georgia. It is also the company's first turnkey EPC Natural Gas Combined Cycle Power Plant project and the biggest investment project in the country.
- Construction of the 504.4 MW Derweze Simple Cycle Power Plant in Turkmenistan, a natural gas-fired power plant with the highest installed capacity in the country.
- Construction of the "550 MW Al-Khums Fast Track Simple Cycle Power Plant," the first project the company completed in Libya.
- Construction of the 450 MW LM6000 gas turbines in the Ahal-Mary-Lebap provinces of Turkmenistan, technology used for the first time in the country.
- The Adacami HEPP investment, which has the longest tunnel of 12 km among hydroelectric power plants with regulators. It is the first power plant built by Çalık Enerji.
- Construction of the "478 MW Navoi Combined Cycle Power Plant" in Uzbekistan, the first and the largest power plant built in Central Asia after the country's independence in 2012.
- 500 KV Turkmenistan-Afghanistan-Pakistan transmission line (TAP500) Project, a high-voltage transmission line project and one of the most important investment by a Turkish company undertaken in Asia.

ÇALIK ENERJİ

Continuing its progress with determined decisions and leading successful projects under any circumstances, Çalık Enerji, adopting a win-win approach to investments and services, aims to contribute to the regions it invests in.

to maintain a high level of customer satisfaction and to meet all its liabilities and obligations it assumed in a fast manner with high quality. Despite the challenges it faces in various parts of the world, the company conducts its business operations successfully and delivers superior service, thanks to its lean and effective organizational structure.

Çalık Enerji aims to differentiate in the industry and further bolster its competitive advantages by closely monitoring new business opportunities in the regions where it currently operates as well as in target markets.

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

Continuing its progress with determined decisions and leading successful projects under any circumstance, Çalık Enerji, adopting a win-win approach to investments and services, aims to contribute to the regions it invests in.

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



- “Demircili and Sarpıncık Wind Power Plants,” which consist of 29 wind turbines with an aggregate installed capacity of 72 MW, are the first wind power plants built by Çalık Enerji.
- The “60 MW Aden Fast-Track Mobile Power Plant” is Çalık Enerji’s third project in the Middle East, first mobile power plant contract and the company’s first project in Yemen.
- “Demircili and Sarpıncık Wind Power Plants,” which consist of 29 wind turbines with an aggregate installed capacity of 72 MW, are the first wind power plants built by Çalık Enerji.
- The Company ranks among the world’s top ten companies in constructing fossil fuel power plants.
- The first project signed in transportation sector in MENA region; Basra Seaport project.

Çalık Enerji aims to deliver high levels of customer satisfaction beyond expectations, and gives top priority to forging business relationships based on the principles of reliability and transparency. The company strives to complete the projects it undertakes in a timely and thorough manner, and in compliance with superior quality standards.

Çalık Enerji places great importance to its business activities in target markets striving to fulfill its responsibilities and commitments in a timely manner



COMPETITIVE ADVANTAGES

- ▶ Highly qualified workforce,
- ▶ Capacity to conduct business in tough geographies,
- ▶ Embracing the principles of reliability and transparency in all business relations,
- ▶ Targeting high levels of customer satisfaction,
- ▶ World-class quality standards,
- ▶ Fast decision-making,
- ▶ Effective management of business processes and connections,
- ▶ Strong international business partnerships in the sector.

NEW PROJECTS IN 2018

Turkmenistan-Afghanistan-Pakistan Transmission Line (TAP500)

Considered the most important high voltage transmission line project in Asia, and expected to be carried out in parallel to the Turkmenistan, Afghanistan, Pakistan and India (TAPI) Natural Gas Line, the pre-agreement for the high voltage electricity transmission line was signed with the respective representatives of these countries in Kabul, Afghanistan. The US\$ 1.6 billion Project, to be managed by Çalık Holding, is the most important investment project undertaken by a Turkish company in Asia. Turkmenistan, which continues to export power to Afghanistan and Iran, will begin selling electricity to nations in Southeast Asia upon the realization of the TAP Project. The TAP Project is expected to be completed within three years of commencing the construction process.

Basra Seaport

Çalık Enerji signed an agreement for the renewal and rehabilitation of the Basra Seaport, Iraq's most crucial entry to the marine trading corridor. Carried out

together with Mitsubishi Corporation, the parameters of the project include the extension of the oil products dock in Khor Al-Zubair Port, where current industrial port facilities around Basra will be located, and the creation of a new dock for vessels and service boats operating in Umm Qasr Port.

500 MW Integrated PV Panel Production Plant

Çalık Enerji's subsidiary Atayurt İnşaat A.Ş. won the project-based incentive certificate for the 500 MW Integrated PV Panel Production Plant in April 2018; the feasibility and pre-project works are ongoing.

ONGOING PROJECTS IN 2018

Turakurgan Combined Cycle Power Plant

The Turakurgan project is located in Turakurgan town in Namangan, the second largest province of Uzbekistan. The project's contract process started in January 2017; with a total of 900 MW of power, the project consists of two 450 MW power islands (2+2 configuration). According to the agreement's work schedule, the first island will be commissioned in January 2020 and the second in April 2020. The general progress on the project is 72.69% as of the end of January.



ÇALIK ENERJİ

In the list issued by Turkish Exporters' Assembly (TEA) in 2018 by evaluating the year-end 2017 data, Çalık Enerji ranked 5th in construction and contracting sector and 15th in the general ranking.

electromechanical installation, and commissioning. The construction, which started on June 11, 2018 upon obtaining the permits, is ongoing at a rapid pace.

The Mary-3 Project

The Mary-3 Power Plant, the largest combined power plant in Central Asia with a power generation capacity of 1,574 MW, was completed and began generating energy in September 2018. Business transfer activities under the contract are ongoing.

AWARDS IN 2018

- In the list issued by Turkish Exporters' Assembly (TEA) in 2018 by evaluating the 2017 year-end data, Çalık Enerji ranked 5th in the construction and contracting sector and 15th in the general ranking.
- Çalık Enerji ranked 104th in the "Top 250 International Contractors" list published by ENR, announced each year.
- The Company ranked 31st in the general ranking of the Platin Global 100 index for the 100 most successful companies opening up to the world from Turkey and 6th in the sector ranking.

QUALITY STANDARDS AND CERTIFICATES

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



Navoi-2 Combined Heat and Power Plant

After completing and delivering the Navoi Combined Cycle Power Plant in Uzbekistan, in 2012, Çalık Enerji commenced work on the second project (450 MW) in January 2017. The total capacity of the Plant is 450 MW. The simple cycle part of the Navoi-2 Natural Gas Combined Cycle and Heat Plant Project is planned to start its operations in March 2019, with complete delivery planned in January 2020. The general progress on the project is 85.93% as of the end of February.

Tedzani-4 Hydroelectric Power Plant

The construction agreement for the 18 MW Tedzani-4 Hydroelectric Power Plant was signed in Lilongwe, Malawi's capital. The Plant is to be the first HEPP in Sub-Saharan Africa and jointly built by Çalık Enerji and Mitsubishi Corporation. Under the agreement, Çalık Enerji will deliver a turnkey project including engineering, construction, hydromechanics,

Financial Summary (TL Million)	2016	2017	2018
Total Assets	5,006	7,062	7,272
Net Sales	3,552	4,807	4,960
Total Equity	1,445	2,621	3,473
EBITDA	894	1,270	1,154
EBITDA Margin (%)	25	26	23



ÇALIK PETROL ARAMA ÜRETİM SANAYİ VE TİCARET A.Ş.

Çalık Petrol received two 20-year operation and three five-year exploration licenses in the Middle Eastern Anatolia Region. With two new oil exploration licenses in the provinces of Diyarbakır and Adıyaman, it increased its number of licenses to 15. Two exploratory shafts were excavated in Mardin's Savur district and two production wells were excavated in Güney Çalıktepe.



2018 DEVELOPMENTS

TOTAL INVESTMENT AMOUNT

US\$ 4.7 million

- Total investment amount of Çalık Petrol reached US\$ 4.7 million as of the end of 2018.

OIL PRODUCTION

1,000 barrels/day

- As of year-end 2018, Çalık Petrol produces 1000 barrels/day of crude oil.

TOTAL ASSETS

TL 92.5 million

- Total assets of Çalık Petrol reached US\$ 92.5 million as of the end of 2018.

NET SALES

TL 105.2 million

- Çalık Enerji's net sales reached TL 105.2 million in 2018.

Entering the sector with oil and natural gas drilling engineering in Turkmenistan in 2003, Çalık Holding began its first local exploration activities with the first crude oil exploration license in Turkey. Exploring Çalıktepe field in 2010 with Çalıktepe-1 well, Çalık Holding established Çalık Petrol Arama Üretim Sanayi ve Ticaret A.Ş. in order to perform its oil and natural gas exploration and production activities. Çalık Petrol continues producing oil in Turkey and seeks new opportunities abroad.

Çalık Petrol started its first economic crude oil production with Batı Çalıktepe exploration with Batı Çalıktepe-1 well in 2014. Then, the Company explored Güney Çalıktepe field with Güney Çalıktepe-1 well and in June 2017, it increased its production to 1,400 barrels/day with Güney Çalıktepe-3 well. As of the end of 2018, it produces 1,000 barrels/day of crude oil.

Çalık Petrol received two 20-year operation and three five-year exploration licenses in the Middle Eastern Anatolia Region. With two new oil exploration licenses in the provinces of Diyarbakır and Adıyaman, it increased its number of licenses to 15. Two exploratory shafts were excavated in Mardin's Savur district and two production wells were excavated in Güney Çalıktepe.

Çalık Petrol, with a total investment of US\$ 4.7 million as of year-end 2018, has signed partnership agreements for three licenses in Southeast with the British company H2P.

Aiming to become the sector leader in the near future in Turkey, Çalık Petrol also targets owning oil licenses in oil-rich countries. The company also plans to produce 5 thousand barrels/day in the next five years and 10 thousand barrels/day in the next 10 years.



Financial Summary (TL Thousand)

	2018
Total Assets	92,480
Net Sales	105,227
Total Equity	80,759
EBITDA	53,181
EBITDA Margin (%)	51
Total Capital	65,000

“FIRSTS” AND “BESTS” IN THE SECTOR

- The first well producing the highest daily artesian production from Paleozoic of Turkey with Güney Çalıktepe-3,
- The highest meter and highest progress speed in Turkey with special-type 12-1/4” PDC drill,
- The first use of special type 8-1/2” AxeBlade drill in Turkey,
- The first use of KLA Shield type drilling fluid in Turkey,
- The most economic well excavation in Southeastern Turkey.

QUALITY STANDARDS AND CERTIFICATES

- ISO 9001:2015 Quality Management System Certificate
- ISO 14001:2015 Environmental Management System Certificate
- OHSAS 18001:2008 Occupational Health and Safety Management System Certificate

COMPETITIVE ADVANTAGES

Çalık Petrol offers advantages with recognized experienced technical teams in the sector in Turkey, Middle East and Turkic Republics.

YEŞİLIRMAK ELEKTRİK DAĞITIM A.Ş. (YEDAŞ)

YEDAŞ continues to provide reliable, consistent service; achieves high levels of employee and customer satisfaction; creates value through social contributions; and maintains its leadership position in its operating region, and focuses on occupational health and safety, technology use, innovative solutions approach.



2018 DEVELOPMENTS

TOTAL INVESTMENT

TL 1.3 billion

- With an investment of TL 1.3 between 2011-2018, YEDAŞ boosted its distribution network and technological infrastructure.

ELECTRICITY DISTRIBUTED

5 million kwh

- YEDAŞ distributed 5 million kwh of electricity.

TOTAL NUMBER OF SUBSCRIBERS

3+ million

- Today, YEDAŞ provides electricity distribution service to 2 million customers and more than 3 million subscribers in the cities of Samsun, Ordu, Çorum, Amasya and Sinop as well as their respective districts.

TOTAL ASSETS

TL 2.1 billion

- Total assets of YEDAŞ reached TL 2.1 billion in 2018.

ABOUT YEDAŞ

Founded in 2005, Yeşilırmak Elektrik Dağıtım Anonim Şirketi (YEDAŞ) was acquired by Çalık Elektrik Dağıtım A.Ş. at the end of 2010 within the scope of privatization efforts in Turkey, thereby joining the Holding under the name Çalık YEDAŞ. Following its privatization, YEDAŞ quadrupled its investment budget compared to the period of public management. YEDAŞ expended some TL 1,275 million in capital investment from 2011 to 2018, strengthening its

distribution network and technology systems infrastructure. YEDAŞ continues to serve in a 39,367 km² field in Samsun, Ordu, Çorum, Amasya and Sinop as of the year-end 2018.

At year-end 2012, YEDAŞ obtained a Retail Sales license with the decision of the Energy Market Regulatory Board (EMRA) within the framework of the "Procedures and Principles Regarding the Legal Separation of Distribution and Retail Sales Operations." Subsequently in 2013, YEDAŞ has been split into two companies as Yeşilırmak Elektrik Dağıtım A.Ş. and Yeşilırmak Elektrik Perakende Satış A.Ş.

Today, YEDAŞ provides electricity distribution service to more than 3 million customers with 5 million kWh of energy in the cities of Samsun, Ordu, Çorum, Amasya and Sinop as well as their respective districts. YEDAŞ operates with a staff of 1,286 and is among a handful of electricity distribution companies that boasts its own in-house software team.

Sustaining its target of generating value and being a pioneer by ensuring consistent and reliable energy distribution at locations it serves, high employee and customer satisfaction and social contribution, YEDAŞ prioritizes occupational health and safety, use of technology and innovative solution approach.

In 2011, YEDAŞ integrated SAP business modules, which are key to delivering top-quality customer services, into its processes. It is the first and only electricity distribution company in Turkey to use the SAP system in the most effective and comprehensive manner. Furthermore, since early 2013, the company employs the SAP IS-U system (industrial system solutions), which operates in integration with GIS (geography information system) and AMR/OSOS (automated meter reading) throughout its live system.

In line with its strategic priorities and objectives, YEDAŞ continues to invest in digitalization and aims to offer high quality and continuous electricity to more customers by establishing remote monitoring and control systems such as SCADA, AGIS and Mobile Workforce Management System. YEDAŞ constantly improves its supply continuity and service quality by analyzing and correlating existing data and data collected in the field as part of its Big Data project.

YEDAŞ's primary goal is to provide high quality, uninterrupted service in its operating region by boosting efficiency in business processes. To this end, the company has adopted the vision of becoming "one of Europe's top 10 companies in terms of corporate and operational excellence by 2019." It is making steady progress towards this objective by investing in world-class technology to deliver high customer satisfaction.

2018 HIGHLIGHTS

Prioritizing the effective use of advanced digital technologies, YEDAŞ established the EDAŞ Online portal to enable consumers to perform online applications. The Company also completed the integration of the third phase of its Mobile Workforce Management Project - WFM Mobile GIS and SCADA, GIS, SAP integration - conducted for instant determination and rapid intervention to problems in the grid by field teams via tablets - and carried digitalization to its field processes. YEDAŞ can remotely monitor 120 points on more than 12 thousand distribution transformers and approximately 40 thousand low-voltage feeders in its distribution region via the AGIS project.

Drones were initially used in 2018 to determine long-line failures in the field within the distribution network, to make more detailed field determinations, to conduct more effective maintenance and investment activities, and to carry out effective leakage scans.

COMPETITIVE ADVANTAGES

- ▶ The most extensive distant monitoring and control system in the sector at its distribution network,
- ▶ Real-time monitoring of 45% of its total energy production at the service field with AGIS, which also contains the ideal OSOS system,
- ▶ Including all production plants in its activity region to OSOS and monitoring 100% of its energy production at the source,
- ▶ Monitoring its low voltage network from 120 thousand points,
- ▶ With the SCADA project at OG level, remotely controlling 3,750 OG feeders and monitoring 100% of its OG network within the scope of AGIS project,
- ▶ Placing high importance on technology investments,
- ▶ Fast intervention to failures with SCADA/DMS system,
- ▶ World-class service quality,
- ▶ High customer satisfaction thanks to its modern systems,
- ▶ Development of R&D projects supported by American Development Agency and EPDK,
- ▶ Workforce Management project (WFM).

YEŞİLİRMAK ELEKTRİK DAĞITIM A.Ş. (YEDAŞ)

Along with Occupational Health and Safety investments made in order to create a safe and healthy working environment, YEDAŞ ensures continuity with awareness applications and adopts the culture of safety as a lifestyle.

In 2018, YEDAŞ continued its social responsibility efforts, investing TL 625 thousand to insulate transmission lines and install bird guards on the migration routes of about a million birds, to prevent collisions and electrocution.

YEDAŞ strives to ensure the health of its employees, promoting adherence to safety rules as a lifestyle through continuous awareness projects. With "On the Job Talks," employees are reminded of the rules and the proper applications prior to starting their shifts. Each province's Occupational Health and Safety teams perform their daily field audits and provide information. Executives visit field teams and conduct evaluations to both develop and implement safety measures. Informational messages regarding the rules are delivered throughout the day. Teams adhering to Occupational Health and Safety rules in each province are recognized as "Gold Team of the Month."

INVESTMENTS REALIZED IN 2018

In 2018, TL 239.3 million was invested in the grid, TL 5.6 million in the network operation system, and TL 6.6 million in meters, as well as TL 17.3 million towards environment, safety and other investment areas, with a total of TL 268.8 million invested. In total, 385 transformers, 213 kilometers of energy transmission lines, 1,970 kilometers of rural grid and 104 kilometers of underground grid

were set up, along with 81 kilometers of independent lighting and 63 distribution centers/measurement cabinets with breakers.

Within the scope of 2018 investments, 2.9% of YEDAŞ's transformers and 3.3% of the overhead grids were renewed/ additional grids were set up. Realizing its aims for ensuring consistent electricity supply and improvement of technical quality, YEDAŞ effectively reduced by 35% the number of power cuts in the investment region and improved by 48% the duration of power cuts.

"FIRSTS" AND "BESTS" IN THE SECTOR

- The first Turkish electricity distribution company to implement the Digital Network Model-Sustainable Investment Period project.
- The first electricity distribution company in Turkey to gain membership in KalDer, the Company holds a three-star "EFQM Recognized for Excellence" certificate.

- The first and only distribution company to set up a Low Voltage Grid Monitoring System. As a result, the Company has the capability to remotely monitor and manage its low-voltage grid.

QUALITY STANDARDS AND CERTIFICATES

- ISO 9001 Quality Management System
- ISO 14001 Environmental Management System
- OHSAS 18001 Occupational Health and Safety Management System
- ISO 27001 Information Security Management System
- ISO 10002 Customer Satisfaction and Complaints Handling
- ISO 18295-1 Customer Communication Centers Management System

AWARDS IN 2018

- YEDAŞ was awarded with the "Mobile Prize of the Year" at SAP Nopw event on October 25, 2018 with its Mobile GIS Project.

Financial Summary (TL Million)	2016	2017	2018
Total Assets	1,190	1,512	2,053
Net Sales	694	828	899
Total Equity	554	770	978
EBITDA	501	549	759
EBITDA Margin (%)	72	66	84



YEŞİLIRMAK ELEKTRİK PERAKENDE SATIŞ A.Ş. (YEPAŞ)

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



2018 DEVELOPMENTS

SALES TO ELIGIBLE CONSUMERS

243 million kWh

- YEPAŞ sold 243 million kWh energy to eligible consumers in 2018.

TOTAL ASSETS

TL 603 million

- Total assets of YEPAŞ reached TL 603 million in 2018.

NET SALES

TL 1.9 billion

- YEPAŞ's net sale was TL 1.9 billion in 2018.

EQUITY

TL 37 million

- YEPAŞ's equity reached TL 37 million in 2018.

CORPORATE PROFILE

Yeşilirmak Elektrik Perakende Satış A.Ş. ("YEPAŞ") was established on January 1, 2013, pursuant to Article 3 of Electricity Market Law No: 4628 and Article 39 of the Communiqué on the Regulation of Income and Tariffs in the Electricity Market and Reporting Procedures, which require the legal separation of electricity distribution and retail sales operations. YEPAŞ supplies electricity to a broad customer base including industrial facilities as well as individual households across Turkey. As a last source supplier, the company is authorized to sell electricity power to consumers at the rate determined for the service area of Yeşilirmak Elektrik Dağıtım A.Ş. ("YEDAŞ"); to eligible consumers who choose not to take advantage of this right; and to eligible consumers at the retail tariff determined by the Energy Market Regulatory Authority. YEPAŞ sells electricity power to eligible consumers in the region at market-based rates under bilateral contracts. Additionally, YEPAŞ, in keeping with its last source supplier status, undertakes marketing, sales, and customer services activities (e.g. subscriptions, billing, and collections).

Along with these services offered to eligible consumers in the liberating electricity market, the Company offers services within the assigned supply company mission imposed by the Electricity Market Code to its customers who are not eligible consumers or who do not make use of this right. The Company makes constant improvements in order to ensure correct and timely issuance of electricity bills of its customers, to deliver and collect these bills rapidly through alternative channels.

In 2018, YEPAŞ's sales volume increased by 2.39%, its customer base by 4% and its eligible consumer numbers decreased by 99.31%. Meanwhile, electricity sales to eligible consumers decreased by 84% to 243 million kWh.

VISION

To add value to customers' lives by offering innovative services.

MISSION

To provide high quality, reliable, uninterrupted and reasonably-priced electricity by implementing a customer-centric service strategy.

CUSTOMER SATISFACTION POLICY

At YEPAŞ,

- We are committed to implementing the following principles and practices; We will establish systems that will enable our customers to easily submit their suggestions, complaints, requests and objections;
- We will handle all requests and demands submitted by our customers via various tools and methods in an objective, fair, confidential and diligent manner; evaluate such requests and demands and provide feedback to our customers in accordance with applicable laws, rules and regulations and our company's ethical principles and policies;
- We will make improvements and perform the necessary controls to prevent the recurrence of customer complaints and boost efficiency by identifying the areas for improvement at our company;
- We will consider all suggestions from our employees, our internal customers, and implement them;
- We will integrate the improvements suggested as a solution by our customers in their complaints and requests into our system, and implement them in our business processes;

- We will acknowledge our customers to be right in our relationships with them, resolve all customer complaints in a transparent manner, and allocate all available resources to achieve this;
- We will regularly review, report and improve our customer request and complaint handling processes and relevant systems in order to identify areas for improvement and increase efficiency;
- We will implement a customer-focused approach as our core principle and adhere to the principles above.

HISTORY

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

YEŞİLİRMAK ELEKTRİK PERAKENDE SATIŞ A.Ş. (YEPAŞ)

When selling electricity power to industrial facilities and businesses that have eligible consumer status, YEPAŞ develops effective solutions and services by taking market dynamics into account and by closely monitoring the requirements of its customers.

YEPAŞ provides customers with high quality, reliable, uninterrupted and reasonably-priced electricity, which is essential to daily life. Building customer satisfaction into its business processes, YEPAŞ successfully continued to deliver fast and courteous customer service in 2018. YEPAŞ always aims to deliver innovative, customer-focused services. Thanks to its advanced technology infrastructure, the company develops products, services and solutions that meet customers' needs. As a result of technology investments, YEPAŞ today boasts the most advanced IT systems and equipment in the electricity retailing industry. Even though price may seem the most important factor in electricity supply, the supplier's market experience, know-how, and service quality before and after sales are also very important. To that end, YEPAŞ offers its customers the right products and services to meet their needs after carefully analyzing and understanding the market conditions.

When selling electricity power to industrial facilities and businesses that have eligible consumer status, YEPAŞ develops effective solutions and services by taking market dynamics into account and by closely monitoring the requirements of its customers. The company, with its not just price but customer-satisfaction oriented approach, supports the activities of its customers in their own fields of work.

QUALITY STANDARDS AND CERTIFICATES

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

2018 HIGHLIGHTS

YEPAŞ, reacted swiftly to negative developments in the sector in 2018 and by taking the required measures, benefited from this period deemed as a transition period to prepare the Company to the future. In this period, YEPAŞ, in line with its vision of transforming itself from a regional electricity sale company to a national electricity sale company, carried out improvements in its Information Technologies infrastructure, customer service centers and collection channels.

2018 was a year in which costs were managed effectively, productivity was a main focus and solutions and business models were constantly improved. In this activity period, YEPAŞ, which managed to make its first electricity export to abroad, and closely monitor regional electricity markets and prospective commercial opportunities with its expert staff.

YEPAŞ, carrying out cooperation with Çalık Holding subsidiaries in order to benefit from the intragroup synergy, transformed YEPAŞ operation centers in the region to YEPAŞ N Kolay Authorized Operation Centers in the region under the joint project with Aktif Bank N Kolay and thus, established more extensive, more efficient service channels. At YEPAŞ N Kolay Authorized Operation Centers set up with this new concept, along with conventional N Kolay services, electricity subscription operations, collection operations, eligible consumer operations and all operations for customer services were carried out in 2018. After this cooperation, along with 66 YEPAŞ N Kolay Authorized Operation Centers in the provinces and districts of Samsun, Sinop, Ordu, Çorum, Amasya, 850 N Kolay Kiosk points are now at the service of the customers.

On the other hand, in 2018 YEPAŞ focused on non-electrical products and service sales at its service centers. Through cooperation with group companies N Kolay, Sigortayeri and ÇEDAŞ/YEPAŞ, YEPAŞ started acting as the intermediary in sales of DASK insurance, which is a legal requirement for subscription contracts. In this project, which was initiated with pilot applications, critical progress was achieved and a series number of policies were obtained.



COMPETITIVE ADVANTAGES

- Advanced IT systems and infrastructure,
- High customer satisfaction thanks to its modern systems,
- Placing high importance on technology investments,
- World-class service quality,
- Providing effective solutions and leading the service industry.

Financial Summary (TL Million)*	2016	2017	2018
Total Assets	548	503	603
Net Sales	1,259	1,490	1,880
Total Equity	34	56	37
EBITDA	49	25	-6
EBITDA Margin (%)	4	2	-0.3

* The table only includes data of YEPAS.

YEPAS tested the success of sale of many products and/or services over the same channel after the legal regulation amendments that should be developed by EMRA, the sector regulator, which became inevitable with the developing market conditions, were completed.

In addition, aiming to improve its Customer Loyalty Program established in 2016 under the title "YEPAS Avantajlar Dünyası," YEPAS signed many cooperation agreements with local and national brands and offers many advantageous opportunities to its customers.

KOSOVO ÇALIK LİMAK ENERGY SH.A.

KESCO Call Center was upgraded to operate 24/7 in order to respond to customer queries and resolve their issues. KESCO managed to provide electricity to its customers at low prices even when there was no electricity generation in the country.



2018 DEVELOPMENTS

TOTAL NUMBER OF SUBSCRIBERS

580 thousand

- KEDS increased its number of subscribers from 470 thousand in 2013 to 580 thousand as of year-end 2018.

TOTAL INVESTMENTS

EUR 21 million

- In 2018, KEDS invested about EUR 21 million primarily to upgrade its grid infrastructure and step up modernization efforts.

TOTAL ASSETS

TL 1.2 billion

- Total assets of KEDS reached TL 1.2 billion in 2018.

NET SALES

TL 1.7 billion

- KEDS's net sales were TL 1.7 billion in 2018.

Kosovo Çalık Limak Energy Sh.A., of which the tender was won in 2012 with Çalık Holding and Limak Holding partnership, operates in the youngest country of Europe, Kosovo, in electricity distribution and retail with 2,200 employees. The Company is the only authorized company with Kosovo Electricity Distribution Company J.s.c. (KEDS) in distribution and with Kosovo Electricity Supply Company J.s.c. (KESCO) in public energy distributor and meets 100% of Kosovo's net electrical energy consumption.

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

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

KEDS increased its number of subscribers from 470 thousand in 2013 to 579,966 as of year-end 2018. Along with Kosovo having a young population, the investments that accelerated since privatization had a great place in this success. In 2018, 5,120 GWh of electricity was distributed in Kosovo.

In 2018, KEDS invested about EUR21 million primarily to upgrade its grid infrastructure and step up modernization efforts.

KEDS successfully fulfilled the legal requirement of separate pricing at year-end 2014 and as result, transferred public electricity procurement to KESCO, established under Çalık Limak Group in 2015. After the licenses were transferred to KESCO, 250 employees were re-positioned from KEDS to KESCO.

KESCO Call Center was upgraded to operate 24/7 in order to respond to customer queries and resolve their issues. KESCO managed to provide electricity to its customers at low prices even when there was no electricity generation in the country. All electricity consumers in Kosovo are customers of KESCO.

LEADING STEPS IN THE SECTOR

- In order to reduce technical and commercial losses KEDS's capital investments have totaled about EUR100 million over the past five years.
- Having restructured its electricity distribution operation entirely, the Company improved its access to energy significantly. Currently, the company works with about 60 commercial parties in terms of monthly, day-ahead and intraday pricing activities.
- Operational efficiency increased through the use of new technologies and implementation of effective measures.

COMPETITIVE ADVANTAGES

- Sole supplier in the market,
- Positioned as a regional player,
- A huge workforce capable of undertaking extra projects,
- Ability to take independent decisions.

- The fifth generation trainings of KEDS Akademi, which leads social responsibility projects with other institutions in order to contribute to young people's access to university education and employment, were successfully completed.
- The company received an Honorable Mention in the "Social Good" category along with three Global Business Excellence awards.
- The company prepared its medium- and long-term investment program with a focus on maximizing the benefits offered to all stakeholders in Kosovo.

KEDS' STRATEGY IN ELECTRICITY DISTRIBUTION AND RETAIL

- To provide reliable electric service to its subscribers with low prices through business processes that focus on high productivity.
- To continue the planned maintenance and network renewal investments in order to meet the international standards in System Average Interruption Duration Index (SAIDI) and System Average Interruption Frequency Index (SAIFI) values with the purpose of improving supply security.

Financial Summary (TL Million)	2016	2017	2018
Total Assets	664	864	1,159
Net Sales	928	1,296	1,706
Total Equity	448	645	922
EBITDA	154	146	208
EBITDA Margin (%)	17	11	12

ARAS ELEKTRİK DAĞITIM A.Ş. (ARAS EDAŞ)

Aras Elektrik Dağıtım established the SCADA infrastructure in its region in 2018, ensured 100% remote monitoring and control at high voltage level of its distribution network.



2018 DEVELOPMENTS

TOTAL NUMBER OF SUBSCRIBERS

2.2 million

- Aras EDAŞ provides electric service to 2.2 million residents in Erzurum as the center, Ağrı, Ardahan, Bayburt, Erzincan, Iğdır and Kars a total of seven provinces.

INVESTMENT AMOUNT IN 2018

TL 188 million

- Aras EDAŞ made a total of TL 188 million investment in 2018.

FIELDS OF SERVICE

70,457 km²

- Aras EDAŞ serves on 70,457 km², corresponding to 11.1% of Turkey's surface area.

TOTAL ASSETS

TL 1.2 billion

- Total assets of EDAŞ reached TL 1.2 billion in 2018.

VISION

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

MISSION

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

ARAS EDAŞ'S OPERATING REGION

Aras EDAŞ serves 2.2 million citizens in seven provinces, with Erzurum as the center, in Ağrı, Ardahan, Bayburt, Erzincan, Iğdır and Kars and distributes electricity to approximately 1 million customers.

In 70,457 km²-geography of Aras EDAŞ, corresponding to 11.1% of Turkey's surface area, agriculture and especially husbandry are main sources of income.

INVESTMENT ACTIVITIES

Making a TL 188 million investment in 2018, Aras EDAŞ has invested a total of TL 1,045 million since June 2013, in which it was privatized. Priorities of Aras EDAŞ in investments:

- Network improvements,
- Technology systems infrastructure,
- High quality, uninterrupted service,
- Customer satisfaction.

Province	Area (Km ²)
Ağrı	11,276
Ardahan	5,576
Bayburt	3,652
Erzincan	11,874
Erzurum	25,055
Iğdır	3,582
Kars	9,442
Total	70,457



INVESTMENT PROJECTS IN 2018

ARAS EDAŞ continues to undertake upgrading, maintenance, improvement, and expansion efforts in the LV & HV (MV) power distribution systems in its operating region-covering the provinces of Ağrı, Ardahan, Bayburt, Erzincan, Erzurum, Iğdır and Kars-to ensure technical quality and continued power. In this respect in 2018, the main investment projects were;

- Setting up 200 km ETL (Energy Transmission Lines),
- Setting up 185 new transformers,
- Renewing 50 village grids,
- Renewing grids in 15 cities and districts,
- Commissioning of PLC meters in order to prevent illegal electricity consumption.

"FIRSTS" AND "BESTS" IN THE SECTOR

- Aras Elektrik Dağıtım established the SCADA infrastructure in its Region in 2018, ensured 100% remote monitoring and control at high voltage level of its distribution network.
- Aras EDAŞ offered its Mobile application to the service of its consumers.

TARGETS

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

2018 HIGHLIGHTS

- In 2018, Aras EDAŞ;
- Included an additional document (27019) in its 27001 Information Security Management System Certificate.
 - Commissioned Remote Monitoring and Control center (SCADA) and Geographical Information System.
 - Conducted periodic satisfaction surveys with both internal and external customers.
 - Commissioned Remote Monitoring and Control center (SCADA). Commissioned Geographical Information System databased, Outage Management System (OMS) and Workforce Management System (WFM) working integrated to this system.

ARAS ELEKTRİK DAĞITIM A.Ş. (ARAS EDAŞ)

Aras EDAŞ's academic board, Aras Akademi signed Education and Cooperation Protocol with Ağrı İbrahim Çeçen University, one of the most prominent universities in its region and completed the university aspect of its education protocols.

COMPETITIVE ADVANTAGES

- Geo-strategic significance of its operating region,
- Largest company in the eastern Anatolia region,
- Location in a region included in the incentive program.

Financial Summary (TL Million)	2016	2017	2018
Total Assets	881	1,022	1,150
Net Sales	551	621	726
Total Equity	298	399	491
EBITDA	162	220	252
EBITDA Margin (%)	29	35	35

NEW APPLICATIONS, NEW PRODUCTS AND NEW COOPERATIONS

- Aras EDAŞ's academic board, Aras Akademi signed Education and Cooperation Protocol with Ağrı İbrahim Çeçen University, one of the most prominent universities in its region and completed the university aspect of its education protocols.
- In addition to existing cooperation agreements with universities, Aras Academy made structural changes to its academic program, and began collaborating with "Thematic High Schools" as well. The project, which was initiated jointly with Provincial Directorates of National Education, was directed to middle schools with operability method of Aras Akademi.

AWARDS

- Under the National Employment Mobilization Program, initiated by President Recep Tayyip Erdoğan, Aras EDAŞ Ardahan Provincial Coordinating Office made the largest contribution to employment.

QUALITY STANDARDS AND CERTIFICATES

- ISO 9001
- ISO 50001
- ISO 14001
- OHSAS 18001
- ISO 27001
- ISO 10002







BEING A MEMBER OF ÇALIK FAMILY

MEANS EMPOWERING THE FUTURE WITH THE CORPORATE CULTURE HERITAGE.

For me, being a part of Çalık family means feeling like being a part of a large family in my own house, working with passion, high energy and love. We complete large and tough projects with each member of our family offering turnkey solutions in different geographies.

HARUN DEMİRCİ

Export and Import Manager
Gap İnşaat

AN OVERVIEW OF THE CONSTRUCTION SECTOR IN 2018

Turkey's reputation in construction, creates an environment of trust abroad, which paves the way for the whole sector.

HIGHLIGHTS

- The construction sector had a successful year, with low interest rates in Asia Pacific and North America and stable commodity prices and American and Canadian markets gave a stable outlook.
- The construction sector in Europe was in general in stagnation.
- Research indicated that the largest construction market in 2020 in the world will be China, followed by the US, India, Japan and Canada.
- The construction sector continued its high growth with 6.9% in the first quarter of 2018, then the growth rate slowed down.
- Gap İnşaat has shown an upward graph since 2006 in the "Top 250 International Contractors" list published by New York-based ENR, which is deemed as the most prestigious institution of engineering, architecture and contracting world. It climbed 19 steps in 2018 when compared to last year, ranking 73rd this year from 92nd.

GLOBAL CONSTRUCTION SECTOR

The construction sector had a successful year, with low interest rates in Asia Pacific and North America and stable commodity prices and American and Canadian markets gave a stable outlook. China again continued to grow with figures deemed as normal and is still active in construction.

The construction sector in Europe was in general in stagnation. Brexit caused uncertainties in various sectors in both the UK and across Europe; construction sector is one of the sectors most affected by this. The Russian construction sector is expected to grow by 1.76% until 2020 and construction of 500 thousand housing units is planned to be completed in line with the government's target of offering housing to medium and low income groups. The overall recovery trend in Russian construction sector is also an important development for Turkish companies with a strong presence in the Russian market; along with Russia, there are important opportunities in markets such as Caucasia and Ukraine due to demand that was delayed until now.

On the other hand, African market, which is on the rise, is also monitored closely by Turkish contractors and there is a well-rounded demand from infrastructure to housing.

Research indicated that the largest construction market in 2020 in the world will be China, followed by the US, India, Japan and Canada. While no significant changes are expected in the listing of market sizes, many significant changes are expected in the growth rate rankings. It is expected that the Middle East and Africa region's construction sector growth rates to surpass Asia Pacific in 2018-2020. The ongoing major infrastructure investments in Gulf countries has a crucial role in this development along with the slowing growth of China. It is estimated that the sector will grow by 67% in 2020 when compared to 2010.

CONSTRUCTION SECTOR IN TURKEY

The construction sector plays an important role in Turkey's 2023 targets, during its transformation to strong economy. In order to improve this contribution, permanent and fast rise in local demand is required.

On the other hand, mega projects such as Kanal İstanbul, Rize-Artvin Airport, Grand Istanbul Tunnel Project and 1915 Çanakkale Bridge in transportation and infrastructure revives the sector.

Within the scope of "2019 Presidency Annual Program," various amendments were made such as in Real Estate Evaluation System in order to enhance the efficiency of practices such as

expropriation, consolidation and zoning practices and such amendments will pave the way for the success of the construction industry. The focus on urban transformation works and the promise that efforts for meeting the accommodation of disadvantaged groups in housing projects are also among important developments for the construction sector.

Turkish construction sector is also preferred in overseas contracting services thanks to its capacity that can create high quality works in anywhere in the world, under any weather conditions, its up-to-date machinery and equipment parks, technological possibilities and expertise, international tender and business experience, the ability to do business fast and also its mobilization ability, knowledge of local requirements abroad and better knowledge of the operation of local authorities and mechanisms.

Given its high reputation abroad and as the second most important country abroad in the foreign market following China, Turkey created an environment of trust, paving the way for the sector.

The construction sector continued its high growth with 6.9% in the first quarter of 2018, then the growth rate slowed down.

The main reason of the shrinking in construction sector is the real estate sector, deemed as one of the milestones of economy in the recent years, faced difficult times. Global and national economic developments had a negative impact on the real estate sector. Housing stock to be around 800 thousand, the excess supply in luxury housing production, the expectation of a decrease in the prices and the rise in mortgage loans, are some of the main factors of this negative picture.

Along with these factors, the volatility that started with Turkish lira depreciating to its lowest against Dollar and Euro in August 2018 had a serious impact on the construction sector. The construction

and project costs rose with the rise in foreign exchange rates and due to the increase in mortgage loans, housing unit sales shrunk. While the companies and sector institutions offered inter-company maturities and other various financial options in order to revive the markets, important steps were taken with the government's fast and agile measures towards balancing the markets.

With the impact of real estate sales, VAT discount and duty exceptions provided, the increase of 19.2% in October and the sale rate of 146 thousand, the highest sales figure of four years, provided relief for the sector. However, it is predicted that the shrinking in the sector will continue for a while by slowing down.

Another important step to relieve the sector was the investment amount for obtaining Turkish citizenship to be dropped to US\$ 250 thousand. Thus, at least 1 million investors grouped in Turkey's hinterland were drawn to our country and it was aimed to provide them with passports in return for real estate investments so that the real estate stocks could be lowered fast.

On the other hand, the funds collected in securities based on produced assets by melting real estate stocks provided relief to sector companies.

GAP İNŞAAT'S POSITION IN THE WORLD AND IN TURKEY

Gap İnşaat, which is a worldwide successful representative of Turkish engineering sector, has shown an upward graph since 2006 in "Top 250 International Contractors" list published by New York-based ENR, which is deemed as the most prestigious institution of engineering, architecture and contracting world. It climbed 19 steps in 2018 when compared to last year, ranking 73rd this year from 92nd.

GAP İnşaat completed Turkmenbashi International Seaport Project, which started in 2014, which will become one of the strategic locations of the transportation line connecting Europe to

Asia, one of the most important logistics hub on the ancient Silk Road and the largest seaport of the Caspian Sea and won the most prestigious award of engineering, contracting and architecture award, ENR "2018 Global Best Project." The Company completed Garaboğaz Fertilizer and Ammonia Factory, the largest chemical project of the Middle East and handed over the project to Turkmenistan Government.

In addition, the Taksim 360 project, the largest urban renewal project of Turkey, had a serious progress and the first stage, office blocks, were handed over to the owners. The Sulfide plant project, which began in June 2016, in Erzincan-İliş region was also completed.

GAP İnşaat became the first Turkish construction company winning "Five Star" award for the Occupational Health and Safety audit carried out by BSC (British Safety Council) for its Çöpler Gold Mine Project in 2018. In addition, Metropol Istanbul Project for about TL 1.3 billion, a part of Istanbul International Financial Center, in which Gap İnşaat participates as a contractor, was conducted.

Entering 2019 with a rich project portfolio, GAP İnşaat will continue its business expansion activities in Turkey, Middle East, Gulf countries and Africa with new projects with its experience and expertise in infrastructure, superstructure and industry areas.

GAP İNŞAAT

GAP İnşaat will continue its business expansion activities in Turkey, Middle East, Gulf countries and Africa with new projects with its experience and expertise in infrastructure, superstructure and industry areas.



2018 DEVELOPMENTS

"THE WORLD'S LARGEST CONTRACTORS" LIST

73rd

- Gap İnşaat leaped 19 ranks from 92nd to 73rd in "Top 250 International Contractors" list published by New York-based ENR, which is deemed as the most prestigious institution of engineering, architecture and contracting world in 2018.

NET SALES

TL 2.0 billion

- Net sales of Gap İnşaat in 2018 reached TL 2.0 billion.

TOTAL ASSETS

TL 5.8 billion

- The total assets of Gap İnşaat in 2018 reached TL 5.8 billion.

EQUITY

TL 1.3 billion

- The equity of Gap İnşaat in 2018 reached TL 1.3 billion.

“FIRSTS” AND “BESTS” IN THE SECTOR

- Turkmenistan Science and Education Center, featuring the most advanced simulation center in the world,
- Zincirlikuyu Office Project is the office building with Leed v3 certification in Turkey,
- Garaboğaz Fertilizer Factory, the largest fertilizer factory in Turkmenistan,
- The largest port of the Caspian Sea, “ENR Best Global Project” award winner Turkmenbashi International Seaport Project,
- All construction works of Sulfide plant in Erzincan/İliç district of “Anagold-Alacer” and a similar project, Balikesir Gediktepe Gold Mine Project,
- Turkey’s largest urban renewal project, a public-private sector cooperation, Taksim 360 Project.

2018 HIGHLIGHTS

2018 was the year of delivery of prestigious projects Gap İnşaat undertook in the global scale. International Turkmenbashi Seaport Project, one of the most strategic investment of the Middle East, constructed in Turkmenbashi and Garaboğaz Fertilizer and Ammonia Factory, built in Garaboğaz region were completed and handed over to the Turkmenistan Government. With the completion of the seaport project, Gap İnşaat became capable of entering similar international tenders on its own.

Deemed as the largest urban renewal project of Turkey, Taksim 360 Project’s first stage, office blocks, were completed and handed over to their owners.

GAP İnşaat will continue its business expansion activities in Turkey, Middle East, Gulf countries and Africa with new projects with its experience and expertise in infrastructure, superstructure and industry areas.

Gap İnşaat started entering tenders not only in contracting in the construction sector but also tenders based on BOT (Build Operate Transfer) and PPP (Public-Private-Partnership) in 2018.

Aiming to achieve successful projects with strong partners, Gap İnşaat constructed the largest ammonia and fertilizer factor of the Middle East in Turkmenistan with Mitsubishi Corporation. Again, it realized Taksim 360 Project, the largest urban renewal project of Turkey, with Beyoğlu Municipality in Istanbul. It completed the office blocks in the project and opened them to service in 2018.

In the same period, with the build, operate and transfer business model, a mixed project, consisting of a shopping center, residence and hotel was initiated in Uzbekistan as an investor.

PROJECTS

Turkmenbashi International Seaport Project

Turkmenistan is an important market for Gap İnşaat. The country is one of the world’s major energy centers with its abundant oil and gas reserves in the Caspian Sea region.

The Turkmenbashi International Seaport Project, which began in 2014 and which will become one of the strategic hubs of the transportation link connecting Europe to Asia, was completed in 2017 and sections were handed over to the employer as of the end of 2017. Within the scope of Turkmenbashi International Seaport Project of US\$ 1.5 billion, the port complex consisting of Ro-Ro and Ro-Pax passenger terminal, container terminal, general cargo terminal, dry cargo terminal and polypropylene terminal and the plant including a shipyard aiming to repair ships in addition to ship building, was opened and handed over with a ceremony to which Turkmenistan President attended in 2018.

The port project will handle the entire maritime export and import operations of Turkmenistan. It will also create 4,000 jobs and significantly contribute to the nation’s economy. Turkmenbashi International Seaport Project won “ENR 2018 Global Best Project” award, deemed as the world’s most prestigious award in engineering, contracting and architecture.

Garaboğaz Fertilizer Factory

In line with Turkmenhimiya on behalf of the Turkmenistan government and the MC-GAP consortium, formed by Gap İnşaat and Japan’s Mitsubishi Corporation (MC), works of the US\$ 1.3 billion for Garaboğaz Fertilizer Factory project were completed in 2018 and the factory was opened for service with a ceremony which Turkmenistan’s President attended.

The Garaboğaz Fertilizer Factory, located in Turkmenistan’s Garaboğaz region by the Caspian Sea, started its operations with a daily production capacity of 3,500 tons of urea and 2,000 tons of ammonia. The facility will create employment for more than 700 jobs, making a positive contribution to the country’s economy.

Construction of Erzincan/Çöpler Sulfide Facilities

While its business portfolio consists mostly of overseas project, Gap İnşaat is also interested in mega projects in Turkey and became the main contractor of a mine operation tender for the first time with Çöpler Sulfide Plants Construction Project. Gap İnşaat became the main contractor of construction and assembly works of the sulfide plants in Erzincan-İliç Region belonging to Anagold Madencilik (Alacer-Lidya Madencilik Partnership) and completed the project, which began in June 2016, as of September 2018.

GAP İNŞAAT

The Taksim 360 project, the first urban renewal project carried out with public and private sector partnership of Turkey, is designed as a modern residential area befitting Istanbul's singular texture and meeting the needs of urbanites.

COMPETITIVE ADVANTAGES

- Organic growth model,
- Innovative management approach,
- Robust financial structure,
- International partnerships that create synergy,
- Extensive know-how in large scale projects,
- Reliability associated with the "Çalık" brand.

Financial Summary (TL Million)	2016	2017	2018
Total Assets	5,270	6,981	5,843
Net Sales	2,557	5,133	1,979
Total Equity	1,030	1,632	1,292
EBITDA	483	365	-590
EBITDA Margin (%)	19	7	-30

GAP İnşaat became the first Turkish construction company winning "FIVE STAR" award for the Occupational Health and Safety audit carried out by BSC (British Safety Council) for its Çöpler Gold Mine Project in 2018. The "Five Star" audit, extends the ongoing best practice techniques applied at the workplace/ projects effectively and trend applications and workplace/project SEÇ processes one step beyond ISO 14000 and OHSAS 18001/ISO 45001 management systems, ensures that the company may prove efficient SEÇ Integrated Management System to customers, supply chain and other stakeholders.

Taksim 360 Residence and Office Project
The Taksim 360 project, the first urban renewal project carried out with public and private sector partnership of Turkey, is designed as a modern residential area befitting Istanbul's singular texture and meeting the needs of urbanites. The project carried out in one of the most

popular regions of Istanbul in terms of history, architecture, social, economy and tourism, was selected as the "Europe's Best Urban Renewal Project" by European Property Awards. The first stage, office blocks of Taksim 360 Project were completed and handed over to the owners.

QUALITY STANDARDS AND CERTIFICATES

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

AWARDS IN 2018

- ENR 2 - October 2, 2018/Best Global Project Award
- British Safety Council - 2018/5 Star Occupational Health and Safety Award







BEING A PART OF ÇALIK FAMILY

MEANS BLENDING OUR EXPERIENCE WITH INNOVATION AND CREATING DIFFERENCE WITH UNIQUE CREATIONS.

Being a part of Çalık Family means taking initiative, making data-based decision making, being fair, developing innovative products through R&D works and becoming a leader in the sector. I am proud to contribute to the growth of an ever-growing company. I feel like a member of a distinguished and promising family.

FATİH ESER GARİP
R&D Research Engineer
Çalık Denim

AN OVERVIEW OF THE TEXTILE SECTOR IN 2018

The production capacity investments in Turkey's textile sector continued throughout 2018. On the other hand, due to the decline in consumption as a result of climate changes due to global warming in the world, the capacity usage rates were lower than expected. The local market shrunk due to the fluctuations in the foreign exchange rates.

HIGHLIGHTS

- Despite the negative conditions in the Turkish textile sector, export performance was similar to the previous year in 2018.
- Çalık Denim also focused on Innovation, Industry 4.0 and Sustainability in 2018.
- Çalık Denim's GRI G4 approved Sustainability Report published in 2018 was a first in the sector.

In 2018, in which fluctuations occurred in the global economy and important developments affecting financial markets took place, the decline in consumption arising due to the slowing down of growth of developed countries, shrinkage in domestic consumption due to foreign exchange rates, climate changes due to global warming and Brexit, were issues on the agenda.

The production capacity investments in Turkey's textile sector continued throughout 2018. On the other hand, due to the decline in consumption as a result of climate changes due to global warming in the world, the capacity usage rates were lower than expected. The domestic market in the textile sector shrunk due to the foreign exchange rates. However, despite negative conditions in 2018, export performance was similar to previous years.

In 2018, despite the shrinkage in denim fabric sector, Çalık Denim increased its net sales by 51% from TL 611 million in 2017.

Çalık Denim also focused on Innovation, Industry 4.0 and Sustainability in 2018. Çalık Denim's GRI G4 approved Sustainability Report published in 2018 was a first in the sector.



ÇALIK DENİM

Çalık Denim always makes its vital investments in technology and innovation in order to become a solution partner for its customers with its innovative structure.



2018 DEVELOPMENTS

NUMBER OF BRANDS SERVED

250

- Çalık Denim serves more than 250 brands over 400 countries worldwide.

CAPACITY USAGE RATIO

98%

- Çalık Denim had a 98% capacity production in 2018.

PRODUCTION AMOUNT

43 million meters

- Çalık Denim carried out over 43 million meters of high quality production in 2018.

2018 INVESTMENTS

~US\$ 70 million

- In line with its production target of 60 million meters set for 2021, Çalık Denim invested approximately US\$ 70 million to its thread, dye, weaving and finishing departments throughout 2018.

According to the Turkish Exporters' Assembly (TİM), Çalık Denim ranks 269th in the 1000 companies with the highest exports in Turkey and 9th among textile sector companies.

ABOUT ÇALIK DENİM

Established in Malatya in 1987 with an investment of US\$ 111 million, Çalık Denim has a special place in the Group's history as the first industrial investment of Çalık Holding. Today, Çalık Denim is a very powerful and reliable supplier serving to worldwide brands and has an annual production capacity of 44 million meters, providing employment to approximately 2,000 people. The Company plans to enhance its capacity to 50 million meter in 2019.

Aiming to have 10% market share in value added denim production by 2021, the company is among leading premium manufacturers and collaborates with many of today's leading fashions brands, including Tommy Hilfiger, Pepe Jeans, Topshop, River Island, M&S, Citizen of Humanity, Parker Smith, Guess, Banana Republic, H&M, GAP, Joe's Jeans, Zara, and Mavi Jeans, Diesel and Replay.

With regular investments to R&D and human resource, R&D efforts, its innovative approach, strategic business alliances and new collections, Çalık Denim continues to increase its brand awareness in the global market. Product launches, product workshops for customer, international fairs attended and marketing works bolster Çalık Denim's role in the sector as a powerful and reliable supplier. In addition, these activities gradually consolidate the unique brand image of the Company.

As a leading manufacturer of premium denim fabrics, Çalık Denim invests heavily in technology and innovation to maintain its strong position in the industry and also remains a trusted solution partner to its customers with its innovative structure. Çalık Denim continues to achieve industry firsts and distinguishes itself in the global

denim market with its unique, innovative collections. The company's Red Carpet, Fly Jean, Oxygene Elastech, Smart Stretch, D-Clear, Selfsized and Summer Slim product groups have attracted huge attention in the industry.

Çalık Denim, which places great importance to cooperation with universities and design schools, created the "Denim Department" within the scope of cooperation with Parsons New School, the most esteemed school in the USA in arts and design, established in 1896. This cooperation, which started in 2017, produced graduates the same year. The new semester was completed in 2018 and the second generation students graduated. Thanks to this collaboration, students, who want to specialize in denim manufacturing, will have the opportunity to learn everything about denim – including technical details, design and washing methods. Çalık Denim's fabrics are used in design works at the school. In addition, education is supported by Çalık Denim's experienced team, the department's students visit certain customers to experience the dynamics of the sector. This cooperation ongoing since 2017, is planned to continue in the coming years.

On the other hand, Çalık Denim has been carrying out project works in automation and digitalization within Industry 4.0 work with Aachen University, a leading textile school in Germany and leads the sector with "Çalık Denim 4.0 Systematic" it developed. The company places great importance on automation and digitalization in manufacturing, the main requirements of the Industry 4.0 revolution. This effort aims to identify potential losses (labor, energy, equipment and the like), boost productivity, reduce costs, ensure efficient use of resources and gain a competitive advantage.

In line with its continuous improvement approach, Çalık Denim implements Lean Six Sigma to identify the root causes of problems and find lasting solutions.

The company aims to improve business process efficiency to an excellent level in order to effectively compete in the global market.

- Improving processes to make them transparent and manageable,
 - Establishing a data-driven decision-making mechanism,
 - Ensuring continuity of activities that increase profitability,
 - Aligning organizational goals and process goals,
 - Ensuring customer-orientation,
 - Creating a common language, and
 - Boosting creativity
- are the main targets of Lean Management applications and currently, the company is carrying out 33 projects and providing green belt and black belt training courses within the organization.

As a result of these efforts, Çalık Denim reduces costs, recovers untapped potential and achieves additional financial gains.

After receiving R&D Center certification in 2011, Çalık Denim started to carry out R&D activities as a recognized scientific research center that capitalizes on its deep industry know-how. Today, Çalık Denim develops groundbreaking products at its R&D Center and manufactures fabrics that bring a new vision to the Turkish and global textile industry.

Taking an innovative approach to design and manufacturing, Çalık Denim creates highly original fabric collections, which, together with its annual production capacity, make the company a global leader in the sector.

ÇALIK DENİM

“D-Clear” concept developed by Çalık Denim with the sustainability approach, offers savings in both indigo dyeing and finishing stages. It offers 40% water savings in indigo dyeing and 83% water saving in finishing process. Thus, 5 liters of water is spent per square meter and 94% less chemical consumption is achieved.

COMPETITIVE ADVANTAGES

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

The R&D Center of Çalık Denim initiated joint projects with technology and research institutes in Italy, Germany and Spain in areas such as modernization, new technologies, product quality improvement, and competitive advantage creation in the textile industry. Some of prominent projects carried out at the R&D Center are as follows:

- Nano Coating Methods in Denim Finishing Operations,
- Technical Textile Producibility in Denim Fabric Production Line,
- Dock Carrier Robot Design,
- Multi-Layered Fabric Design,
- Development of Denim Coated Surfaces with Hotmelt Technique,
- Investigation of Feasibility of Nano Coating Methods in Finishing Operations,
- Supply Process and Stock Optimization,
- Process-Based Process Improvement Works.

TARGETS

- To raise annual production capacity to 60 million meters and increase market share in the global premium denim market to 10% by 2021,
- To become a global leader in denim manufacturing.

“FIRSTS” AND “BESTS” IN THE SECTOR

- Çalık Denim developed and commercialized the first breathable coated-fabric (Retina).
- Çalık Denim, with the philosophy of responsible production against issues such as consumption of natural resources, rise in environmental pollution, had a breakthrough in the sector with the Oxygene concept it developed. This concept ensures 95% less water use, 50% less chemical use and 79% less energy use during washing processes, minimizing environmental pollution resulting from production. Thanks to this concept, which also saves time, solution was found for negative environmental effects resulting from denim production activities and successful production was achieved. Çalık Denim created awareness in the sector by allowing its customers to make sustainable production with this concept it developed.
- Çalık Denim, thanks to the Elastech technology it developed, found solutions for many problems such as loosening of stretch fabrics with high elasticity, high shrinkage values during washing. A first in the sector, Elastech technology drew great interest from designers, outfitters, brands and end users.
- Fly Jean, one of the latest innovations introduced by Çalık Denim, is a unique product with its extraordinary lightness, softness and elasticity, and an excellent fit for the “athleisure” style.
- Çalık Denim united comfort and body shaping characteristics in a single fabric with its Smart Stretch product line. Thanks to its high elasticity, with the groundbreaking Smart Stretch concept offering the comfort needed by the body and shaping with its high recovery characteristic, it achieved a breakthrough in the sector again.



- Çalık Denim, added an innovative remark to shiny vivid satin fabrics, which became more popular in 2017, and combined this colorful trend with denim. It brought a breath of fresh air to the sector with the Red Carpet concept it developed and by using its creativity and innovative point of view, interpreted this rising trend together with the art of denim.
- Çalık Denim switched to Automatic Sample Warehouse System and Automatic Delivery Warehouse System.
- Çalık Denim R&D Center, approved by the Ministry of Science, Industry and Technology is the first and only R&D Center in Easter Anatolia Region.

EVER EVOLVING TALKS

It was revealed through internal and external brand analysis, which took place during the brand identity transformation process, that the essence of the brand of Çalık Denim is an explorer. With the “Ever Evolving” motto, the Company has adopted continuous development as principle. Progressing to become a leader in its area and a brand known by the end consumers, Çalık Denim not just aims to develop its own brand but also its own sector.

The first of the Ever Evolving Talks series inspired by the “Ever Evolving” motto were organized at Theater Amsterdam on October 23.

This event, where issues such as trends that will shape the future of the sector, innovation, technology and sustainability, brings together leading names of the fashion world and also expert speakers from different disciplines and sectors and is a first in the sector.

EVER EVOLVING TALKS EVENT SPEAKERS

Moderators:

- Event Moderator: BJ Cunningham
- Panel moderator: Dio Kurazawa

Keynote Presentations:

- **Matthew Drinkwater** - Future's Wearable Technology Trends
- **Thimon De Jong** - Generation Y and Z's Purchasing Preferences and Behaviors
- **Ken Segall** - Simplicity and Innovation

Panels:

- **Sustainability as a Main Brand Value**
 - Adriana Galijasevic
 - Roian Atwood
 - Rune Orloff
 - Marcia Lazar
- **Power of Cooperation**
 - Lukas Vincent
 - Willy Chavarria
 - Izzy Jolly
 - Alec Leach
- **Future of Fashion**
 - Matthew Williams
 - Sam Lambert & Shaka Maidoh
 - Ouigi Theodore

ÇALIK DENİM

Çalık Denim received awards in two different categories at the 15th Stevie International Business Awards, deemed as the largest and most respected awards of the business world at a global scale in 2018. The 30th year project of Çalık Denim, “Denim Loves Art” won the bronze medal in “Best Public Relations Event” and “Best Corporate Image Event” and achieved international success.

2018 HIGHLIGHTS

Serving more than 250 brands, Çalık Denim operated at 98% capacity with over 43 million meters, fulfilling its high quality and service offers to customers in 2018.

Çalık Denim and Art Comes First Collaboration

Art Comes First (ACF) was founded by Sam Lambert and Shaka Maidoh in order to contribute to the progress of fashion design through dynamic collaborations with creative individuals and brands from different disciplines; in the last decade, ACF has emerged as one of the most interesting and innovative structures in men's fashion. Rejecting the idea that fashion is of lesser value on the artistic scale, ACF believes that fashion goes beyond a mere commercial concept to encompass different cultures, and music and art. As such, ACF embraces creative individuals such as photographers, art directors, musicians and teachers, rebels and healers, along with designers.

With an understanding of the dynamics of different markets, and following trends and integrating its creative works in each area, Çalık Denim created a common collection in 2018, in collaboration with ACF. Reflecting on punk, rebellion and manifestation, the collection was exhibited at ComplexCon in California,

Financial Summary (TL Million)*	2016	2017	2018
Total Assets	1,079	1,387	1,673
Net Sales	693	611	924
Total Equity	208	552	383
EBITDA	96	151	257
EBITDA Margin (%)	14	25	28

* Çalık Koton was removed from previous years.

held on November 3-4, 2018, and bringing together pop culture, music, art, food, style, sports, innovation, activism and education. In the first quarter of 2019, the collection was displayed during the Milan, Paris and Copenhagen Fashion Weeks; an event in Japan is also planned. The collection consists of versatile pieces that can be worn any time, any place.

Çalık Denim Sustainability Report

Aiming for transparency regarding the economic, social and environment impact of its activities, Çalık Denim published its first Sustainability Report in 2018, sharing with its stakeholders the Company's status in the sector, its sustainability approach and targets and its plans for managing the effects of its activities, as well as other positive developments.

The first Sustainability Report was issued in September 2018, detailing sustainability practices carried out from January 1, 2017 until December 31, 2017. Çalık Denim incorporated previous years' performances in this Report, offering stakeholders the opportunity to compare its work on an annual basis.

The Report was prepared according to the GRI G4 standard, the most advanced standard in the world and used by just a few companies. These important issues were determined based on prioritization studies conducted by Çalık Denim and including attendance by stakeholders.



New Concepts

Developing designs intended to again lead the sector in 2018, Çalık Denim launched its Summer Slim concept. Standing out with its lightness, despite a voluminous and thick appearance, the Summer Slim collection is formed of loose, breathable fabrics, thanks to its special yarn technology. The collection offers alternatives such as comfort stretch and power stretch, and stands out with its robust and authentic denim look.

Another innovative concept realized by Çalık Denim in 2018 was Selfsized. Offering the reduction of the number of sizes sewn in pants production, these fabrics feature ultra-high elasticity, comfort and softness, allowing a range of fewer sizes that, yet, fit more customers. To prevent elastin runs, fabrics manufactured utilizing the T-Power technology of Çalık Denim, along with a

cotton inner layer enhancing the feeling of comfort, also offer different looks and different washing levels.

The D-Clear concept, developed by Çalık Denim with a sustainability approach, offers savings in both the indigo dye and finishing stages. The process offers 40% savings in water use during indigo dyeing and 83% savings in water use in the finishing stage, as well as five liters of water consumption per meter, and 94% savings in chemical use. D-Clear technology was used in 10% of the new collection. Within the D-Clear concept, comfort stretch and power stretch fabrics are offered as alternatives to clients.

INVESTMENTS

In line with its 2021 production target of more than 60 million meters, Çalık Denim invested approximately US\$ 70 million into thread, dye, weaving and finishing processes in 2018.

Consistently leveraging its innovative structure, Çalık Denim aims to enhance customer satisfaction by offering more technological products via research and investments. The Company completed indigo dye investments at the factory and commissioned 216 Picanol benches. Çalık Denim plans to improve its capacity by 20% in 2019 with this investment.

QUALITY STANDARDS AND CERTIFICATES

- ISO 9001 Quality Management System
- ISO 14001 Environmental Management System
- OHSAS 18001 Occupational Health and Safety Management System
- ISO 50001 Energy Management System
- ISO 27001 Information Security Management System
- Global Organic Textile Standard (GOTS)
- Global Recycled Textile Standard (GRS)
- Organic Content Standard (OCS)
- Recycled Claim Standard (RCS)
- Oeko-Tex
- BCI Membership

Çalık Denim is further included in TURQUALITY Support program, which aims to support Turkish brands' branding abroad.

AWARDS

Çalık Denim received awards in two different categories at the 15th Stevie International Business Awards deemed as the largest and most respected awards of the business world at a global scale in 2018. The 30th year project of Çalık Denim, "Denim Loves Art" won the bronze medal in "Best Public Relations Event" and "Best Corporate Image Event" and achieved international success.

In addition, Çalık Denim was awarded with Plating Special Industry 4.0 prize within "Platin Global 100 Index" announced by the business world magazine Platin as a result of the meticulous works they carry out with independent research company Ipsos.

GAP PAZARLAMA

Gap Pazarlama is one of the prominent trade companies of the global textile market with its expert and experienced staff, technical knowledge, product variety it achieves with continuous P&D efforts and its wide supply network.



2018 DEVELOPMENTS

HOME TEXTILE

1 million units

- Gap Pazarlama reached a sales figure of 1 million in home textile area in 2018.

READY-TO-WEAR SALE

1.4 million units

- Gap Pazarlama sold 1.4 million pieces of ready-to-wear clothing items in 2018.

DENIM AND RAW FABRIC SALE

11.6 million meters

- In 2018, Gap Pazarlama's denim fabric sales reached 7.3 million and raw fabric sales reached 4.3 million meters.

THREAD SALE

7.2 million kg

- Gap Pazarlama sold 7.2 million kg of thread in 2018.

COMPETITIVE ADVANTAGES

- Timely delivery of high quality products to customers,
- Extensive network of contractors,
- Integrated manufacturing facilities,
- Well-established client portfolio and high level of customer satisfaction,
- Effective supply chain optimization.

Founded in 1991 with the vision of becoming one of the global players of the textile sector, Gap Pazarlama has a strong network in Turkic republics, Middle and Central Asia and Africa and an extensive production range. Establishing a supply network with different product groups, Gap Pazarlama offers its products to the leading retailer and brands of the world. In ready-to-wear sector, the Company has worldwide brands such as Bershka, Zara, Pull&Bear, Tesco, River Island, La Redoute, Mango, Puma, and U.S. Polo in its customer portfolio, and cooperates with prominent retailer companies in the market including Jc Penney, Costco, BB&B, Sears, Kmart, Bonton, and Lidl.

“FIRSTS” AND “BESTS” IN THE SECTOR

- Leading and the biggest supplier of textiles in Turkmenistan,
- Top importer with the largest market share in Turkmenistan,
- First company to promote and sell the products manufactured at the integrated denim fabric, apparel and home textile factories in Turkmenistan to international markets,
- First company to set up quality management, environmental management, occupational health and safety management systems in Turkmenistan and obtain certifications,
- Top importer with the largest market share in cotton yarn,
- First company to publish an Integrated Annual Report within Çalık Holding Family and in Turkey's textile industry.

QUALITY STANDARDS AND CERTIFICATES

- ISO 9001:2015
- ISO 27001:2013
- ISO 14001:2015
- Six Sigma

2018 HIGHLIGHTS

Gap Pazarlama channels its strong presence in B2B to B2C with its Tura Moda brand established in 2018. Tura Moda, with a distinctive vision and a business model based on delivering a fresh breath to the textile sector, features a structure that permits e-commerce and retailing with its design, collection and product development capabilities.

Gap Pazarlama offered the Denim Orient collection, set up in 2018, to customers through Tura Moda. The new fabric collection was met with high praise.

The ready-to-wear plant, Çalık Alexandria (Egypt), which was closed for almost six years, re-started production in 2018. The plant carries out manufacturing for large chains such as LC Waikiki and Koton in Turkey, and Inditex, TFG and Rica Levi abroad.

Gap Pazarlama also obtained a warehouse establishment license in Istanbul in 2018.

Financial Summary (TL Million)	2016	2017	2018
Total Assets	639	495	585
Net Sales	504	332	261
Total Equity	118	132	243
EBITDA	64	30	-1.4
EBITDA Margin (%)	13	9	-0.5





BEING A MEMBER OF ÇALIK FAMILY
**MEANS
DISCOVERING
AND PROCESSING
VALUE AT ALL
STAGES AND IN
EVERY SETTING.**

Being a member of Çalık Family means being open to innovation and change. It means developing major projects through teamwork and achieving results; exploring our mines quickly and cost-effectively, contributing to the nation's economy and acting as a major player in the mining sector.

GAMZE GÜNDOĞDU

Assistant Database & Drawing Expert
Polimetal Madencilik

AN OVERVIEW OF THE MINING SECTOR IN 2018

In 2018, adaptation to technologic developments, the weight of gold projects in the sector, the importance of commodity changing with the battery technology and the trade war between China and the US marked the mining sector.

HIGHLIGHTS

- The most remarkable event for the mining industry was the merger of Randgold and Barrick Gold.
- Companies, which can expand technology throughout their business in the mining sector, will be strategically more durable against cost inflation based on commodity prices and high taxes imposed by governments.
- The efforts of Ministry of Energy and Natural Resources in order to support mining industry continues in 2018 and MiGEM (General Directorate of Mining Affairs) and PiGM (General Directorate of Oil Affairs) were combined under a single roof as MAPEG (General Directorate of Mining and Oil Affairs).

In 2018, adaptation to technological developments, the weight of gold projects in the sector, the importance of commodity changing with the battery technology and the trade war between China and the US marked the mining sector. The most remarkable event for the mining industry was the merger of Randgold and Barrick Gold. This merger, one of the most crucial developments in the sector, resulted in the foundation of the largest gold mine company with a market value of US\$ 18 billion.

With the low commodity prices between 2011 and 2015, access to conventional financing methods became harder; however, major players were hardly affected from this. Newcomers or small-scaled companies caused alternative financing methods to emerge in this period. With the recovery trend last year, which continued in 2018 as well, it was observed that conventional financing methods were expanded to a wider area. While alternative fund resources continue to be approved in the sector due to low risks, joint ventures, company merger, development agencies and state-supported funds will be the main financing methods of prospective risky projects. It is expected for small-scaled companies to finance their own projects in the coming years.

The trade crisis between the US and China was a major event in 2018. How China will develop a resistance to this situation is still a serious matter for discussion among investors. In addition, strong US Dollar increased the prices of metals in foreign currencies, thus creating a negative impact on metal prices. These negative conditions suppressed the commodity prices especially in the second half of 2018 and caused a decline. The US and China focused on alternative markets during this period and commodity manufactured in China was sold in Asia and Africa markets while US-based commodity was sold in the European market. In addition, the nationalization of resources in Africa accelerated in 2018; and the most important development in this respect took place in the Democratic Republic of Congo. There was a serious rise in taxes in this country and the long-term discussions of companies to convince the government did not yield any results. The Democratic Republic of Congo, which increased the tax on cobalt from 2.5% to 3% within the year, announced that with a new regulation, it is raising this tax to 10%. The major players in the country and the region express that with such high taxes on top of the risks already present in the country and the region causes the risk to become more severe and they are not pleased with this situation. 2018 was an unfavorable year for gold and silver, which are deemed as safe harbors; demand to gold decreased

by 7% in 2018, the lowest level since 2008. This also had an adverse effect on metal prices; gold depreciated by 6% and silver by 16%. As a result, the whole commodity market was adversely affected; especially electrical vehicles and copper, accepted as an important input in the energy sector and in this sense, deemed as one of the strategic metals of the future, had a significant decline in value in 2018. Thus, aluminum prices decreased by 15%, zinc by 22%, led by 24% and nickel by 15% in 2018.

In terms of geography, Australia and Canada will continue to be the focus of new projects thanks to their rich underground sources and favorable operational environments. The rise in commodity prices and improvement in financial results will cause companies to make more investments in exploration projects in the mining area. On the other, steel, iron ore and coal projects are expected to be on the decline due to the slowdown in China's demand. Major projects to be carried out in Australia offer a crucial support to Asia, and it will allow Asia to host mega projects before North America and Africa over the years.

China's "One Belt & One Road" initiative creates investment opportunities in the mining sector thanks to large financing sources and preserves its importance as a state-supported major economic action. It is estimated that especially investments in copper, gold and uranium will draw the investors as the prices of these commodities increase and will create a positive atmosphere for the outlook of Central Asia. However, while many announcement were made regarding many projects in the recent years, no concrete progress was achieved in these projects due to high risks and slowing down Chinese economy. China aims to create alternative transportation corridors with Europe in order to expand the economic and geopolitical impact of the mining sector in these regions. Mainly, Central Asia countries will be offering the highest opportunities in terms of mining in the coming years when compared to Europe or China thanks to the

geostrategic locations and the richness of their natural resources.

Gold, deemed as a safe harbor for investors, became the choice of central banks especially with the global financial crisis; thus, 2018 became the year with the highest gold purchase within the last three years. The countries accounting for such purchases and 86% of these purchases were respectively Russia, Turkey and Kazakhstan. In addition to Central Bank's gold purchases, the movement of including under the mattress savings to the economy yielded results and 2.5 tons of gold were included in the financial system.

Companies, which can expand technology throughout their business in the mining sector, will be strategically more durable against cost inflation based on commodity prices and high taxes imposed by governments. The integration of technology to mining progressed with beyond-the-machine detectors and internet of the objects, virtual reality and data processing platforms and mining companies are seeking cooperation with the leading technology companies. In this respect, Goldcorp's partnership with IBM for artificial intelligence, with Microsoft for virtual reality technology and Accenture for big data analysis are some of the most crucial partnerships in the sector. In addition, large mining companies are founding new business units within themselves. Codelco has a "New Technology Unit" while Rio Tinto has a technological structure titled "Mine of Tomorrow."

Change in economic and technological trends means change in the investment dynamics of a series of metals. The increase in the use of electrical vehicles triggers the interest in lithium and cobalt mines and will also cause a rise in the use of other base metals such as nickel, aluminum and manganese.

We observed positive developments in mining industry in Turkey in 2018. The efforts of Ministry of Energy and Natural Resources in order to support mining industry continued in 2018 and MİGEM (General Directorate of Mining Affairs) and PİGM (General Directorate of Oil Affairs) were combined under a single roof as MAPEG (General Directorate of Mining and Oil Affairs). With the Presidency Circular published on September 11, 2018, the mining authorization system was simplified. One of the most crucial developments of 2018 was the foundation of UMREK (National Mine Resource and Reserve Storage Commission) for determining the resource and reserve qualities of mines. In this respect, general assemblies were held during the year, meetings were organized with sector representatives and the institution started its activities. Turkey entered CRIRSCO (Committee for Mineral Reserves International Reporting Standards) and in addition, TÜVEK (Earth Sciences and Drilling Core Information Bank of Turkey) was established in order to collect information regarding underground resources at a single source and for health information sharing.

MAPEG, opened major licenses it holds to tender in 2018, the sector was revived with the interest of companies to the tender. General Directorate of Mineral Research and Exploration, which accelerated its exploration works in 2017, continued these activities with drilling activities exceeding 1 million meter in 2018. In addition, bill of law for amendment of the Mining Law was presented in order to improve mining activities in Turkey and for the mining industry to have a structure that will enable the added value obtained from mining activities to remain in Turkey.

LİDYA MADENCİLİK

Lidya Madencilik aims to continue its competitive and high standard activities in Turkey and in the region and become the most valuable mining company of Eurasia.



2018 DEVELOPMENTS

ÇÖPLER MINE TOTAL INVESTMENT AMOUNT

US\$ 1.1 billion

- With the completion of an investment of US\$ 744 million, the total investment for Çöpler Mine reached US\$ 1.1 billion.

ÇÖPLER GOLD MINE GOLD PRODUCTION

170 thousand ounces

- Çöpler Mine generated 170 thousand ounces (5.3 tons) of gold in 2018 and since the beginning of the project, over 1.5 million ounces (47 tons) of gold were produced.

“FIRSTS” AND “BESTS” IN THE SECTOR

- The strategic partnership between Lidya Madencilik and Alacer Gold is one of the first international business collaborations in the Turkish mining industry.
- Anagold, one of the partners of Lidya Madencilik, ranks among Turkey's top three gold mine companies.
- Anagold Çöpler Gold Mine is Turkey's second largest gold mine.
- Çöpler Sulfide Plant, which will make a breakthrough in Turkey with gold production with ore dressing method, will be one of the most prominent plants in the world.
- Çöpler Sulfide Plant is the largest precious metals-mining investment ever undertaken in Turkey.

Established in 2006, Lidya Madencilik realized the first largest international cooperation in the Turkish mining sector in 2009 with Alacer Gold. With 97 employees at eight subsidiaries it operates as of year-end 2018, Lidya Madencilik maintains its competitive and high standard activities in Turkey and the region and aims to become the most valuable mining company of Eurasia.

The Company manufactured 47 tons of gold since the beginning of the project with Alacer Gold and acts as an investor in Kartaltepe and Tunçpınar exploration sites with Çöpler Gold Mine. The company along with exploration sites owned by Polimetel Madencilik, is the operator of the Gediktepe project. Under the collaboration with the other foreign partner, Sandstorm Gold, Lidya Madencilik operates the Hod Mine project.



Thanks to its highly-skilled exploration team, Lidya Madencilik has made two major discoveries; the feasibility works of one of these discoveries, Balıkesir Gediktepe Project is at its final stage. Lidya Madencilik obtained the Environmental Impact Assessment (EIA) Report for the project, and commenced infrastructure work, which includes the construction of roads, power transmission lines and social facilities. Another important discovery with Sandstorm Gold as the partner is Hod Mine Project and the pre-feasibility works are completed and feasibility works are planned to be carried out in 2019.

Boasting a forward-looking management style and a high-performing workforce, Lidya Madencilik places great importance on Occupational Health and Safety, environmental and social responsibilities, for sustainable mining activities.

2018 HIGHLIGHTS

Çöpler Gold Mine, which is operated by Anagold;

- 170 thousand ounces (5.3 tons) of gold in 2018 and since the beginning of the project, over 1.5 million ounces (47 tons) of gold were produced.
- Çöpler Sulfide Plant, a US\$ 744 million investment based on a brand new technology used in Turkey was completed and commissioned.
- New ore fields were discovered in and around Çöpler Mine.

Under the Gediktepe Polymetallic Mine Project,

- Feasibility and metallurgic test works continue.
- Expropriation works were accelerated.

At the Hot Mine Project, which is operated by Artmin Madencilik;

- 11,000 meters of drilling was completed in 2018; since the start of the project, 66,800 meters of drilling has been completed.
- Pre-feasibility works were completed, detailed feasibility work preparations have been started.
- Land purchase and EIA works have been initiated.

LİDYA MADENCİLİK

With a project financing loans of US\$ 350 million from European Banks, the construction stage of Çöpler Sulfide Plant, with a total investment of US\$ 744 million, was completed successfully and production started in November 2018.

COMPETITIVE ADVANTAGES

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

In projects operated by Kartaltepe Madencilik;

- Ore production in fields with a 50% partnership was achieved for the first time and this ore will be transformed into gold at Çöpler Plant.

Within the scope of search for new exploration sites in Central Asia and Africa;

- The license transfer contract process in Kazakhstan is ongoing.
- Meetings with government institutions in Morocco have been completed and field work is planned for 2019.
- Field assessment and development works will be accelerated in Balkans, Africa and Central Asia, in line with vision target regions.

FINANCIAL AND OPERATIONAL DATA

In 2017, Anagold Madencilik produced 170,000 ounces of gold and completed its investment in the Sulfide Plant at Çöpler Gold Mine with a turnover of US\$ 213 million. The Sulfide Plant worth US\$ 744 million at Çöpler Gold Mine is completed and production has started. With this investment, the total amount of investment in Çöpler Mine exceeded US\$ 1.1 billion.

INVESTMENT PROJECTS

Çöpler Sulfide Expansion Project

With a project financing loans of US\$ 350 million from European Banks, sulfide plant's, with a total investment of US\$ 744 million, construction stage was completed successfully and production started in November 2018. With this project, the mine's lifespan was extended until 2040.

CERTIFICATES

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







BEING A MEMBER OF ÇALIK FAMILY
**MEANS
CONSISTENT
LEADERSHIP
THROUGH
INNOVATIVE
AND CUSTOMER-
ORIENTED
PRODUCTS.**

As the largest fixed-line operator, we are the only telecom player offering combined products with Internet access, mobile voice, IPTV and innovative applications. Acting in our leading and pioneering position among Turkey's telecom operators, we meet requirements of our customers for communication, entertainment and information technologies.

SONILA SINAJ
Internal Control Team Leader
ALBtelecom

AN OVERVIEW OF THE TELECOM SECTOR IN 2018

It is expected that the market of Internet of things, which has started expanding into all areas of life, will grow by 20% in 2020.

HIGHLIGHTS

- Operators active in Balkan countries are planning on lowering their roaming fees.
- The Digitalization of Visual-Audio Publications initiated in many provinces of Albania is expected to be completed towards the middle of 2019.
- In Albania, operators strive to follow global trends. The operators are planning on initiating the 5G network soon.

The key global trends of the telecom sector, which adapts to the fast evolving technology, were fiber and 5G network, Internet of things (IoT) and 1 billion people having access to the Internet for the first time.

Many operators commissioned their fiber and 5G networks successfully, however, they strive a great deal in order to achieve this. Fiber and 5G enables cars, fridges, traffic lights and other similar devices to send and receive large data and thus, create a revolution in terms of Internet of things.

It is expected that the market of Internet of things, which started expanding into all areas of life, will grow by 20% in 2020. According to the forecasts, the Internet of Things (IoT) will continue being a very attractive market in the coming periods and telecommunications companies will offer home and workplace solutions completed by the land and mobile services of IoT and benefit from this opportunity.

On the other hand, one billion people who will have access to the Internet for the first time will impact data consumption behavior and offer new growth opportunities to many Internet-based companies.

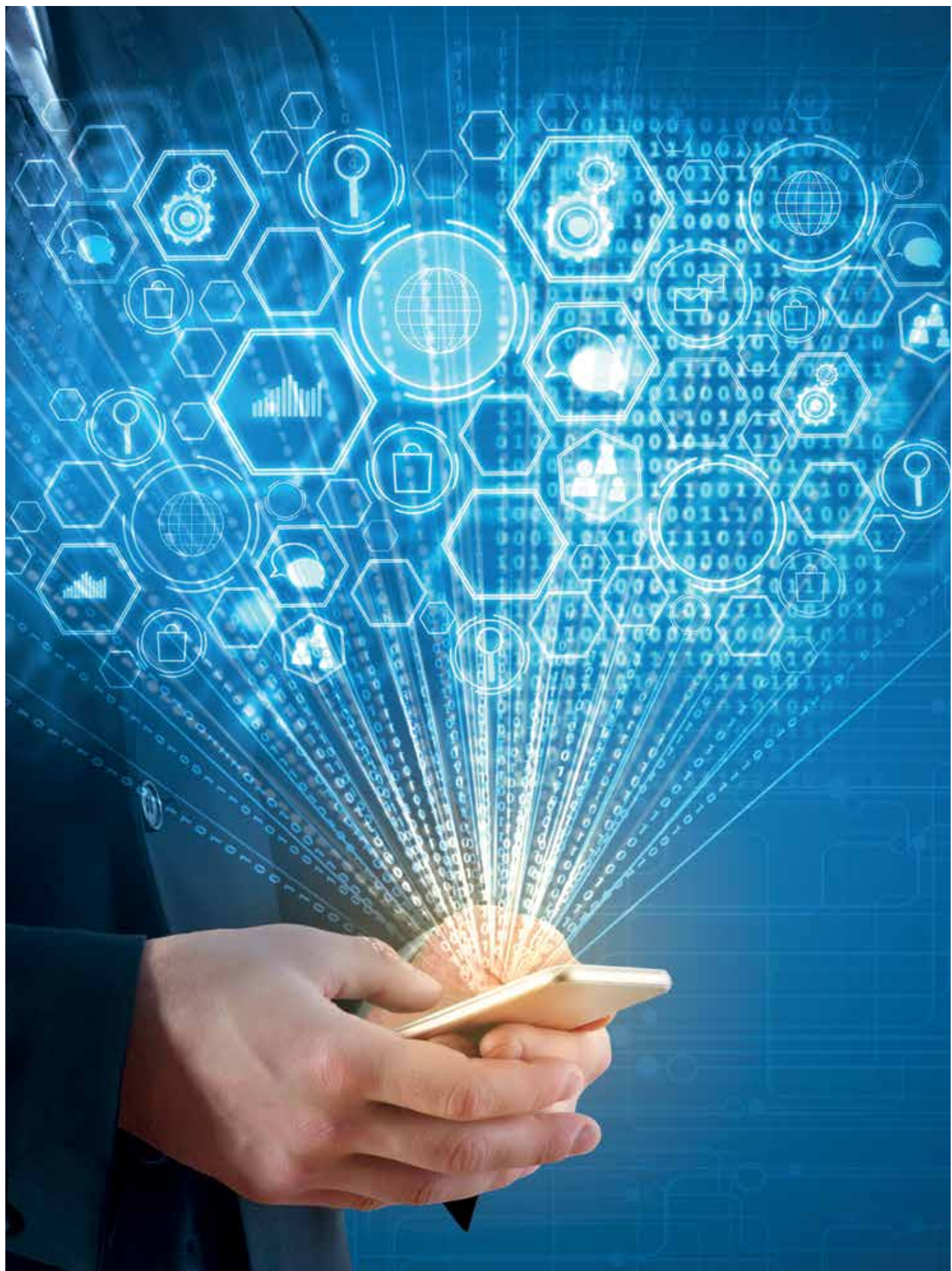
Operators engaged in Balkan countries are planning on lowering their roaming fees. In this respect, negotiations were initiated to create a similar Non-Roaming Area established between EU countries. Albania is working on a bilateral agreement with Kosovo to create an area without roaming fees between the two countries. Such agreements are pivotal for the economic development of the region.

In Albania, operators strive to follow global trends. The operators are planning on initiating the 5G network soon.

In addition, the Digitalization of Visual-Audio Publications initiated in many provinces of Albania is expected to be completed towards the middle of 2019.

In terms of the risks in the sector, it is observed that with the switch of users to VoIP, the telecommunication sectors lost US\$ 386 billion between 2012 and 2018. A major part of this loss is due to cheaper international calls in VoIP and fees lost due to lack of roaming charges.

The digitalization of content with OTT TV, which has shown a significant growth within the last years and continues to expand at the same speed as well as the emergence of new, customizable, easily downloadable and usable applications brought together the two major powers of the digital world, transforming the whole of content distribution sector.



ALBTELECOM

By placing great importance on infrastructure upgrades and investments, ALBtelecom has become capable of offering infrastructure to other players in the market.



2018 DEVELOPMENTS

TOTAL NUMBER OF MOBILE SUBSCRIBERS

431 thousand subscribers

- ALBtelecom's number of mobile subscribers reached 431 thousand in 2018.

INCREASE IN THE NUMBER OF MOBILE SUBSCRIBERS

65 thousand subscribers

- ALBtelecom acquired operator base of Plus, the fourth largest mobile operator of Albania, gaining over 65 thousand mobile subscribers.

TOTAL ASSETS

TL 1.1 billion

- ALBtelecom's total assets reached TL 1.1 billion in 2018.

NET SALES

TL 364 million

- The net sales of ALBtelecom reached TL 364 million in 2018.

“FIRSTS” AND “BESTS” IN THE SECTOR

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

TARGETS

- Increase revenues from broadband Internet services by increasing net customer number,
- Enhance mobile revenue level and profitability with increasing margins,
- Offer an excellent customer experience with a dynamic approach specific to Albania.

Dating back to 1912, ALBtelecom was restructured in 1992 as Albania's state telecommunications company and joined Çalik Holding in 2007. Today, ALBtelecom is Albania's largest fixed line operator, providing fixed and mobile electronic communication, Internet access, IPTV and other technologies. ALBtelecom merged with its GSM subsidiary Eagle Mobile in 2012, when the company celebrated its 100th anniversary, thus bolstering its market standing in the region.

Closely monitoring customers' needs, ALBtelecom continues its capital investments in order to deliver top quality communication services. To this end, the company launched “4 in 1” product bundles-fixed voice, Internet, mobile and IPTV-and the One Stop Shop concept.

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

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

Thanks to efforts to boost its brand image and service quality, ALBtelecom has a market share of 71%, 36% and 16%, maintaining leadership in the fixed voice and fixed Internet market and maintaining stability in the mobile market, respectively. ALBtelecom plans to maintain steady growth by diversifying its service offerings and improving service quality in 2019 with its experienced staff.

With the SuperFamilja program initiated in 2017, ALBtelecom offered a discount in the monthly fee of any fixed service each time a standard pre-paid package was activated, multiplied its success in 2018 and within one month, reached more than 2,400 SuperFamilja group. As of the end of 2018, there are more than 17 thousand SuperFamilja group at ALBtelecom.

2018 HIGHLIGHTS

In Mobile Services

- ALBtelecom acquired operator base of Plus, the fourth largest mobile operator of Albania, gaining over 65 thousand mobile subscribers.
- Between May and September 2018, ALBtelecom initiated a successful project titled Super Stacioni, which had great repercussions in the press and social media. Super Stacioni, a truck with a store inside visiting each corner of Albania, enhanced brand awareness by bringing special promotions and entertainment to each region it visits.
- ALBtelecom increased the period of its pre-paid packages from 28 days to 30 upon customer request and made a breakthrough in this area.

In Fixed Services

- ALBtelecom completed its first investment for Fiber-to-the-Home (FFTH) infrastructure in 2018 and is preparing to offer this service to the whole of Albania in 2019.

INVESTMENT PROJECTS

- With nDVR investment with Catch-up TV, recording, live broadcast pausing and re-starting features, new functions were created on ALBtv service and full control became possible in TV experience.
- Thanks to the GPON (Gigabit Passive Optical Network) investment, the Internet service is not interrupted even in power outages.
- Free Wi-Fi service was provided in the largest square of Albania, Sheshi Skerderbej.

ALBTELECOM

Thanks to efforts to boost its brand image and service quality, ALBtelecom has a market share of 71%, 36% and 16%, maintaining leadership in the fixed voice and fixed Internet market and maintaining stability in the mobile market, respectively.



NEW PRODUCTS AND NEW COLLABORATIONS

- By creating a “Try and Buy” fixed product for each target region with low penetration, the customers were offered the opportunity to experience the best in both Internet and IPTV for six months.
- With the ALBtelecom and INTERSIG collaboration “Non-GSM/telecommunication advantages” were offered to residential customers and SME/SOHO (Small Office/Home Office) fixed customers. Discounts and even free insurance products were offered to customers who active a fixed ALBtelecom product.
- ALBtelecom signed a contract with Radio Televizioni Shqiptar in order to re-broadcast the whole of RTSH platform, consisting of 11 developed channels, free of charge to all its 3Play customers.
- Before the summer season, ALBtelecom launched its first pre-paid short-term fixed products for summer houses and seasonal businesses that want to subscribe to Internet and IPTV for the short-term.
- Within the scope of collaboration between the largest domestic goods and electronic goods retail chain of Albania, Neptun and ALBtelecom, all customers who purchase TVs from a Neptuen store won three-month free ALBtelecom IPTV package subscription.
- During the digitalization process carried out in the country in general, ALBtelecom prepared a package offer and DVB T2 decode became an integral part of this product.
- Updating its main pre-paid portfolio twice in 2018, ALBtelecom increased its revenues by offering a better customer service.
- ALBtelecom launched a special pre-paid summer package for the end of summer and presented Internet and domestic and international calls to be used for two weeks.
- By collaborating with AGNA Group, ALBtelecom initiated a new campaign with the slogan “Everybody wins with Pepsi and ALBtelecom.” Customers consuming any kinds of beverages won a special gift from ALBtelecom within the scope of the campaign.

CERTIFICATES

- ISO 14001:2015
- OHSAS 18001:2007
- ISO 27001:2013
- ISO 9001:2015
- ISO 50001:2011
- ISO/IEC 20000-1:2011



COMPETITIVE ADVANTAGES

- ▶ The only operator that provides end-to-end mobile and fixed services (IPTV, fixed internet, fixed telephone, mobile communications, cloud services and leased line),
- ▶ A nationwide, exclusive sales and distribution network that provides "all-in-one" service,
- ▶ Operator with the most Wi-Fi access points,
- ▶ An advanced fiber optic infrastructure that reaches 90% of municipalities in Albania,
- ▶ International Internet connections with backups,
- ▶ Powerful infrastructure and high quality data,
- ▶ Improved trust with ISO 27001 and ISO 9001 certifications,
- ▶ Only operator providing both mobile and fixed service,
- ▶ Offering the best service with the best price.

Number of Subscribers (Thousand)	2015	2016	2017	2018
Number of PSTN Subscribers	181	177	172	177
Number of Broadband Subscribers	98	110	120	129
Number of Mobile Subscribers	484	445	459	431

Financial Summary (TL Million)	2016	2017	2018
Total Assets	775	889	1,135
Net Sales	225	243	364
Total Equity	61	201	283
EBITDA	58	53	93
EBITDA Margin (%)	26	22	26





BEING A MEMBER OF ÇALIK FAMILY

REPRESENTS SHAPING THE FUTURE OF FINANCE WITH LEADING STEPS IN OUR AREAS.

As a private of Aktif Bank, a young bank that constantly renews itself while primarily focusing on facilitating people's lives rather than on traditional banking, and applying mathematics and engineering at the top level, I am at the heart of tomorrow's finance.

PINAR PEÇEL

President of Loan Policy and Analytics Department
Aktif Bank

AN OVERVIEW OF THE FINANCE SECTOR IN 2018

The finance sector, which maintained its positive course in the first half of 2018 for Turkey and developing countries, had a positive reaction against increasing risks in the second half.

HIGHLIGHTS

- The five-time 25 base point interest increase by Fed during the year imposed pressure on the developing markets; as a result Dollar index appreciated over 4% and US benchmark interest rate increased by 35%, testing 3.25% level.
- The most crucial risk was initiation of execution proceedings for receivables; yet, the progress of capital adequacy ratios of banks was closely monitored.
- Deposits increased by 19% in banking sector; and equity by 17.4% in the same period.

With the tightening of loose monetary policies globally in 2018 and reflection of protective geopolitical developments to the finance markets, tightening occurred in access to capital. The five-time 25 base point interest increase by Fed during the year imposed pressure on the developing markets. As a result Dollar index appreciated over 4% and US benchmark interest rate increased by 35%, testing 3.25% level. Asset purchases of European Central Bank (ECB) in Euro Zone was terminated by the end of 2018.

ECB points at least to the third quarter of 2019 for interest rate increase. In politics, the Brexit process was the main element of uncertainty for the markets.

The year 2018 can be examined in two parts for Turkey and developing markets. The finance sector, which maintained its positive course in the first half of 2018, had a positive reaction against increasing risks in the second half. Capital adequacy ratio of the banking sector was 17.27% at the end of December. Net profit of the banking sector was TL 53.5 billion and increased by TL 4.9 billion when compared to 2017. Deposits increased by 19% in banking sector; and equity by 17.4% in the same period. The asset size of the sector increased by 18.7%. In the second half of the year, in which global loan terms were tight and the currencies of developing markets depreciated, local loan terms also became tight and an upward trend was observed in interests in the market. Nonetheless, the loans subject to legal proceedings rose for this period yet, stabilization was achieved as of September. The upward trend in loan and deposit interest loosened up and balance was achieved.

The increase in global negative risks in 2018 tested the resistance of finance sectors. At this point, the local finance sector gave a good account for itself with high capital adequacy ratios. Despite the decrease in the momentum of loan and deposit growth, standards were preserved in terms of profitability and capital adequacy. Tight monetary and finance policies applied in Turkey and the shrinking of the German economy in the third quarter, negatively pressured the economic activity in Turkey.

The highest risk was the receivables with legal proceedings this year. Yet, the most crucial risk was initiation of execution follow-up for receivables; yet, the progress of capital adequacy ratios of banks was monitored. The capital adequacy ratio, which was 17% in October 2017 rose to 17.27% in October 2018. The ratio of non-performing gross receivables to total cash credits rose to 3.87% in 2018. Yet, the negative factors in the economic activity and the tightening loan standards became negative risk factors against the momentum of loan growth. The equity profitability of the banking sector declined. However, the banking sector to renew syndication loans obtained from abroad over 100% was perceived as a very positive signal under tightening loan terms.



AKTİF BANK

The largest investment bank of Turkey, Aktif Bank maintains its activities as the largest financial technology company of Turkey with a banking license with its investments and alternative business models since its foundation.



2018 DEVELOPMENTS

ASSET SIZE

TL 13.9 billion

- The asset size of Aktif Bank in 2018 reached TL 13.9 billion.

NET PROFIT

TL 382 million

- The net profit of Aktif Bank reached TL 382 million in 2018.

NUMBER OF RETAIL CUSTOMERS

8 million

- Thanks to its unique business model, which eliminates the cost of physical branching, Aktif Bank only provides marketing and operations support. As of 2018, Aktif Bank serves 8 million individual customers – 14.5% of Turkey's entire retail banking market.

NUMBER OF PASSOLİG CARDS

+4,2 million

- The number of passolig cards exceeded 4.2 million in 2018 and the Passo application had 2.5 million downloads.

ACTIVITY SCOPE

Financial services in Turkey and its close geography

ACTIVE GEOGRAPHY

Turkey, Kazakhstan, Russia, TRNC

"FIRSTS" AND "BESTS" IN THE SECTOR

- First asset-backed security issuance in Turkey,
- First interest-free participation certificate in Turkey,
- First issuance of lease certificates for project financing in Turkey,
- First issuance of a credit-linked note in Turkey,
- First TL-denominated bank bonds,
- UPT: First domestic money transfer service in Turkey,
- The first and only card for entry into stadiums, more than 4.2 million Passolig cards.

TARGETS

- Improving business models to exceed the standards in Turkey and creating new lines of business by adapting global technology trends to Aktif Bank's projects,
- Developing innovative R&D projects through individual and collective collaborations,
- Maintaining its leadership position in sports finance and introducing innovative financial products to support the development of sports in Turkey through venture capital and risk capital,
- Investing in portfolios that generate a steady flow of income through direct partnerships in commercial real estate and/or revenue/profit sharing models,
- Offering the Bank's debt instruments to the public,
- Creating real estate funds to be offered to qualified investors in alternative investment areas,
- Pursuing new opportunities to further advance Aktif Bank's technology know-how and knowledge via partnerships in European R&D projects (H2020 and ITEA), and expanding the Bank's business network into new markets,

- Reaching Turkish customers who do not have a bank account with pre-paid cards and mobile applications,
- By continuing to support Turkish football, focusing on offering more contribution to football economy via Passolig,
- Being one of the leading banks in digital banking with N Kolay and N Kolay Bono products that do not require to visit bank branches and enable customer do 100% all the transactions on digital platforms,
- By integrating innovative payment system such as QR to its channels, becoming a brand preferred by customers for mobile payments and creating an alternative to its own credit card,
- Launching Strategic Asset Distribution Funds, consisting of a combination of Lease Certificates, Share Certificates, and Precious Metals, in order to meet the investment needs of Mükafat Asset Management towards achieving risk management, income and maturity goals,
- Introducing innovative prepaid cards for transportation and bill payments to further expand the customer base in niche segments by improving the synergy between subsidiaries.

CERTIFICATES

- Card Payment Industry Data Security Standard, PCI-DSS Certificate
- ISO 27001 Information Security Management System Certificate
- R&D Center License
- EN 15838: EU Customer Contact Centers Management System Certification

THE LARGEST FINANCIAL TECHNOLOGY PLATFORM OF TURKEY IN BANKING SECTOR, AKTIF BANK

The largest private investment bank of Turkey, Aktif Bank has established its corporate culture fully on a financial technology approach. With its unique ways of doing business, it can generate quick, flexible solution with cost advantage.

A LEADER PLAYER IN THE SECTOR WITH NICHE AREAS CREATED

As part of corporate banking activities, Aktif Bank develops and provides innovative, customized solutions in real estate financing, sports financing, agriculture financing, supplier financing as well as financing for the vehicle leasing industry, energy investment projects, the leasing industry, and the communications industry. The bank, offering new projects in these areas to its customers, improves its service quality through dynamic financing models and product diversification.

A PIONEERING BANK IN CAPITAL MARKETS

Aktif Bank, a pioneering institution in Turkey's capital markets, achieved many firsts in the industry in 2018. Aktif Bank, which issued Gold Revenue Based Lease Certificates equals to TL 100 million for the first time in Turkey, mediated issuance of two asset backed securities for TL 160 million for Turkcell Finansman A.Ş. and completed four issuances on behalf of Turkcell Finansman A.Ş. In addition to issuing asset backed securities, which became conventional now, this year for the first time, it issued asset backed securities based on vehicle loans in a secure and guaranteed structure. Public offerings of N Kolay Bond, 100% digital product of Aktif Bank, increasingly continued in 2018.

In addition, Aktif Bank also acted as an intermediary for the issuance of asset backed securities of TL 3.15 billion, with Türkiye Kalkınma ve Yatırım Bankası as the founder, Halk Bank, Ziraat Bankası, VakıfBank and Garanti Bankası as the resource institutions and carried out by Varlık Finansman Fonu and acted as the consultant at every stage of the issuance. Acting as an intermediary to the largest borrowing carried out domestically in Turkish capital markets, Aktif Bank had a leading role in the successful completion of the issuance.

AKTİF BANK

Aktif Bank's unique distribution model proved itself to a large scale.



UNIQUE CUSTOMER EXPERIENCE WITH DIGITAL PRODUCT UNIVERSE

Maintaining its activities over the business model set up through digital banking and innovative channels, Aktif Bank broke many records in 2018 and felt the rightful honor of being the most productive bank of Turkey.

Aktif Bank, with the first product introduced as a part of its digital banking strategy, the only and first 100% digital retail loan product N Kolay loan, received in total TL 16 billion and approximately 2 million loan applications through nkolaykredi.com.tr, visited 7.5 million times by 4 million people in a year. After this success, the Bank introduced N Kolay Bond, a resource product of the same strategy last year and had three public offerings to meet the high investor demand to N Kolay Bond, the first and

only digital bond in the sector and in total issued TL 1 billion worth of bonds.

Aktif Bank established a system to offer consumer loans to retirees via the PTT channel, maintained its leadership position in this business segment and further increased its loan size in 2018.

Meanwhile, N Kolay Taksit supports customers in their purchases of various products and services, including furniture, white goods, automobiles, motorcycles, healthcare, and education fees among many others. In such a short time as two and a half years, its vehicle loan balance reached TL 350 million and reached a loan size equal to certain specialized financing companies in only vehicle loan products. N Kolay Taksit, with 500 dealers in the system, is one of the institutions with the most extensive services.

Thanks to its unique business model set up through digital banking and innovative channels, Aktif Bank as of the end of 2018, Aktif Bank serves 8 million individual customers – 14.5% of Turkey's entire retail banking market. The Bank boasts a visionary approach and next-generation digital banking practices that defy the traditional banking experience in Turkey. In 2017, Aktif Bank increased its profits by 47.61% to TL 262.7 million*, outperforming the industry once again, as in previous years.

** Prepared according to BRSA.*

2018 HIGHLIGHTS

100% Digital Products: N Kolay World

Aktif Bank, within the scope of N Kolay world containing firsts in Turkey and 100% digital products, carried out product developments in its digital banking products such as N Kolay Bond and N Kolay Credit and continues offering innovative solutions to its customers.

Transportation Services Become Mobile

In 2018, Aktif Bank launched AnkaraKart, a mobile application meeting all inner-city transportation requirements; bringing together transportation and shopping in a single platform, entering into mobile phones of thousands of people. The Bank launched N Kolay AnkaraKart in 2018 and now offers a single card for transportation, shopping and campaign management.

Investment into the Innovation Ecosystem of Turkey

Aktif Bank subsidiary İnovaban, which started its operations in March, set on the road with the target of providing strategic growth consultancy to 20 thousand SMEs in five years and provided service to 2.2 thousand SMEs in the first six months.

A Brand New Application Facilitating Money Transfer

Aktif Bank subsidiary, Turkey's first local, global money transfer platform UPT, commissioned its "SendUPT" service, an innovative invention allowing easy and cheap money transfer of Turks living in Europe to Turkey.

COMPETITIVE ADVANTAGES

- Having the largest financial technology company with a banking license in Turkey through business models it set up through investments and innovative channels since its foundation and its ways of doing business to be fast, flexible and yield solutions with cost advantages,
- Focusing on development on innovative and technological products, touching and facilitating the lives of the customers,
- Implementing operationally productive, profitable practices away from formalities through alternative business models,
- Delivering a 100% digital customer experience in Consumer Loans and Bond products,
- Setting up everything from loans to investment products, from ticket loading for buses to purchasing event tickets, on integrated applications,
- With its subsidiary E-Kent, providing smart city solutions generation and integration and performing one billion smart transportation transactions annually with the transportation solutions it offers,
- Extending credit to consumers at the moment of purchase at Turkey's leading retail stores, thereby creating added value for these brands,
- Digitizing the lending process at dealers it obtains support from, thereby offering a simple, preferable product to business partners and customers,
- Offering the convenience of UPT services, a national money transfer company, to customers via the PTT channel; and using contracted points of sales effectively to collect installment payments from UPT customers,
- Providing service to 15% of 20 million Turkish residents who do not have a bank account, through the service points of N Kolay, a subsidiary of Aktif Bank,
- Turkey's biggest financial institution in terms of extensive collaborations with all football clubs playing in the Super League and TFF's First League,
- 150% growth when compared to 2017 in the number of policies through the rich product range and extensive channel structure of Sigortayeri, a subsidiary of the Bank.

Active Support for Turkish Football

The number of Passolig cards, which aims to enhance the quality and standards of Turkish football, enable digital integration and standardization between sports clubs and football fans exceeded 4.2 million; Passo application reached 2.5 million downloads. The number of users are expected to increase and especially the growth in pre-paid card sector is expected to continue in 2019 as well.

TÜBİTAK Approved R&D Center

Following innovations in the world closely, Aktif Bank continued TÜBİTAK-supported three TEYDEB projects in order to ensure information exchange with global firms and also 10 R&D projects in 2018, within the scope of European Union H2020 program, it succeeded in joining three consortiums with a limited number of companies from Turkey as a R&D Center.

Convenience for Exporters, Contribution to Turkey's Economy

With 890 corresponding banks in 130 countries, Aktif Bank's loans from corresponding banks reached TL 3.4 billion. It displayed a successful rising trend with its foreign trade transaction volume it acts as an intermediary. The Bank aims to diversify and grow its borrowing methods in Foreign Trade Finance and Capital Market areas in the coming period in line with the its strategies and requirements and to continue its successful efforts in 2019 as well.

First Bank to Invest in Blockchain Technology

With Attivo Bilişim A.Ş. it established in 2018, Aktif Bank became the first bank to invest in blockchain technology in Turkey. Through investments, business partnership, consultancy and cooperation with universities, the Bank aims to contribute a great deal to Turkey's progress in this area.

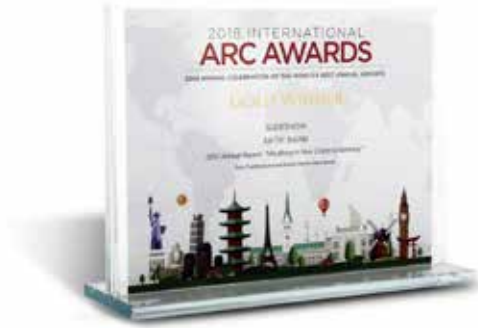


AKTİF BANK

With 890 corresponding banks in 130 countries, Aktif Bank's loans from corresponding banks reached TL 3.4 billion.

TL Million	2012	2013	2014	2015	2016	2017	2018
Asset Size	3,518	5,109	6,252	7,556	9,483	11,071	13,883
Change %	37.8	45.2	22.4	20.9	25.5	16.7	25.4
Loans-Corporate Loans	1,724	2,049	2,725	3,377	3,847	4,507	5,001
Change %	53.9	18.9	33.0	23.9	13.9	17.2	11.0
Loans- Consumer Loans	641	1,528	1,258	1,261	1,673	2,032	1,902
Change %	15.1	138.4	- 17.7	0.2	32.7	21.5	- 6.4
NPL rate	0.68	2.46	3.01	1.99	1.88	2.86	3.82
Change %	28.3	261.8	22.4	- 33.9	- 5.5	52.1	33.7
Operating Income	391	613	619	783	932	1,270	1,509
Change %	32.5	56.8	1.0	26.5	19.0	36.3	18.8
Net Profit	95	124	34	26	98	234	382
Change %	43.9	30.5	- 72.6	- 23.5	276.9	138.6	63.4

**Consolidated statements.*



AWARDS IN 2018

- ▶ **“Structured Finance Deal of the Year”** award at the **“Bonds & Loans”** Awards, for the Gold Based Sukuk Issuance, in which Aktif Bank acted as intermediary on behalf of Emlak Girişim A.Ş.,
- ▶ According to the results of the Turkey's Top 500 Service Exporters survey conducted by the Turkish Exporters' Assembly (TIM), UPT, the first domestic money transfer brand of Turkey, ranked 152nd among **top 500 companies with the highest service export** and **third in the “Banking and Other Financial Services”** category,
- ▶ UPT, Turkey's first domestic money transfer brand ranked **“third”** in **“Customer Focus”** with SendUPT and received to **“Special”** Prize as the **“Company Contributing to Women Employment in Payment Systems Sector”** at the award ceremony deemed as the **“Oscars of the Payment World”** celebrated with a special event on its 10th year organized by Payment Systems Magazine (PSM),
- ▶ Two awards to UPT, Turkey's first domestic money transfer company, as **“Top Company with the Highest Transaction Volume”** and **“Forth Company with the Highest Number of Employees”** by Turkey Fintech Awards organized within the scope of FintechForum'18,
- ▶ **“Honor”** award in **“Untraditional Europe”** category and **“Bronze”** award in **“Annual Reports/Banking”** in **“Design”** classification with the Annual Report with the theme **“We Introduced New Colors to Banking”** at the Annual Report Awards given under Mercomm Galaxy Awards,
- ▶ **“Bronze”** award in **“Cover Page Design,”** **“Gold”** award in **“Untraditional Annual Report,”** and **“Honor”** award for **“Interior Page Design”** in **“International Banking”** classification with the 2017 Annual Report with the theme **“We Introduced New Colors to Banking”** at the Annual Report Awards given under Mercomm ARC Awards,
- ▶ 12 awards including the **“Platinum”** award in the **“Banking”** category; **“Gold”** award in the **“Best Cover Design”** category; **“Platinum”** award in the **“Most Creative Report”** in the EMA region he EMEA region, to Aktif Bank, ranking within the top 20 in Turkey with its 2017 Annual Report with the theme **“We Introduced New Colors to Banking”** at Annual Reports Awards organized by the League of American Communications Professionals (LACP),
- ▶ **“Islamic Finance Deal of the Year in Europe”** award in “Islamic Finance “ category at the Banker - Deals of the Year contests for the overseas sukuk issuance where Aktif Bank acted as intermediary on behalf of Gap İnşaat A.Ş.,
- ▶ **“Corporate Reports”** award with the **“EkoLig- Football Economy”** at the Altın Pusula Public Relations Award of Turkey organized for the 17th time by the Public Relations Association of Turkey (TÜHİD),
- ▶ **“Most Creative Capital Market Project”** award with N Kolay Bond product in the **“Special Award”** category at the award ceremony by the Turkish Capital Markets Association.

AKTİF BANK SUBSIDIARIES

In 2018, UPT performed over 2.9 million transactions in 154 countries, reaching in total a transaction volume of US\$ 1.2 billion. Compared to last year, both the number and volume of transactions increased by 21% and 3%, respectively and the company's market share in international transactions rose to 25%.

HIGHLIGHTS

- Since its establishment, E-Kent has performed the operations of 13.5 million smart transportation cards and 375 million transportation tickets.
- Sigortayeri Sigorta ve Reasürans Brokerliği A.Ş., had a 150% growth in its number of policies in 2018 when compared to the previous year and riveted its position as the "Turkey's largest domestic broker."
- PAVO served its customers with more than 200 thousand Ingenico cash register POS devices across Turkey and more than 200 thousand value added applications as well as software integration solutions.
- Performing 6 million transactions per month, N Kolay, the largest payment channel in Turkey, completed its works for offering low-cost virtual POS services to companies under the "Pay N Kolay" brand.

E-KENT

Beyond serving as a developer and integrator of smart city technologies, E-Kent provides transportation solutions and performs one billion smart transportation transactions annually. E-Kent enables technological transformation in the cities where it operates and develops value-added business models for local administrations. The Company also offers smart public transportation solutions to approximately 8 million residents in Ankara and other cities where it operates, and carries out transportation operations. Since its establishment, E-Kent has performed the operations of 13.5 million smart transportation cards and 375 million transportation tickets.

E-Kent also successfully implemented the world's largest stadium infrastructure transformation project in 29 cities and 52 with passage control and visualization systems, integrated ticketing, and stadium ticket office services and infrastructure. Managing entry of 17.5 million fans to stadiums, E-Kent sold more than 8.4 million game tickets at more than 3 thousand games and 763 thousand season tickets since April 2014 with its e-ticket project and more than TL 1 billion revenues from these sales were transferred to the clubs.

UPT

UPT Ödeme Hizmetleri A.Ş., Turkey's first licensed money transfer system, enables customers to transfer funds in multiple currencies to the recipient's name, or bank account or card account, domestically and internationally. UPT serves customers at approximately 10 thousand locations including the PTT offices across Turkey; Aktif Bank branches; UPT representative offices; and N Kolay service locations along with its branches at the provinces of Istanbul and İzmir.

In 2018, UPT performed over 2.9 million transactions in 154 countries, reaching in total a transaction volume of US\$ 1.2 billion. Compared to last year, both the number and volume of transactions increased by 21% and 3%, respectively and the company's market share in international transactions rose to 25%.

UPT with the "SendUPT" product it launched in 2018, enabled individuals living in Europe to be make web-based, fast and cheap money transfers within the scope of SEPA to individuals living in Turkey. Signing many new contracts in the Far East, Middle East, Turkic Republics, Europe and Africa, UPT aims to offer new products and services to its customers for digitalization and instant money transfer in 2019.

SİGORTAYERİ

Turkey's largest domestic insurance and reinsurance broker

Turkey's innovative insurance broker Sigortayeri Sigorta ve Reasürans Brokerliği A.Ş. also achieved the growth rates in 2016 and 2017, in 2018 as well and with a 150% growth in the number of policies, riveted its position as the "Turkey's largest domestic broker."

Offering services to its individual customers in digital insurance area through sigortayeri.com and mobile applications, Sigortayeri extended the project it initiated through DASK policy issuance over kiosks in 2017, in 2018 with vehicle policies and created a new channel in insurance sector. Focusing on platform insurance broking in 2018, Sigortayeri took the first steps towards "integrated ecosystems" in insurance broking with the deals it made with the leading companies of the sector.

Sigortayeri established Asron Sigorta to further expand its service network to corporate customers and with this initiative, began offering corporate insurance products in Turkey and 15 countries in the region. Asron Sigorta delivers insurance coverage, consultancy and risk analysis services in construction, health, energy, textile, automotive, and financial services. In 2017, Asron Sigorta partnered with Allianz Climate Solutions to provide insurance coverage for the construction and operation phases of renewable energy projects such as Solar and Wind power plants. The company continued its efforts for this project in 2018 and continued acting as the leader in the sector for SPS projects. Asron Sigorta also made critical progress in the reinsurance area in 2018 and took major steps in providing voluntary capacity to insurance companies. Especially with its strong business partners in international markets, Asron Sigorta provides coverage to major prominent projects of Turkey.

PAVO

Pioneering Leader in the Cash Register sector

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

Thanks to its extensive experience in the cash register industry, PAVO has collaborated with Ingenico, the world's leading provider of payment systems and solutions, to design two different cash register models with EFT POS feature. PAVO served its customers with more than 200 thousand Ingenico cash register POS devices across Turkey and more than 200 thousand value added applications as well as software integration solutions.

N KOLAY PAYMENT INSTITUTION

The largest payment institution of Turkey

N Kolay is Turkey's largest payment institution with the most extensive network. The Company provides service via 575 N Kolay Transaction Centers and 3,940 N Kolay Kiosks across Turkey. N Kolay offers its customers a variety of convenient and safe payment services, mainly including bill payments, and domestic and international money transfers, allowing them to make fast, easy and secure payment transactions.

Aktif Bank's N Kolay Kiosk project won first prize in a competition organized by the European Financial Management Association (EFMA). Thanks to its fast online processes including transaction-guarantee, N Kolay achieved huge success in a very short time. Performing 6 million transactions per month, N Kolay, the largest collection and payment channel in Turkey, completed its works for offering low-cost virtual POS services to companies under the "Pay N Kolay" brand.

ECHO BİLGİ YÖNETİM SİSTEMLERİ

New generation POS solutions

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

EchoPos completed set up of 4,500 hardware sets and software at 2,300 Şok Marketler Ticaret A.Ş. branch in 81 cities, 20 branches and 60 sets in three cities with BİM Birleşik Mağazalar A.Ş. and offers error-free infrastructure to more than 800 thousand transactions on daily basis.

AKTİF BANK SUBSIDIARIES

Mükafat Portföy, exceeding a portfolio size of TL 500 within just two years since its foundation, increased the portfolio size of investment funds including the first interest-free liquid fund of Turkey.

MÜKAFAT PORTFÖY YÖNETİMİ

The first interest-free portfolio management of Turkey

Established as a joint venture between ICD (Islamic Corporation for the Development of the Private Sector) and Aktif Bank, Mükafat Portföy Yönetimi A.Ş. conducts its operations in accordance with the principles of interest-free finance. Mükafat Portföy utilizes the savings of interest-rate sensitive persons in Turkey as well as the funds obtained from international sources to contribute to the national economy. Mükafat Portföy, exceeding a portfolio size of TL 500 million within just two years since its foundation, increased the portfolio size of securities investment funds including the first interest-free liquid fund of Turkey and added new funds to its products such as free exchange. On the other hand, it expands its alternative product range with interest-free venture capital investment funds and real estate investment bonds and continues its growth.

EMLAK GİRİŞİM

Emlak Girişim A.Ş. was established to seize business opportunities in the real estate and construction industry; to participate in investment projects, particularly in the energy industry; and to become a leading player in international trade. Aiming to pioneer the real estate sector in parallel to sector's trends, with direct partnerships, profit-loss partnerships and urban transformation projects, the Company has investments and activities across various sectors such as energy, agriculture, and international trade.

Emlak Girişim's largest investment is the Istanbul International Financial Center (IFC), which will become one of the world's major financial hubs. Covering 3 million square meters of construction area, IFC is the biggest real estate development project in Turkey. The Central Bank of Turkey, Capital Markets Board, Banking Regulation and Supervision Agency, Ziraat Bank, Halk REIT, Vakıf REIT, and Emlak Konut are some of the leading financial players that are participating in the project.

In addition, Emlak Girişim A.Ş., loss-profit partner of Metropol Istanbul project in Ataşehir, successfully completed a major investment and became one of the major players in the sector with the SP Project with a total 61 MWp.

HALİÇ FİNANSAL KİRALAMA

Haliç Leasing became a subsidiary of Aktif Bank, by partnering with Islamic Corporation for the Development of the Private Sector (ICD) in the fourth quarter of 2016. Aiming to become a leading financial leasing company offering Islamic products to its customers in Turkey, the Company aims to fill important gaps in the market dominated by large leasing companies owned by local banks. Leveraging Aktif Bank's know-how and experience in capital markets, Haliç Leasing is expected to attract long term foreign funds from the Middle East and Asia to Turkey via sukuk issuance.

“KAZAKHSTAN İJARA COMPANY” JOINT STOCK COMPANY (KIC)

Established in 2013, “KIC” began operations in early 2014. KIC is the first financial leasing company in Kazakhstan that operates in accordance with Islamic finance principles. In addition to “ICD,” a subsidiary of Islamic Development Bank that finances the Bank's private sector investments, KIC's other partners include Eurasia Group in Kazakhstan; Al Hilal Bank Leasing Company; Zaman Leasing, and Kolon Group, a leading South Korean company. KIC provides leasing services mainly to small and medium sized enterprises (SMEs), and aims to become one of the largest leasing companies in Kazakhstan over the next five years.

EUROASIA LEASING COMPANY (ELC)

Founded in 2012 in Tatarstan, ELC is the first Islamic financial leasing company to become operational in Russia. 36.71% of the shares of the Company, which is a partner of Tatarstan International Investment Company (TIIC), a subsidiary of Islamic Development Bank, was purchased by Aktif Bank in September 2014. Other partners of the Company include Eler New Energy Power GMBH, Zaman Leasing in Kazakhstan and Kolon Group, a leading South Korean company. Ranking among the leading Islamic financial leasing companies in Russia, ELC provides leasing services mainly to small and medium sized enterprises (SMEs).

EURO - MEDITERRANEAN INVESTMENT COMPANY LTD. (EMIC)

Established in 2015 in Nicosia, EMIC is the first and only "Islamic investment company" on the island of Cyprus; it is also the largest international investment firm in the Turkish Republic of Northern Cyprus (TRNC). Other partners of the Company, which is a partner of ICD, a subsidiary of Aktif Bank that finances the private sector investments of Islamic Development Bank, are CreditWest Bank Ltd. and Kıymet Trading & Contracting Ltd., both based in TRNC. EMIC, aiming to contribute in the best way possible to sustainable development through finding, developing and realizing investment opportunities for the progress of private sector in TRNC and surrounding regions, invested in five different projects mainly in the construction sector in 2017 and 2018 and achieved transferring its funds to the real sector.

İNOVABAN

A new generation consultancy service

İnovaban İnovasyon ve Finansal Danışmanlık A.Ş. offers growth strategies and process management services to companies, who want to gain competitive edge with R&D and Innovation. It is the only company in its field offering integrated solutions by fully benefiting from R&D support and incentives, risk management (financial and legal) and intellectual industrial property rights consultancy. Among its main customers are Technology Development Zones, R&D and Design Centers, Business Incubator Centers, Technology Transfer Offices, Investment Funds, Investor Networks and similar companies. İnovaban, in its first year of foundation, in 2018, offered services to more than 2,500 companies in 30 cities in Turkey, which are deemed as High and Medium-High Technology production companies by TÜİK engaged in Production and Software Sectors.

The Company, developing versatile relations in 2018 with other organizations in the ecosystem, partnered with six leading technology transfer offices, three private banks and four investment funds of Turkey and signed protocols. In 2018, TÜBİTAK made a call titled Tech-InvesTR in order to found Venture Capital Investment Funds to fund start-up technology companies. Mükafat Portföy Yönetimi, applying to this call with the contribution of İnovaban, was included in the support program.

İnovaban, aiming to improve value added production in Turkey and to prepare the companies productively to their journeys in commercialization and globalization through advantage in international competition, participated in more than 20 training events, exhibitions and conferences, as trainer or panelist.

ATTIVO BİLİŞİM

First bank-supported crypto asset purchase-sale platform

As an indirect subsidiary of Aktif Bank, Attivo Bilişim A.Ş. was founded for long-term R&D efforts for blockchain technology, in order to develop blockchain-based products and projects and to support creative ideas and ventures with training activities in this field in March 2018. Various business models regarding the blockchain technology and crypto asset sector, which complete each other, are planned to be carried out under different brands under the umbrella of Attivo. Bitmatrix, the first brand of Attivo will serve as a crypto asset purchase and sale platform and is equipped with security at a bank level and set up with international best practices. The second crypto asset platform established as a bank subsidiary in the world, Bitmatrix, was founded with the belief that a corporate and professional managerial approach is required in the crypto asset market.

BANKA KOMBETARE TREGTARE (BKT)

BKT increased its assets by US\$ 80 million and reached a market share of 29.42% by sustaining its strong financial performance with a dividend payout of US\$ 30 million.



2018 DEVELOPMENTS

MARKET SHARE

29.42%

- Enjoying an active market share of 29.42%, BKT ranks first among all Turkish banks that operate overseas. It is also the most profitable Turkish bank overseas.

NUMBER OF BRANCHES

93

- As of year-end 2018, BKT serves its customers with 93 branches, 67 in Albania and 26 in Kosovo with 1,292 employees.

ASSET SIZE

US\$ 3.94 billion

- As of year-end 2018, BKT's assets increased by US\$ 282 million and reached US\$ 3.94 billion, registering a real annual increase of US\$ 312 (8.5%) million.

TOTAL EQUITY

TL 2.3 billion

- BKT's total assets reached TL 2.3 billion in 2018.

“FIRSTS” AND “BESTS” IN THE SECTOR

- ▶ BKT is the first commercial bank and the first privatized bank in Albania.
- ▶ BKT is the first and only Albanian bank to expand into overseas markets by opening 27 branches in Kosovo.
- ▶ BKT launched the first installment credit card and the first rewards credit card (loyalty program) in Albania; it is also the leading bank in credit cards in the country.
- ▶ The first bank-university Partnership project (Fastip) that provides guaranteed employment in collaboration with the German Agency for International Cooperation (GIZ) and the Ministry of Education.
- ▶ BKT is the first and only Albanian bank to become a member of World Saving Bank Institution (WSBI).
- ▶ BKT is the first bank to introduce the bill payment system, e-government & bank partnership, virtual POS and 3D-Secure system, and the first contactless bank cards in Albania.
- ▶ First murabaha transaction in Albania.
- ▶ The bank made it possible for Albania to become a member of ICC (International Chamber of Commerce).
- ▶ With its E-Insurance product, BKT enabled all insurance companies to communicate with their agents online, and set up a switch infrastructure. Nearly all insurance transactions in the country are carried out through BKT's system.
- ▶ BKT's CEO, Seyhan Pencabligil, was elected as the CEO of the Year by EMEA Finance in Europe in 2012.
- ▶ Albania's first Icara (Islamic Leasing) company, began its operations with BKT partnership.
- ▶ In 2015, BKT was named the best bank in southeastern Europe in terms of social responsibility initiatives by EMEA Finance.
- ▶ At the Mercomm Awards for Annual Reports, which BKT participated in for the first time in 2015, the bank won the Silver Award in the banking category and the Honorable Mention designation in the category of Green/ Environmentally Sound Annual Reports. At the BACEE Regional Banking

Conference, BKT received a Special Achievement Award for Central and East Europe.

- ▶ The mobile application with the widest functional range was realized and beacon integration and automatic push notifications were used for the first time in the country. First business mobile application and first WhatsApp application are again services offered by BKT.
- ▶ Enjoying an active market share of 29.42%, BKT ranks first among all Turkish banks that operate overseas. It is also the most profitable Turkish bank overseas.
- ▶ BKT has the largest market share in Albania in terms of deposits and loan size.
- ▶ It is the most profitable institution and largest taxpayer of the country in the last three years.
- ▶ BKT is the oldest, largest best bank of Albania and also the most valuable Albanian brand.

2018 HIGHLIGHTS

As in previous years, BKT continued to evaluate international business opportunities in 2018, including ongoing investments and collaborations.

BKT's Kosovo unit, which has a branch status, became a subsidiary with 27 branches in 2018 in order to enhance agility and for gaining a more suitable status for the legal framework with a Kosovo market share of 10%.

Making a dividend payout of US\$ 30 million to its main shareholder, Çalik Holding in 2018, BKT was elected as the primary agency for Albanian Saving Deposits Insurance Fund.

BKT sponsored a special session, for the third consecutive year, to discuss the recent developments in the Albanian economy at the Central and Eastern European Forum, organized by Euromoney in January 2017 in Vienna, thus, contributed to Albanian economy and promotion of the bank.

BKT provided a financing of EUR 20 million to 593 Albanian SMEs from long-term loans obtained from EFSE (South Eastern European Region) and carried out the loan payments of these SEMs. As of the end of 2018, BKT's customer balance was approximately EUR 2.5 million and it repaid the whole loan amount to EFSE.

The EUR 25 million subordinated loan, provided by GGF (Green for Growth Fund) at year-end 2015 for a period of 10 years, is used by BKT to provide financing to individual and corporate customers for their energy efficiency projects under the coordination of the Bank's Projects & Structured Finance Department.

BKT preserves its place as the most active bank in the EUR 27,500 million program, for which seven banks were selected for and signed between the Albanian Ministry of Economy-Trade and Ministry of Energy and Italian Development Cooperation for a few years in order to develop the private sector by enhancing the capacities of Albanian SMEs. BKT granted 50 out of the 110 SME loans granted in the program, providing EUR 9.1 million to Albanian SMEs.

BKT granted US\$ 7.5 million agro loans with 50% of the loan facilities being USAID-backed loans to 545 customers under the USAID Guarantee Program and fully completed the program.

In addition, the corresponding bank limits, which reached US\$ 850 million at the end of 2017, were maintained at the same level throughout 2018.

FINANCIAL AND OPERATIONAL DEVELOPMENTS

As of year-end 2018, BKT's assets increased by US\$ 282 million and reached US\$ 3.95 billion, registering a real annual increase of US\$ 318 (8.7%) million. The Bank's total deposits increased by US\$ 300 million or 10% on real basis reaching US\$ 3.1 billion from the end of 2017.

BANKA KOMBETARE TREGTARE (BKT)

Corporate loans make up 66% of BKT's loan portfolio. As of year-end 2018, BKT expanded its total loan portfolio by 5% in real terms to US\$ 1.2 billion, capturing a 22% market share and solidifying its position as the biggest bank in the country.



It was decided at the General Assembly held on August 13, 2018 that BKT would make a dividend payout of US\$ 30 million from its legal profit obtained in Albania in 2017 and this payment was carried out at the end of September.

2018 year-end total equity of BKT, which according to IFRS had an annual net profit of US\$ 58.4 million in 2018, increased by US\$ 80 million to US\$ 435 million and its annual equity profitability reached 18.7%. The dividend payment of US\$ 30 million and the effect of the first implementation of US\$ 6.14 million IFRS 9 standard are included in these figures. As of December 2018, BKT's consolidated market share reached 29.42% in terms of asset size with a 155 bps increase and its deposit share to 28.6% with a 126 bps increase.

Corporate loans make up 66% of BKT's loan portfolio. As of year-end 2018, BKT expanded its total loan portfolio by 5% in real terms to US\$ 1.2 billion, capturing a 22% market share and solidifying its position as the biggest bank in the country. In Albania's banking industry, nonperforming loans to total gross loans ratio (NPL 90) was 11% at year-end 2018. Posting an NPL ratio of 4.42%, BKT outperformed its competitors to become once again the most successful bank in the country, as in previous years. In personal loans, BKT maintains its position as the sector leader as in the previous years with a market share of 24.7%.

As of the end of 2018, BKT operated a total of 93 branches, 67 in Albania and 26 in Kosovo, in addition to 146 ATMs and 6,829 POS terminals in these two countries with 1,292 employees.

NEW INVESTMENT PROJECTS

Implementing three modules Embargo, AML and KYC, with FICO Tonbeler for preventing money laundering in 2017, BKT activated the Embargo module in September 2017, and completed the works for the remaining modules at the year-end 2018.

As a result of intense elimination works for the treasury system required by BKT, Finastra (Mysis/Condor+) software was elected in September 2017 and the project was implemented. A major part of this highly important and challenging project closely related to the Bank's Treasury, Treasury Operations and Market Risk Management processes is already completed.

Another important project for the treasury system, SaxoBank Investment Platform (White label) was initiated in 2018 and expected to be opened for service in the first months of 2019. The project offers the opportunity to selected and substantial customers of the Bank to make their personal investments in anywhere in the world, again another breakthrough in Albania.

For the improvement of the Business Processes Management (BPM) platform, initiated last year, an agreement was concluded with Pegasystems, a leader in BPM and CRM. After the credit card allocation process, expected to be completed shortly, the personal loan allocation process is expected to be completed within the first half of 2019. In line with the implementation of relevant processes in BPM, with a new system launched with FICO and planned to be realized in the first half of 2019, scoring/rating for credit cards and personal loans, decision mechanism and customer strategies will be developed for the first stage. As a result of all these new

COMPETITIVE ADVANTAGES

- BKT's most distinctive feature is that unlike large international banks that adopt local strategies, it was established in Albania but expanded into overseas markets.
- With a 93-year past and stable growth, having the "most reliable and esteemed bank of the country," provides an advantage to the bank for attracting deposits. BKT enjoys a broad customer base and long-term deposits: the bank's deposit market share is 28.6%.
- BKT has the second largest branch and ATM network in Albania.
- BKT differentiates itself from international banks with its stable organizational structure and with a long-term strategy, is similar to local banks.
- BKT's presence in Kosovo creates an advantage for the bank, as it can meet the needs of clients that operate both in Albania and Kosovo.
- Thanks to its robust capital structure, BKT is least affected by regulatory pressure. BKT has nearly a 50% market share in mortgage loans (in local currency).
- It differentiates itself from the sector in terms of financing of highly valuable special projects such as Build-Operate-Transfer projects.
- BKT is an innovation pioneer in Albania's banking sector.

Financial Summary (TL Million)	2016	2017	2018
Total Assets	10,623	13,800	20,819
Net Sales	420	577	833
Total Equity	1,231	1,476	2,297
EBITDA	215	312	456
EBITDA Margin (%)	51	54	55
Market Share on Asset Size (%)	27.2	27.9	29.4
Market Share on Deposits (%)	26	27.3	28.6
Market Share on Loans (%)	21.4	21.6	22.2

applications and certain integrations required by the Central Bank's credit rating, country's e-state platform, it will again make a breakthrough at the end of the first half of 2019 in Albania and aims to offer digital loans to its customers.

In 2018, BKT prioritized development of its strong online channels in the country and improved the structure, design and function of its e-banking platform widely used for the past few years.

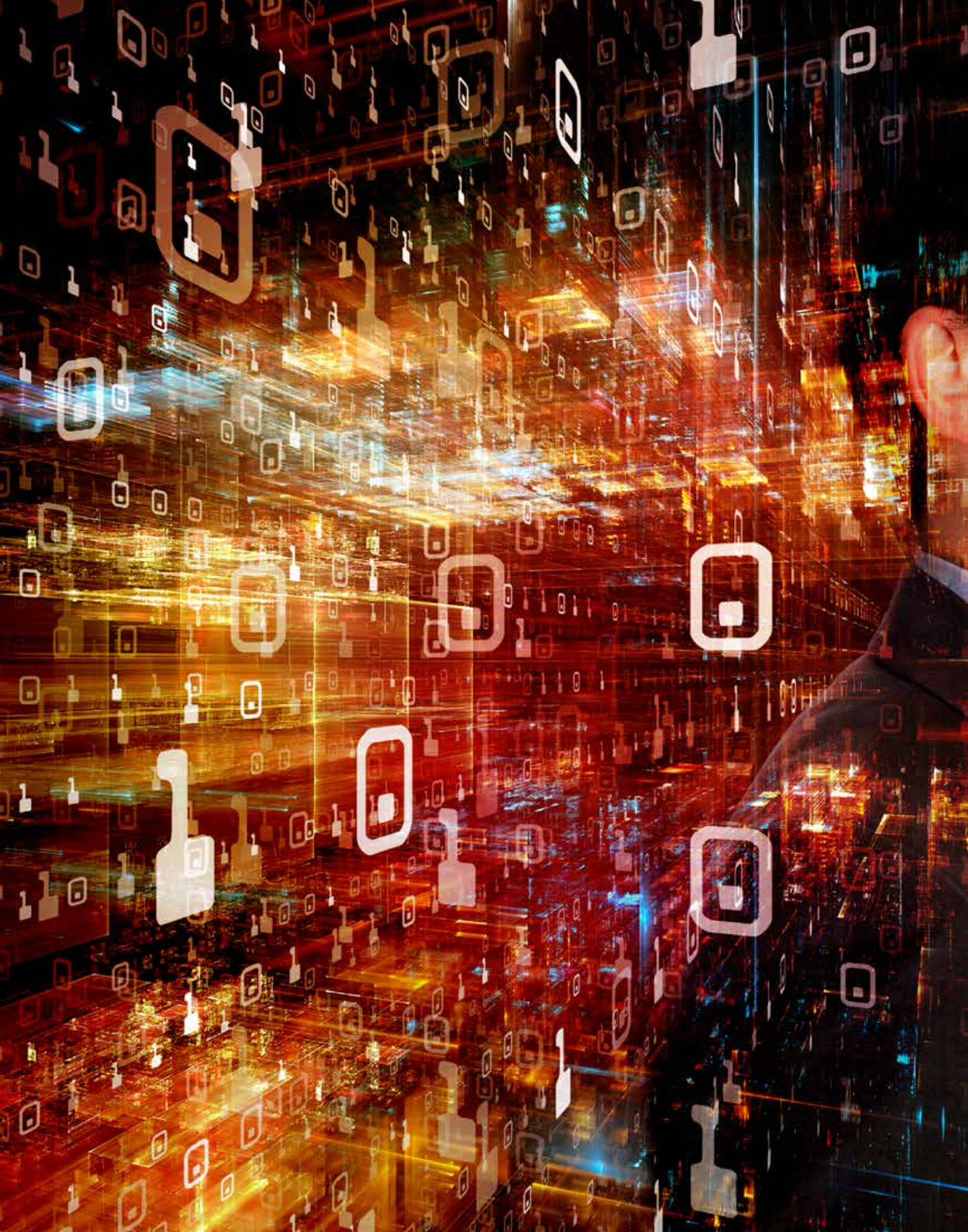
BKT reached the pilot stage of the call center project implemented with Intertech since the New Year, aims to offer IVR (Interactive Voice Response) and Phone Banking services to its customers from next New Year on. With the introduction of "Smart Line" management system at the end of 2018, BKT offers prioritization of customer segments and also offers the opportunity to its customers to get their line numbers over the mobile application.

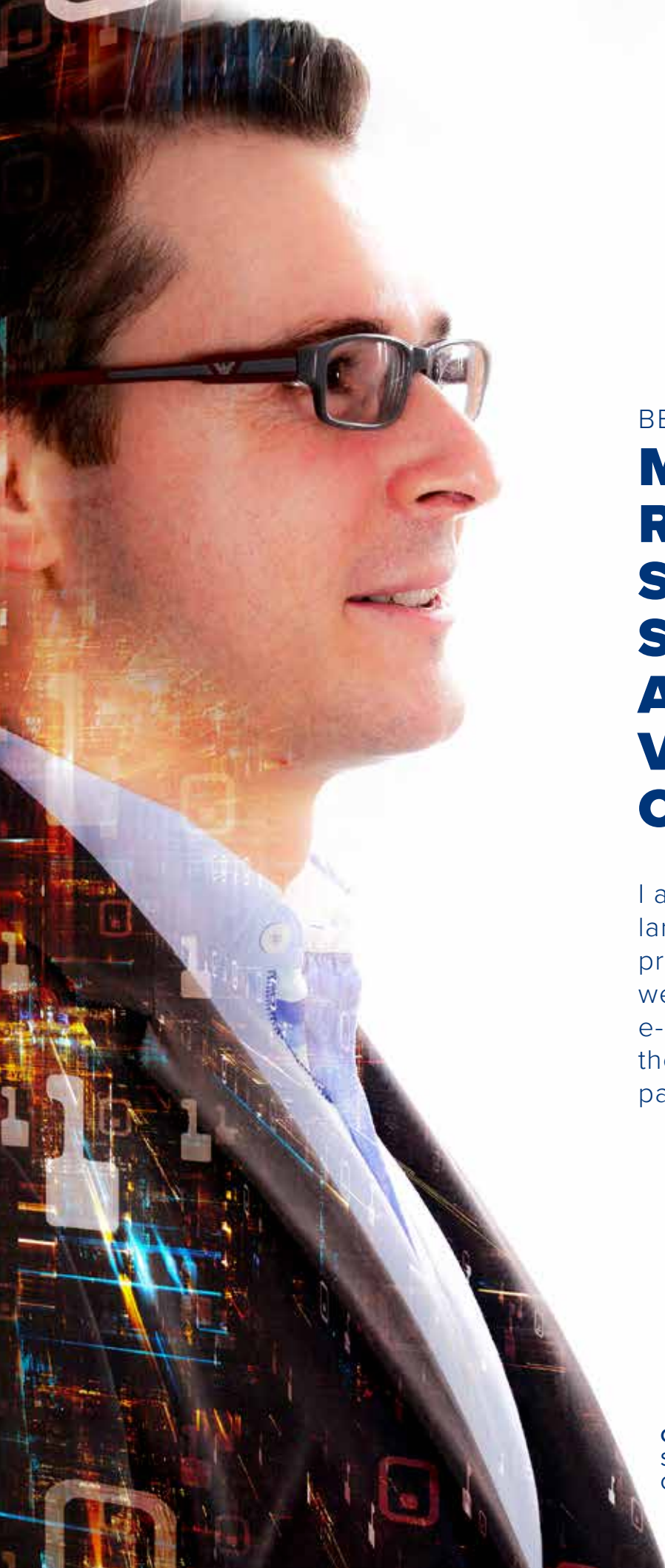
QUALITY STANDARDS AND CERTIFICATES

- The Quality Management System ISO 9001:2015 quality certificate granted for banking services was granted by Austrian Company "TÜV AUSTRIA" to BKT in Albania in July 2018.

AWARDS IN 2018

- BKT was awarded with the Award for the "Best Domestic Bank in Albania" presented by the prestigious British trade magazine EMEA Finance for the eight consecutive year in April 2018.
- JCR Eurasia confirmed the long-term national note AAA (Alb) stable outlook of BKT in June 2018 and determined the Bank's long-term international local and foreign currency note as BBB-.
- JCR Eurasia Rating confirmed BKT's score of compliance with Albania's Corporate Governance Code as 88.84 with a "stable" outlook in November 2018. According to JCR Eurasia Rating's methodology and notational representation, the level of overall convergence of BKT with the principles of corporate governance corresponds to the AAA (Alb)/Distinctive category and its degree to the level of a/ Excellent.
- In November 2018, The Banker Magazine presented the "Best Bank of the Year in Albania" award for the seventh consecutive time since 2013 and in total for the ninth time.





BEING A PART OF ÇALIK FAMILY

**MEANS
REACHING
SUCCESS BY
STRIVING WITH
AN INNOVATIVE
VISION AND A
COMMON MIND.**

I am pleased to be involved in large-scaled digital transformation projects in different geographies we operate in, in health, energy and e-government areas and striving from the heart to add value to our business partners and societies.

GÖKHAN PEKMERTOL
Sales Manager
Çalık Digital

AN OVERVIEW OF THE DIGITAL SECTOR IN 2018

2018 was a year during which major industrial institutions and groups opened their digital transformation offices, established investment plans in this area and took concrete steps in Turkey.

HIGHLIGHTS

- With the awareness of data usage in Turkey, each year more and more institutions establish teams for data analysis and invest in artificial intelligence applications.
- 2018 was a year during which major industrial institutions and groups opened their digital transformation offices, established investment plans in this area and took concrete steps in Turkey.
- At the beginning of 2018, Çalık Holding's seventh business unit, Çalık Digital began its operations and aims to prioritize critical sectors such as health, energy and production in order to contribute to digital transformation projects in the industrial area.

In this era, in which artificial intelligence extended beyond the laboratories into the daily lives of end users, along with many benefits it offers, the digital sector also contains serious cyber security risks. Data created through certain activity processes of institutions and information revealed through the analysis of such data are becoming gradually important for companies and companies are improving their technology investments gradually. It is observed that institutions improving their technology investments are achieving improved productivity and quality and at the same time, by developing their services for the customers, are obtaining other crucial benefits. In this respect, a strong determination is observed in the private sector in using open and in-house innovation methods that are widely used worldwide. Especially, the synergy created through the participation to the platforms that allow information exchange and cooperation in this respect, had positive contribution to the progress of the digital sector in Turkey.

Today, many companies are focusing on digital transformation and digitalization and thus, creating their road maps in this respect and their organizations are re-shaped according to these road maps. As a result, the action plans of CDOs and the role of employees with digital skills are playing a vital role in the transformation of companies.

When we examine the use of technology, use of cloud technologies has become a standard product as the concerns regarding safety are overcome in the portfolios of IT offices. Companies may follow up each movement of consumers framed by the Internet of objects and smart devices and are able to analyze their preferences and requests; thus optimize their solutions according to customer use and improve their earnings via creating new services. On the other hand, end users are concerned about some global platforms to abuse such data; thus protecting digital rights of users is one of the issues that should be improved within the sector.

With the awareness of data usage in Turkey, each year more and more institutions establish teams for data analysis and invest in artificial intelligence applications. However, gradually, more Turkish firms have started exporting local software to many locations in the world. In addition to the depth of solutions and services offered by Turkish companies, the speed in which they adapt to different markets is one of the factors giving a competitive edge to companies.

Crucial steps were taken with the leadership of the state and contribution of the private sector in 2018 for progress of domestic and national software sector. The incentive strategies offered facilitated software companies to develop innovative solutions. All these developments are decreasing Turkish digital sector's dependency on foreign resources and contributing to Turkey offering competitive solutions at a worldwide level.

"Turkey's Industrial Revolution - Digital Turkey Roadmap" issued by the Ministry of Science, Industry and Technology was a very crucial document issued in 2018; with this document, one of the crucial stages of Turkey's Industry 4.0 journey was revealed. While this study analyzes the situation the sector is in, it also presents strategic targets that will guide institutions. It is aimed for institutions, which quickly adapt to these strategies, to improve their competitive power in global markets and become not only local but regional and global solution providers.

2018 was a year during which major industrial institutions and groups opened their digital transformation offices, established investment plans in this area and took concrete steps in Turkey. The government and relevant institutions to focus on this issue riveted this interest and approach. In addition, leading NGOs also published critical reports on digitalization and conducted industrial companies to create action plans in this respect and to take steps in order to not to fall behind the global competition.

In line with all these developments, Çalık Holding and GE Digital signed a partnership agreement laying the foundations of a new business line to be established under the umbrella of Çalık Holding in order to support digital transformation in Turkey and other countries in the region. Çalık Digital, which started its operations as the



seventh business unit of Çalık Holding at the beginning of 2018, aims to offer value added solutions based on Internet of things, cyber security, data science and cloud services by prioritizing critical sectors such as health, energy, and production in order to contribute to the digital transformation projects in the industrial area.

With the implementation of digital transformation projects, cyber security became a major issue on the agenda for companies. Çalık Digital positions itself as a leading solution provider in the sector with the solutions and services it offers in this field with its business partner GE.

Implementing digital transformation projects that are strategically important in e-health, Çalık Digital aims to become one of the leading players offering value added services in both Turkey and different geographies and develops large-scale projects in this respect. Initiating close works covering digital transformation consultancy services with industrial companies in Turkey, Çalık Digital has established critical business partnerships in this period. The Company also carries out crucial works with optimization projects using digital twins and artificial intelligence in energy generation and distribution and petro chemistry fields.

ÇALIK DİJİTAL VE BİLİŞİM HİZMETLERİ A.Ş. (ÇALIK DIGITAL)

Starting its operations at the beginning of 2018, Çalık Digital positions itself as a Digital Transformation Business Partner carrying out Internet of objects, data science, digital twin, cyber security and sector-specific software and infrastructure projects in the industrial field in various geographies.

COMPETITIVE ADVANTAGES

The expertise of Çalık Group thanks to its long past in industry, being engaged in different industries over the years and conducting important and large projects until today, is an advantage for Çalık Digital in its digital transformation projects in the industrial area. Çalık Digital, due to this extensive industrial expertise and at the same time, the specialty and experience of its team in digital transformation projects correctly analyzes customer requirements and offers innovative and competitive solutions.

Çalık Digital provides digital transformation consultancy services in its service portfolio to companies in different sectors and takes significant steps in becoming "Digital Transformation Business Partner" of production companies. In addition, focusing on cyber security, e-health applications and asset performance management system solutions, the Company continues its activities with the target of becoming a leading player of the sector with the proven experience of Çalık Holding and the ecosystem, Holding's business partner, GE exists in. Çalık Digital and GE

have cooperation in digital transformation projects in industry, energy and health sectors in Turkey, Caucasias, Middle East and North Africa Regions.

2018 HIGHLIGHTS

In order to create the road maps of digital transformation and specify innovative projects, Çalık Digital, which started its activities at the beginning of 2018, initiated internal workshops with Çalık Holding companies. It is expected to obtain the results of these workshops completed in September with success in 2019.

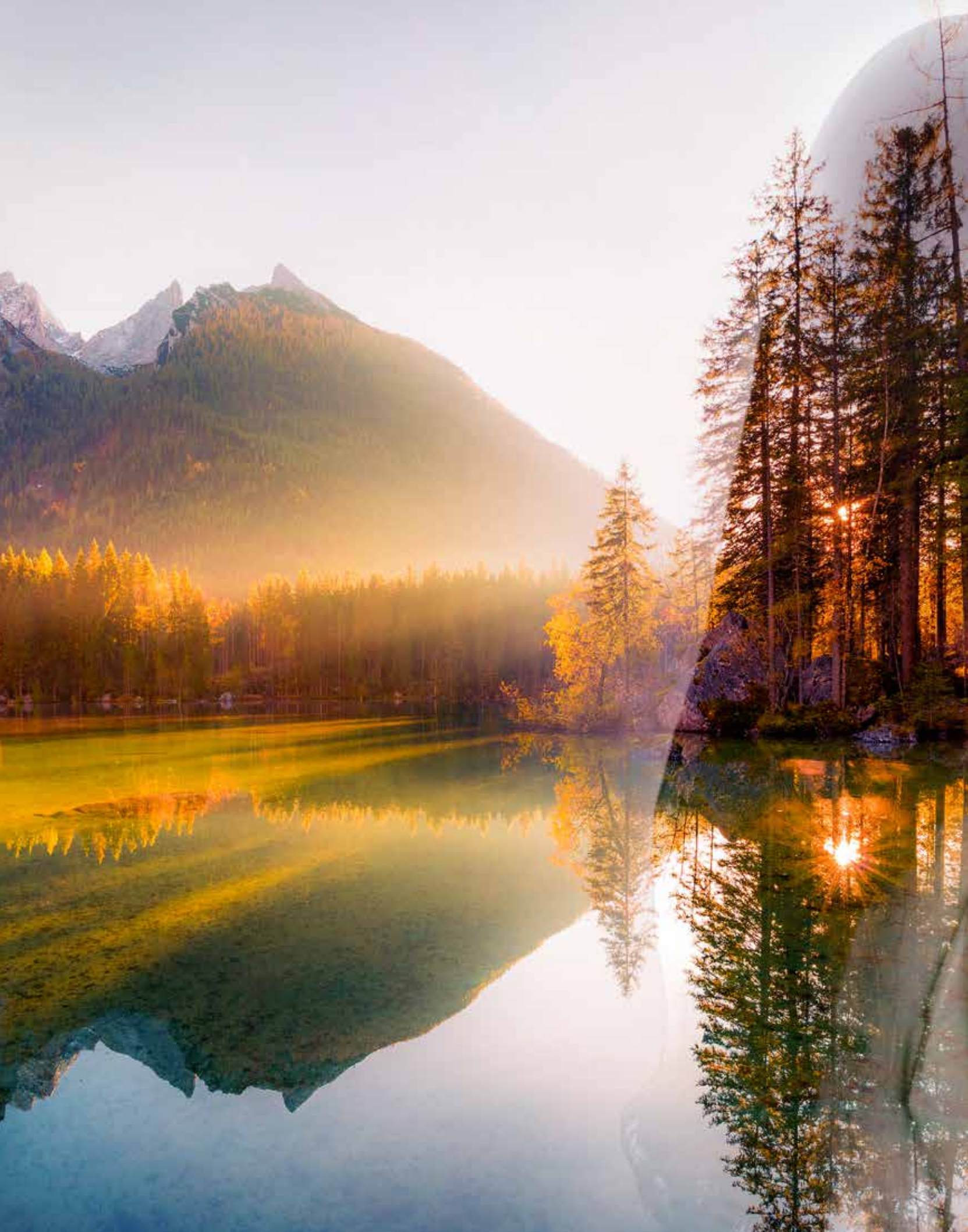
In December, Çalık Digital signed a strategic cooperation agreement with Istanbul Chamber of Commerce (ICOC) and in this respect, with the consultancy services it will start offering to certain ICOC member industry institutions, it will contribute a great deal to the digital transformation journeys of industrial institutions.

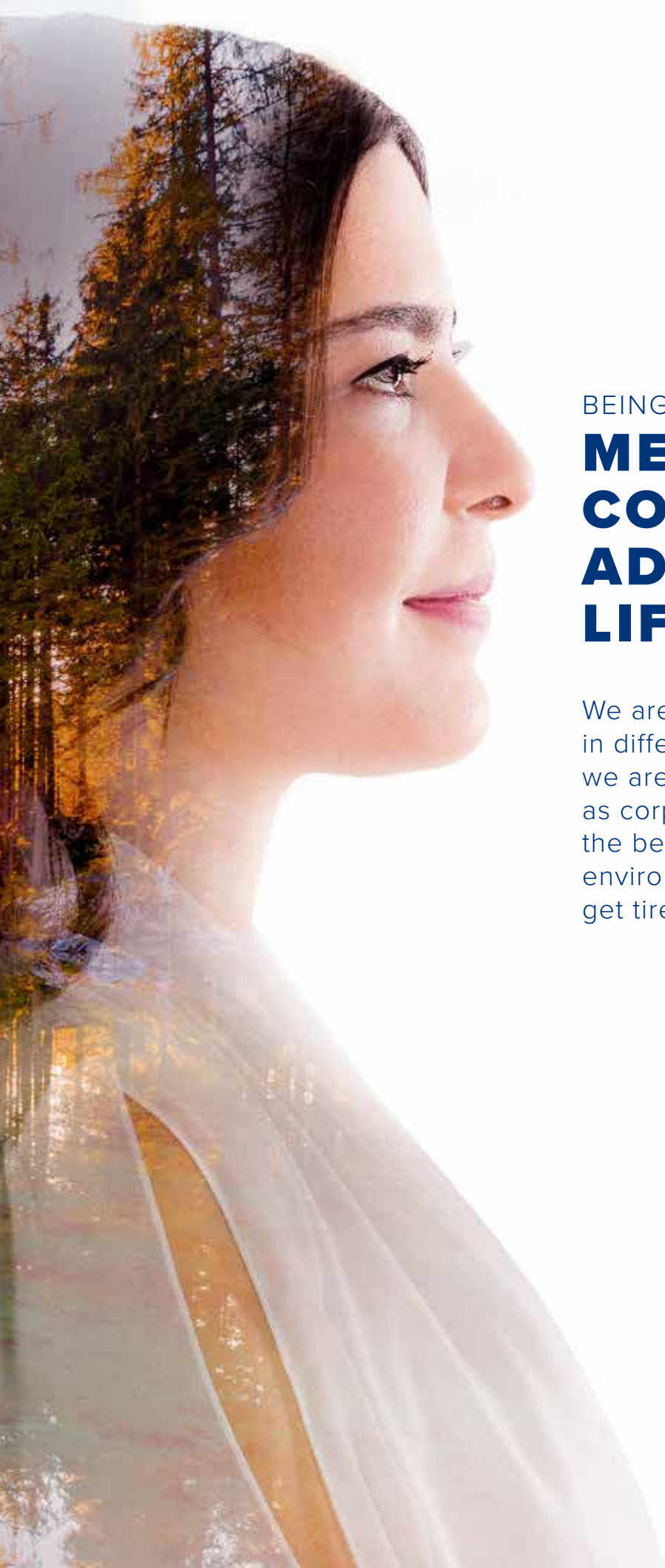
Planning on becoming a reliable solution provider with significant references in Turkey and different geographies in industrial cyber safety in the following years, Çalık Digital, developed industrial cyber safety projects with strategically crucial institutions in 2018 with its business partner GE. Again with GE, Çalık Digital develops strategically crucial projects in various geographies offering digital twin, predictive maintenance and

artificial intelligence and plans to start implementing these project in 2019.

The Company, thanks to its intense works as of April 2018, established its product and service portfolio in e-health and initiated collaborations with certain institutions and developed projects. Launching these projects at the beginning of 2019, Çalık Digital aims to become of the leading solution providers in e-health area and continues its intense efforts in line with this target. The extensive product and service portfolio established with the global ecosystem in e-health area and leading expert and experienced team of Çalık Digital offers short, medium and long term turnkey software, hardware and consultancy solutions for public and private health institutions.







BEING A MEMBER OF ÇALIK FAMILY
**MEANS STRIVING
CONSTANTLY TO
ADD VALUE TO
LIFE.**

We are Çalık Holding family, engaged in different areas. Along with our jobs, we are aware of our responsibilities as corporate citizens. We take doing the best for the society and the environment as our duty. And we never get tired of this duty.

BİLGE ÇEVİK

Assistant Corporate Communication Specialist
Çalık Holding

CORPORATE MANAGEMENT

The “Çalık” brand, which is built on Çalık Holding’s entrepreneurial spirit and extensive know-how, is differentiated in domestic and international markets with the corporate values it represents.

Çalık Holding owes its sustainable success primarily to the corporate values it has adopted, which are embraced and implemented by the Group companies. Thanks to the synergy created between Çalık Holding group companies and the fact that the staff embraces organizational goals as their own individual goals, the Group enjoys a strong, stable and reliable position in all the industries it conducts operations. Çalık Holding plans and conducts all its business processes in line with the principles of fairness, transparency, accountability and responsibility. It strives to create the highest possible value for its employees, customers, stakeholders and society as a whole in all company operations.

MOVING FORWARD INTO THE FUTURE WITH CORPORATE VALUES

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

The “Çalık” brand, which is built on Çalık Holding’s entrepreneurial spirit and extensive know-how, is differentiated in domestic and international markets with

the corporate values it represents. Each Group company embraces the brand values wholeheartedly; in turn, they reflect these values in their products and services while aiming for superior quality and productivity. The Group companies build their respective organizational structure upon the dynamic nature of the “Çalık” brand while they seek out and implement new investment opportunities and business practices.

CORPORATE VALUES OF ÇALIK HOLDING

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

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

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

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

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

INTERNAL AUDIT

Çalık Holding Audit Group

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

In order to carry out its activities independently, Çalık Holding Audit Group is directly connected to the Chairman of the Board of Directors in the organizational chart.

The activities of the Audit Group are conducted in compliance with Çalık Holding policies and procedures and International Internal Audit Standards (IIAS) and it periodically reports the results of its works to the Board of Directors and Audit Committees.

Audit Group audits Çalık Holding and its Subsidiaries according to the Internal Control System's COSO standards and with best practices and assesses their efficiency.

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

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

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

In addition to annual audit plan, it also carries out examinations and inspections with regards to issues requested or deemed as necessary by the Chairman or the Audit Committee throughout the year. Audit Group also conducts examination/ investigation activities in terms of abuse and similar corrupt practices in cases of risks.

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

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

In 2017, Çalık Holding launched another important initiative, the "Ethics Line," to support and facilitate the implementation of the Group's Code of Ethics. The Group's employees and stakeholders are now able to report any misconduct or violations that they observe, and these reports are recorded and stored. All employees have the right and the responsibility to report any actions or transactions and any irregularities and abuses that violate the Group's Code of Ethics to the Notification Officer via the Ethics Line. Ethics Line practice was carried out efficiently in 2018 as well.

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

CORPORATE SOCIAL RESPONSIBILITY ACTIVITIES

Çalık Holding and Group companies continued their social responsibility efforts in six different fields as education, innovation and entrepreneurship, social solidarity, environment, art and sports in 2018 as well.

HIGHLIGHTS

- Çalık Holding maintained its renewal projects at universities in order for students to receive education in a contemporary environment in 2018. It completed renewal works of Boğaziçi University Engineering Faculty Hydraulics Laboratory.
- In 2018, in order to extend entrepreneurship culture among university students, to support innovative products and ideas, Çalık Holding organized the fourth “İlk İşim Girişim” competition in collaboration with Yıldız Technical University, one of the highest ranked universities in Turkey.
- Initiating “Zero Waste” Project, YEDAŞ, aims to separate and recycle wastes.
- Çalık Denim published its first Sustainability Report in line with GRI G4 standard in 2018.

Adopting the principle of adding value to the societies in each country it operates in as the main core of its social responsibility approach, Çalık Holding and Group companies continued their social responsibility efforts in six different fields as education, innovation and entrepreneurship, social solidarity, environment, art and sports in 2018 as well.

EDUCATION

Çalık Holding maintained its renewal projects at universities in order for students to receive education by using technology in 2018. It completed renewal works of Boğaziçi University Engineering Faculty Hydraulics Laboratory.

Çalık Denim, completing the second semester Denim Training with Parsons New School, offered the top three students with their final projects the chance for a summer internship at its factories. In addition, it organized the Denim Anatomy Program, organized in collaboration with İTÜ since 2015, twice this year as well and provided training to 50 students in total. Çalık Denim donated approximately 2 thousand books to schools in the Ahlat district of the province of Bitlis in 2018.

Gap Pazarlama, which distributed approximately 2 thousand school bags to primary school students across Turkey under school bag from denim fabric project, also sponsored Marmara University, Faculty of Business Administration.

Lidya Madencilik granted scholarships to students in the region under Hod Mine and Gediktepe Projects.

Bringing together university students and senior executives and its employees to share their experiences, YEDAŞ organized “Technical Trips” with IEEE students in order for them to closely monitor network and technology applications.

Books collected by the volunteering employees of YEPAS were donated to Kurupelit Primary School in Atakum, Samsun for “World Children’s Books Week” and the libraries of the school were colorfully painted with the support of the employees. In addition, colored tables and chairs were bought and presented to school’s floors. Also, libraries were opened on each floor of the school under this project.



Aktif Hears Club, established by Aktif Bank, provided supplies to Malatya Arguvan Yazıbaşı School; a school library with approximately thousand books was set up at Ordu Çetiktepe Middle School; Erzurum Yukarı Kızılca Village School was completely renovated and computer-equipped library and social play areas in the school yard were set up. In addition, Aktif Bank volunteers provided clothing and books to students in need at Üsküdar Atatürk Middle School and supported Down Syndrome patient students at Veysel Vardar Middle School for Visually Impaired.

The largest bank of Albania, BKT, donated, supported and exchanged knowledge and information with different education institutions at primary, middle and university levels. As an example of outstanding efforts in 2018; supporting a play titled "Kahoot" for "Global Money Week," donation of furniture, printers and electronic devices to various schools, donation to Hearing Impaired Students Institute and employment of 16 final year students.

ALBtelecom, sponsor of "Young Programmers Space" competition organized with the most talented students being educated at information technology departments of high schools in Tiran, by Tiran University Faculty of Natural Sciences, Department of Information Technology, also established Business Administration and Technology Academic in order to support students successful in business administration and technology.

ALBtelecom granted books, Internet and free communication facilities to 120 children staying at children's homes in Albania throughout 2018 and introduced Internet to children at Saranda Children's Home. It covered the clothing needs of children at Zyber Halluli Children's Home and provided free Internet and communication facilities for one year.



Along with offering internships and part-time jobs to students of Ağrı İbrahim Çeçen University, Aras EDAŞ organized technical trips for students and ensured that they participate in workshops of experienced executives of the energy sector.

In the fifth year of KEDS Academy, launched for providing qualified employment for the energy sector, KEDS prepared students for the professional life and graduated them; founded information technology laboratories to four primary schools and organized electronics and robotics sources for the children of 150 KEDS employees.

YEDAŞ insulated the transmission lines and installed bird guards on the migration routes of approximately 1 million birds to prevent collisions and electrocution of birds and organized seminars under "I Use My Energy Efficiently" project. In addition, it prepared "Energy Team" book and distributed at contracted schools of the Ministry of National Education.

CORPORATE SOCIAL RESPONSIBILITY ACTIVITIES

In 2018, in order to extend entrepreneurship culture among university students, to support innovative products and ideas, Çalık Holding organized the fourth “İlk İşim Girişim” competition in collaboration with Yıldız Technical University Technology Transfer Office.



INNOVATION AND ENTREPRENEURSHIP

In 2018, in order to extend entrepreneurship culture among university students, to support innovative products and ideas, Çalık Holding organized the fourth “İlk İşim Girişim” competition in collaboration with Yıldız Technical University, one of the highest ranked universities in Turkey.

ALBtelecom, delivering free Wi-Fi to Skanderberg Square, one of the symbols of Albania, set up a brand new program titled SuperGeneration and offered everyone the opportunity to apply their innovative ideas. In addition, it contributed to the organization of Blockchain Society Meeting.

SOCIAL SOLIDARITY

At the “İftarımızı Anadolu’da Açıyoruz” event, which was initiated by Çalık Holding in 2012, iftar meals were served to more than 60,000 people in Erzincan during the month of Ramadan in 2018.

Çalık Enerji presented products purchased from women’s cooperatives where Anatolian housewives work at as a gift to all its employees on March World Women’s Day to contribute to the cooperative.

Lidya Madencilik collaborated with local governments in order to improve transportation infrastructure in the villages in the region under Hod Mine Project.

Activities including growing walnut saplings, producing worm humus for financially supporting village cooperatives with the revenue were initiated under Gediktepe Project.

YEPAŞ launched “Silent Map Project” with Samsun Atakum Hearing Impaired Sports Club and developed a web and mobile interfaced software for the list of commercial businesses employing staff who knows sign language. Sign language training is provided under the project for institutions who do not have any employees speaking sign language.

YEDAŞ employees recorded audiobooks for the Audiobook Library Project with Turkish Association for the Blind and Visually Impaired. In addition, YEDAŞ organized Hacivat Karagöz Screening for the eve of Eid-el-fitr among other street games and provided food supplies to families in need during the month of Ramadan in its region of service.

Both BKT and ALBtelecom made blood and other supplies donations together with the Albanian Red Cross.



ENVIRONMENT

Çalık Denim, with its first sustainability report published in 2018 according to GRI G4 standards, had the chance to share its status in the sector, its sustainability approach and targets, plans for managing the effects of its activities and positive development with its stakeholders.

Initiating “Zero Waste” Project, YEDAŞ, aims to separate and recycle wastes.

With “Donate a Tree to Revive Kamza” campaign, BKT joined afforestation efforts. In addition, it supported the cleaning event on November 23 Green Line Albania and Vlora Port.

KEDS supported tree planting event at Pristina University Technical Faculty Campus on April 22 World Day.

ART

Supporting RSU Nr.1 painting contest organized each year on May 30, BKT motivates and promotes highly talented students of the Academy of Arts.

BKT's project titled “An author who withstood the changes of time: Migjeni” includes theoretical, analytical, practical and creative various training fields. The income from the play successfully staged by the students and teachers of Petro Nini Luarasi High School was donated to Zyber Halluli Children's Home.

BKT restructured Yunus Emre Facilities and converted the area into a workshop to be used by the visitors of the institution.

ALBtelecom supported world renowned Turkish pianist Idil Biret's concert in Tiran.

SPORTS

Sponsoring Amasya Ping Pong Team, YEDAŞ contributes to ping pong tournaments.

BKT continued supporting DAR Qarku Tiranë, which organized sport projects at the end of each academic year for schools in Tiran Region.

OCCUPATIONAL SAFETY, ENVIRONMENT AND QUALITY POLICY

The Group, which values each employee as a member of Çalık Holding Family, makes arrangements to minimize risk in terms of occupational health and safety.

Çalık Holding gives top priority to quality, people and the environment in all its investments. The Holding implements best practices in the areas of quality, environmental protection, occupational health and safety.

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

The Group, which values each employee as a member of Çalık Holding Family, makes arrangements to minimize risk in terms of occupational health and safety. Employees actively participate in occupational health and safety practices, which are regularly updated.

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

Quality Certifications of Group companies:

ÇALIK ENERJİ

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

YEDAŞ

- ISO 9001 Quality Management System
- ISO 14001 Environmental Management System

- OHSAS 18001 Occupational Health and Safety Management System
- ISO 27001 Information Security Management System
- ISO 10002 Customer Satisfaction and Complaints Handling
- ISO 18295-1 Customer Communication Centers Management System

YEPAS

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

ARAS EDAŞ

- ISO 9001
- ISO 50001
- ISO 14001
- ISO 27001
- ISO 10002
- ISO 27019
- ISO 45001

ÇALIK PETROL

- OHSAS 18001:2008 Occupational Health and Safety Management System
- ISO 9001:2015 Quality Management System
- ISO 14001:2015 Environmental Management System

GAP İNŞAAT

- ISO 9001:2015 Quality Management System Certificate
- ISO 14001:2015 Environmental Management System Certificate

- ISO 45001:2018 Occupational Health and Safety Management System Certificate

ÇALIK DENİM

- ISO 9001 Quality Management System
- ISO 14001 Environmental Management System
- OHSAS 18001 Occupational Health and Safety Management System
- ISO 50001 Energy Management System
- ISO 27001 Information Security Management System
- Global Organic Textile Standard (GOTS)
- Global Recycled Textile Standard (GRS)
- Organic Content Standard (OCS)
- Recycled Claim Standard (RCS)
- Oeko-Tex
- BCI Membership

Çalık Denim was accepted into the TURQUALITY Program, which provides support to Turkish companies for their branding and marketing activities in international markets.

GAP PAZARLAMA

- ISO 9001:2015
- ISO 27001:2013
- ISO 14001:2015
- Six Sigma

LİDYA MADENCİLİK

- OHS&E Policy Commitment Certificate-ARTMIN
- OHS&E Policy Commitment Certificate-POLİMETAL

ALBTELECOM

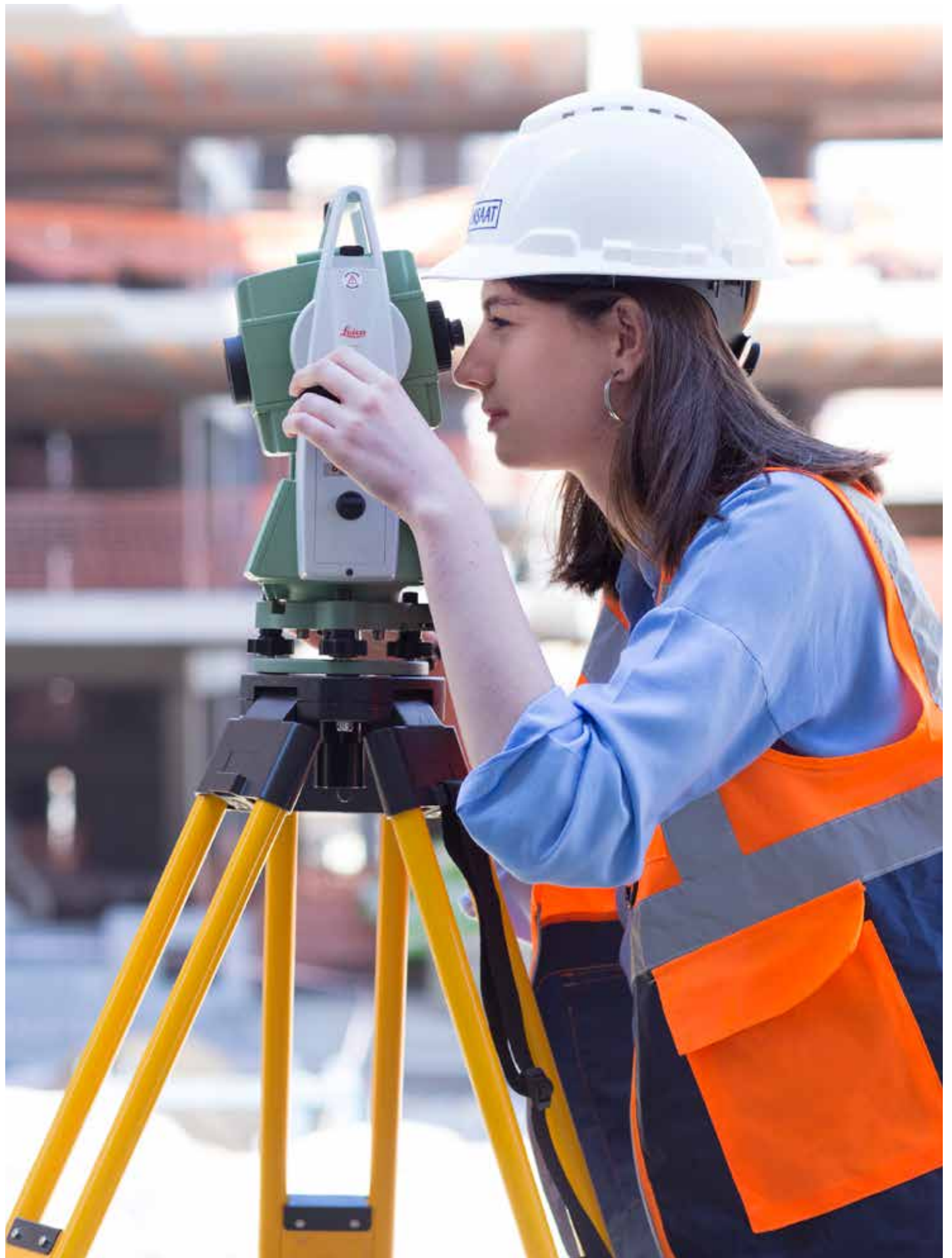
- ISO 14001:2015
- OHSAS 18001:2007
- ISO 27001:2013
- ISO 9001:2015
- ISO 50001:2011
- ISO/IEC 20000-1:2011

AKTİF BANK

- Card Payment Industry Data Security Standard, PCI-DSS Certificate
- ISO 27001 Information Security Management System Certificate
- R&D Center License
- EN 15838: EU Customer Contact Centers Management System Certification

BKT

- ISO 9001:2015 BKT Albania (granted by TÜV Austria.)



HUMAN RESOURCES

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

The basic objective of the Çalık Holding human resources policy is to invest in a workforce that is highly loyal to the company, holds corporate and ethical values at the forefront and constantly develops their professional skills in order to capture the maximum success in the sectors where the company operates.

5,644 white-collar, 13,677 blue-collar, 8,706 subcontractors and in total 28,027 employees work at the Group as of the year-end 2018.

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

The senior management perspective and the Human Resources Policy are both based on creation of talents within the Group and carrying out career management in this respect. New graduates of the “Newly Graduates Program” launched in 2017 for Holding and Group companies, completed the rotation program and started their duties in 2018.

Organizational activities that cement a sense of unity among employees, foster corporate loyalty, build team spirit, and promote the exchange of thoughts and feelings are proactively supported by Çalık Holding Senior Management.

The Human Resources Department works in coordination with all other departments in order to help the staff embrace the corporate culture and strengthen their loyalty to the Company so that the Group can achieve its objectives. The Department works in cooperation with all departments in order for the Group to achieve its targets and defines and implements process and implementation rules to be applied at Holding and Group companies.

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

In this respect, in 2018, digital transformation processes of Human Resources processes implemented by the Holding and the Group companies were completed and a road map was prepared for 2019.

VISION, MISSION AND VALUES

In 2016, Çalık Holding revised its vision and mission statements and identified new corporate values that have guided the Group to the present day.

To bring the core values to life and integrate them into the organization, Çalık Holding identified corporate governance, human resources projects and employer branding as priority areas and launched its employer brand under the slogan “The Smiling Faces of Çalık.” In 2017, Çalık Holding initiated the “Our Values, Our Future Project,” which aims to spread the Group’s values across the entire organization and create a common language.

To expand the brand, in 2017 and 2018 were decided to be Employee Brand. Efforts for enhancing brand perception on internal and external customers focused on Human Resources function, process and internal communication.



COMPENSATION POLICY APPLICATIONS

Çalık Holding takes into consideration the key parameters of Company strategies, market wage rate and performance criteria when determining its compensation strategy. It implements a fair compensation system based on individual contributions of each role within the Group towards achieving company goals. The compensation policy is implemented at each Group company in line with their salary structures and market positions; and it is updated regularly based on salary surveys.

STRATEGIC PERFORMANCE SYSTEM

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

Target-based performance management system is implemented at the Holding and Group companies. The purpose is to maximize performance by evaluating employee performance against the company's goals and strategies in an objective manner and in accordance with common principles. The Strategic performance management system forms the basis of compensation management, rewards and recognition, career and training management.

TRAINING MANAGEMENT

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

The Holding's Human Resources Department also provides support in designing and implementing shared programs.

2018 Number of Personnel

Companies	White Collar	Blue Collar	White Collar + Blue Collar	Subcontractor	Total
Holding	126	4	130	88	218
Textile	385	10,345	10,730	51	10,781
Construction	336	55	391	2,948	3,339
Mining	59	38	97	68	165
Energy	1,530	3,174	4,704	4,400	9,104
Telecom	758	51	809	560	1,369
Finance	2,450	10	2,460	591	3,051
Total	5,644	13,677	19,321	8,706	28,027

HUMAN RESOURCES

In 2018, the Human Resources Department organized programs in line with the training strategies of the Company to boost employee performance, contribute to the advancement of the corporate culture.

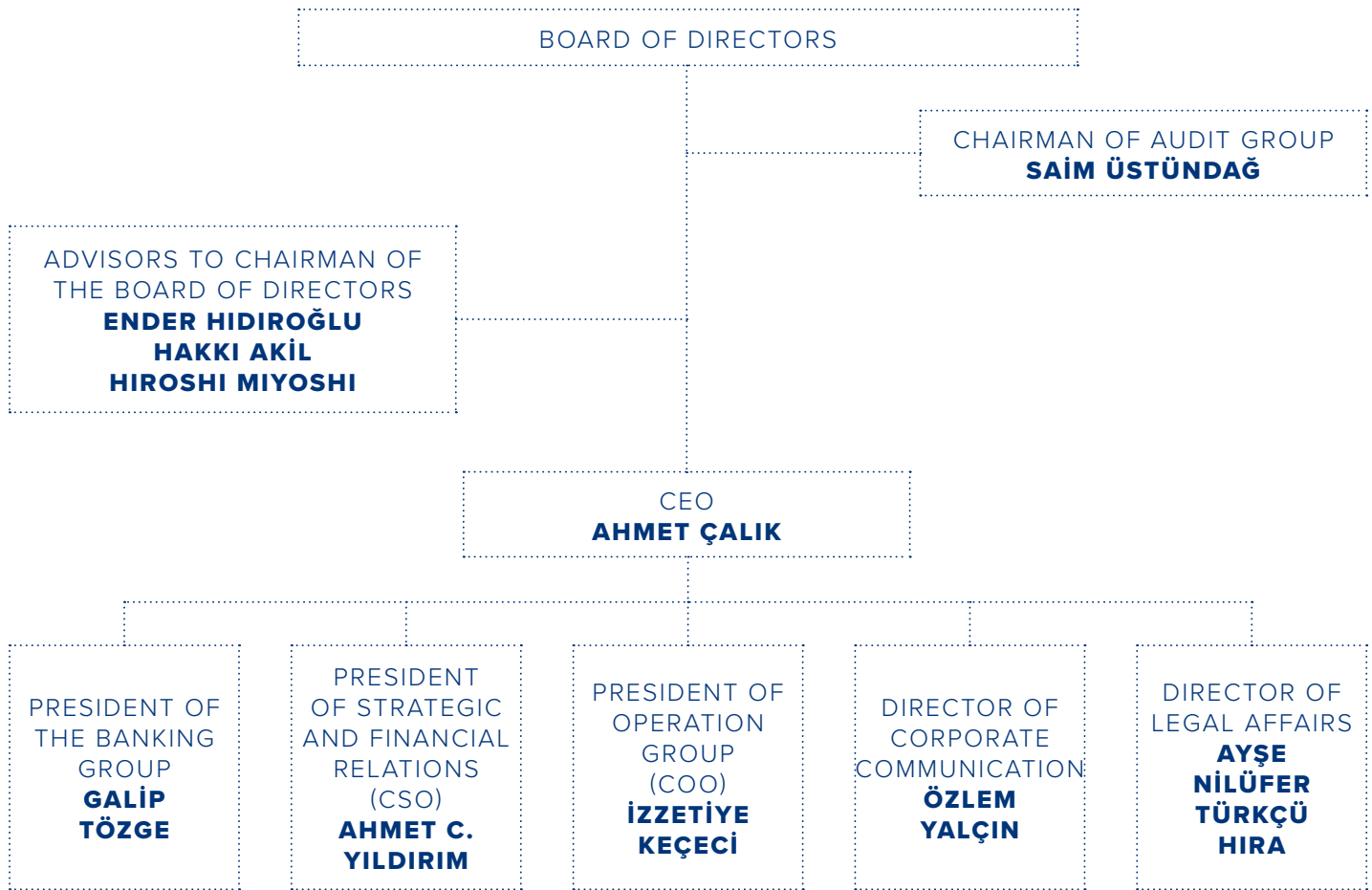
Training activities reflect the long-term and deliberate steps taken related with the career management backup strategies of Group employees. Employees who advance their professional knowledge, skills, and improve their competencies are promoted to positions of higher responsibility.

In 2018, the Human Resources Department organized training programs in line with Company strategies, to boost employee performance, contribute to the advancement of the corporate culture and improve in-house communications.

With the priority placed on sharing of experience and specialty within the Group, Internal Trainers were determined for 2018 and internal training program was designed and implemented. This Group plans to consolidate and enhance this practice within the Group.



ORGANIZATION STRUCTURE



ORGANIZATION STRUCTURE



MEHMET ERTUĞRUL GÜRLER
Deputy Chairman

Born in 1958, Mehmet Ertuğrul Gürler is a graduate of Marmara University, Faculty of Business Administration. With a 38-year work experience, Gürler acted as the Co-Head of Department of Refinery at BP Overseas Refining Company Ltd. between 1983 and 1987. From 1987 to 1994, he worked at different posts at Dow Türkiye A.Ş. and acted as the Financial Affairs Manager and Board of Directors Member. Gürler, assumed the position of Assistant General Manager at Total Oil Türkiye A.Ş. between 1994 and 1998 and joined Çalık Holding A.Ş. in 1998 as the General Manager. Mehmet Ertuğrul Gürler is still Vice-Chairman at Çalık Holding, Banka Kombetare Tregtare, ALBtelecom, Çalık Denim, Başak Yönetim Sistemleri, Cetel Telekom, Çalık Finansal Hizmetler, Çalık Hava Taşımacılık, in Irmak Yönetim Sistemleri ve Kentsel Dönüşüm İnşaat and a Board Member at Aktif Bank, Gap İnşaat, Gap Pazarlama, Çalık Emlak ve Gayrimenkul, Çalık İnşaat, Doğu Akdeniz Petro Kimya. Mehmet Ertuğrul Gürler acts as the Chairman of the Audit Committee of Çalık Holding, Çalık Enerj, YEPAS, ALBtelecom and Gap İnşaat since 2017 and is a member of the Credit Committee and Compensation Committee at Aktif Bank.



AHMET YILDIRIM
Board Member, President of the
Financial Affairs and Strategic
Planning Group (CSO)

Graduating from Istanbul University, English Department of Economics in 1991 and completing Harvard Business School General Management Program in 2012, Ahmet Yıldırım acts as the President of the Financial Affairs And Strategic Planning Group and Holding Board Member, reliable for strategic planning, financial analysis, merger and purchasing, tax planning and investors relations since 2014. Before joining Çalık Holding in 2014, Yıldırım had 24 years of experience in corporate banking, investment and treasury banking and has acted as the CEO and Board Member of Yapı Kredi Bank for five years in Germany.



ENDER HİDİROĞLU
Advisor to the Chairman

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

**HAKKI AKİL****Chief Advisor to the Chairman**

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

**SAİM ÜSTÜNDAĞ****President of the Audit Group**

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

**İZZETİYE KEÇECİ****President of the Operations Group (COO)**

İzzetiye Keçeci was born in 1975 and studied International Relations at Istanbul University's Faculty of Economics. She began her professional career as a Customer Relations Representative at Gap Tekstil, a Çalık Holding company. Subsequently, she held various Human Resources positions at Group companies. İzzetiye Keçeci served as Human Resources Director at Çalık Holding between January 2009 and 2016. Since 2017, she is the President of Operations Group (COO) in charge of Human Resources and Information Technology Departments. Keçeci also acts as the Board Member of Gap İnşaat, and Chairman at Gap Pazarlama.

ORGANIZATION STRUCTURE



GALİP TÖZGE

President of the Banking Group

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



HIROSHI MIYOSHI

Advisor to the Chairman

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



ÖZLEM YALÇIN

Director of the Corporate Communications

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

**AYŞE NİLÜFER TÜRKÇÜ HIRA****Director of Legal Department**

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



ÇALIK HOLDİNG ANONİM ŞİRKETİ 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 147 pages of consolidated financial statements
together with their explanatory notes.

ÇALIK HOLDİNG ANONİM ŞİRKETİ 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

Çalık Enerji Sanayi ve Ticaret Anonim Şirketi and Gap İnşaat Yatırım ve Dış Ticaret Anonim Şirketi, the consolidated subsidiaries of the Group, and the subsidiaries operating in the construction sector, conduct mainly engineering, procurement and construction projects ("EPC") in Turkey and abroad. The revenue from the construction contracts of the companies in energy and construction sector amounting to USD 763.646 thousands for a total construction cost amounting to USD 753.033 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 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 matter due to be based on significant management estimation and judgement.

We identified revenue from EPC contracts as a significant risk, requiring special audit consideration.

How the matter was addressed in our audit

- 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.



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

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.

How the matter was addressed in our audit

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 Sivacı
Partner
25 March 2019
Istanbul, Turkey

ÇALIK HOLDING ANONİM ŞİRKETİ 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
<i>Due from related parties</i>	7	107.082	30.102
<i>Due from third parties</i>		615.028	1.719.525
Receivables related to finance sector operations	11	951.595	1.346.600
<i>Due from related parties</i>	7	35.357	161.614
<i>Due from third parties</i>		916.238	1.184.986
Other receivables	12	75.665	261.979
<i>Due from related parties</i>	7	5.741	135.499
<i>Due from third parties</i>		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
<i>Due from related parties</i>		47.742	--
<i>Due from third parties</i>		331.021	431.147
Receivables related to finance sector operations	11	1.240.386	1.440.696
<i>Due from related parties</i>		79	--
<i>Due from third parties</i>		1.240.307	1.440.696
Other receivables	12	433.303	117.717
<i>Due from related parties</i>		320.000	--
<i>Due from third parties</i>		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
<i>Goodwill</i>		722	1.006
<i>Other intangible assets</i>		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.

ÇALIK HOLDİNG ANONİM ŞİRKETİ AND ITS SUBSIDIARIES
AS AT 31 DECEMBER 2018
CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)
(Amounts expressed in thousands of United States Dollar ("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
<i>Due to related parties</i>	7	2.505	268
<i>Due to third parties</i>		433.457	647.708
Payables related to finance sector operations	11	3.700.528	3.327.208
<i>Due to related parties</i>	7	2.802	3.258
<i>Due to third parties</i>		3.697.726	3.323.950
Payables related to employee benefits	23	10.521	11.803
Other payables	12	186.859	49.896
<i>Due to related parties</i>	7	152.098	77
<i>Due to third parties</i>		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
<i>Short term employee benefits</i>	24	16.440	18.518
<i>Other short term provisions</i>	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
<i>Due to third parties</i>		13.508	13.127
Payables related to finance sector operations	11	384.435	392.043
<i>Due to third parties</i>		384.435	392.043
Other payables	12	42.869	49.848
<i>Due to third parties</i>		42.869	49.848
Deferred revenue	14	100.103	143.411
Long term provisions	24	8.279	11.623
<i>Long term employee benefits</i>	24	8.279	11.300
<i>Other long term provisions</i>	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.

ÇALIK HOLDİNG ANONİM ŞİRKETİ AND ITS SUBSIDIARIES
AS AT 31 DECEMBER 2018
CONSOLIDATED STATEMENT OF FINANCIAL POSITION (*continued*)
(Amounts expressed in thousands of United States Dollar ("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

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

ÇALIK HOLDİNG ANONİM ŞİRKETİ 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 United States Dollar ("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.

ÇALIK HOLDİNG ANONİM ŞİRKETİ 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 United States Dollar ("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.

ÇALIK HOLDİNG ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2018

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

	Attributable to owners of the Company						
	Paid-in capital	Adjustment to share capital	Legal reserves	Fair value of financial assets available-for-sale	Translation reserve	Retained earnings/ (accumulated losses)	Total equity
Balances at 1 January 2017	200.302	3.388	424.033	(7.849)	(110.358)	208.666	980.635
Total comprehensive income for the period							
Profit for the period	--	--	--	--	--	441.602	457.498
Other comprehensive income							
Net fair value change in financial assets available-for-sale	--	--	--	991	--	--	991
Foreign currency translation differences for foreign operations and reporting currency translation differences	--	--	--	115.866	--	--	121.402
Total other comprehensive income							
Total comprehensive income/(loss) for the period	--	--	--	991	115.866	--	122.393
Transactions with owners, recorded directly in equity							
Change in non-controlling interest in consolidated subsidiaries without change in control	--	--	53	--	--	4.846	--
Formation of subsidiary with non-controlling interest	--	--	--	--	--	--	645
Contribution to capital increase by non-controlling interests in subsidiaries with non-controlling share	--	--	--	--	--	--	3.358
Dividends paid	--	--	--	--	--	--	(7.032)
Transfers	--	--	29.700	--	--	178.966	--
Total transactions with owners	--	--	29.753	--	--	183.812	(3.029)
Balances at 31 December 2017	200.302	3.388	453.786	(6.858)	5.508	441.602	1.557.497
Balances at 1 January 2018	200.302	3.388	453.786	(6.858)	5.508	441.602	1.557.497
Effect on accounting policy changes and other adjustments (Note 3)							
Total comprehensive income for the period							
Profit for the period	--	--	--	--	--	2.387	820
Other comprehensive income							
Net fair value change in financial assets available-for-sale	--	--	--	26.945	--	--	26.945
Foreign currency translation differences for foreign operations and reporting currency translation differences	--	--	--	--	(209.357)	--	(197.030)
Total other comprehensive income							
Total comprehensive income/(loss) for the period	--	--	--	26.945	(209.357)	--	(170.085)
Transactions with owners, recorded directly in equity							
Contribution to capital increase resulting to set power of control in a subsidiary	--	--	--	--	--	--	--
Change in non-controlling interest in consolidated subsidiaries without change in control	--	--	--	--	--	3.428	7.851
Contribution to capital increase by non-controlling interests in subsidiaries with non-controlling share	--	--	--	--	--	--	3
Dividends paid	--	--	--	--	--	--	(6.957)
Transfers	--	--	84.177	--	--	357.425	--
Total transactions with owners	--	--	84.177	--	--	360.853	(22.792)
Balances at 31 December 2018	200.302	3.388	537.963	20.087	(203.849)	715.812	1.370.023

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

ÇALIK HOLDING ANONİM ŞİRKETİ 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)
Impairment 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
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 BEGINNING 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.

ÇALIK HOLDİNG ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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ÇALIK HOLDING ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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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 Group 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.

ÇALIK HOLDİNG ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

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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") ⁽¹⁾	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") ⁽¹⁾	Subsidiary	Switzerland
Çalık Gaz	Subsidiary	Turkey
Çalık Georgia LLC ("Çalık Georgia") ⁽¹⁾	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") ⁽¹⁾	Subsidiary	Iran
Gap Elektrik Dağıtım Sanayi ve Ticaret Anonim Şirketi ("Gap Elektrik")	Subsidiary	Turkey
Granite Holding N.V. ("Granite") ⁽¹⁾	Subsidiary	Netherlands
Hamerz Green Energy ("Hamerz") ⁽¹⁾	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") ⁽¹⁾	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") ⁽¹⁾	Joint Venture	Turkey
Taşkent Merkez Park Gayrimenkul Yatırım Anonim Şirketi ("Taşkent Merkez Park") ⁽¹⁾	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
Yeşilirmak Elektrik Dağıtım Anonim Şirketi ("YEDAŞ")	Subsidiary	Turkey
Yeşilirmak Elektrik Perakende Satış Anonim Şirketi ("YEPAŞ")	Subsidiary	Turkey

⁽¹⁾ 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.

⁽¹⁾ TAPCO was in liquidation process held on 21 December 2018 decision of the Board of Directors.

ÇALIK HOLDING ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

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

1 Reporting entity (continued)

1.1 Entities in energy segment (continued)

Adacami Enerji'

Adacami Enerji was established in December 2009, for the purpose of renting and operating electricity facility and selling electricity.

Akılcı Bilişim

Akılcı Bilişim was established 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.

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.

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

1 Reporting entity (continued)

1.1 Entities in energy segment (continued)

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 thorough 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.

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

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, Erzurum, 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.

ÇALIK HOLDİNG ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

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

1 Reporting entity (continued)

1.1 Entities in energy segment (continued)

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.

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.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

1 Reporting entity (continued)

1.1 Entities in energy segment (continued)

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.

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.

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1 Reporting entity (continued)

1.1 Entities in energy segment (continued)

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.

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.

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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 İnşaat 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 İnşaat 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 İnşaat 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.

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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 Fabriği 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.

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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.

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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 Telekom 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.

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
Kazakhstan İjara Company KIC Leasing ("Kazakhstan İjara")	Associate	Kazakhstan
Mükafat Portföy Yönetimi Anonim Şirketi ("Mükafat Portföy")	Subsidiary	Turkey
Sigortayeri Sigorta ve Reasürans Brokerliği Anonim Şirketi ("Sigortayeri")	Subsidiary	Turkey

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1 Reporting entity (continued)

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.

Kazakhstan Ijara

Kazakhstan 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.

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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
Kasımpa Solar Enerji Üretim Anonim Şirketi	Subsidiary	Turkey
Kıbrıs Besicilik ve Çiftçilik Teşebbüsleri Limited	Associate	TRNC
Kırlangıç Solar Enerji Üretim Anonim Şirketi	Subsidiary	Turkey
Kızılyıldız 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

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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.

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1 Reporting entity (continued)

1.7 Entities in other segments (continued)

Amethyst Holding N.V. ("Amethyst")

Amethyst was established in 2017 in the Netherlands for purpose of carrying out holding activities.

Ametist Solar Enerji Üretim Anonim Şirketi ("Ametist Solar")

Ametist Solar was established in 2018 in Istanbul in order to provide solar energy production services. The power plant operates in Çifteler Village in Eskişehir.

Artmin Madencilik Sanayi ve Ticaret Anonim Şirketi ("Artmin Madencilik")

Artmin Madencilik (formerly known as AMG mineral Madencilik Anonim Şirketi) was established by AMG Mineral Inc 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 Hizmetleri 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 Hizmetleri 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.

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1 Reporting entity (continued)

1.7 Entities in other segments (continued)

Çalık Tarım Ürünleri ve Lisanslı Depoculuk Anonim Şirketi ("Çalık Tarım")

Çalık Tarım was established in 2017 in order to provide licensed warehousing services for the conservation of agricultural products under the license and for the purpose of commercial storage.

Çiğdem Solar Enerji Üretim Anonim Şirketi ("Çiğdem")

Çiğdem, was established in 2017 in Istanbul in order to provide solar energy production services. The power plant operates in Karaalan Village in Eskişehir.

Çöl Yıldızı Solar Enerji Üretim Anonim Şirketi ("Çöl Yıldızı")

Çöl Yıldızı, was established in 2018 in Istanbul for the purpose of providing solar energy services. The power plant operates in Aktepe Village in Ankara.

Defne Solar Enerji Üretim Anonim Şirketi ("Defne")

Defne, was established in 2017 in Istanbul for the purpose of providing solar energy services. The power plant operates in Doğalar Village in Kütahya.

Deniz Güneş Enerjisi Üretimi Anonim Şirketi ("Deniz Güneş Enerjisi")

Deniz Güneş Enerjisi, was established in 2018 in Ankara for the purpose of providing solar energy services. The power plant operates in Çalkışla Village in Erzincan.

Deniz Yıldızı Solar Enerji Üretim Anonim Şirketi ("Deniz Yıldızı")

Deniz Yıldızı, was established in 2018 in Istanbul for the purpose of providing solar energy services. The power plant operates in Aktepe Village in Ankara.

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.

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1 Reporting entity (continued)

1.7 Entities in other segments (continued)

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.

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.

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1 Reporting entity (continued)

1.7 Entities in other segments (continued)

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.

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1 Reporting entity (continued)

1.7 Entities in other segments (continued)

Kızılyıldız Solar Enerji Üretim Anonim Şirketi ("Kızılyıldız")

Kızılyıldız, 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.

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 Yıldız Solar Enerji Üretim Anonim Şirketi ("Kuzey Yıldız")

Kuzey Yıldız 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.

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1 Reporting entity (continued)

1.7 Entities in other segments (continued)

Mehtap Güneş Enerjisi Üretim Anonim Şirketi ("Mehtap")

Mehtap, was established in 2018 in Ankara for the purpose of providing solar energy services. The power plant operates in Çalkışla Village in Erzincan.

Mercan Solar Enerji Üretim Anonim Şirketi ("Mercan")

Mercan, was established in 2018 in Istanbul for the purpose of providing solar energy services. The power plant operates in Akkaynak Village in Ankara.

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.

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.

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1 Reporting entity (continued)

1.7 Entities in other segments (continued)

Pavo Teknik Servis Elektrik ve Elektronik Sanayi ve Ticaret Anonim Şirketi ("Pavo")

Pavo operates in the area of new generation payment recorders import, manufacture, sales and technical services. Polimetal Madencilik Sanayi ve Ticaret Anonim Şirketi ("Polimetal")

Polimetal was incorporated in 2011 as a wholly owned subsidiary of Yeni Anadolu Mineral Madencilik Sanayi ve Ticaret Ltd. Şti. ("YAMAS"). Polimetal is registered in Ankara, Turkey and is engaged in the development and operation of mining assets. As at reporting date, Polimetal is a joint venture of Lidya Maden and YAMAS with an ownership structure of 50 percent and 50 percent, respectively.

Polimetal Mineral Madencilik Sanayi ve Ticaret Anonim Şirketi ("Polimetal Mineral")

Polimetal Mineral was established on 15 November 2016 to explore, develop and operate all kinds of mines.

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 Değışören 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.

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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 Değışören in Eskişehir.

2 Basis of preparation

(a) Statement of compliance

Çalik 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.

Çalik 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 Standards ("IFRS").

(b) Preparation of financial statements

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

ÇALIK HOLDİNG ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

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2 Basis of preparation (continued)

(c) Basis of Measurements

The consolidated financial statements have been prepared on the historical cost basis and for the Turkish entities as adjusted for the effects of inflation that lasted by 31 December 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.

(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.

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2 Basis of preparation (continued)

e) Use of estimates and judgements (continued)

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)

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 standards 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.

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2 Basis of preparation (continued)

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

IFRS 15 Revenue from contracts with customers (continued)

Step 2: Identifying the performance obligations

The Group defines ‘performance obligation’ as a unit of account for revenue recognition. The Group assesses the goods or services promised in a contract with a customer and identifies as a performance obligation either a good or service that is distinct; or a series of distinct goods or services that are substantially the same and have the same pattern of transfer to the customer. A contract may contain promises to deliver a series of distinct goods or services that are substantially the same. At contract inception, an entity determines whether the series of goods or services is a single performance obligation.

Step 3: Determining the transaction price

In order to determine the transaction price, the Group assesses how much consideration it expects to be entitled to by fulfilling the contract. In arriving at the assessment, the Group considers variable elements of consideration, as well as the existence of a significant financing component.

Significant financing component

The Group revises the promised amount of consideration for the effect of a significant financing component to the amount that reflects what the cash selling price of the promised good or service. As a practical expedient, the Group does not adjust the transaction price for the effects of a significant financing component if, at contract inception, the entity expects the period between customer payment and the transfer of goods or services to be one year or less. In cases where advance for the services are received and the payment scheme is broadly aligned with the Group’s performance throughout the period, the Group concludes that the period between performance and payment is never more than 12 months, therefore the expedient is applied.

Variable consideration

The Group identifies items such as price concessions, incentives, performance bonuses, completion bonuses, price adjustment clauses, penalties, 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.

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2 Basis of preparation (continued)

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

IFRS 15 Revenue from contracts with customers (continued)

For each performance obligation that is satisfied over time, an entity selects a single measure of progress, which depicts the transfer of control of the goods or services to the customer. The Group uses a method that measures the work performed reliably. The Group uses cost incurred to measure the progress towards completion of the project where the input method is used and uses units transferred to measure the progress towards 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.

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.

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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)

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.

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.

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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.

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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.
Debt investments at FVOCI	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.
Equity 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.
	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 ⁽¹⁾	8.598	Financial assets at fair value through profit or loss	30.788
Financial investments	Available for sale financial assets ⁽¹⁾	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

⁽¹⁾ 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.

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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 assesses 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.

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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

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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 assets	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

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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.

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3 Significant accounting policies (continued)

a) Basis of consolidation (continued)

v) Acquisitions from entities under common control

Business combinations arising from transfers of interests in entities that are under the control of the shareholder that controls the Group are accounted for as if the acquisition had occurred at the beginning of the earliest comparative year presented or, if later, at the date that common control was established. The assets and liabilities acquired are recognised at the carrying amounts recognised previously in the Group controlling shareholder's consolidated financial statements. The components of equity of the acquired entities are added to the same components within the Group equity and any gain/loss arising is recognised directly in equity.

vi) 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 a 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.

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3 Significant accounting policies (continued)

a) Basis of consolidation (continued)

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.

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

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3 Significant accounting policies (continued)

b) Foreign currency (continued)

ii) Foreign operations

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

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

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

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.

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3 Significant accounting policies (continued)

c) Financial instruments (continued)

ii) Classification and subsequent measurement (continued)

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.

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).

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3 Significant accounting policies (continued)

c) Financial instruments (continued)

ii) Classification and subsequent measurement (continued)

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.

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.

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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.

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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 immediately 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.

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3 Significant accounting policies (continued)

c) Financial instruments (continued)

The Group recognises a financial asset arising from a service concession arrangement when it has an unconditional contractual right to receive cash or another financial asset from or at the discretion of the grantor 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.

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 adjustment, 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 adjustment 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.

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3 Significant accounting policies (continued)

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.

(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.

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3 Significant accounting policies (continued)

(e) Property, plant and equipment (continued)

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.

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.

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3 Significant accounting policies (continued)

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.

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.

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3 Significant accounting policies (continued)

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.

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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.

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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.

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3 Significant accounting policies (continued)

j) Impairment (continued)

Financial assets measured at amortised cost	<p>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.</p> <p>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.</p>
Available-for-sale financial assets	<p>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.</p> <p>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.</p>
Non-financial assets	<p>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.</p> <p>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.</p> <p>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.</p> <p>An impairment loss is recognised if the carrying amount of an asset or CGU exceeds its recoverable amount.</p> <p>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.</p>

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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 observable statistical market data such as mortality, inflation and interest rates or retirement pay ceilings applicable to the relevant periods and assumptions derived from the specific historic date of the Group such as retention and employee turnover rates or salary increase rates.

Income ceiling calculation for the 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.

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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.

i) Provisions for EMRA regulations

In cas 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.

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3 Significant accounting policies (continued)

m) Provisions (continued)

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: Identifying the performance obligations

The Group defines 'performance obligation' as a unit of account for revenue recognition. The Group assesses the goods or services promised in a contract with a customer and identifies as a performance obligation either a good or service that is distinct; or a series of distinct goods or services that are substantially the same and have the same pattern of transfer to the customer. A contract may contain promises to deliver a series of distinct goods or services that are substantially the same. At contract inception, an entity determines whether the series of goods or services is a single performance obligation.

Step 3: Determining the transaction price

In order to determine the transaction price, the Group assesses how much consideration it expects to be entitled to by fulfilling the contract. In arriving at the assessment, the Group considers variable elements of consideration, as well as the existence of a significant financing component.

Significant financing component

The Group revises the promised amount of consideration for the effect of a significant financing component to the amount that reflects what the cash selling price of the promised good or service. As a practical expedient, the Group does not adjust the transaction price for the effects of a significant financing component if, at contract inception, the entity expects the period between customer payment and the transfer of goods or services to be one year or less. In cases where advance for the services are received and the payment scheme is broadly aligned with the Group's performance throughout the period, the Group concludes that the period between performance and payment is never more than 12 months, therefore the expedient is applied.

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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.

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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.

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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.

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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.

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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.

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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.

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

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3 Significant accounting policies (continued)

v) Income tax (continued)

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

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

Transfer pricing in Turkey

Transfer pricing is disclosed in the 13th clause of the Corporate Tax Law under the heading “veiled shifting of profit” via transfer pricing. The application details are stated in the “general communiqué regarding veiled shifting of profits via transfer pricing” published on 18 November 2007.

If the 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.

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3 Significant accounting policies (continued)

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.

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.

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3 Significant accounting policies (continued)

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.

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.

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3 Significant accounting policies (continued)

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

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.

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.

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3 Significant accounting policies (continued)

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

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.

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3 Significant accounting policies (continued)

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

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.

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3 Significant accounting policies (continued)

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

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.

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.

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4 Acquisition and disposals of subsidiary and non-controlling interest (continued)

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 transferred 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 Telekom

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 Telekom.

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.

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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 ⁽¹⁾	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

⁽¹⁾ 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.

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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, stone 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.

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6 Operating segments (continued)

The following information was prepared according to the accounting policies applied for subsidiaries, associates, joint ventures and joint operations.

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6 Operating segments (continued)

	2017						
	Energy	Construction	Textile	Marketing	Tele-communication	Banking and finance	Total
Revenue	1,318,958	1,405,182	167,759	91,097	66,631	553,383	3,576,749
Gross profit	396,807	113,239	59,427	19,663	23,463	305,636	953,636
Share of profit or (loss) accounted investees	35,347	--	--	--	--	2,786	(7)
Interest income	27,868	436	367	17	--	297	34,964
Other income/(costs), net	(36,991)	(24,418)	(19,058)	(5,424)	(25,252)	(167,627)	(341,685)
Results from operating activities	423,031	89,257	40,736	14,256	(1,789)	141,092	681,244
Gain/(loss) from investing activities	407	50,876	97	(43)	(179)	2,673	86,715
Interest expense	(27,411)	(31,217)	(12,935)	(6,059)	(9,790)	(4,398)	(120,643)
Finance cost / income, net	1,623	31,056	(26,029)	(6,733)	3,475	(29,438)	(105,609)
Consolidated profit / (loss) before tax	397,650	139,972	1,869	1,421	(8,283)	109,929	541,707
Income tax benefit / (expense)	(34,506)	(9,100)	(236)	177	(86)	(35,283)	(84,209)
Net profit/(loss) for the year	363,144	130,872	1,633	1,598	(8,369)	74,646	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)

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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

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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 distribution 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).

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8 Cash and cash equivalents

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

2018	Finance ⁽ⁱ⁾	Non-finance ⁽ⁱⁱ⁾	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 ⁽ⁱⁱⁱ⁾	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 ⁽ⁱ⁾	Non-finance ⁽ⁱⁱ⁾	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 ⁽ⁱⁱⁱ⁾	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

⁽ⁱ⁾ Finance represents the Group's entities operating in banking and finance business.

⁽ⁱⁱ⁾ Non-finance represents the Group's entities operating in businesses other than banking and finance.

⁽ⁱⁱⁱ⁾ 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).

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.

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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 ⁽¹⁾	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 ⁽¹⁾	190.800	--	190.800
	1.020.674	867.473	1.888.147

⁽¹⁾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.

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

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9 Financial investments (continued)

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.

Held to maturity financial investments

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

	2018	2017
	Carrying Amount	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 ⁽¹⁾	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.

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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 ⁽¹⁾	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

⁽¹⁾ 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 overdue 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

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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

⁽¹⁾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

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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 ⁽¹⁾	408.345	572.993
Notes payable	21.649	68.150
Other trade payables	5.968	6.833
Total	435.962	647.976

⁽¹⁾ 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.

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

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

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

Non current receivables related to finance sector operations	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

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

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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 ⁽¹⁾	399.731	404.115
Funds from repo transactions	521.441	408.635
Total	3.700.528	3.327.208

⁽¹⁾ 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

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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

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 ⁽¹⁾	23.087	36.575
Other payables	11.749	13.282
Total	186.859	49.896

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12 Other receivables and other payables (continued)

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 ⁽¹⁾	42.869	49.663
Other	--	185
Total	42.869	49.848

⁽¹⁾ 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.

13 Inventories

As at 31 December, inventories comprised the following:

	2018	2017
Trading properties ⁽¹⁾	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

⁽¹⁾ 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)).

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14 Prepayments and deferred revenue

Current prepayments

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

	2018	2017
Advances given ⁽¹⁾	70.875	145.766
Other	19.297	16.126
Total	90.172	161.892

⁽¹⁾ 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 ⁽²⁾	33.345	36.199
Total	42.602	38.003

⁽²⁾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 ⁽¹⁾	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 ⁽²⁾	100.103	143.411
Total	100.103	143.411

⁽¹⁾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.

⁽²⁾ 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).

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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 Distribuum 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, Erzurum, 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.

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15 Investments in equity accounted investees (continued)

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

Joint ventures	31 December 2018		31 December 2017	
	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

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ii) Associates

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

Associates	31 December 2018		31 December 2017	
	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 ⁽¹⁾	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 ⁽²⁾	--	100,00	27	100,00
Aktif Halk Enerji ⁽¹⁾	--	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	

⁽¹⁾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.

⁽²⁾ 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

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15 Investments in equity-accounted investees (continued)

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

Company name-Associates	Reporting period	Ownership rates (%)	31 December 2018						Group's share of net assets	Carrying amount	Group's share of profit/ (loss)
			Current assets	Non- current assets	Total assets	Current liabilities	Non-current liabilities	Total liabilities			
Kazakhstan Ijara Company Jsc.	31 December	14,31	1.301	18.986	20.287	2.950	--	2.950	17.337	2.411	286
Eurasian Leasing Company	31 December	36,71	109	2.962	3.071	446	--	446	2.625	964	1
Euro Mediterranean	31 December	25,57	8.655	803	9.458	4.912	--	4.912	4.546	1.226	8
Haliç Finansal Kiralama	31 December	32	6.941	64	7.005	2.750	--	2.750	4.255	1.362	124
Aktif Halk Enerji	31 December	50	27.006	2.378	29.384	28.128	--	28.128	1.256	628	--
Halk Yenilenebilir Enerji	31 December	50	1.649	18	1.667	1.308	--	1.308	359	180	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 Diş Ticaret	31 December	100	10	--	10	--	--	--	10	10	--
TAPCO	31 December	50	160	--	160	(14)	--	(14)	174	87	(290)
Total										10.969	(1.533)

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

Company name-Joint ventures	Reporting period	Ownership rates (%)	31 December 2018						Group's share of net assets	Carrying amount	Group's share of profit/ (loss)
			Current assets	Non- current assets	Total assets	Current liabilities	Non-current liabilities	Total liabilities			
KÇLE	31 December	50	75.907	147.070	222.977	44.877	2.843	47.720	175.257	87.628	6.010
Doğru Aras	31 December	50	85.038	172.016	257.054	96.462	76.646	173.108	83.946	36.484	22.194
Çalık Limak Adı Ortaklığı	31 December	50	3.562	--	3.562	3.558	--	3.558	4	2	575
Polimetall®	31 December	50	1.226	11.950	13.176	1.063	104	1.167	12.009	6.004	308
Tuncpınar	31 December	50	191	--	191	13	--	13	178	1.688	(39)
Kartaltepe	31 December	50	3.533	4.152	7.685	5.340	--	5.340	2.345	4.620	(1.328)
LC Electricity	31 December	50	51	12	63	37	--	37	26	4	--
Total										140.214	27.720

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15 Investments in equity-accounted investees (continued)

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

Company name-Associates	Reporting period	Ownership rates (%)	31 December 2017						Group's share of net assets	Profit/ (loss)	Carrying amount	Group's share of profit/ (loss)
			Current assets	Non-current assets	Total assets	Current liabilities	Non-current liabilities	Total liabilities				
Kazakhstan Ijara Company Jsc.	31 December	14,31	1.625	18.410	20.035	--	--	--	20.035	702	2.465	100
Eurasian Leasing Company	31 December	36,71	145	3.697	3.842	474	--	474	3.368	46	1.159	17
Euro Mediterranean	31 December	25,57	1.422	6.243	7.665	1.251	--	1.251	6.414	598	1.701	155
Haliç Finansal Kiralama	31 December	32,00	6.548	32	6.580	1.144	--	1.144	5.436	101	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	(240)
Halk Yenilenebilir Enerji	31 December	50,00	13.684	--	13.684	6.438	--	6.438	7.246	5.962	2.894	2.981
Soleren S4 Enerji	31 December	50,00	988	1.760	2.728	3.260	--	3.260	(532)	(517)	(250)	(259)
Aktif VKŞ	31 December	100	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)	314	(8)
Total											13.934	2.778

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

Company name-Joint ventures	Reporting period	Ownership rates (%)	31 December 2017						Net assets	Profit/ (loss)	Carrying amount	Group's share of profit/ (loss)
			Current assets	Non-current assets	Total assets	Current liabilities	Non-current liabilities	Total liabilities				
KÇLE	31 December	50,00	89.133	139.853	228.986	49.201	8.915	58.116	170.870	24.849	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	22.466	22.593
Çalık Limak Adı Otaklığı	31 December	50,00	1.240	--	1.240	--	1.233	1.233	7	341	746	171
Polimetel	31 December	50,00	1.970	10.608	12.578	962	141	1.103	11.475	(2.600)	7.951	(1.300)
Tuncpınar	31 December	50,00	211	--	211	168	--	168	43	(322)	2.252	(161)
Kartaltepe	31 December	50,00	1.299	5.571	6.870	198	--	198	6.672	(4.671)	8.144	(2.336)
LC Electricity	31 December	50,00	439	2	441	258	--	258	183	(6)	5	(3)
Total											126.999	31.389

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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)

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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 ⁽¹⁾	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	7100	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

⁽¹⁾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 Sarıncık 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).

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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)	(273.372)
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

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17 Intangible assets

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

	Goodwill	Licences & software	Electricity distribution rights	Brand names	Other intangibles	Total
Cost						
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

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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).

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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 ⁽¹⁾	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

⁽¹⁾ 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

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

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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

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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.

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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:

	2018	2017
Short-term		
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

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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

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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)			Total
	USD	TL	Others	
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 ⁽¹⁾	--	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)			Total
	USD	TL	Others	
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 ⁽¹⁾	--	34.461	--	34.461
Total	725.376	323.340	6.695	1.055.411

⁽¹⁾ As at 31 December 2018, The ratio of other GPMs given to total equity is 2,6 percent (31 December 2017: 2,2 percent).

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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

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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.

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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.

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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 dispensation.

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.

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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)

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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

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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.

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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)

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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)

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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. ⁽¹⁾	32.000	8	--	--
Other	1	0,01	1	0,01
	400.000	100	400.000	100

⁽¹⁾ 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).

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27 Capital and reserves (continued)

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

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).

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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
Telecommunication expenses	3.657	5.496
Office expenses	1.213	1.628
Other	20.398	19.653
Total	211.047	241.824

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

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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, research and development expenses comprised the following:

	2018	2017
Field research expenses ⁽¹⁾	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

⁽¹⁾ 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

	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

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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 losses ⁽¹⁾	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

⁽¹⁾ The receivable from the Anateks Anadolu Tekstil Fabrikalari Anonim Şirketi, which is amount of USD 54.997 has been renounced.

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

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31 Gain and loss from investing activities (continued)

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 ⁽¹⁾	3.624	180
Total	7.718	14.273

⁽¹⁾ 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

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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)

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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.

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

Financial risk management (continued)

Risk management framework

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

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.

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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.

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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			Other receivables		
	Related party	Third party	Related party	Third party	Cash at banks and other cash and cash equivalents ^(*)	Receivables from finance sector operations
Maximum credit risk exposure at reporting date (A+B+C+D)	154.824	946.049	325.741	183.227	727.117	2.191.981
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	1.949.105
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.

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

Credit risk (continued):

Exposure to credit risk (continued):

	Receivables						
	Trade receivables			Other receivables			
	Related party	Third party	Third party	Related party	Third party	Cash at banks and other cash and cash equivalents ^(*)	Receivables from finance sector operations
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
Portion of maximum risk covered by guarantees							3.361
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
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.

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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:

31 December 2018	Receivables		Receivables from financial sector operations
	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.	--	--	--

31 December 2017	Receivables		Receivables from financial sector operations
	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.

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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	--

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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.

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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.

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.

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

At 31 December 2018, the currency risk exposures of the Group in USD equivalents are as follows:

CURRENCY POSITION STATEMENT	31 DECEMBER 2018			
	USD equivalent	TL	EURO	OTHER ⁽¹⁾
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

⁽¹⁾ USD equivalents are given.

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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⁾
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)

⁽¹⁾ USD equivalents are given.

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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:

31 December 2018	Profit / (Loss)		Equity	
	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)	--	--
31 December 2017				
	Strengthening of USD	Weakening of USD	Strengthening of USD	Weakening of USD
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)	--	--

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

Capital management

The Group's objectives when managing capital include:

- to comply with the capital requirements required by the regulators of the financial markets where the Group operates;
- to safeguard the Group's ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders; and
- to provide an adequate return to shareholders.

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).

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

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.

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.

ÇALIK HOLDING ANONİM ŞİRKETİ AND ITS SUBSIDIARIES **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS** **AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2018**

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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 ⁽¹⁾	163,772	--	--	163,772	--	--	--	--
Total	6,912,425	4,375	--	6,916,800	--	4,375	2,214,220	2,218,595

⁽¹⁾ Deposits and guarantees given are excluded from other liabilities.

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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	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 ¹⁾	--	--	--	--	--	13.506	13.506	--	--	--	--
	2.221	--	--	--	--	7.165.536	7.167.757	--	2.221	2.771.676	2.773.897

¹⁾ Deposits and guarantees given are excluded from other liabilities.

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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.

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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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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:

Company name	Direct controlling interest of Çalık Holding and its subsidiaries		Effective ownership interest of Çalık Holding and its Subsidiaries	
	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
BK T ⁽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

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

35 Group enterprises (continued)

Subsidiaries (continued)

Company name	Direct controlling interest of Çalık Holding and its subsidiaries		Effective ownership interest of Çalık Holding and its Subsidiaries	
	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
İrmak 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	--
Kasımpati ⁽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
Kızılyıldız ⁽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
Marti ⁽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

ÇALIK HOLDING ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

35 Group enterprises (continued)

Subsidiaries (continued)

Company name	Direct controlling interest of Çalık Holding and its subsidiaries		Effective ownership interest of Çalık Holding and its Subsidiaries	
	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

ÇALIK HOLDİNG ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2018

(Amounts expressed in thousands of 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.

ÇALIK HOLDİNG ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2018

(Amounts expressed in thousands of 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.

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