2016 Annual Report

OUR VALUES OUR FUTURE

ÇALIK HOLDİNG

CONTENTS

WE OWE OUR SUCCESS TO UNWAVERING COMMITMENT TO OUR VALUES. WE ARE CONFIDENTLY MOVING FORWARD INTO THE FUTURE, THANKS TO OUR CORE VALUES WHICH HAVE ALWAYS GUIDED US IN THE PAST.

WHAT DO OUR VALUES MEAN TO CHILDREN? WE ORGANIZED AN ART CONTEST AND ASKED OUR STAFF'S CHILDREN TO ILLUSTRATE THE VALUES WE WILL PASS ON TO THE NEXT GENERATION OF ÇALIK EMPLOYEES.

THIS IS WHERE MY MOTHER WORKS

ÇALIK HOLDİNG

"My mother works at a place filled with happy people."

IRMAK KARAMAN (7)

OUR VISION

TO GROW FOUR-FOLD ON FOUR CONTINENTS BY OUR 44TH ANNIVERSARY IN 2025, ADDING VALUE TO EVERY LIFE WE TOUCH IN EACH OF OUR AREAS OF 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.

MESSAGE FROM THE CHAIRMAN

DESPITE FACING MANY CHALLENGES IN 2016, TURKEY MANAGED ECONOMIC RISKS VERY EFFECTIVELY.

Esteemed Business Partners and Valued Employees,

2016 was a year marked by fluctuations in the global economy, as a series of major events that had significant effects on the financial markets.

On December 14, 2016, the Federal Reserve (Fed) raised its benchmark interest rate by 25 basis points, a decision widely anticipated by financial markets and investors. Furthermore, the Fed signaled three more likely rate hikes for 2017, meaning that demand for US dollar will continue to increase in the coming year. After OPEC members and Russia cut oil production, the price of oil climbed to US$ 55 in 2016. Considering economic uncertainty and the state of the international political landscape, oil and commodity prices are likely to remain volatile in the upcoming period.

THE EFFECTS OF BREXIT WILL BE FELT IN 2017

In 2016, the most important development in the United States was the election of the Republican candidate Donald Trump to the presidency, which raised the specter of a major change in foreign policy. On the economic front, the Republican Party is expected to carry out its traditional economic policies..

Meanwhile in Europe, the Brexit referendum-held in June and resulting in favor of the UK leaving the European Union-caused the British pound to depreciate.Economic stagnation and the refugee crisis will most likely have long-term effects on the future of the European Union.

2016 WAS A CHALLENGING YEAR IN MANY WAYS FOR TURKEY...

We were all deeply saddened and affected by the attacks on our national unity and solidarity, especially the treacherous coup attempt on July 15, and the terrorist attacks, which have been on the rise in Turkey and around the world. The Turkish people played a key role in stopping the July 15th coup attempt, further confirmation that we are in fact united and powerful as a nation. May God bless the souls of all martyrs who lost their lives in the coup attempt on July 15 and terrorist attacks.

Despite facing many challenges in 2016, Turkey managed economic risks very effectively during the year. Even though international credit rating agencies downgraded Turkey's sovereign credit rating, net capital inflows amounted to US$ 8.7 billion thanks to prudent measures taken by the government.

The normalization of Turkey-Russia relations, which have been strained since the downed plane incident in late 2015, continued to make a positive impact on Turkey's trade and tourism income in 2016. After the Fed's interest rate hikes, the US dollar appreciated significantly against major currencies. Meanwhile, like many other currencies, the Turkish lira also depreciated considerably against the US dollar; however, it remained largely stable in the last quarter, thanks to the support of public entities and the Turkish people. Emerging and developing economies, including Turkey, faced heightened risks in 2016. Nevertheless, Turkey maintained its macroeconomic discipline, encouraging us to continue executing our investment and growth plans. Deriving its strength from our country, Çalık Group is committed to continuing its successful performance and creating value for our country, stakeholders and business partners in the coming period.

ÇALIK ENERJİ, WHICH RANKED FIRST IN THE "CONTRACTING SERVICES" CATEGORY ACCORDING TO THE RESULTS OF THE TURKEY'S TOP 500 SERVICE EXPORTERS SURVEY, SIGNED AN AGREEMENT TO BUILD TWO COMBINED CYCLE POWER PLANTS, WITH A TOTAL INSTALLED CAPACITY OF 1,350 MW, IN UZBEKISTAN.

WE ARE MOVING FORWARD INTO THE FUTURE WITH OUR NEW VISION AND MISSION

Çalık Group revised its vision and mission statements in 2016 to accelerate sustainable growth. In line with stakeholder expectations, we redefined our vision as: "To grow four-fold across four continents by our 44th year (2025) together with our reliable teams, who derive their strength from our innovation-focused entrepreneurial spirit, by adding value to each life we touch, in every area we conduct operations." Similarly, our revised mission is: "To contribute to prosperity in all the regions where we operate by creating solutions that add value to people's lives with our capabilities and high level of energy." I believe that our revised vision and mission statements will serve as a source of motivation for our Group as well as our stakeholders who operate in various areas.

ÇALIK GROUP'S INVESTMENT SPENDING AMOUNTED TO US$ 249 MILLION

Our 35 years of industry experience and deep expertise, the foundation of the "Çalık Family" identity, helped guide our Group to achieve its goals in 2016. Thanks to the selfless efforts and support of our managers and employees, we were able to develop effective solutions to overcome challenging market conditions while continuing our investment program. As of year-end 2016, our investment spending amounted to about US$ 249 million, helping us maintain our competitive edge in the industries that we conduct operations.

"ÇALIK" COMPANIES ARE LEADERS IN THEIR RESPECTIVE INDUSTRIES...

Our energy company, Çalık Enerji, took on significant projects in 2016. In addition to completing the power plant project in Ashgabat, Turkmenistan, Çalık Enerji recorded yet another remarkable feat by delivering the Watan Public Power Plant project before the contract delivery date.

According to the results of the Turkey's Top 500 Service Exporters survey conducted by the Turkish Exporters' Assembly (TİM), Çalık Enerji ranks first in the "Contracting Services" category. Our company also signed an agreement to build two combined cycle power plants, with a total installed capacity of 1,350 MW, in Uzbekistan. In addition to the construction of Al-Khums power plant project in Libya, which is nearly complete, we ramped up our operations in the Middle East and North Africa by focusing on new projects in Yemen, Dubai, Tunisia, Nigeria, and Ethiopia.

In 2016, we physically separated YEDAŞ and YEPAŞ, both of which are based in Samsun and engage in electricity distribution and retail sales, while we made further upgrades to our infrastructure to deliver unconditional customer satisfaction. ARAS Electricity Distribution, which is based in Erzurum and jointly owned by Çalık Holding and Kiler Holding, successfully carried out efficiency improvements throughout 2016. KEDS, a joint venture company between Çalık Holding and Limak Holding operating in Kosovo, included the installation and replacement of 3,500 transformers, and construction of new power lines stretching 2,000 kilometers into its investment program, in line with the Group's 2025 vision.

According to the Turkish Exporters' Assembly (TİM)'s Turkey's Top 500 Service Exporters survey, GAP İnşaat ranks second in the "Contracting Services" category. In 2016, GAP İnşaat posted remarkable success by undertaking major overseas projects. Our company completed the construction of the Morphology Hospital, Neurology Hospital, Dangerous Infections Center and the Public Health Center in Turkmenistan. Meanwhile, it also continued working on the construction of the Turkmenbashi International Seaport project, which will be the largest port in the Caspian Sea and a key logistics hub on the ancient "Silk Road." We aim to deliver the Turkmenbashi International Seaport project in 2017, and the Garaboğaz Fertilizer Factory, which will be the largest fertilizer factory in Turkmenistan with a production capacity of 3.500 tons of urea and 2,000 tons of ammonia, in 2018.

AKTİF BANK, THE IMPORTANT FINANCIAL SUBSIDIARY OF ÇALIK HOLDİNG, MAINTAINED ITS STRONG POSITION DESPITE CHALLENGING MARKET CONDITIONS BY OFFERING INNOVATIVE PRODUCTS AND SERVICES. THESE OFFERINGS INCLUDED EUROBOND ISSUANCE, FINANCING OF VODAFONE ARENA STADIUM, SHOPPING LOAN, SECURITIZATION ISSUANCE, AMONG OTHERS.

Additionally, GAP Inşaat was awarded the entire construction and installation work of the Sulfide Facilities at Erzincan İliç Gold Mine, which is owned by Anagold, an affiliated company of Lidya Madencilik. GAP İnşaat also undertook the infrastructure project at the Gediktepe Mine Site in Balıkesir, which is owned by Lidya Madencilik, another example of the strong synergy between the Group companies.

Çalık Gayrimenkul, our company engaging in real estate development, successfully continued work on its existing projects, primarily the Taksim 360 Renewal Project.

Aktif Bank, the important financial subsidiary of Çalık Holding, maintained its strong position despite challenging market conditions by offering innovative products and services. These offerings included Eurobond issuance, financing of Vodafone Arena Stadium, Shopping Loan, securitization issuance, among others. To achieve a steady growth, Aktif Bank established two subsidiaries: Mükâfat Asset Management and EchoPOS. Furthermore, Aktif Bank maintained its leadership position in the PTT channel and recorded remarkable consumer loan growth, 15 times greater than the industry average.

Our banking subsidiary Banka Kombetare Tregtare continued its technology investments in 2016, launching its mobile banking application BKT Smart in Albania and Kosovo. Our bank also rolled out a commercial banking application, the first-of-its-kind in Albania.

ALBtelecom, our telecommunications subsidiary in Albania, received the Innovative Entrepreneurship award at the 2016 Golden Bee Awards for its exceptional customer services.

Thanks to its successful efforts to become a global brand, Çalık Denim, our Group's textile company, was accredited by Turquality in 2016. With the awareness of its responsibility of representing Turkey in international markets, Çalık Denim also continued its R&D activities. As of year-end 2016, our company invested US$ 23.9 million in new capacity and operations.

Meanwhile, GAP Pazarlama continued along its successful trajectory in 2016.

WE WILL MAKE FURTHER PROGRESS THROUGH INNOVATION AND NEW TECHNOLOGIES BY ADHERING TO OUR CORPORATE VALUES.

Our Group will continue to grow steadily in all its business areas through innovation and integration into the global economy, and by keeping abreast of global developments. We will uphold our vision, mission and core values, which will guide us into the next decade. As members of the Çalık Family, we will steadfastly move forward together on this journey to sustainable success. Wherever we are in the world, we will always value human life and dignity with our exemplary way of doing business, as an integral part of our corporate culture.

I would like to thank all our stakeholders for their unwavering support for our successful operations in 2016, all our colleagues for their selfless efforts, and also our business partners and customers. I hope together we will create more added value for Turkey in the coming year.

Kind regards,

Ahmet Çalık
Chairman

BOARD OF DIRECTORS AND EXECUTIVE MANAGEMENT

Ahmet Çalık began his first business initiative in the textile sector in 1981, followed by investments in the construction, finance, energy, telecoms and mining sectors thereby laying the foundations of Çalık Holding, one of the leading companies in Turkey and the region.

Ahmet Çalık made the first large private sector industrial investment in Eastern Anatolia in the second half of the 1980s by founding Çalık Denim in Malatya. Today, the company is among the world's top ten premium denim manufacturers. After the Turkic Republics gained their independence in the 1990s, Mr. Çalık started up commercial enterprises in these countries and became one of the first foreign businessmen to invest in Turkmenistan by setting up textile factories there.

In the latter half of the 1990s, Ahmet Çalık 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 in challenging regions, Gap İnşaat has implemented over 100 major projects during its history. The company has also assumed 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 Çalık 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. Çalık first entered the energy industry, a sector of critical importance today, in the second half of the 1990s, and founded Çalık Enerji, which currently operates in two business areas: energy systems and oil and gas. Recently, the company signed contracts for seven power plants with a total capacity of 1,500 MW in Central Asia. Having become Georgia's largest EPC contractor with the Gardabani project, Çalık Enerji has also completed two power plants with a total capacity of 2,000 MW in Iraq. Çalık Enerji's Turkey portfolio includes wind, coal-fired, natural gas and hydroelectric power plants with an aggregate capacity of close to 2,000 MW. In addition, Çalık Enerji and Gap İnşaat were featured in the "Top 250 International Contractors" list published every year by the esteemed "Engineering News Record." Çalık Enerji is the world's sixth largest international contractor in the construction of fossil fuel power plants and the 11th largest international contractor in power transmission and distribution.

Çalık Holding acquired YEDAŞ in 2010, Kosovo Energy Distribution and Supply Company (KEDS) in 2012, and ARAS EDAŞ in 2013, all through privatization tenders, thus making a strong entry into the energy distribution sector.

Thanks to an expanding business volume, Ahmet Çalık 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. Aktif Bank was given the grand 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 fifth time in 2014 as "The Best Bank" by The Banker, one of the most prestigious magazines on international financial markets.

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

Ahmet Çalık set up Lidya Madencilik in 2010 in order to enter the mining business and capitalize on Turkey's underground natural resources. The company's mine site portfolio makes it one of the leading mining enterprises in Turkey. As a joint venture between Lidya Madencilik and Alacer Gold, Anagold is the first large international collaboration in the Turkish mining industry.

With a vision to create significant added value and enrich countries in which the Group companies operate, Mr. Çalık, established Çalık Holding in 1997 to bring all of them together under a single banner. Today, the Holding conducts business operations with 33,333 employees across 17 countries, in six main areas: energy, construction and real estate, textile, mining, telecoms and finance. 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 the region near Turkey, which is home to 60% of the world's entire hydrocarbon (oil and gas) reserves on one end and wealthy countries with ample financial resources on the other, the Holding reported assets of TL 29.9 billion as of 2016.

BUSINESS LINES

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

SIGNIFICANT INVESTMENTS

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

AWARDS AND HONORS

- Mahdum Guli Award, 1997
- Order of State of Turkmenistan, 1997
- Best Industrial Enterprise of the Year, GESIAD, 1997
- Entrepreneur of the Year Award, Para Magazine, 1997
- İpek Yolu Foundation Service Award, 1998
- Order of Merit of the Turkish Republic, 1999
- Turkmenistan "Gayrat" Medal, 1999
- Turkmenistan Golden Century Medal, 2001
- Order of Merit of the Ministry of Foreign Affairs of the Turkish Republic, 2002
- National Productivity Center Businessman of the Year Award, 2004
- Faculty of Business Administration, Istanbul University, Dünya Newspaper National Business Manager of the Year, 2005
- Dünya Newspaper National Business Manager of the Year, 2006
- Order of Merit of Turkish Grand National Assembly, 2006
- Turgut Özal Economy Award, 2008
- Turkey in Europe-Franco Nobili, 2010
- Turkish Red Crescent, Gold Medal Certificate, 2012
- Ellis Island Medal of Honor, 2014
- Matsumoto Dental University, Japan, Honorary PhD Title, 2014
- Tiran University, Honorary PhD Title, 2014
- Turkmenistan "Garaşsyz, Baky, Bitarap Türkmenistan" Medal Certificate, 2015
- Japan Kindai University, Honorary PhD Title, 2016

SOCIAL RESPONSIBILITY PROJECTS

- Malatya Educational Foundation
- Malatya Hasan Çalık Hospital
- Mahmut Çalık Education Complex
- Ankara Oncology Hospital
- Restoration of Atatürk Köşkü, Yalova
- Significant social aid projects in Van, Pakistan and Somali
- "İftarımızı Anadolu'da Açıyoruz" Activity
- "İlk İşim Girişim" Competition
- "El Ele Elden Eve" Aid Campaign
- Renovation project at the Geomatics Engineering Department, Faculty of Civil Engineering at Istanbul Technical University.
- Fundraising gala for the Sancar Turkish Cultural and Community Center Project of Aziz & Gwen Sancar Foundation.

MISSIONS AT THE STATE LEVEL

Deputy Minister of Turkmenistan Textile and Industrial Ministry, 1997-2004
Bursa Honorary Consulate of Republic of Kazakhstan, 2012

PERSONAL

1958, Malatya
Married with four children

MEHMET ERTUĞRUL GÜRLER
DEPUTY CHAIRMAN

Mehmet Ertuğrul Gürler was born in 1958 and he graduated from Marmara University's School of Business Administration. In his professional career spanning 37 years, Mr. Gürler served as Deputy Refinery Manager at BP Overseas Refining Company Ltd. from 1983 to 1987. Mr. Gürler served in several positions as Financial Director and Board Member from 1987 to 1994 for Dow Türkiye A.Ş. Having served at Total Oil Türkiye A.Ş. as Deputy General Manager between the years of 1994 and 1998, Mr. Gürler joined Çalık Holding A.Ş. as General Manager in 1998. Mr. Gürler currently serves as Deputy Chairman of Çalık Holding, Banka Kombetare Tregtare (BKT), ALBtelecom and Çalık Denim. He also holds the positions of Board Member at Aktif Bank, Gap İnşaat and Gap Pazarlama, as well as Chairman of the Board at YEPAŞ.

AHMET YILDIRIM
PRESIDENT OF THE FINANCIAL AFFAIRS AND STRATEGIC PLANNING GROUP (CSO)

Ahmet Yıldırım graduated from Istanbul University's Department of Economics (English) in 1991. In the same year, he joined Yapı Kredi Bank as a Management Trainee and he was appointed as Director of the Treasury Department in 1999. Subsequently, Ahmet Yıldırım became CEO and Board Member at Yapı Kredi Bank Germany. In June 2006, he returned to Istanbul and served as CEO at Yapı Kredi Investment and as Board Member at other companies of the same group. Mr. Yıldırım continued his career as General Manager and Board Member at Alternatif Yatırım A.Ş. As of 2014, Ahmet Yıldırım was appointed as Çalık Holding, President of the Strategy and Financial Affairs Group and he continues to serve as Çalık Holding Board Member and Aktif Bank Board Member.

BOARD OF DIRECTORS AND EXECUTIVE MANAGEMENT

(1) AHMET ÇALIK
Chairman

(2) MEHMET ERTUĞRUL GÜRLER
Deputy Chairman

(3) AHMET C. YILDIRIM
President of the Strategy and Financial Affairs Group (CSO)

(4) ENDER HIDIROĞLU
Adviser to the Chairman

(5) HAKKI AKİL
Chief Adviser to the Chairman

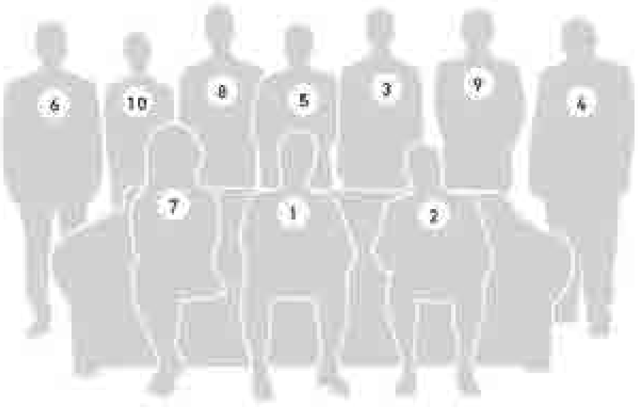
(6) SAİM ÜSTÜNDAĞ
President of the Audit Group

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

(8) GALİP TÖZGE
President of the Banking Group

(9) GIUSEPPE FARINA
Adviser to the Chairman

(10) ÖZLEM YALÇIN
Director of the Corporate Communications


6
10
8
5
3
9
4
7
1
2

ÇALIK HOLDİNG GROUP

ÇALIK HOLDİNG

ENERGY

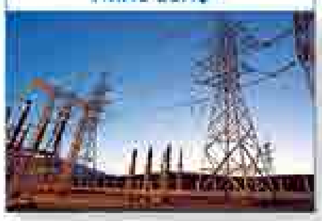
ÇALIK ENERJİ

YEDAŞ

YEPAŞ

KEDS*

ARAS EDAŞ**



ARAS EPAŞ**

CONSTRUCTION AND REAL ESTATE

GAP İNŞAAT

ÇALIK EMLAK VE GAYRİMENKUL GELİŞTİRME

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

ÇALIK HOLDİNG IN BRIEF

OPERATING IN 22 COUNTRIES IN CENTRAL ASIA, THE BALKANS, AND THE MENA REGION AS A LEADING TURKISH INVESTOR, **ÇALIK HOLDİNG EMPLOYS ABOUT 33,333 PERSONNEL.**

ESTABLISHMENT DATE
1981

SHAREHOLDING STRUCTURE
100%
Ahmet Çalık

NUMBER OF EMPLOYEES
21,063 persons
33,333 persons
Number of employees, including subcontractors

ACTIVE GEOGRAPHY
22 Countries

www.calik.com

33 thousand
NUMBER OF EMPLOYEES OF ÇALIK HOLDİNG

BUSINESS AREAS

Holding Company with operations in six sectors

GOALS

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

COMPETITIVE ADVANTAGES

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

Founded by Ahmet Çalık in 1981, Çalık Holding currently operates in a wide range of industries including energy, construction, real estate, textiles, mining, telecommunications and financial services. Çalık Holding is a leading Turkish investor with operations in 22 countries in Central Asia, the Balkans, and the MENA region. The Holding employs about 33,333 personnel.

Çalık Holding ranks among the biggest conglomerates in Turkey and the region. The Group companies implement innovative practices and develop creative solutions that meet current market needs in their respective industries and undertake successful projects across various geographic regions.

In 2016, Çalık Enerji, a subsidiary of Çalık Group, completed and commissioned the facilities it built as part of the power infrastructure reinforcement project in Ashgabat, Turkmenistan. The company also delivered the 254 MW Watan Public Power Plant in the city of Turkmenbashi. Furthermore, Çalık Enerji signed an agreement to build two combined cycle power plants, with a total installed capacity of 1,350 MW, in Uzbekistan. In addition to the Al-Khums power plant project in Libya, the company stepped up its operations in the Middle East and Africa and is currently working on new projects in Yemen, Dubai, Tunisia, Nigeria, and Ethiopia. Çalık Enerji completed drilling operations in the South Çalıktepe-1 oil field in the southeastern Anatolia region and commenced production. The wind power plants constructed by the company in İzmir started operations. Çalık Enerji ranked 101st globally and eighth in Turkey on the 2016 list of ENR's Top 250 International Contractors, based on 2015 data.

According to the results of the Turkey's Top 500 Service Exporters survey, conducted by the Turkish Exporters' Assembly (TIM) for the first time in 2016, Çalık Enerji ranked first and GAP İnşaat ranked second in the "Contracting Services" category.

The physical separation of YEDAŞ and YEPAŞ, both of which have been engaging in electricity distribution and retail sales in the same service areas in the Black Sea region, was completed in 2016. After a series of infrastructure upgrades, YEPAŞ began implementing an integrated SAP system, the first-of-its-kind in Turkey. YEDAŞ, meanwhile, set up the SCADA/DMS system, the most important component of the Smart Grid System. As of 2016, the company became able to remotely control and monitor 40% of its power grid.

Çalık Group's energy company ARAS (jointly owned by Çalık Holding and Kiler Holding) began implementing a mobile field service management system in 2016 to boost operational efficiency and ensure faster intervention in the event of malfunctions. The Group's subsidiary in Kosovo, KEDS (a Çalık Holding-Limak Holding joint venture company) initiated an investment program to complete distribution network improvements until the year 2025.

In 2016, Çalık Group's construction company GAP İnşaat continued working on the construction of Garaboğaz Fertilizer Factory and Turkmenbashi International Seaport, which will be the largest port in the Caspian Sea. Located on the ancient Silk Road and slated for completion in 2018, the port facility is expected to handle the entire maritime export and import operations of Turkmenistan. In 2016, GAP İnşaat also opened the Morphology, Neurology, Dangerous Infections Center and the Public Health Center in Turkmenistan. Additionally, the company continues work on the Zincirlikuyu Office Building Project; when completed, it will be the first office building with LEED v3 certification in Turkey.

Çalık Gayrimenkul successfully continued working on its existing projects, primarily the Taksim 360 Urban Renewal Project.

Çalık Group's textile company Çalık Denim, which ranks among the world's top ten premium denim manufacturers, invested US$ 23.9 million in new capacity and operations, while continuing to carry out R&D activities in 2016. After two years of successful efforts under the Turquality program, which provides support to selected Turkish brands to help transform them into global brands, Çalık Denim was finally granted Turquality accreditation.

Gap Pazarlama, which engages in international textile trading and supply, continued its operations successfully during the year.

GAP İnşaat was awarded the construction and installation work of the Sulfide Facilities at Çöpler Gold Mine, which is owned by Anagold, an affiliated company of Lidya Madencilik. Gap İnşaat also began work on the infrastructure of Gediktepe Gold Mine in Balıkesir, which is owned by Lidya Madencilik, after obtaining the Environmental Impact Assessment (EIA) Report.

Çalık Group's subsidiary in the financial services industry and Turkey's largest privately owned investment bank, Aktif Bank launched pioneering initiatives in 2016. These included Eurobond issuance, financing of Vodafone Arena Stadium, Shopping Loan, and securitization issuance. Aktif Bank also established two subsidiaries: Mükâfat Asset Management and EchoPOS. The bank achieved remarkable consumer loan growth, 15 times greater than the industry average, and accounted for 25% of the overall industry growth in the first six months of the year.

In 2016, Banka Kombetare Tregtare ("BKT"), which operates in the Balkans, was named the "Bank of the Year" in Albania by Euromoney, The Banker and EMEA Finance for the fourth consecutive year. The Bank continued its groundbreaking initiatives in 2016, and launched its mobile banking application "BKT Smart" in Albania and Kosovo as well as a commercial banking application, the first-of-its-kind in Albania.

ALBtelecom, the Group's telecommunications subsidiary operating in Albania, implements a customer-focused strategy to deliver faster service and provide high quality products. In 2016, ALBtelecom won the "Innovative Entrepreneurship" award at the Golden Bee Awards.

Boasting an entrepreneurial spirit, prudent business strategies, focus on inclusiveness and diversity, innovative and sustainable business models, and significant investments in technology and human resources, Çalık Holding continues its efforts for the last 35 years to add long-term value to people's lives in every industry and in every country it operates.

MILESTONES

ÇALIK GROUP COMPANIES IMPLEMENT INNOVATIVE PRACTICES AND DEVELOP CREATIVE SOLUTIONS THAT MEET CURRENT MARKET NEEDS IN THEIR RESPECTIVE INDUSTRIES AND UNDERTAKE SUCCESSFUL PROJECTS ACROSS VARIOUS GEOGRAPHIC REGIONS.

A success story dating back to the 1930s...

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

80s: First personal investments in the textile industry...

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.

90s: Investments expanding abroad...

1994
Gap Pazarlama is 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.

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

1998
Çalık Enerji is established.

1999
The Holding entered into the financial services industry.

2000s: Steady growth driven by prudent investment decisions...

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

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

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.

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 the 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 Yeşilırmak Electricity Distribution, which distributes electricity to the Turkish provinces of Samsun, Amasya, Çorum, Ordu and Sinop.

2010

The Holding's mining sector subsidiary was restructured and named Lidya Madencilik.

The handover procedure of Yeşilırmak Electric Distribution Company (YEDAŞ) was completed and the company was incorporated in Çalık Enerji.

2011

Çalık Cotton was established.

2012

Lidya Madencilik increased its stake in Anagold from 5% to 20%.

A geological survey commenced in June in the Polimetal Madencilik's sites.

Çalık Holding completed the repayment of the 5-year Eurobonds, worth US$ 200 million, that it had issued in 2007.

2013

Çalık Cotton became the first Turkish company to acquired AQSIQ Certification required to export cotton to China.

Çalık Holding, in partnership with Kiler Holding, acquired Aras Electricity Distribution, which distributes electricity to seven provinces in Eastern Anatolia.

E-Kent became the Central System Integrator by winning the e-ticket tender of the Turkish Football Federation (TFF).

Çalık Holding exited from ATV-Sabah Commercial and Economic Entity (Turkuvaz Medya).

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

2014

In mid-2014, BKT reached its target of becoming the largest bank in Albania by year-end 2015, 18 months ahead of schedule.

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 Japan's Mitsubishi Corporation for US$ 1.3 billion.

MILESTONES

ACCORDING TO THE RESULTS OF THE TURKEY'S TOP 500 SERVICE EXPORTERS SURVEY, ÇALIK ENERJİ RANKED FIRST IN "CONTRACTING SERVICES" AND THIRD IN THE "ALL SERVICE EXPORTERS" CATEGORY.

ENERGY 2015

Çalık Enerji completed and delivered the Gardabani Natural Gas Combined Cycle Power Plant, one of the biggest energy investments in Georgia. 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.

KEDS Academy, which provides practical training and internship opportunities to university students, graduated its second class and third-term classes commenced. KEDS Academy is an initiative of the electricity distribution and supply company KEDS, which operates in Kosovo and is jointly owned by Çalık Enerji and Limak Holding.

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.

CONSTRUCTION AND REAL ESTATE

Gap Insaat 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.

TEXTILE

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.

Despite unforeseen economic fluctuations, Gap Pazarlama's textile revenue reached a historic high.

After signing major contracts in 2015, Çalık Cotton, the youngest company of Çalık Group, began purchasing cotton from African cotton markets and offering it to Turkish manufacturers.

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.

MINING

Lidya Madencilik developed the Balıkesir Gediktepe Copper, Zinc and Gold mines project, currently in the investment phase.

FINANCE

In celebration of its 90th anniversary, BKT opened its 90th branch location. In 2015, the bank also won the most prestigious banking awards in Albania-including those from Euromoney, The Banker and EMEA Finance-for the third year in a row.

Always standing out from the competition with innovative, forward-looking practices in the banking industry, Aktif Bank garnered the "Best Payment Deployment in Europe" award at the 2015 Mobile Money & Digital Payments-Global event with the "Online Order" application developed by UPT, Turkey's first domestic money transfer company.



ENERGY 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.

- The 526 MW Al-Khums project in Libya reached its final phase.

- Çalık Enerji expanded its operations in the Middle East and North Africa.

- According to the results of the Turkey's Top 500 Service Exporters survey conducted by the Turkish Exporters' Assembly (TIM), Çalık Enerji ranked first in "Contracting Services" and third in the "All Service Exporters" category. Meanwhile, GAP İnşaat ranked second in the "Contracting Services" category and fifth in the all industries listing.

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

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

- YEDAŞ completed the first phase of the Smart Meter Circuitry and Grid Management System Project in 2016.

- The company introduced mobile applications to maximize customer satisfaction and began sending notices to customers 48 hours prior to planned power outages.

CONSTRUCTION

- Construction on the Turkmenbashi International Seaport, which, when completed will be the largest port in the Caspian Sea, continued according to schedule. Slated for completion in 2018, the port facility is expected to handle the entire maritime export and import operations of Turkmenistan.

- Construction on Garaboğaz Fertilizer Factory, which will be the largest fertilizer factory in Turkmenistan with a daily production capacity of 3,500 tons of urea and 2,000 tons of ammonia, also continued on-schedule.

- GAP İnşaat was awarded the construction of the Sulfide Facilities at Erzincan İliç Gold Mine, which is operated by Anagold, a joint venture between Alacer Gold and Lidya Madencilik.

REAL ESTATE

- Çalık Gayrimenkul successfully continued work on its existing projects, primarily the Taksim 360 Urban Renewal Project.

TEXTILE

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

- Çalık Denim reached its goal after a two-year effort under the Turquality program, which provides support to selected Turkish brands to transform them into global brands.

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

MINING

- Gap İnşaat commenced work on the infrastructure of Gediktepe Gold Mine in Balıkesir, which is owned by Lidya Madencilik, after obtaining the Environmental Impact Assessment (EIA) Report.

FINANCIAL SERVICES

- Aktif Bank launched pioneering 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.

- Aktif Bank maintained its leadership position in the PTT channel; achieved remarkable consumer loan growth, 15 times greater than the industry average; and accounted for 25% of overall industry growth in the first six months of the year.

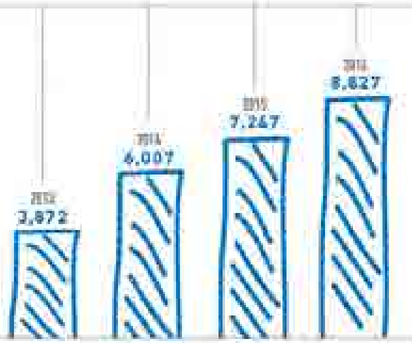
- BKT launched its mobile banking application "BKT Smart" in Albania and Kosovo as well as a commercial banking application, the first-of-its-kind in Albania.

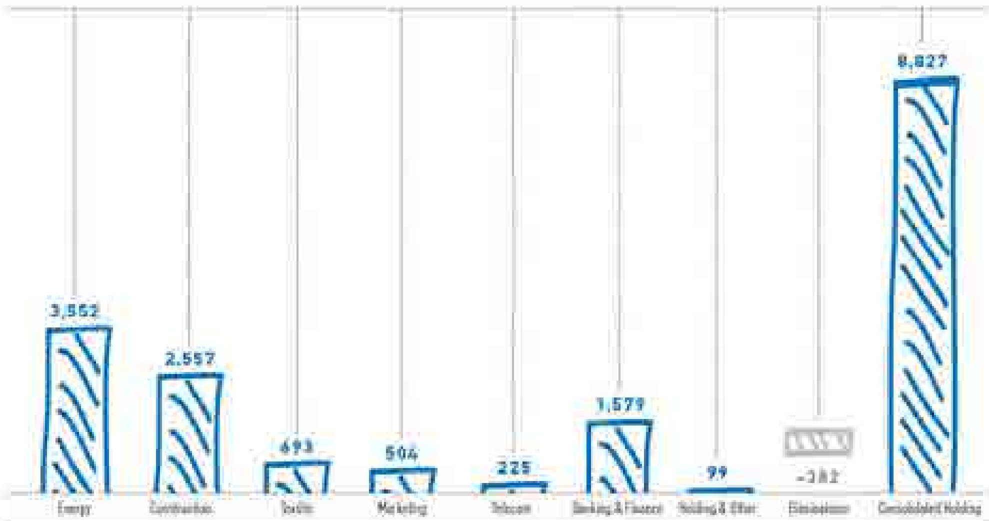
KEY FINANCIAL INDICATORS

IN 2016, ÇALIK HOLDİNG DEVELOPED EFFECTIVE SOLUTIONS TO OVERCOME CHALLENGING MARKET CONDITIONS. AS OF YEAR-END, THE HOLDING'S INVESTMENT SPENDING AMOUNTED TO US$ 249 MILLION.

NET SALES (TL MILLION)

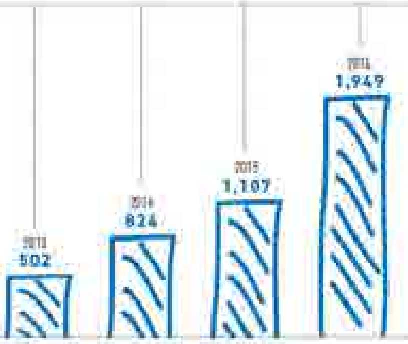
As of year-end 2016, the Holding's consolidated net sales amounted to TL 8,827 million, a 22% increase from the previous year. The Holding's net sales figure has demonstrated compound annual growth rate (CAGR) of 32% since 2013.

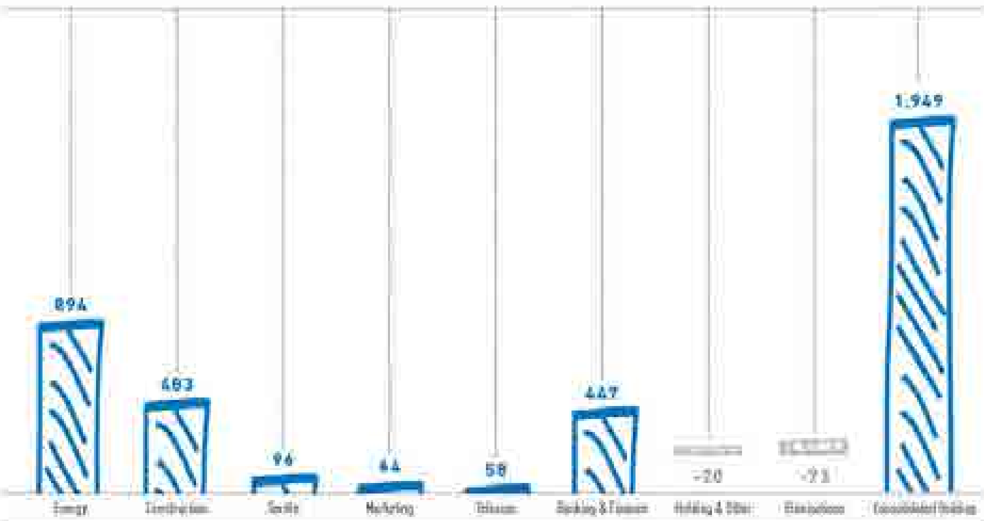




EBITDA (TL MILLION)

Çalık Holding's consolidated EBITDA increased by 76% to TL 1,949 million as of year-end 2016. The Holding's EBITDA performance has improved steadily since 2013, posting a CAGR of 57%.



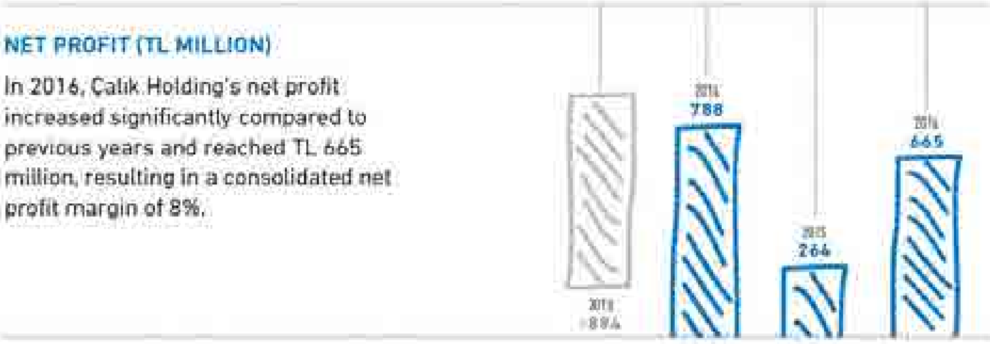


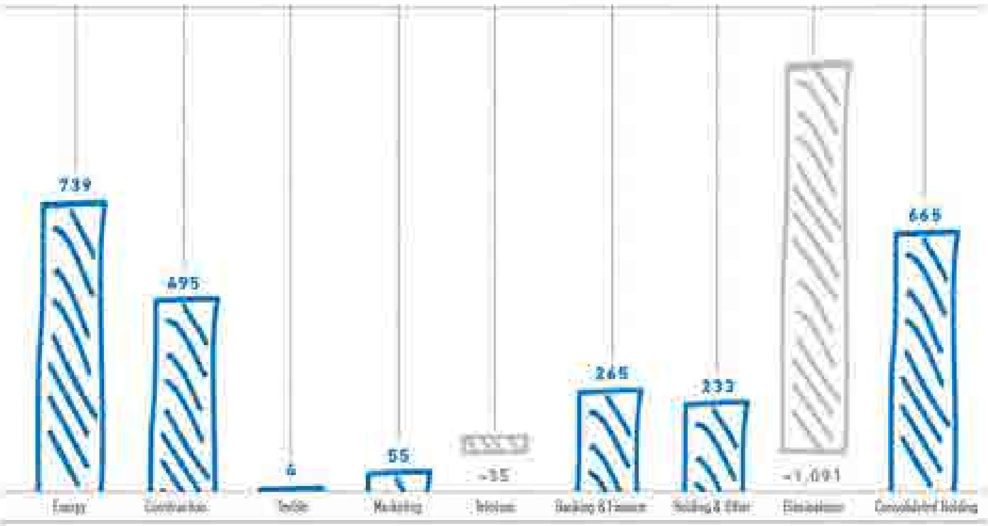
KEY FINANCIAL INDICATORS

MAINTAINING ITS COMPETITIVE ADVANTAGE IN THE INDUSTRIES WHERE IT OPERATES, ÇALIK HOLDİNG INCREASED ITS NET PROFIT BY TL 401 MILLION YEAR-ON-YEAR, REACHING TL 665 MILLION IN 2016.

NET PROFIT (TL MILLION)

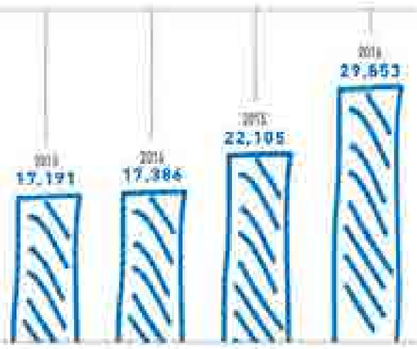
In 2016, Çalık Holding's net profit increased significantly compared to previous years and reached TL 665 million, resulting in a consolidated net profit margin of 8%.

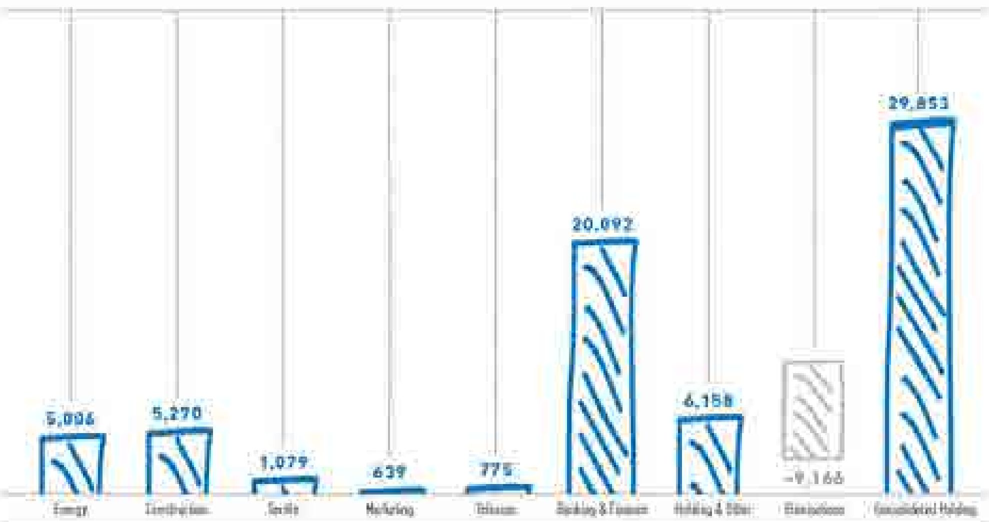




TOTAL ASSETS (TL MILLION)

The Holding's total assets increased by 35% over the previous year to TL 29,853 million.



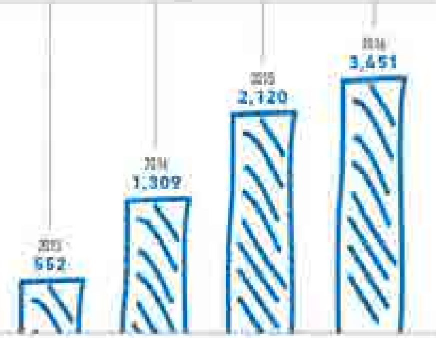


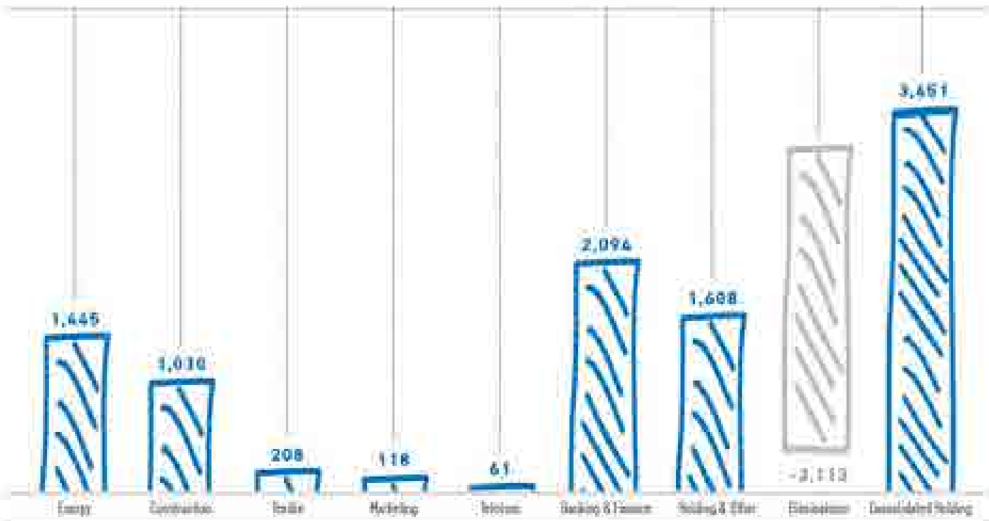
KEY FINANCIAL INDICATORS

OPERATING IN A WIDE RANGE OF INDUSTRIES INCLUDING ENERGY, CONSTRUCTION, REAL ESTATE, MINING, TEXTILES, TELECOMMUNICATIONS AND FINANCIAL SERVICES, ÇALIK HOLDİNG CONTINUED ITS SUCCESSFUL FINANCIAL PERFORMANCE IN 2016.

TOTAL EQUITY (TL MILLION)

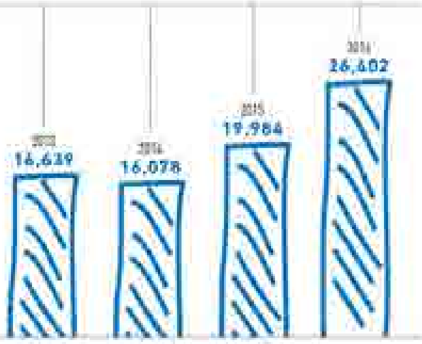
In 2016, the Holding's aggregate shareholders' equity increased by 63% over the previous year, to TL 1,331 million, indicating a strong capital structure.

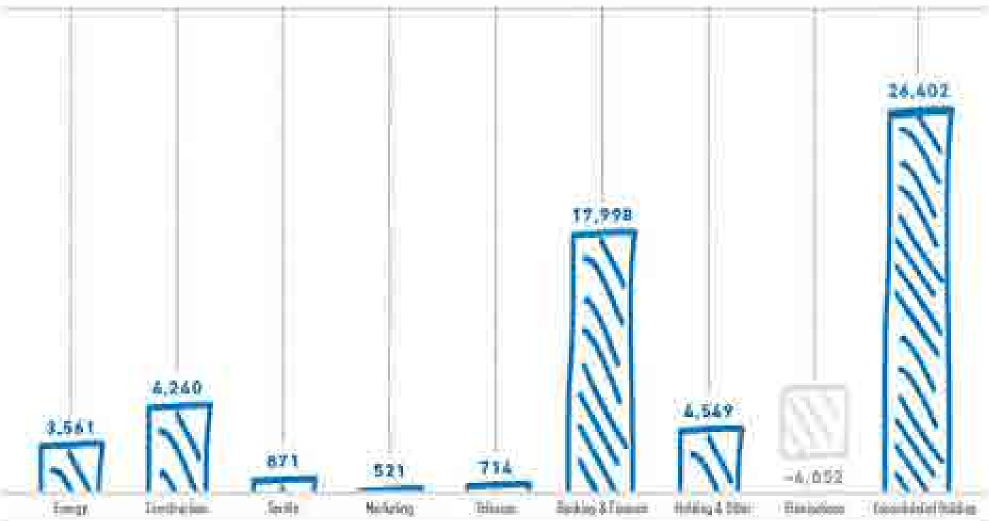




TOTAL LIABILITIES (TL MILLION)

In 2016, total liabilities increased by 32% over the previous year.



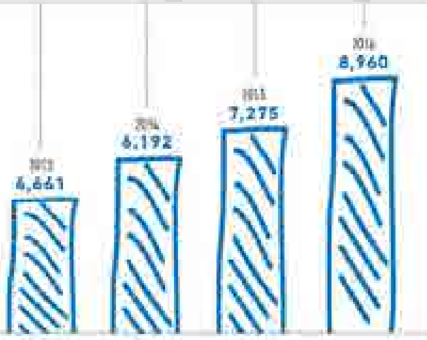


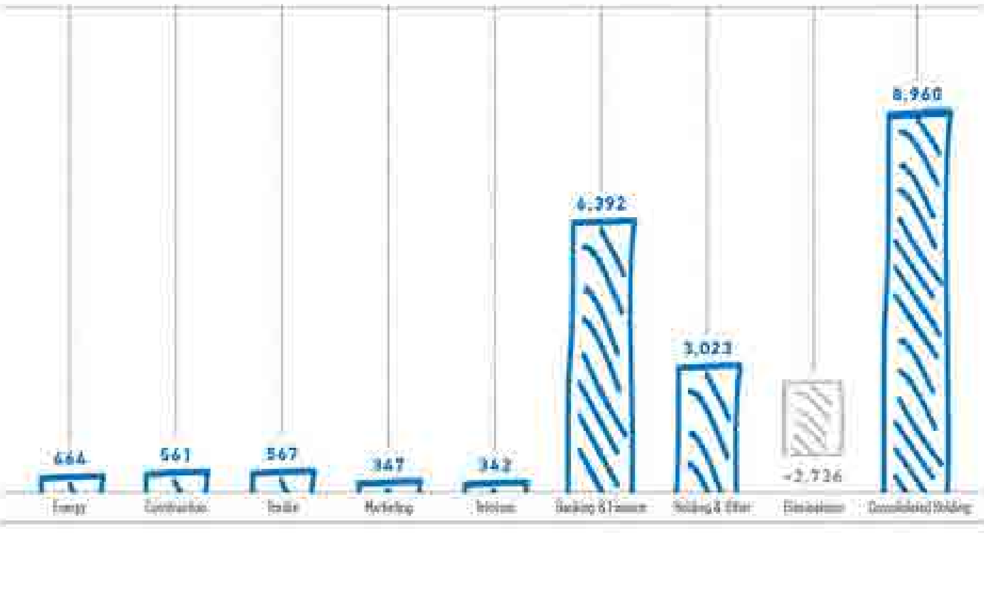
KEY FINANCIAL INDICATORS

THANKS TO ITS ROBUST FINANCIAL STRUCTURE AND **HIGHLY COMPETENT WORKFORCE, ÇALIK HOLDİNG RECORDED MANY SUCCESSES IN 2016.**

FINANCIAL DEBT (TL MILLION)

In 2016, the Holding's financial debt increased by 23% over the previous year, to TL 8,960 million.

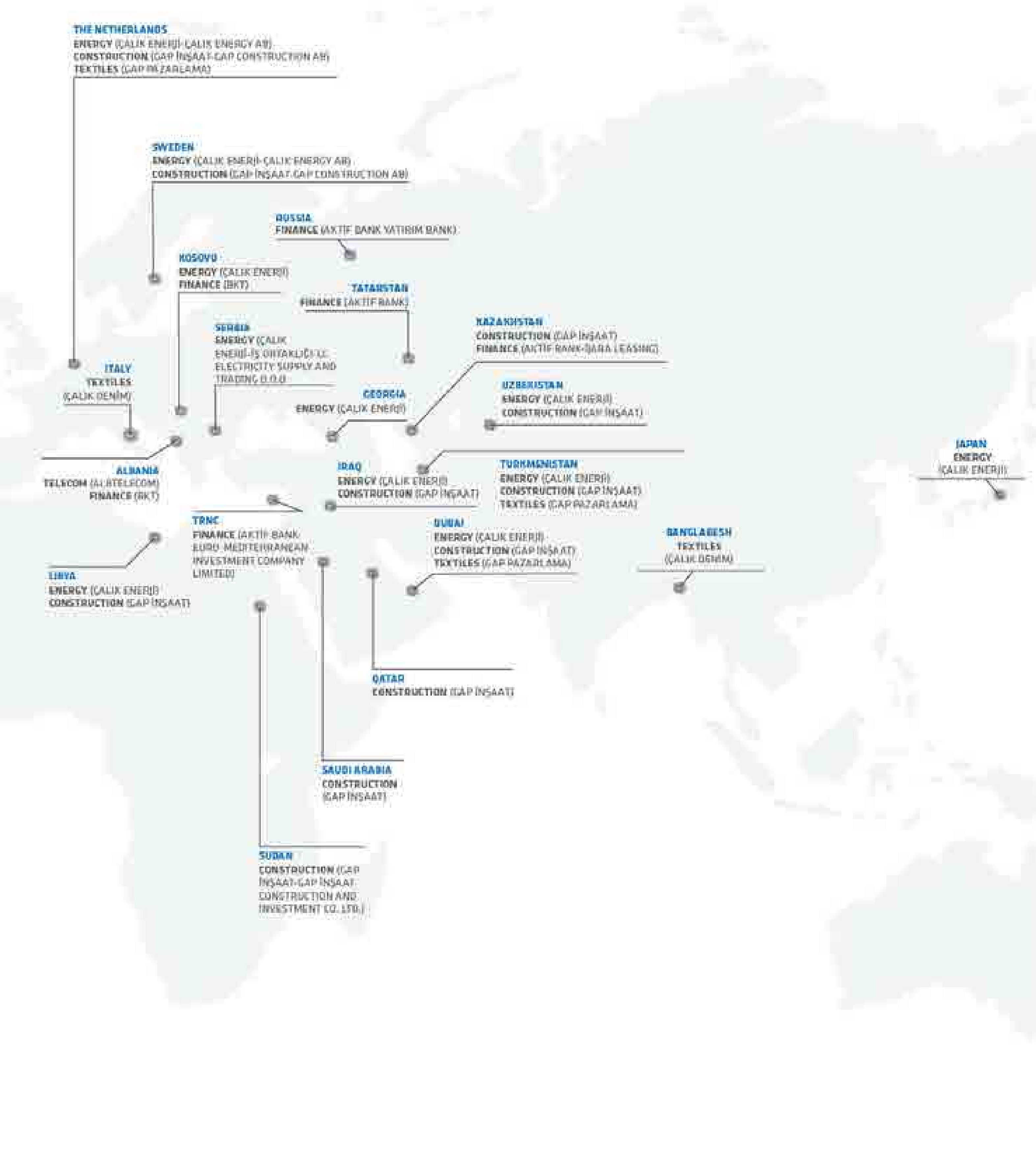




OPERATION MAP

ÇALIK HOLDİNG STRIVES TO ADD LASTING VALUE TO PEOPLE'S LIVES IN EVERY INDUSTRY AND EVERY COUNTRY WHERE IT OPERATES VIA INVESTMENTS IN ENERGY, CONSTRUCTION, REAL ESTATE, MINING, TEXTILES, TELECOMMUNICATIONS AND FINANCIAL SERVICES IN THE MIDDLE EAST, BALKANS AND MENA REGIONS.

6 Industries + 5 Continents + 22 Countries = A Regional Player Operating across the World


THE NETHERLANDS
ENERGY (ÇALIK ENERJİ-ÇALIK ENERGY AB)
CONSTRUCTION (GAP İNŞAAT-GAP CONSTRUCTION AB)
TEXTILES (GAP PAZARLAMA)
SWEDEN
ENERGY (ÇALIK ENERJİ-ÇALIK ENERGY AB)
CONSTRUCTION (GAP İNŞAAT-GAP CONSTRUCTION AB)
RUSSIA
FINANCE (AKTİF BANK YATIRIM BANK)
KOSOVO
ENERGY (ÇALIK ENERJİ)
FINANCE (BKT)
TATARSTAN
FINANCE (AKTİF BANK)
SERBIA
ENERGY (ÇALIK ENERJİ-İŞ ORTAKLIĞI LLC ELECTRICITY SUPPLY AND TRADING D.O.O)
KAZAKHSTAN
CONSTRUCTION (GAP İNŞAAT)
FINANCE (AKTİF BANK-SARA LEASING)
ITALY
TEXTILES
(ÇALIK DENİM)
GEORGIA
ENERGY (ÇALIK ENERJİ)
UZBEKISTAN
ENERGY (ÇALIK ENERJİ)
CONSTRUCTION (GAP İNŞAAT)
JAPAN
ENERGY
(ÇALIK ENERJİ)
ALBANIA
TELECOM (ALBTELECOM)
FINANCE (BKT)
IRAQ
ENERGY (ÇALIK ENERJİ)
CONSTRUCTION (GAP İNŞAAT)
TURKMENISTAN
ENERGY (ÇALIK ENERJİ)
CONSTRUCTION (GAP İNŞAAT)
TEXTILES (GAP PAZARLAMA)
TRNC
FINANCE (AKTİF BANK EURO MEDITERRANEAN INVESTMENT COMPANY LIMITED)
DUBAI
ENERGY (ÇALIK ENERJİ)
CONSTRUCTION (GAP İNŞAAT)
TEXTILES (GAP PAZARLAMA)
BANGLADESH
TEXTILES
(ÇALIK DENİM)
LIBYA
ENERGY (ÇALIK ENERJİ)
CONSTRUCTION (GAP İNŞAAT)
QATAR
CONSTRUCTION (GAP İNŞAAT)
SAUDI ARABIA
CONSTRUCTION
(GAP İNŞAAT)
SUDAN
CONSTRUCTION (GAP İNŞAAT-GAP İNŞAAT CONSTRUCTION AND INVESTMENT CO. LTD.)

THIS IS WHERE MY FATHER WORKS

ENERGY SECTOR

"My father produces electricity for us."

ESİN GÖKÇE (5)

AN OVERVIEW OF THE ENERGY SECTOR IN 2016

THE NUMBER OF RENEWABLE ENERGY PROJECTS IS EXPECTED TO RISE IN THE COMING PERIOD BOTH IN TURKEY AND AROUND THE WORLD. SOLAR AND WIND POWER INVESTMENTS PRESENT SIGNIFICANT OPPORTUNITIES.

WORLD ENERGY OVERVIEW

In 2016, the main topics of debate in the global energy industry included the effects of political instability in the Middle East, global energy security, the critical next steps and possible changes after the Paris Agreement on Climate Change, which was signed in December 2015, and the current state of oil prices. Delegates from nearly 200 countries came together at the Paris Climate Change Conference, which lasted two weeks. Parties reached an agreement to reduce greenhouse gas emissions by restricting fossil fuel consumption and to pursue efforts to limit the increase in global average temperature between 1.5°-2°C. The Paris Agreement, which is legally binding for the signatory countries, formally took effect in November 2016 after 55 countries that represent at least 55% of the world's greenhouse gas emissions ratified the treaty.

Since the Paris Agreement will directly affect the energy policies and strategies of signatory countries as well as private and public energy companies, the global energy sector will focus more on the efficient use of energy resources when meeting the growing energy demand, low-carbon power generation, and renewable energy resources.

In the next 20 years, energy demand will rise in parallel with global economic expansion primarily due to the increasing world population and income. The world's population is projected to reach 8.8 billion by 2035, with 1.5 billion more persons in need of energy. During the same period, global GDP is expected to more than double, with half of the projected GDP growth most likely generated by China and India.

Government representatives of the countries that lead the world energy industry, and senior managers of public and private energy companies came together at the 23rd World Energy Congress held in Istanbul in October 2016. Çalık Enerji was the Gold sponsor of the congress, where detailed discussions took place on the global energy sector. The delegates concluded that in parallel with global economic growth, energy demand will continue to expand for the next 20 years and onward, despite China's economic slowdown and the fact that global energy markets are under increasing stress.

Experts predict that global energy demand will rise by 34% by 2035, with an average annual increase of 1.4% between 2014 and 2035. In parallel to growing demand, the global energy mix will change significantly, with the world shifting to low-carbon energy. Therefore, low-carbon fuels will grow faster than high-carbon fuels.

However, fossil fuels will continue to dominate the energy mix, supplying 80% percent of the world energy and 60% of the projected increase in global energy consumption until 2035. Gas will be the fastest growing fossil fuel, expanding by 1.8% a year, while alternative fuels are not expected to grow as fast.

According to the International Energy Agency (IEA)'s 2015 World Energy Outlook Report, renewable energy will meet 43% of the world's energy demand by 2040. Based on different scenarios described in the report, global renewable energy investments between 2015 and 2040 will amount to US$ 7 trillion, making up 60% of all energy investments. By 2040, China is expected to become the biggest renewable energy market, followed by the European Union, India, and the US, respectively.

More than half of the increase in global energy consumption is used for electricity generation. Considering the intense competition in the fuel market, electricity generation will play a critical role in the evolution of energy sources as renewable sources and natural gas replace coal. Renewable energy sources account for more than one-third of the projected increase in global energy consumption.

According to international organizations' outlook on energy supply, shale gas production is driving global natural gas production growth; natural gas output will continue to expand at an expected annual rate of 5.6%. The share of shale gas in total gas production, which accounted for 10% in 2014, is expected to climb to 25% by 2035.

TURKEY'S ENERGY SECTOR

For centuries, Turkey has served as a key intersection between east and west. Surrounded by the world's largest natural gas reserves to the north, south and east, and Europe, the world's biggest energy market, to the west, Turkey boasts a highly strategic location. Existing and ongoing oil and gas projects will further boost Turkey's strategic importance as a major energy corridor. Turkey is in a region where 35% of the world's oil and 70% of its natural gas is transported via pipelines. Therefore, Turkey is a geopolitical bridge between energy-producing regions and countries with high energy demand. Despite its dependence on external energy sources, Turkey has always enjoyed its geographic advantage.

Turkey is unlikely to meet its energy demand, which is rising in parallel with the country's expanding economy, with domestic hydrocarbon resources as it lacks sufficient reserves of oil and natural gas. Turkey is heavily dependent on external energy sources (at 72%).

As of October 2016, Turkey's total installed generating capacity rose to 78,433 MW, up from 73,146 MW in 2015 and 69,519 MW in 2014. Over the past three years, Turkey has added an average of 5,300 MW per year to its total capacity.

Turkey's total installed generating capacity is expected to reach 83,000 MW by 2021; in other words, an average of 1,200 MW of new capacity will be added annually. Currently, renewable energy resources-such as hydro, wind, solar and geothermal power-make up 42.3% of Turkey's total installed generating capacity.

Turkey needs to expand its installed electricity capacity to 60% by the year 2023 by commissioning renewable energy and nuclear power plants to ensure energy supply security and reduce its dependence on external energy.

The number of renewable energy projects is expected to increase in the coming period both in Turkey and around the world. Solar and wind power investments in particular present significant opportunities. On the nuclear energy front, Turkey currently has plans to build three nuclear power plants in collaboration with Russia, Japan and China, the three leading countries in nuclear energy production.

Meanwhile, the ongoing natural gas projects in various parts of Turkey are expected to be completed in three to four years. After completion of these projects, Turkey will be able to not only meet the demand but also store natural gas. Because Turkey lacks rich fossil fuel reserves, it needs to boost renewable energy production, complete nuclear power investments, and expand the capacities of natural gas storage facilities. Investors may then shape their investment plans in line with these decisions and strategies. The Turkish Stream Gas Pipeline Project, which is expected to start soon, holds strategic importance in terms of ensuring energy supply security in Turkey.

Additionally, there are large lignite deposits in Konya and the Thrace region. The first tender was held for the Çayırhan lignite-fired power plant in Eskişehir. The main goal is to produce electricity from domestic resources and encourage foreign investors to participate in these projects.

Çalık Enerji continued to demonstrate a remarkable performance in 2016. The company carried out its existing projects according to schedule and developed new projects in line with its goals and strategies. Çalık Enerji 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

FAST DECISION-MAKING MECHANISMS AND AN EFFECTIVE ORGANIZATIONAL STRUCTURE ENABLE ÇALIK ENERJİ TO EASILY ADOPT INNOVATIONS THAT CREATE A COMPETITIVE ADVANTAGE FOR THE COMPANY.

ESTABLISHMENT DATE
1998

SHAREHOLDING STRUCTURE

95.42%
Çalık Holding

4.48%
Minority Shareholder

0.10%
Ahmet Çalık Chairman of the Çalık Holding Board of Directors

NUMBER OF EMPLOYEES

1,047 persons

2,468 persons
Number of employees, including subcontractors

www.calikenerji.com

OPERATING CITIES IN TURKEY:
ÇALIK ENERJİ: Ankara, Adana, Çankırı, İzmir, Diyarbakır, Rize
YEDAŞ: Samsun, Ordu, Çorum, Amasya, Sinop
ARAS: Erzurum, Ağrı, Ardahan, Bayburt, Erzincan, Iğdır, Kars
BURSAGAZ: Bursa
KAYSERİGAZ: Kayseri

OPERATING COUNTRIES IN THE WORLD:
ÇALIK ENERJİ: Turkmenistan, Uzbekistan, Georgia, Iraq, Libya, Russia, Dubai, Afghanistan, Yemen
KEDS: Kosovo

Operating under the roof of Çalık Holding, Çalık Enerji and its subsidiaries have executed to date mega projects that require strong engineering expertise.

Çalık Enerji runs its operations with 2,468 employees in 20 cities in Turkey and ten countries across the Middle East, Central Asia, North Africa, Balkans and East Europe.

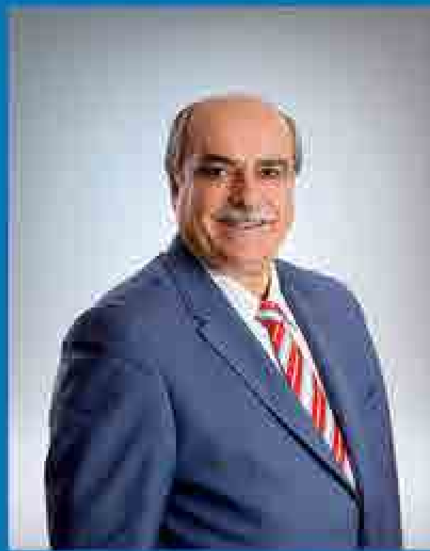
Çalık Enerji, ranking among Turkey's leading energy companies, operates in five main business areas:

- *EPC Power Systems:* The company delivers turnkey contracting services and undertakes projects related to thermal power plants, hydroelectric power plants, and wind and solar energy power plants.
- *Electricity Generation:* The company undertakes investment projects relating to electricity generation, including hydroelectric power plants, wind and solar energy power plants, natural gas and coal-fired power plants in Turkey and abroad.
- *Electricity and Natural Gas Distribution:* The company also engages in domestic and international electricity and natural gas distribution and trade.
- *Oil and Natural Gas Exploration and Production:* The company provides exploration, production and field services, as well as gas storage, in addition to oil and oil derivatives trading services.
- *Refinery and Pipelines:* As part of its refinery and pipelines business, the company conducts operations within the scope of its licenses.

Fast decision-making mechanisms and an effective organizational structure enable Çalık Enerji to easily adopt innovations that create a competitive advantage for the company. Thanks to its steady stream of investments, Çalık Enerji has become a star player in the sector, pioneering and completing exemplary projects since its founding.

FIRST AND MAJOR ACHIEVEMENTS IN THE SECTOR AND ÇALIK ENERJİ:

- Construction of the 478 MW Navoi Combined Cycle Power Plant in Uzbekistan, the biggest power plant built in Central Asia after the country's independence.
- 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.



The power plant was commissioned in 2015, four months earlier than scheduled.

- The Adacami HEPP investment, which has the longest tunnel (12 km) among hydroelectric power plants with regulators. It is the first power plant built by Çalık Enerji; with an installed capacity of 30 MW, Adacami HEPP generates 108 million KWh of electricity per year and provides electricity to 40,000 people.
- 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.
- 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.
- Completed by Çalık Enerji, the AST Project (Provision of Continuous Electricity to the City of Ashgabat) is the first-of-its-kind project in the world with the largest budget; the entire electrical energy infrastructure of a city was replaced and revamped under a single contract.
- The 1,574 MW Mary Combined Cycle Power Plant, which the company signed a construction agreement for in 2015. When commissioned, Mary Power Plant will be the largest power plant in Turkmenistan built after the country's independence.
- Construction of the 530 MW Al-Khums Fast Track Simple Cycle Power Plant, the first project the company completed in Libya.
- The 60 MW Aden Fast-Track Mobile Power Plant, which will be built in the western part of Aden, Yemen, will be Çalık Enerji's third project in the Middle East and the first mobile power plant contract. It is also the company's first project in Yemen.
- Demircili and Sarpıncık Wind Power Plants, which consist of 29 turbines with an aggregate installed capacity of 72 MW, are the first WPPs built by Çalık Enerji.
- Çalık Enerji ranks among the world's top ten companies in constructing fossil fuel power plants.

COMPETITIVE ADVANTAGES:

Çalık Enerji evaluates new investment opportunities with the aim of building a sustainable future and places great importance on its activities in target markets.

Çalık Enerji always targets delivering high-quality projects and fulfills its commitments in a timely manner to maintain a high level of customer satisfaction. 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.

DISTINGUISHING ITSELF WITH A HIGHLY COMPETENT WORKFORCE AND ONGOING INVESTMENTS, ÇALIK ENERJİ IS CONFIDENTLY MOVING FORWARD INTO THE FUTURE.

DOÇ. DR. OSMAN SAİM DİNÇ
ÇALIK ENERJİ

ÇALIK ENERJİ'S MANAGEMENT PHILOSOPHY IS BASED ON **DELIVERING THE HIGHEST LEVEL OF CUSTOMER SATISFACTION AND BUILDING RELIABLE AND TRANSPARENT RELATIONSHIPS WITH ALL PARTIES.**

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

- Highly qualified workforce
- 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

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.

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

Despite the many difficulties and challenges it faces by conducting operations in various regions of the world, Çalık Enerji remains committed to achieving its goals, continuing to move forward under all circumstances, and successfully carrying out pioneering projects. Adopting a win-win approach to investments and services, the company always aims to contribute to the regions where it makes its investments.

Thanks to its highly efficient procurement and logistics organization, Çalık Enerji also delivers high levels of supplier satisfaction. Strong, long-term relationships with suppliers help bolster the company's competitive position, especially in 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.

FINANCIAL PERFORMANCE IN 2016:

During the year, Çalık Enerji continued to focus on profitable and sustainable growth. The company expects its total assets to jump 28% to TL 5 billion and its net sales to rise 5% year-on-year to TL 3.5 billion.

FINANCIAL SUMMARY (TL MILLION)	2014	2015	2016
TOTAL ASSETS	3,483	3,915	5,006
NET SALES	3,538	3,368	3,552
TOTAL SHAREHOLDERS' EQUITY	806	1,457	1,445
EBITDA	578	685	894
EBITDA MARGIN (%)	16	20	25

The company's total debt is expected to amount to TL 455 million in 2016 due to ongoing investments. On the other hand, the strong growth in the company's shareholders' equity and EBITDA and low financial leverage ratio present a significant potential for future investments.

ELECTRICITY AND NATURAL GAS DISTRIBUTION SERVICES:
Çalık Enerji acquired YEDAŞ through a privatization tender in 2010. YEDAŞ supplies electricity to 1.6 million subscribers (corresponding to 4 TWh of electricity consumption and 5% of the market) in Turkey's Central Black Sea region. In addition, the Çalık-Kiler consortium won the privatization tender for electricity distribution in the Aras region, which comprises Erzurum, Ağrı, Ardahan, Bayburt, Erzincan, Kars and Iğdır. The region's total consumption amounts to 2.75 TWh of electricity and currently the company serves 815 thousand subscribers. Çalık Enerji also holds minority stakes in the BursaGaz and KayseriGaz gas distribution companies. In 2008, BursaGaz became the first private company to win the "European Quality Award" (EFQM).

AWARDS IN 2016:
Enjoying a reliable and strong reputation in the sector, Çalık Enerji further solidifies its successful market position with new awards every year. The company won a number of significant awards in 2016, including:

- According to the results of the Turkey's Top 500 Service Exporters survey conducted by the Turkish Exporters' Assembly (TIM) for the first time in 2016, Çalık Enerji ranked among the "Service Exports" champions. The company received first prize in the category of "Contracting Services" at the awards ceremony.
- Additionally, Çalık Enerji garnered four international awards for its contributions to protecting human health and the environment as part of the power infrastructure reinforcement project in Ashgabat, Turkmenistan.

Awards:
  - **Environmentally Conscious Project award** granted by the Environmental Health Trust (USA)
  - **Energy Efficiency Award** presented by the University of Vienna (Austria)
  - **Energy Sustainability Award** granted by the European Foundation for International Relations
  - **Stable and Continuous Energy Award** presented by the University of Liechtenstein.
- In 2016, Çalık Enerji ranked 41st on "Turkey's Top 500 Corporations" list, which is methodically compiled by Fortune Turkey magazine according to scientific criteria and regarded as a reference by both academia and the business community.
- Çalık Enerji's Human Resources Department received Kariyer.net's "Respect for People Award" at the Human Resources Summit held in February 2016.

Quality Standards and Certifications:
Çalık Enerji holds the ISO 9001 (Quality Management), ISO 14001 (Environmental Management), and OHSAS 18001 (Occupational Health and Safety Management) certifications.

IMPLEMENTING A STEADY GROWTH STRATEGY, ÇALIK ENERJİ CONTINUED ITS AMBITIOUS EXPANSION EFFORTS IN ALL THE REGIONS WHERE IT OPERATES, PARTICULARLY IN CENTRAL ASIA AND THE MIDDLE EAST.

2016 HIGHLIGHTS:

Implementing a steady growth strategy, Çalık Enerji continued its ambitious efforts in all the regions where it operates, particularly in Central Asia and the Middle East.

The company carried out the following activities in 2016:

- Çalık Enerji completed construction of the 254 MW Watan Public Power Plant located in Turkmenbashi, a city in the Lebap province in Turkmenistan, in July, six months before the contract delivery date. Mr. Gurbanguly Berdimuhamedow, President of Turkmenistan, attended the opening ceremony of the power plant.
- The facilities built by Çalık Enerji under the AST Project (Provision of Continuous Electricity to the City of Ashgabat) won four international awards and certificates. The AST project is the world's largest electrical infrastructure replacement project completed under a single contract.
- Çalık Petrol Arama Üretim San. ve Tic. A.Ş. signed a strategic partnership agreement with the US-based company High Power Petroleum LLC. The agreement covered hydrocarbon exploration under the Eruh and Bismil/Dadaş licenses held by the company-a total of six licenses (AR/ÇPA/M49-d3, d4, AR/ÇPA/N49-B, AR/ÇPA/M49-c3, AR/ÇPA/M49-c4, AR/ÇPA/4494, AR/ÇPA/4495).
- In February 2016, the company completed oil drilling operations in the South Çalıktepe-1 well, which is located between the Bismil and Savur districts of Diyarbakır and Mardin. In March 2016, the oil well began producing 210 barrels per day. To date, total oil production has amounted to 30,000 barrels.
- Built by Çalık Enerji in İzmir, the Demircili and Sarpıncık wind power plants, which consist of 29 turbines with an aggregate installed capacity of 72 MW, began their operations. President Recep Tayyip Erdoğan attended the inauguration ceremony held in October 2016.

Boasting an effective organization and delivering consistently high quality services, creative and innovative solutions, Çalık Enerji aims to achieve sustainable growth. To this end:

- In 2016, Çalık Enerji continued to pursue new business opportunities in various parts of the world, including the Gulf countries in the Middle East, Eastern Europe, and Sub-Saharan Africa. The company participated in several tenders in Yemen and the United Arab Emirates (Sharjah and Dubai), and submitted highly competitive bids.
- Çalık Enerji and Mitsubishi Corporation submitted a joint bid for the construction of the Tedzani-4 Hydroelectric Power Plant in Malawi. The project holds strategic importance as it will be the first HEPP to be built in Sub-Saharan Africa. The project's field study will commence soon.

- Çalık Enerji signed an agreement for construction of a Mobile Power Plant in Aden, Yemen.
- The company executed an agreement for the second phase (Navoi II) of the Navoi Power Plant in Uzbekistan. The first phase of the project (Navoi I) is already completed.
- The company signed an agreement for construction of the 900 MW Turakurgan Combined Cycle Power Plant in Uzbekistan.
- Çalık Enerji executed an agreement for the operation and maintenance of the Gardabani Power Plant, built by the company in Georgia, for a period of 5+5 years.
- The company reached the final phase in the 530 MW Al-Khums Power Plant project in Libya.
- The company successfully delivered the projects it completed in Turkmenistan and continued working on the 1,574 MW Mary Combined Cycle Power Plant.

SIGNIFICANT DEVELOPMENTS IN 2016:

Demircili WPP is now fully operational.
Demircili Wind Power Plant, which consists of 16 turbines with an installed capacity of 40 MW, is one of the first WPP projects undertaken by Çalık Enerji. Demircili WPP became fully operational on September 9, 2016.

Sarpıncık WPP began its operations.
Sarpıncık Wind Power Plant, which consists of 13 turbines with an installed capacity of 32 MW, is Çalık Enerji's second WPP project. Sarpıncık WPP was commissioned on October 31, 2016.

Provision of Continuous Electricity to the City of Ashgabat (Turkmenistan)
The facilities built by Çalık Enerji under the AST Project (Provision of Continuous Electricity to the City of Ashgabat) were inaugurated on October 18, 2016, at a grand ceremony held at Paytagt Control Center, located in the city center.

ALMS Project was officially approved.
Initiated in 2013, the ALMS Project, which consists of LM 6000 gas turbines, was officially approved in August 2016. Three GE branded LM 6000 gas turbines (each with 50 MW capacity) were installed at each of the power plants built in the Ahal, Mary and Lebap provinces of Turkmenistan.

IN 2016, ÇALIK ENERJİ CONTINUED TO PURSUE NEW BUSINESS OPPORTUNITIES IN VARIOUS PARTS OF THE WORLD, INCLUDING THE GULF COUNTRIES IN THE MIDDLE EAST, AND ROMANIA IN EASTERN EUROPE.

ÇALIK ENERJİ

AS OF JUNE 29, 2016, ELECTRICITY GENERATION AND SALES COMMENCED AT POLATLI SOLAR POWER PLANT- ÇALIK ENERJİ'S FIRST SOLAR POWER PLANT PROJECT.

Watan Public Power Plant started operations.

The 254 MW Watan Public Power Plant, built by Çalık Enerji in the city of Turkmenbashi, Lebap province in Turkmenistan, was inaugurated by Mr. Gurbanguly Berdimuhamedow, President of Turkmenistan, at a grand ceremony held on July 7, 2016. The 254 MW Watan Public Power Plant is built on a 60 thousand square meter tract and consists of two GE 9E gas turbines, two switching stations (110 kW and 220 kW), several auxiliary and administrative facilities. More than 600 workers from Turkmenistan and Turkey were employed in the construction of the power plant. Çalık Enerji achieved a remarkable feat by delivering the Watan Public Power Plant project six months before the contract delivery date.

Polatlı Solar Power Plant started operations.

As of June 29, 2016, electricity generation and sales began at the Polatlı Solar Power Plant, Çalık Enerji's first solar power plant project. This project also serves as an open-air laboratory for solar power investments.

Oil exploration activities continue at full speed.

Production and development efforts continue at the South Çalıktepe and West Çalıktepe oil fields. In February 2016, Çalık Enerji completed oil drilling operations in the South Çalıktepe-1 well, which is located between the Bismil and Savur districts of Diyarbakır and Mardin. In March 2016, the oil well began producing 210 barrels per day. To date, total oil production has amounted to 30,000 barrels.

The National Load Dispatch Center of Turkmenistan was modernized and began operations.

Under the AST Project, Çalık Enerji modernized the Load Dispatch Center (SCADA)-which controls the entire electricity generation and transmission system in Turkmenistan-with high tech equipment. The company successfully delivered the upgraded center to Turkmenenergo, the state electric power corporation of the Ministry of Energy of Turkmenistan, in April 2016. Having already built a significant portion of the power generation, transmission and distribution system in Turkmenistan, Çalık Enerji has now re-equipped the SCADA system which will control the entire power system network. In doing so, the company fulfilled a significant need in Turkmenistan, whose power infrastructure is constantly expanding and improving.

Çalık Enerji signed agreements for two new projects in Uzbekistan.

Çalık Enerji signed two agreements for construction of the Navoi-2 Combined Heat and Power Plant and Turakurgan Power Plant, with an aggregate capacity of 1,350 MW, in Uzbekistan. Having already established its strong reputation after successfully completing and delivering the Navoi-1 Combined Cycle Power Plant in 2012, Çalık Enerji further bolstered its market position as a key player in Uzbekistan's energy sector by winning these two new contracts.

Çalık Enerji participated in the International Conference on African Development.

Together with Mitsubishi Corporation, Çalık Enerji participated in the 6th Tokyo International Conference on African Development. After this conference, the company started pursuing potential power plant and power transmission and distribution projects in various African countries.

Çalık Enerji in the EPC Market

Thanks to its extensive know-how and expert staff, Çalık Enerji provides turnkey contracting services (EPC) in a variety of areas including:

- Simple and combined cycle power plants,
- Electric transmission and distribution projects,
- Electricity and natural gas infrastructure projects,
- Renewable energy projects,
- Surface facilities for oil and gas.

Sound strategies for sustainable growth

Çalık Enerji is seeking to enter into the new markets to gain competitive advantage and bolster its superior position in its business areas while evaluating profitable investment opportunities in Turkey and abroad. The company creates synergy through strong partnerships and continually improves its relationships with the sector's leading companies.

Çalık Enerji's competitive strengths in the global energy market that enable it to maintain steady growth include the following:

- Ability to successfully undertake EPC projects in emerging and challenging markets;
- Solid reputation as a reliable company gained by sound investments as well as robust know-how and deep experience in power plants and infrastructure projects;
- Strategic partnerships with leading equipment manufacturers (e.g. GE, Mitsubishi, Honeywell);
- Efficient supply chain organization focused on operational productivity and flexibility;
- Strong, long term ties with existing customers;
- A business model that prioritizes customer satisfaction beyond expectations.

Achievements in EPC

Currently, Çalık Enerji provides EPC services in Turkey, Turkmenistan, Uzbekistan, Iraq, Georgia, Libya and Yemen. The company commissioned its first overseas power plant in 2003 in Turkmenistan. To date, Çalık Enerji has completed 12 power plants, one power transmission/distribution project, one switching facility in Turkmenistan and the Strengthening Electrical Infrastructure of Ashgabat City Project as an EPC contractor. Having built the 230 MW Natural Gas Combined Cycle Power Plant in Georgia, Çalık Enerji enjoys its status as the biggest EPC contractor operating in that country. Since its establishment, the company has successfully completed 20 power plants with an aggregate capacity of 5,400 MW in Turkey, Turkmenistan, Iraq, Uzbekistan and Georgia. The approximate size of Çalık Enerji's ongoing EPC projects is 3,500 MW.

In 2016, Çalık Enerji commissioned power plants with a total capacity of 327 MW. Additionally, the company completed the first phase of the Provision of Continuous Electricity to the City of Ashgabat project, which consists of three phases. The second and third phases of the project were completed in October 2016.

SINCE ITS INCEPTION, ÇALIK ENERJİ HAS SUCCESSFULLY BUILT AND DELIVERED 20 POWER PLANTS, WITH AN AGGREGATE CAPACITY OF 5,400 MW, IN TURKEY, TURKMENISTAN, IRAQ, UZBEKISTAN AND GEORGIA. CURRENTLY, THE COMPANY HAS FIVE ONGOING POWER PLANT PROJECTS WITH AN AGGREGATE CAPACITY OF ABOUT 3,500 MW.

Çalık Enerji's Position in the World Energy Market

- Engineering News Record (ENR) named the Al-Khairat Power Plant in Iraq the "World's Best Industrial Project."
- Çalık Enerji ranked 101st on ENR's Top 250 International Contractors list, compiled from 2015 data.

Çalık Enerji in the IPP Market:
Adopting a visionary approach to power generation, Çalık Enerji closely monitors and implements new technologies and solutions geared towards diversification of energy sources. The company aims to expand its power generation portfolio by utilizing thermal and renewable energy sources.

Strengths that differentiate Çalık Enerji from its competitors and enable the company to steadily increase its share of the IPP market include the following:

- Ability to transfer the strong know-how and experience gained in the EPC power plants sector to investment projects.
- The potential to expand its power generation portfolio through diversification of energy sources.

Çalık Enerji commissioned the 30 MW Adacami HEPP, its first energy investment project in Turkey, in August 2013. Later, the company continued its energy investments and commissioned the 40 MW Demircili WPP in third quarter 2016; 25 MW of the 32 MW Sarpıncık WPP in fourth quarter 2016; and the 1 MW Polatlı SPP in June 2016.

Çalık Enerji's ongoing power plant projects in Turkey include solar power plants with an aggregate capacity of 30 MW in four cities: Erzurum, Amasya, Erzincan, Çorum. Additionally, feasibility studies for the 150 MW Coal-Fired Power Plant in Orta, Çankırı and the 116 MW Kızkayası HEPP are currently underway.

The company has ongoing energy investment projects and production activities in the Urla and Karaburun districts of Izmir, Polatlı district of Ankara, and the cities of Rize, Erzurum, Erzincan, Amasya and Çorum.

Çalık Enerji in the Oil and Gas Market
Çalık Enerji conducts oil and natural exploration and production activities in Turkey and overseas. The company started up its oil and gas operations in 2003 with drilling activities in Turkmenistan digging 27 wells for Turkmenneft.

In 2006, Çalık Enerji commenced oil and gas operations in Turkey with two exploration licenses in the Thrace region.

- In 2010, the company collaborated with Canada-based Anatolia Energy with regard to its 11 exploration licenses in Turkey.
- Between 2009 and 2012, the company conducted 218 km of 2B and 117.5 km^2 of 3B seismic surveys on its licenses and processed the resulting data.
- Under the Bismil license, Çalık Enerji discovered oil (40-41 API) in West Çalıktepe-1 in the West Çalıktepe structure and began production in June 2014 at 120 barrels/day.
- The company also discovered oil in the West Çalıktepe-2 well, which currently produces 135 barrels/day.
- Under the Bismil license and with the aim of boosting production, Çalık Enerji drilled the West Çalıktepe-3 oil well. (Drilled into Bedinan sandstone, this oil well is the shallowest well in the southeastern Anatolia region.)
- The company discovered oil (40-41 API gravity) in the South Çalıktepe-1 well in the South Çalıktepe oil field, which is also under the Bismil license; production commenced in March 2016 at 230 barrels/day.
- In late 2016, the company drilled the South Çalıktepe-2 well in the South Çalıktepe oil field to boost production.
- South Çalıktepe-2 well produces the heaviest grade of oil in Bedinan formation sandstones in the southeastern Anatolia region.
- The oil discovered under the Bismil license is light (40-41 API) and high quality.
- As of year-end 2016, total oil production amounted to 100,000 barrels, with an average daily output of 150 barrels.
- Çalık Enerji holds 11 exploration licenses and one operating license in Turkey.

Çalık Enerji continues its production and development activities in the South Çalıktepe and West Çalıktepe oil fields according to plan. The South Çalıktepe-1 well, located between Diyarbakır and Mardin, and the West Çalıktepe field continue to produce oil. The company aims to increase production by exploring new fields and developing the existing fields.

Ranking among the Global Leaders Thanks to Sound, Innovative Investments
In line with its innovative approach, Çalık Enerji employs unconventional methods in oil and gas exploration and production activities in Turkey, in addition to conventional methods.

Çalık Enerji's strong international partnerships as well as its vast experience in other subsectors of the energy industry create a competitive advantage for the company.

YEŞİLIRMAK ELEKTRİK DAĞITIM A.Ş. (YEDAŞ)

TODAY, YEDAŞ PROVIDES ELECTRIC DISTRIBUTION SERVICE TO 1,938,042 SUBSCRIBERS AND ABOUT 3 MILLION CUSTOMERS IN THE CITIES OF SAMSUN, ORDU, ÇORUM, AMASYA AND SINOP AS WELL AS THEIR RESPECTIVE DISTRICTS.

ESTABLISHMENT DATE
2005

SHAREHOLDING STRUCTURE
100%
Çalık Elektrik Dağıtım

NUMBER OF EMPLOYEES
675 persons
1,872 persons
Number of employees, including subcontractors

www.yesilirmakedas.com

FIRSTS AND MAJOR ACHIEVEMENTS IN THE SECTOR:

- YEDAŞ is the first and the only electricity distribution company in Turkey to use the SAP system in the most effective and comprehensive manner.
- YEDAŞ is the first Turkish electricity distribution company to implement the Digital Network Model-Sustainable Investment Period project.
- YEDAŞ is the only company in Turkey to employ the SAP IS-U system, which operates in integration with the Geographic Information System (GIS) and Automated Meter Reading (AMR) system.
- YEDAŞ, the first electricity distribution company in Turkey that is a member of KalDer (Turkish Quality Association), holds a three-star EFQM Recognized for Excellence certificate.
- YEDAŞ is the first company to integrate GIS, SAP (ERP) IS-U, SCADA and AMR in its operations.

COMPETITIVE ADVANTAGES:

- Hosts an in-house software team
- Places great importance on technology investments
- The company's SCADA/DMS system, which enables quick intervention in case of failures
- World-class service quality
- High customer satisfaction thanks to its modern systems
- Development of R & D projects supported by American Development Agency and EPDK

GOALS:

To become one of Europe's top 10 companies in terms of corporate and operational excellence by 2019.

AWARDS IN 2016:

YEDAŞ: "Aon Best Employer"!

Aon Hewitt, an independent global human resources consultancy, named YEDAŞ the "Best Employer" in Turkey. According to the results of the staff survey based on employees' confidential and independent responses, YEDAŞ scored 86% in the areas of Employee Loyalty, Leadership, Performance Culture, and Employer Brand to become the "Best Employer of 2015" in Turkey.

YEDAŞ: "European Public Champion"

According to the results of the European Business Awards public vote, in which companies operating in various industries across 32 European countries cast their votes for a period of 15 months, YEDAŞ was selected as the 2015/2016 "European Public Champion." The honor was bestowed at the European Business Awards ceremony, where Europe's Top 11 Companies received their awards in Italy. Competing against 678 European and 38 Turkish companies, YEDAŞ was the only Turkish company to be granted this title.

YEDAŞ received the Best User award in the category of "Smart Grid Management and Monitoring Systems"

Having set out on the journey to success under the slogan "Value, Cooperation and Transformation," YEDAŞ places great importance on digital transformation. Between 2012 and 2014, the company invested a total of US$ 7 million in the GE Power on Fusion SCADA/DMS system. YEDAŞ received the Best User award from GE Digital Energy, a pioneer

of digital transformation. Christial Oliver, Head of Network Software Solutions for Europe-Africa-Central Asia at GE Digital Energy, presented the award. Mr. Olivier also mentioned that YEDAŞ's current technology systems are highly compatible with SCADA/DMS and that the company is fast approaching the point where it will be able to deliver excellent service quality at European standards and achieve a high level of operational efficiency.

Quality Standards and Certifications:

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

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 705 million in capital investment from 2011 to 2016, strengthening its distribution network and technology systems infrastructure.

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 split into two companies as Yeşilırmak Elektrik Dağıtım A.Ş. and Yeşilırmak Elektrik Perakende Satış A.Ş.

Today, YEDAŞ provides electricity distribution to about 1.9 million customers in the cities of Samsun, Ordu, Çorum, Amasya and Sinop as well as their respective districts. YEDAŞ operates with a staff of 1,872, of whom 677 are company employees and 1,209 are solution partners. YEDAŞ is among a handful of electricity distribution companies that boasts its own in-house software team.

YEDAŞ's service area spans 39,394 square kilometers, encompassing the cities of Samsun, Ordu, Çorum, Amasya and Sinop as well as their respective districts. The company's operating region remained the same in 2016. 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. In addition, the company gives top priority to ensuring occupational health and safety, fostering technology usage, and delivering innovative solutions.

COMPETING AGAINST 678 EUROPEAN AND 38 TURKISH COMPANIES, YEDAŞ WAS THE ONLY TURKISH COMPANY TO BE GRANTED THE TITLE OF 2015/2016 EUROPEAN PUBLIC CHAMPION, AS A RESULT OF THE EUROPEAN BUSINESS AWARDS PUBLIC VOTING PROCESS. THE AWARDS CEREMONY WAS HELD IN ITALY.

RIDVAN AKTÜRK
YEDAŞ

YEŞİLIRMAK ELEKTRİK DAĞITIM A.Ş. (YEDAŞ)

FINANCIAL SUMMARY (TL MILLION)*	2014	2015	2016
TOTAL ASSETS	547	779	1,190
NET SALES	473	562	694
TOTAL SHAREHOLDERS' EQUITY	314	365	554
EBITDA	84	114	272
EBITDA MARGIN (%)	18	20	39

* Only includes data of YEDAŞ.

YEDAŞ'S PRIMARY GOAL IS TO PROVIDE HIGH QUALITY, UNINTERRUPTED SERVICE TO 1.9 MILLION SUBSCRIBERS IN ITS SERVICE AREA BY BOOSTING EFFICIENCY IN BUSINESS PROCESSES.

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 is the first in Turkey to employ the SAP IS-U system, which operates in integration with GIS and AMR/OSOS throughout its live system.

Between 2011 and 2016, YEDAŞ has largely completed its technology investments to deliver world-class customer service and provide high-quality power in its regions of operation.

The company's technology investments between 2011 and 2016 amounted to TL 108,421,126. YEDAŞ's technology spending in the current year was equal to 66% of its total spending over the past five years, indicating the company's commitment to start the new year with an entirely completed smart system infrastructure.

YEDAŞ's primary goal is to provide high quality, uninterrupted service to 1,938,042 subscribers 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.

2016 HIGHLIGHTS:

The first phase of SCADA/DMS, a key component of the Smart Grid System, was completed during the year.

As part of its operational investments, YEDAŞ has built an advanced technology infrastructure to improve all business processes across its power distribution network in addition to all customer contact points. In 2016, YEDAŞ completed the first phase of SCADA/DMS, a key component of the Smart Grid System; thereby, the company became able to remotely control and monitor 40% of its power grid.

After the installation of SCADA/DMS in 1,437 feeder lines, a project supported by the US Trade and Development Agency (USTDA), YEDAŞ became able to handle power outages remotely across a wide geographic area. The company plans to integrate 3,750 more feeder lines into the SCADA/DMS system to remotely control 80% of the power grid and reduce the duration of power outages by 40%.

YEDAŞ developed a cyber security project to prevent cyber-attacks to its power transmission and distribution network; it also performed leak tests on digital field control equipment and software. The company developed an action plan to address the weaknesses detected in the system.

The first phase of the OSOS Project was completed.

In 2016, YEDAŞ completed the first phase of the Smart Meter Circuitry and Grid Management System project, which was initiated in February 2015. Under this effort, the company completed 10,000 installations to remotely read and monitor distribution substations, meters and street lamps.

Physical and operational separation of YEDAŞ and YEPAŞ was completed.

In 2016, distribution and retail service management systems were separated over SAP and the software environment. YEDAŞ is now solely responsible for operations such as meter reading, connecting/ disconnecting service, repairment and maintenance, and undertaking new facility and energy investments. Meanwhile, YEPAŞ is responsible for service contracts, billing, discounts on electricity, and eligible customers. As part of the separation process, call center numbers were also redesignated. YEDAŞ began serving customers through its "186" Call Center while YEPAŞ can be accessed 24/7 at 444 55 23.

System failures and durations were significantly reduced in 2016.

As a result of field tests and technology investments, the company reduced the number of system failures by 30% and the duration of power outages, which are generally caused by failures, by about 60%.

YEDAŞ launched its 186 Mobile Application to notify customers more quickly and easily.

To maximize customer satisfaction, the company developed the YEDAŞ 186 Mobile Application, which can be downloaded from the Google Play Store and App Store for free. The app notifies customers of planned power outages 48 hours prior to the outage event. Users can also report power failures and illegal electricity usage by sending in photos and location. Additionally, users can directly connect to the Call Center by touching the 186 button on the screen to deliver their complaints, suggestions or requests.

YEDAŞ expanded its Call Center staff.

YEDAŞ increased the number of its Call Center agents from 38 to 159 to further improve service quality. Currently, 159 agents respond to calls 24/7 and direct customers' requests, complaints and suggestions to relevant departments.

YEDAŞ WhatsApp Helpdesk serves customers 24/7.

Implementing a customer-focused strategy in electricity distribution services, YEDAŞ continues to diversify its communication channels to enable customers to conveniently submit their requests and demands. To this end, the company has recently launched its WhatsApp Helpdesk to ensure fast and easy communication. Call Center agents respond to applications and notifications submitted via the number +90 530 10 60 186 in a very short time.

TO MAXIMIZE CUSTOMER SATISFACTION, THE COMPANY DEVELOPED THE YEDAŞ 186 MOBILE APPLICATION, WHICH CAN BE DOWNLOADED FROM THE GOOGLE PLAY STORE AND APP STORE FOR FREE.

YEŞİLIRMAK ELEKTRİK PERAKENDE A.Ş. (YEPAŞ)

BUILDING CUSTOMER SATISFACTION INTO ITS BUSINESS PROCESSES, YEPAŞ SUCCESSFULLY CONTINUED DELIVERING FAST AND COURTEOUS CUSTOMER SERVICE IN 2016.

ESTABLISHMENT DATE

2012

SHAREHOLDING STRUCTURE

100%

Çalık Elektrik Dağıtım

NUMBER OF EMPLOYEES

229 persons

248 persons

Number of employees including subcontractors

www.yepas.com

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

- The company is committed to fulfilling customers' requests in a transparent, fast, reassuring and customer-oriented manner.
- Customers' requests and complaints are handled and resolved in an objective, fair, meticulous and confidential manner with the aim of delivering high quality service at all times.
- Procedures, strategy and objectives related to request and complaint handling are determined in accordance with applicable laws, rules and regulations, customer expectations, and employees' notifications.
- YEPAŞ constantly identifies areas of improvement related to request & complaint management processes and systems, and undertakes ongoing efforts to improve efficiency.

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 (Yeşilırmak Distribution Region).

Corporate Profile

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

FINANCIAL SUMMARY (TL MILLION)*	2014	2015	2016
TOTAL ASSETS	360	422	548
NET SALES	1,091	1,129	1,259
TOTAL SHAREHOLDERS' EQUITY	80	40	34
EBITDA	93	59	49
EBITDA MARGIN (%)	9	5	4

* Only includes data of YEPAŞ.

In 2016, YEPAŞ's sales volume increased by 11% while net profit fell by 26%. Compared with the previous year, the company expanded its subscriber base and eligible consumer numbers by 2.6% and 153%, respectively. Meanwhile, electricity consumption by eligible consumers jumped 122%, as the company's total electricity sales reached to 1 billion KWh.

COMPETITIVE ADVANTAGES:

- Advanced IT systems and infrastructure
- High customer satisfaction thanks to state-of-the-art systems technology
- Placing great importance on technology investments
- World-class service quality
- Providing effective solutions and leading the service industry

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 2016. 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 electric power to industrial facilities and businesses that have eligible consumer status, YEPAŞ develops effective solutions and services by taking market dynamics into account. With this forward-looking approach, the company leads the industry. YEPAŞ closely monitors customers' needs and supports their business activities by implementing strategies that are based on customer-specific analyses.

Market Growth in YEPAŞ's Service Area

In 2016, the total number of subscribers in all the cities was 1,938,042 while total electricity consumption was 4,193,285,156 kWh.

Deriving strength from its highly qualified its human capital, YEPAŞ aims to improve its successful financial and operational results in the coming period.

DERIVING STRENGTH FROM ITS HIGHLY QUALIFIED HUMAN CAPITAL, YEPAŞ AIMS TO IMPROVE ITS SUCCESSFUL FINANCIAL AND OPERATIONAL RESULTS IN THE COMING PERIOD.

KOSOVO ÇALIK LIMAK ENERGY SH.A.

ESTABLISHMENT DATE
2012

SHAREHOLDING STRUCTURE

50%
Çalık Enerji Sanayi ve Ticaret A.Ş.

50%
Limak Yatırım Enerji Üretim İşletme Hizmetleri ve İnşaat A.Ş.

NUMBER OF EMPLOYEES
2,200 persons

www.keds-energy.com

www.kesco-energy.com

MAJOR ACHIEVEMENTS IN THE SECTOR:

- Technical and commercial losses reduced-the company's capital investments have totaled about EUR 55 million over the past three years.
- Having restructured its electricity distribution operation entirely, KEDS 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.
- KEDS Academy, a social responsibility initiative, aims to provide young people around the world with access to higher education and employment opportunities. KEDS Academy successfully completed the third-term classes while leading the way for similar organizations in the social responsibility arena.
- 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.

COMPETITIVE ADVANTAGES:

- Sole supplier in the market
- Positioned as a regional player
- A huge workforce capable of undertaking extra projects
- Ability to make decisions independently

Acquired by Çalık Holding and Limak Holding via tender in 2012, Kosovo Calik Limak Energy SH.A. provides electricity distribution and retail services in Kosovo-the youngest country in Europe. The company owns Kosovo Electricity Distribution Company J.S.C. (KEDS), the only authorized electricity distributor in Kosovo, and Kosovo Electricity Supply Company J.S.C. (KESCo), the only authorized energy supplier to the public sector and boasts 2,200 employees. The company meets 100% of Kosovo's net demand for electricity.

KEDS's electricity distribution and retail strategy:

- 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.

IN 2016, KEDS INVESTED ABOUT EUR 21 MILLION, A LARGE PORTION OF WHICH WAS USED TO RENEW AND UPGRADE THE COMPANY'S ELECTRIC POWER INFRASTRUCTURE.

KEDS EXPANDED ITS SUBSCRIBER BASE TO 535,000 IN 2016, UP FROM 470,000 IN 2013.

GEORGE KARAGUTOFF
KEDS

FINANCIAL SUMMARY (TL MILLION)	2014	2015	2016
TOTAL ASSETS	368	490	664
NET SALES	711	830	928
TOTAL SHAREHOLDERS' EQUITY	183	305	448
EBITDA	121	140	154
EBITDA MARGIN (%)	17	17	17

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 IN 2016:

KEDS expanded its subscriber base from 470,000 in 2013 to 535,000 as of end-2016, thanks to the fact that Kosovo has a young population and that the company has carried out an ambitious investment drive since privatization. In 2014, Kosovo consumed 4,807 GwH of electricity.

In 2016, KEDS invested about EUR 21 million mainly to upgrade its measuring devices and step up modernization efforts.

ARAS ELEKTRİK DAĞITIM A.Ş. (ARAS EDAŞ)

ARAS EDAŞ PROVIDES ELECTRIC SERVICE IN SEVEN PROVINCES: ERZURUM, AĞRI, ARDAHAN, BAYBURT, ERZINCAN, IĞDIR AND KARS.

ESTABLISHMENT DATE

2006

SHAREHOLDING STRUCTURE

100%
Doğu Aras Enerji Yatırımları A.Ş.

49%
ÇEDAŞ Elektrik Dağıtımları A.Ş.%

51%
Kiler Holding A.Ş.

NUMBER OF EMPLOYEES

962 persons

2,500 persons
Number of employees, including subcontractors

www.arasedas.com.tr

VISION

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

MISION

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:

The company provides electric service to 2 million 200 thousand residents in Erzurum, Ağrı, Ardahan, Bayburt, Erzincan, Iğdir and Kars-a total of seven provinces. The company has about 950,000 customers.

ARAS EDAŞ EMPLOYEE PROFILE:

ARAS EDAŞ has a total of 2,500 employees-including solution partners.

ARAS EDAŞ'S INVESTMENTS:

Since its privatization in July 2013, ARAS EDAŞ has made capital investments totaling TL 680 million over 3.5 years. The company invested TL 190 million in 2016.

ARAS EDAŞ's investment program prioritizes:

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

DEMOGRAPHIC PROFILE OF ARAS EDAŞ'S OPERATING REGION

ARAS EDAŞ's operating region covers seven cities in the Eastern Anatolia region; the majority of the rural population in Turkey-about 3% of the country's entire population-lives in this region. While 56% of the region's residents live in cities, 44% of the company's customers live in rural areas.

CITY	TOWN	REGION	TOTAL
04 AĞRI	292,525	259,879	552,404
75 ARDAHAN	37,522	69,121	106,643
69 BAYBURT	40,564	35,233	75,797
24 ERZINCAN	129,439	88,447	217,886
25 ERZURUM	509,474	268,721	778,195
76 IĞDIR	101,483	88,926	190,409
36 KARS	131,235	173,586	304,821
TOTAL	**1,242,242**	**983,913**	**2,226,155**
PERCENT OF THE REGION (%)	**55.8**	**44.2**	**100.0**
PERCENT OF TURKEY (%)	**2.2**	**5.7**	**2.9**

FINANCIAL SUMMARY (TL MILLION)	2014 DISTRIBUTION	2015 DISTRIBUTION	2016 DISTRIBUTION
TOTAL ASSETS	791	783	881
NET SALES	372	372	551
TOTAL SHAREHOLDERS' EQUITY	258	249	299
EBITDA	96	96	162
EBITDA MARGIN (%)	26	26	29

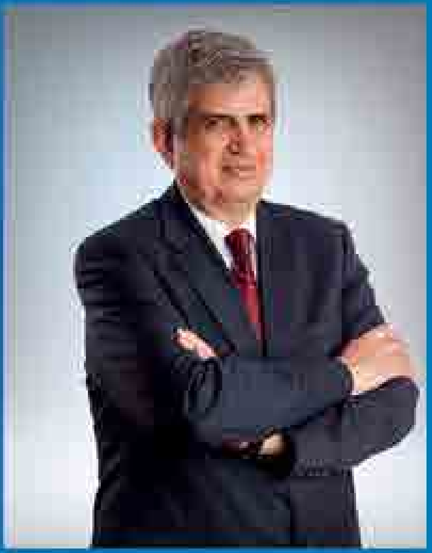
SURFACE AREA RATIO OF ARAS'S OPERATING REGION TO TURKEY'S TOTAL SURFACE AREA:

The total area of the company's operating region corresponds to 9.1% of Turkey's total surface area. Agriculture and livestock breeding are the major sources of income in the region. ARAS EDAŞ provides service to some 950,000 customers located on a land area of 71,000 km², in one of the country's harshest regions.

CITY	AREA (KM²)
04 AĞRI	11,376
75 ARDAHAN	5,576
69 BAYBURT	3,652
24 ERZINCAN	11,974
25 ERZURUM	25,066
76 IĞDIR	3,588
36 KARS	9,442
TOTAL	**70,674**
PERCENT OF TURKEY	**9.10%**

COMPETITIVE ADVANTAGES OF ARAS EDAŞ:

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



ARAS EDAŞ SERVICES 950,000 CUSTOMERS IN THE ONE OF THE TOUGH REGIONS OF TURKEY THAT IS LOCATED ON 71,000 KM².

FİKRET AKBAŞ
ARAS EDAŞ

ARAS ELEKTRİK DAĞITIM A.Ş. (ARAS EDAŞ)

ARAS EDAŞ IS THE FIRST ELECTRICITY DISTRIBUTION COMPANY IN TURKEY TO OBTAIN 50001 ENERGY MANAGEMENT CERTIFICATION.

FIRSTS AND MAJOR ACHIEVEMENTS IN THE SECTOR

- Serving as an interactive communication channel for customers, the 24/7 Live Chat service on the company's website is the first-of-its-kind in the electricity distribution sector in Turkey.
- ARAS EDAŞ is the first electricity distribution company in Turkey to obtain 50001 Energy Management certification.

GOALS:

- Becoming a leading, universal brand in the electricity distribution sector.
- Maintaining steady growth in relation to distribution companies in Europe and achieving lasting success driven by a customer-focused strategy.
- Building a world-class technology infrastructure.
- Lowering the leakage-loss ratio to an internationally acceptable level.
- Achieving the zero-accident goal.
- Continuing on an upward growth trend.

Moving Forward to Become a Universal Brand

Closely monitoring and implementing the latest technologies with its highly competent workforce, ARAS EDAŞ aims to become an exemplary, universal brand in the electricity distribution sector.

ARAS EDAŞ has a young workforce with an average age of under 35. The latest human resource strategies and the well-educated and competent employees, who embrace the company's core values, are the main drivers that help ARAS EDAŞ achieve its goals.

2016 HIGHLIGHTS:

- Converting the US-dollar denominated İHDS and investment loans, obtained in 2013, to Turkish lira in March 2016.
- Pilot implementation of the remote power grid monitoring and management system, the initial phase of the SCADA system, in the province of Kars, and feasibility studies to implement the system in other cities.
- Remote activation/deactivation of the Power Distribution Center, Meter Breaker Chamber, circuit breakers of concrete kiosks; remote monitoring of relay records; and automatic recording of malfunctions.
- Establishment of ARAS Academy.
- Opening of the second Solution Center in Kars (after Erzurum).
- Integrated Management System Certifications: ISO 9001 Quality Management System, ISO 14001 Environmental Management System, OHSAS 18001 Occupational Health and Safety Management System, ISO 50001 Energy Management System (the first electricity distribution company to obtain this certificate), ISO 10002 Customer Satisfaction and Complaints Handling Management System, ISO 27001 Information Security Management System.
- ARAS entered Fortune Magazine's Top 500 list.
- ARAS Academy signed cooperation agreements with universities.

New practices, new products, new collaborations

The company signed cooperation agreements for training and employment with Erzurum Technical University, the largest institution of higher learning in the region, and Atatürk University. Agreements with Bayburt, Erzincan and Kars Kafkas Universities are soon to be finalized while negotiations with other colleges in Ardahan, Iğdır and Ağrı are currently underway.

The company replaced the bare conductor wires on the transmission lines with insulated wires to eliminate the cause of malfunctions and prevent collisions with and electrocution of birds.

The R&D projects initiated in 2016 include: Developing solutions to prevent long-term power outages caused by icing; voltage regulation and installation of serial reactors to prevent loss; control of distributed generation systems to resolve bidirectional power flow and voltage regulation problems caused by distributed generation; developing solutions to prevent loss of life and property damage in the event of malfunctions of high impedance circuits.

In 2016, ARAS began implementing a Mobile Field Service Management System, transferring work orders created by the Solution Center to the mobile tablets of field staff.

The remote grid monitoring and malfunction control system was set up. Fifty power quality meters were installed at transformer stations.

The second Solution Center opened in Kars.

Investment Projects in 2016

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.
The company executed the following investment projects in 2016:

- Opening of the second Solution Center in Kars.
- Building 343 kilometers of transmission lines.
- Setting up 272 new transformers.
- Renewing 46 village grids.
- Renewing grids in 22 cities and districts.

Awards

ARAS EDAŞ was included in Fortune Magazine's Top 500 list.

Eastern Anatolia Society of Journalists presented the company's CEO Mr. Fikret Akbaş with an Honorary Award.

Integrated Energy Management Certifications

As of 2016, both ARAS EDAŞ and ARAS EPSAŞ held the following management system certifications:

- ISO 9001 Quality Management System
- ISO 14001 Environmental Management System
- OHSAS 18001 Occupational Health and Safety Management System
- ISO 50001 Energy Management System (the first among electricity distribution companies)
- ISO 10002 Customer Satisfaction and Complaints Handling Management System
- ISO 27001 Information Security Management System

FAIRNESS

CONSTRUCTION SECTOR

"One world, two different lives."

KERİM EYMEN ARSLAN (9)

AN OVERVIEW OF THE CONSTRUCTION SECTOR IN 2016

THE TOTAL VALUE OF 8,772 PROJECTS COMPLETED BY TURKISH CONSTRUCTION COMPANIES IN 110 COUNTRIES FROM 1972 TO END-SEPTEMBER 2016 AMOUNTED TO US$ 329.1 BILLION.

Turkey's Construction Industry

Turkey's needs are growing in parallel with its fast-developing economy. As in many other countries, the construction industry is a major contributor to economic growth in Turkey. All the living spaces and facilities such as dams, power plants, roads, railroads, rail systems, airports, urban structures, factories, hospitals and infrastructure facilities start with construction. When the contributions of other industries that provide input to the construction sector and carry out their activities in parallel are taken into account, construction makes up about 30% of total GDP. The construction industry creates demand for the products and services provided by more than 200 subsectors. The industry's broad impact makes it a key driver of the Turkish economy. The development and performance of the construction industry are directly affected by government policies as well as the decisions of international credit rating agencies that have an impact on policies and the economy. The actions of the authorities that make the investment decisions or provide direct financing affect the companies that operate in this industry.

An Overview of the Construction Sector in 2016

The construction industry, which has experienced some recovery since the last quarter of 2015, expanded by 7% in second quarter 2016, its fastest pace in the last three years. This performance was due to the increase in construction investments by both public and private sectors. Overall industry growth in the first half of the year was 6.7%, which contributed 0.4 points to GDP growth.

The fast expansion in the construction industry was supported mainly by a 6.9% rise in private sector investments, after declining by 1.2% in 2015. A 6% increase in public construction spending in the first half of the year also stimulated the industry in 2016.

Thanks to measures taken to boost the industry, the construction industry confidence index rose by 3.2% (without seasonal adjustment) year-on-year to reached to 81.99 percentage points in September. This improvement in the construction industry confidence index indicates an uptrend in recorded orders, new projects and construction investments.

Construction industry growth, which is largely driven by domestic demand, is estimated to be 5-6% in 2016. The terms and conditions for project financing and the level of public and private sector investments are the main factors affecting the industry's growth performance. The construction sector currently accounts for 10-12% of all global economic activity. The industry's share in total economic activity is expected to increase further in the coming period, primarily due to ongoing urban transformation projects and large-scale infrastructure projects.

Overseas construction operations have been significantly affected by the general global environment, and especially by developments in key markets, with highly disappointing results in 2016. The total value of construction projects undertaken by Turkish contractors abroad was US$ 30 billion in 2013, US$ 26.5 billion in 2014, US$ 21.7 billion in 2015, and only US$ 4.1 billion as of the end of third quarter 2016.

The total value of 8,772 projects completed by Turkish construction companies in 110 countries from 1972 to end-September 2016 amounted to US$ 329.1 billion. To date, Turkish contractors have undertaken construction projects in five key markets: Russia (19.7%), Turkmenistan (14.4%), Libya (8.8%), Iraq (7.2%) and Kazakhstan (6.5%). The total value of overseas construction projects undertaken by Turkish contractors over the past five years amounted to US$ 20-30 billion per year. According to data from the Turkish Ministry of Economy, Turkish companies were awarded 65 new overseas projects with a total value of US$ 4.1 billion in the first nine months of 2016. Most of these projects are in Bahrain (19.2%), UAE (15%), Kuwait (14.7%), Morocco (12.3%), and Senegal (9.2%).

Normalization of Turkey-Russia relations will help Turkish construction companies to resume their operations and undertake new projects in Russia. Also, rising oil prices due to production cuts by oil-exporting countries might lead to new investment and financing opportunities in Saudi Arabia, Algeria and Turkmenistan, where Turkish companies have already gained a strong foothold.

Considering the opportunities in new markets, primarily sub-Saharan Africa, overseas construction operations are expected to expand in 2017, compared to a year earlier when the growth momentum achieved over the past 10 years collapsed.

2017 Expectations

In 2017, construction industry growth will most likely be driven by commercial buildings, corporate facilities and public works. Demand for infrastructure projects and industrial facilities is expected to decline while residential projects will reach an all-time high.

If the measures and incentive programs aimed at boosting economic activity are swiftly implemented in 2017, the economy will be stimulated.

GAP İNŞAAT

GAP İNŞAAT OPERATES IN TURKEY, TURKMENISTAN, CIS AND AFRICA WITH A TOTAL OF 17,228 EMPLOYEES (INCLUDING ALL PROJECTS: WHITE-COLLAR/BLUE-COLLAR WORKERS AND SUBCONTRACTORS.)

ESTABLISHMENT DATE
1996

SHAREHOLDING STRUCTURE
99.29%
Çalık Holding

0.6834%
Ahmet Çalık

0.0268%
Other

NUMBER OF EMPLOYEES
5,624 persons
13,228 persons
Number of employees, including subcontractors

www.gapinsaat.com

FIRSTS AND MAJOR ACHIEVEMENTS IN THE SECTOR:

- Turkmenistan Science and Education Center, featuring the most advanced simulation center in the world
- Zincirlikuyu Office Project, when completed, will be the office building with LEED v3 certification in Turkey
- Garaboğaz Fertilizer Factory, when completed, will be the largest fertilizer factory in Turkmenistan
- Turkmenbashi International Seaport Project, when completed, will be the biggest seaport in the Caspian Sea region
- GAP İnşaat was awarded the entire construction of Anagold-Alacer Sulfide Facilities in İliç, Erzincan. The company also started work on a similar project at the Gediktepe Mine Site in Balıkesir under an EPC contract.

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

The fringe benefits offered to construction site workers and other human resources practices aimed at fostering employee loyalty have been very effective in terms of creating competitive advantage.

FINANCIAL SUMMARY (TL MILLION)	2014	2015	2016
TOTAL ASSETS	2,144	2,745	5,270
NET SALES	713	1,362	2,557
TOTAL SHAREHOLDERS' EQUITY	410	463	1,030
EBITDA	-19	170	483
EBITDA MARGIN (%)	-3	12	19

GOALS:
To become a global leader in the construction industry and to rank among the top 100 contractors on ENR's list.

Established in the 1990s to construct textile factories for Çalık Holding in Turkey and abroad, Gap İnşaat started its contracting operations in the construction industry following a restructuring in 1996. The company provides contracting services for infrastructure, superstructure, residential housing projects and industrial facilities in Turkey and overseas as well as for energy, oil and natural gas projects. To date, Gap İnşaat has completed more than 130 projects worth over US$ 3.2 billion in total.

Gap İnşaat is the 14th largest contractor in Turkey in terms of completed contracts. Between 2006 and 2016, the company has consistently ranked among the Top 250 International Contractors, as compiled by ENR (Engineering News Record) magazine. In 2015, Gap İnşaat ranked 137th on the ENR list. Today, Gap İnşaat operates in Turkey, Turkmenistan, CIS and Africa with a total of 13,228 employees. Besides its headquarters in Istanbul, the company also has offices in Jeddah, Qatar, Iraq, United Arab Emirates, Kazakhstan, Turkmenistan, Russia, Ukraine Sudan, Albania, Uzbekistan, the Netherlands and Libya.

Additionally, Gap İnşaat closely monitors investment opportunities in Sub-Saharan Africa, Kazakhstan and Oman, and evaluates infrastructure and industrial facility projects that may potentially generate high level of profits. Pursuant to the agreement signed with Saudi Aramco, Gap İnşaat has been included among the 18 most preferred Turkish contractors for the company's investment projects in the oil and gas industry. Thanks to its solid financial structure and equipment advantage, Gap İnşaat has gained a strong position in the industry as a reliable company, and further bolsters its reputable standing by making prudent, timely investment decisions. Capitalizing on its extensive experience as well as partnerships that create synergy, Gap İnşaat operates high profile projects and has established itself as a regional player. Meanwhile, the company continues to provide contracting services for large scale projects in Turkey.

In 2017, Gap İnşaat aims to finalize the contracts for various projects in Turkey, Turkmenistan, Uganda and Kenya, with a total value of US$ 6.2 billion.

GAP İNŞAAT IS THE 38TH LARGEST EPC CONTRACTOR IN TURKEY IN TERMS OF COMPLETED CONTRACTS. BETWEEN 2006 AND 2016, THE COMPANY HAS CONSISTENTLY RANKED AMONG THE TOP 250 INTERNATIONAL CONTRACTORS, AS COMPILED BY ENR (ENGINEERING NEWS RECORD) MAGAZINE.

KORHAN ÖZBAYSAL
GAP İNŞAAT

HAVING INITIATED A RESTRUCTURING PROCESS IN 2013, GAP İNŞAAT BEGAN **IMPLEMENTING A PROACTIVE BUSINESS DEVELOPMENT MODEL AS PART OF ITS GROWTH STRATEGY.**

2016 HIGHLIGHTS:

New Projects in Collaboration with Strong Partners: Mary Fertilizer Plant, Methanol Project

Adopting an organic growth strategy in its operating regions, Gap İnşaat signed framework and goodwill agreements with German and Japanese partners pertaining to three separate petrochemical projects for the period 2016-2019. Gap İnşaat's share in these projects will be around US$ 6 billion.

Largest Garabogaz Fertilizer Factory Project in Turkmenistan

In 2016, the MC-GAP consortium, formed by Gap İnşaat and Japan's Mitsubishi Corporation in 2014, continued to work on construction of the US$ 1.3-billion Garaboğaz Fertilizer Factory project in Turkmenistan. The ground breaking of the project took place in 2014 pursuant to an agreement signed between the consortium members and Turkmenhimiya, on behalf of the Turkmenistan Government.

Garaboğaz Fertilizer Factory, planned to be built in Turkmenistan's Garabogaz region by the Caspian Sea, will boast a daily production capacity of 3,500 tons of urea and 2,000 tons of ammonia and will be the largest fertilizer factory in Turkmenistan. Moreover, the facility will create more than 700 jobs, making a positive contribution to the country's economy.

Turkmenbashi International Seaport Project to Create 4,000 New Jobs

In 2016, Gap İnşaat continued working on the construction of the Turkmenbashi International Seaport project, which the company was awarded in 2014. Strategically located on the transportation route linking Europe and Asia, the port facility will cost about US$ 1.5 billion. Gap İnşaat will construct a turnkey port complex consisting of a ro-ro and ro-pax passenger terminal in addition to container, general cargo, dry cargo, and polypropylene loading terminals. The project also includes a turnkey shipyard for building and repairing ships.

The port facility, slated for completion in 2018, is expected to handle the entire maritime export and import operations of Turkmenistan. When completed, the Turkmenbashi International Seaport will create 4,000 jobs and significantly contribute to the nation's economy.

Zincirlikuyu Offices Project: A Pioneering Example of Steel Construction

The Zincirlikuyu Project serves as a prime example of high-rise structural steel construction in Turkey. Construction of the 25-story office building was completed in 2016; interior decoration and furnishing efforts are currently underway.

Leveraging Gap İnşaat's experience in the construction sector, the Zincirlikuyu Office Project is being built in accordance with LEED certification requirements. When completed, it will be the first office with LEED v3 certification in Turkey.

Construction of Sulfide Facilities

Gap İnşaat ventured into the mining industry to serve as the main contractor in the construction of mine facilities. The company signed an agreement as the main contractor in the construction and installation of the Sulfide Facilities at Erzincan İliç Gold Mine, which is owned by Anagold Madencilik, a joint venture between Alacer and Lidya Madencilik. The company commenced work on the project in the second half of 2016 and aims to complete it in first quarter 2018.

A Proactive Business Development Approach Post-Restructuring

Having initiated a restructuring process in 2013, Gap İnşaat began implementing a proactive business development model as part of its growth strategy.

- The restructuring effort is carried out in collaboration with Hay Group to boost organizational efficiency; to clarify the roles and responsibilities of individual employees as well as the entire organization; and to uncover employee potential. Gap İnşaat created new positions and selected the employees for promotion as a result.
- The company also created a new engineering division in its organizational structure to accumulate engineering know-how and undertake EPC contracts in the future, in addition to construction projects.

Management System Certifications and Awards

Gap İnşaat places great importance on quality and occupational safety in all its activities. To this end, the company renewed its ISO 9001 Quality Management System, ISO 14001 Environmental Management System and OHSAS 18001 Occupational Health and Safety Management System certifications in 2016, which it has held since 2006. The certifications were renewed after the company successfully passed the validation inspections performed by the certifying body.

- GAP İnşaat Human Resources Department was included in the list of Turkey's Most Effective 50 HR Managers, which is compiled by Fortune Turkey and DataExpert.
- Gap İnşaat garnered the following awards at the 22nd Brandon Hall Group Excellence Awards, one of the most prestigious award programs in human resources and development in the United States:

- Silver Awards:
  - Best Employee Engagement
  - Best Benefits Program
  - Best Diversity Program
  - Best Talent Acquisition
- Competing against global giants such as Mercer and SAP, Gap İnşaat also was presented with the Gold Award in the category of "Unique Talent Management Program."

Gap İnşaat won the following awards for its completed hospital projects:

- Morphology Hospital-Social Service Development Award
- Neurology Hospital-Social Service Architecture Award
- Dangerous Infections Center-Appreciation Award for Social Service Architecture
- Public Health Center-Appreciation Award for Social Service Development

Business Continuity and Crisis Management

In 2017, the Health, Safety and Environment Department plans to apply for Business Continuity Management certification. As part of these efforts, the company performs a risk-based evaluation of its business processes and prepares an action plan to avoid business interruptions.

Certifications:

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

ÇALIK EMLAK VE GAYRİMENKUL GELİŞTİRME A.Ş.

ÇALIK GAYRİMENKUL CONTINUES ITS STEADY GROWTH BY GENERATING SIGNIFICANT SALES REVENUE FROM ITS COMMERCIAL AND RESIDENTIAL PROJECTS.

ESTABLISHMENT DATE
2004

SHAREHOLDING STRUCTURE

98%
Çalık Holding A.Ş.

1%
Ahmet Çalık

1%
Other

NUMBER OF EMPLOYEES

35 persons

56 persons
Number of employees, including subcontractors

www.calikgayrimenkul.com

COMPETITIVE ADVANTAGES:

- Brand value
- Know-how and experience in restoring historic urban landmarks
- Contemporary, high profile, mixed-use projects
- Developing, marketing and building LEED Gold-certified, eco-friendly real estate projects
- Superior sales and after-sales services
- Majority shareholder supporting project investments
- Brand recognition in international markets
- Sustainable growth strategy
- Reliability associated with the "Çalık" brand
- Capacity to cooperate with the public sector (joint project with Beyoğlu Municipality)
- Location advantage: Developing projects in Istanbul's historic and financial centers, such as Istanbul International Financial Center and Taksim
- Know-how advantage over competitors: The only company that undertakes urban renewal projects in historic districts, in addition to mixed-use development projects

As a result of Çalık Holding's expanding real estate portfolio and ever-rising number of construction projects, Çalık Emlak ve Gayrimenkul Geliştirme A.Ş. was established in 2004 to become a real estate investment trust, commencing operations in 2010. Today, Çalık Gayrimenkul ranks among Turkey's top real estate companies with an investment portfolio of US$ 1.75 billion. Çalık Gayrimenkul commercial, office and residential sales revenue continues to grow steadily with high and constant value creation.

FINANCIAL SUMMARY (TL MILLION)	2014	2015	2016
TOTAL ASSETS	328	520	596
NET SALES	3	2	4
TOTAL SHAREHOLDERS' EQUITY	171	270	287
EBITDA	-11	-6	-12
EBITDA MARGIN (%)	-367	-300	-300

Capitalizing on Gap İnşaat's vast experience in the contracting industry and Çalık Group's brand equity, Çalık Gayrimenkul develops high profile real estate projects in Turkey with its expertly trained team of 56 employees. The company has achieved a solid position in the market as a reliable and trusted enterprise. Çalık Gayrimenkul appeals to the upper niche market when compared to other real estate development companies, and invests in high-income areas of Istanbul to create a balanced portfolio.

Real estate projects developed by Çalık Gayrimenkul surpass the industry average in terms of the preparation phase, target market, sales and after-sales services, and quality. In all phases of its projects, the company gives top priority to sustainability, respect for the environment and harmony with the existing urban texture.

FIRSTS AND MAJOR ACHIEVEMENTS IN THE SECTOR:

Çalık Gayrimenkul solidified its position in the market by undertaking the Tarlabaşı 360 Urban Renewal Project, an exemplary development project in Turkey. The company has commenced work on Taksim360, the second phase of the project.

2016 HIGHLIGHTS:

Collaborations in the Gulf Region

Standing out in the sector and attracting attention from international investors with its quality projects, Çalık Gayrimenkul focuses its marketing efforts in the Gulf region. To that end, the company participates in various events in the United Arab Emirates, Qatar, Kuwait and Iran to meet with corporate and individual investors and promote its various projects. Investors in the Gulf region showed great interest in Çalık Gayrimenkul's projects, which are situated in the most central districts of Istanbul.

Çalık Gayrimenkul introduced Taksim360, Turkey's first urban renewal project developed under a public-private partnership, at Cityscape Qatar, which was held on April 26-28, 2016. The project generated much attention and interest from investors in the Gulf region. After completing the first phase of Tarlabaşı 360, which consists of office buildings, Çalık Gayrimenkul unveiled the second phase, Taksim360 consisting of residential and office units, at Cityscape Dubai, which was held on September 6-8, 2016. The company hosted prominent business and government leaders at the Taksim360 pavilion, which was deemed the most attractive project at the exhibition.

ÇALIK GAYRİMENKUL HAS GAINED A RELIABLE AND SOLID POSITION IN THE SECTOR WITH THE POWER OF BRAND EQUITY OF ÇALIK GROUP AND CONTRACTING AND EXPERIENCE OF GAP İNŞAAT IN QUALIFIED REAL ESTATE PROJECTS DEVELOPED IN TURKEY WITH ITS 56 EXPERT STAFF.

ABİŞ HOPİKOĞLU
ÇALIK GAYRİMENKUL

ÇALIK EMLAK VE GAYRİMENKUL GELİŞTİRME A.Ş.

ONE OF THE WORLD'S LARGEST MIXED-USE DEVELOPMENTS IN A CATEGORY OF ITS OWN, METROPOL ISTANBUL IS RISING ON A SINGLE CONSTRUCTION SITE OF ABOUT 750 THOUSAND SQUARE METERS. THE PROJECT CONSISTS OF THREE HIGH-RISE BUILDINGS AND 2,177 INDEPENDENT UNITS AS WELL AS COMMERCIAL UNITS.

Before participating in the Cityscape Qatar and Dubai exhibitions, Çalık Gayrimenkul presented Tarlabaşı Urban Renewal Project-Taksim360 to European investors at MIPIM (together with Beyoğlu Investors Group), which was held in Cannes, France. Taksim360 was one of the most popular projects exhibited at the event.

Under the Tarlabaşı Urban Renewal Project-Taksim360, which has been ongoing for quite a while, construction of the buildings overlooking Tarlabaşı Boulevard has finally been completed. Because the buildings in this area are under historic preservation protection, the use of machinery was not allowed; therefore, the entire construction work was done manually. After extensive grueling efforts, the construction of the buildings overlooking the boulevard was finally completed in 2016, marking a major milestone in the project.

COMPLETED PROJECTS

Şehrizar Konakları
Located in Altunizade, one of the most prestigious neighborhoods in Istanbul, Şehrizar Konakları complements the cultural and natural heritage of Bosphorus with 26 decares of landscaped area and unique architectural design. Comprising 209 apartments, Şehrizar Konakları was completed in 2014 and has welcomed its residents.

Şehrizar Konakları offers many social facilities including a fitness center, sauna, steam bath, Turkish bath, recreational areas, swimming pools, sports centers, hiking trails and playgrounds. Şehrizar Konakları appeals to both small and large families who seek a cozy neighborhood environment.

ONGOING PROJECTS IN 2016:

Taksim360 Urban Renewal Project
Spearheaded by the Beyoğlu Municipality, the Taksim360 project is Turkey's first urban renewal project developed under a public-private partnership. Under this project, Çalık Gayrimenkul serves as the development company. The Taksim360 project is designed as a modern residential area befitting Istanbul's singular texture and meeting the needs of urbanites.

Situated in one of the most remarkable neighborhoods of Istanbul in terms of its history, architectural style, social and economic characteristics, and tourism potential, Taksim360 was selected as "Europe's Best Urban Renewal Project" at the European Property Awards.

Tarlabaşı 360 office buildings, the first phase of the project, will be completed and delivered in 2017. The project's second phase is scheduled for completion in late 2018.

Metropol Istanbul

One of the world's largest mixed-use developments and occupying its own category, Metropol Istanbul is rising over a single construction area of about 750 thousand square meters. The site consists of three high-rise buildings, 2,177 independent units as well as commercial units. Metropol Istanbul is a world-class development with residential towers, a shopping center and recreational spaces, all of which reflect a unique architectural style and technical features.

In addition to its unique and supremely modern design, Metropol Istanbul also attracts investors' attention with its excellent location within Istanbul International Finance Center. The detailed construction of the three buildings will be completed in 2017, and the units will be delivered to their owners.

Aktif Bank Headquarters Building Project

The new headquarters of Aktif Bank, a Çalık Holding company, will be built at the highest standards with state-of-the-art parking systems and smart building features. The building is located on Kore Şehitleri Street in the Esentepe district of Istanbul.

Zincirlikuyu Office Project

Zincirlikuyu Office Project is a 25-story building rising on Büyükdere Avenue, where Turkey's leading financial services companies are located.

Zincirlikuyu Office Project, which is being built with the high-rise steel structure technique in accordance with the latest LEED (Green Building) certification criteria, will be completed in 2017.

EFFECTIVE STRATEGIES, NEW GOALS FOR 2017:

Housing costs (including home purchase and rent), which accounted for the largest portion or about 26% of total household expenditures in Turkey last year, increased by 1.2% in 2016. In parallel, the housing finance market is also growing significantly. According to data from the Banks Association of Turkey, as of year-end 2015, 2.1 million people took out home loans.

The real estate sector continued to expand during the first half of 2016. However, the treacherous coup attempt on July 15, which affected Turkey acutely, caused a short-term uncertainty in all markets. Thankfully, the Turkish people immediately realized the purpose of this unfortunate plot aimed at disrupting stability in the country, and the atmosphere of uncertainty dissipated in a very short time. As a result of the campaigns conducted by the leading real estate investors in Turkey, the real estate sector picked up again and resumed its fast growth.

The various campaigns initiated by the real estate industry helped revive the housing market. The total value of residential and office units sold in just one week amounted to more than TL 1 billion. The positive effects of the campaign efforts continued through the second half of the year. Compared with 2015, property sales increased significantly in the second half of 2016. In October 2016, sales increased by 25.1% over the same period a year earlier.

Considering the positive impact of the campaigns and consumer demand, 2016 was in fact a successful year for the real estate sector, despite the challenges in the political arena.

It is expected that in the first half of 2017, campaigns and consumer interest will continue as before. If new initiatives aimed at encouraging foreign investors are implemented quickly, the industry will continue its fast growth in 2017 and onward. Real estate companies are making their investment plan and planning their projects accordingly.

Taking a dynamic approach to its operations, Çalık Gayrimenkul adapts corporate strategies to changing market conditions by closely monitoring economic indicators and risks both Turkish and global market. In 2017, the sector aims to follow new technology trends and the changes in the lifestyles of younger generations, while positioning real estate as a "service" rather than a "product" by further improving and promoting the projects among local and international investors.

TEXTILE SECTOR

"This picture shows an innovative company that builds innovative home(s)."

İPEK KALUÇ (8)

AN OVERVIEW OF THE TEXTILE SECTOR IN 2016

DESPITE UNFAVORABLE MARKET CONDITIONS IN 2016, ÇALIK DENİM HAD A VERY SUCCESSFUL YEAR, THANKS TO ITS VALUE-ADDED INNOVATIVE PRODUCTS.

The ongoing global recession, the failed coup in Turkey, Brexit, the presidential election in the United States, and the Fed's interest rate hikes were the main factors that affected the textile industry in 2016. According to Turkish Exporters' Assembly (TIM) data, Turkey's apparel exports fell by 6% in terms of unit sales, but increased by 1% in terms of total US dollar value. In light of this data, it can be concluded that 2016 was a successful year for the Turkish textile industry, despite the unfavorable market environment.

Sharp changes in the EUR/USD exchange rate affected suppliers negatively. The US dollar continues to appreciate against the euro due to Brexit in addition to the recession and refugee crisis in Europe, Turkey's biggest export market. Therefore, textile profits are declining and creating downward pressure on prices in Turkey.

Trade with some Middle Eastern countries came to a halt due to political crises in the region. On the other hand, the improved relations between Turkey and Russia, a key market for the textile industry, in the last quarter of 2016 signal positive developments for the coming period.

With the contraction of the textile industry, companies that correctly identified the needs of the market and developed innovative, value-added products and services gained an upper hand over the competition. Leading the way in fashion by meeting consumers' demands as quickly as possible with innovative products has become the key to sustainable success for textile manufacturers.

Despite unfavorable market conditions in 2016, Çalık Denim had a very successful year, thanks to its value-added, innovative products. Çalık Denim boosted its market share in target markets including the US, Germany and the UK, expanding its client portfolio with premium brands such as Alexander Wang, J. Crew, Mother, AG Jeans, 3x1, Made Gold, and PRPS. In a rather challenging year, Çalık Denim managed to increase its sales significantly over the previous year.

ÇALIK DENİM

ÇALIK DENİM MAINTAINED SUSTAINABLE GROWTH IN 2016 BY UNDERTAKING TECHNOLOGY AND CAPACITY RELATED INVESTMENTS.

ESTABLISHMENT DATE

1987

SHAREHOLDING STRUCTURE

99.18%
Çalık Holding A.Ş.

0.82%
Ahmet Çalık

NUMBER OF EMPLOYEES

1,616 persons

1,710 persons
Number of employees, including subcontractors

www.calikdenim.com

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

Ranking 188th on the list of Turkey's top 1,000 exporters, Çalık Denim enjoys a competitive advantage in domestic and international markets.

Çalık Denim maintained sustainable growth in 2016 by undertaking technology and capacity investments. Thanks to its continued investments in R&D and human capital, innovative approach and new collections, Çalık Denim further boosted its brand awareness in global markets in 2016. The company continues to bolster its unique brand identity as well as its reputation as a strong and trusted supplier through product launch events, product workshops with clients, product marketing activities, and participation in international trade shows.

GOALS:

- To raise annual production capacity to 60 million meters by 2020
- To become a global leader in denim manufacturing

FINANCIAL SUMMARY (TL MILLION)*	2014	2015	2016*
TOTAL ASSETS	683	949	1,079
NET SALES	506	780	693
TOTAL SHAREHOLDERS' EQUITY	190	220	208
EBITDA	47	88	96
EBITDA MARGIN (%)	9	11	14

* Since end-June 2016, Çalık Cotton no longer operates under the Group; therefore its financial results for the first six months of the fiscal year have been included in Çalık Denim's consolidated financial statement.

REGIONAL BREAKDOWN OF SALES REVENUE

2016 YEAR-END PROJECTION	(US$ THOUSAND)
Europe	74,331
Far East	4,236
Domestic	51,719
America	9,351
Total	139,638

Established in 1987 in Malatya with a capital investment of US$ 111 million, Çalık Denim is the first industrial investment of Çalık Holding, and therefore has a special place in the Holding's history. Today, Çalık Denim is a strong and trusted supplier to the world's top brands. Boasting an annual fabric production capacity of 42 million meters, Çalık Denim is a well-established company that employs more than 1,600 personnel.

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, Calık 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.

Boasting nearly 30 years of industry experience, Çalık Denim operates with more than 1,600 employees in about 40 countries, including Turkey, Germany, England, Italy, Portugal, Tunisia, Netherlands, United States, France and the Far East. In addition to a fully integrated production facility and R&D Center in Malatya, and headquarters in İstanbul, Çalık Denim has many representatives and offices across the world.

Committed to protecting the environment, Çalık Denim has added sustainable and organic denim fabrics to its vast product range. Currently, the company holds the OCS, OEKO-TEX STANDARD 100, ISO 9001, ISO 14001, ISO 50001, OHSAS 18001, BCI, GOTS, GRS, OE100 and OE Blended certifications-a testament to its respect for the environment. In 2016, Çalık Denim also obtained the ISO 27001 certification.

COMMITTED TO PROTECTING THE ENVIRONMENT, ÇALIK DENİM HAS ADDED SUSTAINABLE AND ORGANIC DENIM FABRICS TO ITS VAST PRODUCT RANGE.

HAMİT YENİCİ
ÇALIK DENIM

ÇALIK DENİM

IN 2016, ÇALIK DENİM WAS ACCEPTED INTO THE TURQUALITY SUPPORT PROGRAM.

In 2016, Çalık Denim was accepted into the Turquality Support Program. The company is now eligible to receive government support for financing its overseas marketing activities as well as other expenditures.

FIRST AND MAJOR ACHIEVEMENTS IN THE SECTOR:

- Çalık Denim developed and commercialized the first breathable coated-fabric (Retina).
- The Oxygene finishing technique, which contributes to natural resource protection, and Elastech, which aims to prevent fabric shrinkage, are among the groundbreaking products that were developed and commercialized by Çalık Denim.
- The company set up an Automated Sample Storage System and is currently transitioning to the Automated Shipping Warehouse System.
- The company's Inventory Management System was revamped.
- Having obtained ISO 50001 Energy Management System and ISO 27001 Information Security Management System certifications, Çalık Denim was accepted into the Turquality® Support Program.

2016 HIGHLIGHTS:

Sales reached a 10-year high

Thanks to its original fabric collections, Çalık Denim was one of the most admired brands in 2016; furthermore, the company recorded a 10-year high in sales, which reached 35 million meters. In 2016, Çalık Denim accounted for 16.5% of Turkey's total denim exports, and for 11% of total Turkish denim production.

In 2016 (as of end-December), Çalık Denim invested US$ 23.9 million in new weaving looms, indigo dyeing and rope opener machinery, blending-carding and combing machines, stretching machinery, sanforizing machines, in addition to construction of a new yarn warehouse, weaving shop, chemical warehouse and a new shelving system for samples.

Unique concepts that bolster the "Innovative Brand" perception

In 2016, the company further strengthened the innovation and value-added attributes of its brand by introducing the Circular Elastech, Curve and T-Power concepts. Çalık Denim attracted attention in the marketplace, in the value-added products category and increased the brand value of Çalık Denim both as a solution partner and manufacturer of commercial products. "Oxygene by Çalık Denim" reflects the company's approach to sustainability.

An exceptional client portfolio consisting of distinguished brands

In 2016, Çalık Denim further strengthened its relationships with clients in the US market after adding premium brands-such as Alexander Wang, J. Crew, Mother, AG Jeans, 3x1, Made Gold, and PRPS-to its portfolio in late 2015. Additionally, the company figures among the top three preferred fabric suppliers to leading fast-fashion brands, including H&M, Zara, Topshop, River Island, New Look and Debenhams.

During the year, Çalık Denim boosted its brand awareness through product marketing activities, product launch events, and product workshops in target markets as well as participation in prestigious international trade shows. The company also forged successful brand partnerships in North America and continued efforts to increase the number of brand partnerships in Germany and England which are one of the profitable markets.

To become a global leader in premium denim manufacturing

As a result of its capital investments during the period 2010-2015, Çalık Denim expanded its production capacity by more than 35%; the company also made significant modification and modernization investments. Çalık Denim aims to raise its annual production capacity to 60 million meters by implementing its investment plan for the period 2016-2020.

Aiming to become a global leader in premium denim manufacturing, Çalık Denim continues to seek out new export markets while formulating new strategies to increase its share in the markets where it already operates. The company plans to further improve its sales strategy, which it implemented in 2016 in the value-added products category, in markets such as Asia-Pacific, Korea, Australia, China and Hong Kong.

INVESTMENT PROJECTS IN 2016

In 2016, Çalık Denim invested US$ 12.1 million for capacity increase and revision work at its Yarn Facility, and US$ 11.7 million at the Denim Facility. The company's R&D spending amounted to US$ 138,000 for the year.

Çalık Denim set up an automated system to improve warehousing and shipping operations. In addition, Çalık Denim was accredited by Turquality after successfully passing the Turquality audit in July 2016.

Taking a step forward in the implementation of the SAP system, which supports business process management, Çalık Denim successfully launched SAP Fiori to accelerate digital transformation. Hence, company personnel will now be able to access SAP and manage all processes on their mobile devices.

NEW PRACTICES, NEW PRODUCTS, NEW COLLABORATIONS

Çalık Denim's rich collections consist of brand new concepts and innovative products that turn the ordinary into the extraordinary by combining technology and aesthetics to meet different types of needs. Performance, aesthetics, sustainability and functionality are the main attributes of the company's collections. Çalık Denim offers its collections to the industry under the slogan "Innovative Denim Solution."

Innovative Solutions

In 2016, Çalık Denim launched new innovative collections-namely Circular Elastech, Curve, and T-Power-which became highly popular in the apparel market. Circular Elastech is a product family consisting of highly elastic, bi-stretch fabrics that have an authentic look. The name "Circular" was chosen specially to imply the 360° rotation of the human body. Dualcore technology was used in the weaving process, in both wefts and warps. These denim fabrics maintain their brand new look without slouching and sagging, and offer 360-degree stretch to better respond to the wearer's movement. When compared with similar products in the market, Circular Elastech is the best solution in terms of performance, price and look.

Fabrics manufactured using Curve technology offer a perfect fit with just enough stretch to eliminate the problem of gaping at the seams and on the back of the legs, thereby creating a perfect look. Developed by Çalık Denim, Curve technology is used to produce incredibly comfortable jeans that hide figure flaws.

Çalık Denim's engineers work tirelessly to develop perfect, high-performance denim fabrics and eliminate common fabric defects.

IN 2016, ÇALIK DENİM MADE CAPITAL INVESTMENTS OF US$ 14.4 MILLION FOR CAPACITY INCREASE AND REVISION WORK AT ITS YARN FACILITY, AND US$ 10.7 MILLION AT THE DENIM FACILITY.

ÇALIK DENİM'S ENGINEERS WORK TIRELESSLY TO DEVELOP PERFECT, HIGH-PERFORMANCE DENIM FABRICS AND ELIMINATE COMMON FABRIC DEFECTS.

The unique "T-Power" technology was developed to eliminate the problem of elastane breakage and to manufacture high-performance, premium denim fabrics. Additionally, the advanced yarn technology provides a cotton-like feel in polyester fabrics that normally irritate the skin.

The R&D Center initiated joint projects with technology and research institutes in Italy and Spain in areas such as modernization, new technologies, product quality improvement, and competitive advantage creation in the textile industry.

Major R&D projects include: Nano-Coatings for Denim Finishing, Manufacturing Technical Textiles on Denim Fabric Production Lines, Designing a Duck-Carrying Robot, Development of Multi-Layered Fabrics, Development of Denim Coated Surfaces Using the Hot Melt Method, Feasibility Study for Using Nano Coating Methods in Finishing Processes, Supply Process and Warehouse Optimization, and Process-Based Improvements.

QUALITY STANDARDS AND CERTIFICATIONS:

- 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
- BCI Membership
- Bluesign
- Oeko-Tex Standard 100
- Organic Textile Standard (GOTS, OCS, GRS)
- Levi's Accreditation
- M&S Accreditation
- Debenhams Accreditation

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

AWARDS

- The R&D Center won second prize in the "Large-Scale Company/Process Improvement" category at the 2016 Efficiency Project Awards, which is organized annually by the General Directorate of Efficiency of the Turkish Ministry of Science, Industry and Technology.
- Çalık Denim's 2015 Annual Report won the Gold Award at ARC International Awards, the world's leading awards program for annual reports. The annual report also was presented with the Bronze Award at Galaxy Awards, which aims to honor outstanding achievement in product and service marketing.

GAP PAZARLAMA

OPERATING IN MORE THAN 40 COUNTRIES ACROSS FIVE CONTINENTS, GAP PAZARLAMA IS AMONG THE MOST POWERFUL AND TRUSTED INTERNATIONAL TRADING COMPANIES, THANKS TO ITS FORWARD-LOOKING MANAGEMENT STYLE, WELL-ESTABLISHED ORGANIZATIONAL STRUCTURE, AND PRODUCT DIVERSITY.

ESTABLISHMENT DATE

1994

SHAREHOLDING STRUCTURE

95%
Çalık Holding A.Ş.

4.97%
Ahmet Çalık

0.03%
Other

NUMBER OF EMPLOYEES

72 persons

90 persons
Number of employees, including subcontractors

www.gappazarlama.com

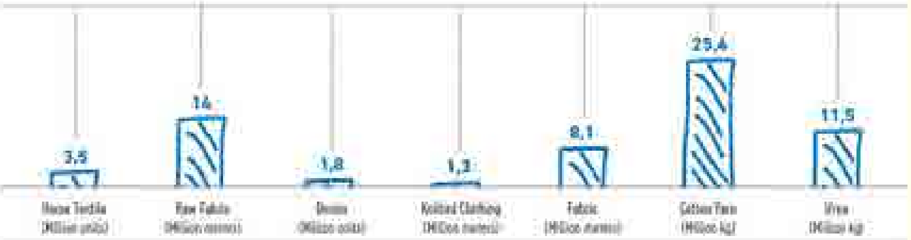
FIRSTS AND MAJOR ACHIEVEMENTS IN THE SECTOR:

- The leading and the biggest supplier of textiles in Turkmenistan
- Top importer with the largest market share in Turkmenistan
- Establishing the first integrated denim fabric, apparel and home textile factories in Turkmenistan; promoting and selling the products manufactured at these facilities in international markets
- Setting up the first quality management, environmental management, occupational health and safety management systems in Turkmenistan and obtaining certifications
- Top importer with the largest market share in cotton yarn

COMPETITIVE ADVANTAGES:

- Delivering high quality products on the date preferred by the client
- Extensive network of contractors
- Integrated manufacturing facilities
- ISO 9001, ISO 14001, ISO 18001, WRAP, Sedex, BSCI, OEKO-TEX certifications and the Six Sigma system
- Well-established client portfolio and high level of customer satisfaction
- Effective supply chain optimization

QUANTITY



AWARDS IN 2016:

Silver Textile Award
Ranking 116th among the members of the Textile Exporters' Association, Gap Pazarlama received the Silver Textile Award for its achievements in exporting.

Founded in 1994 with a vision to become a global textile company, Gap Pazarlama manufactures and sells yarn, denim fabric, ready-to-wear products, and home textiles at its Turkmenbashi Textile Complex, Turkmenbashi Jeans Complex, Balkan Weaving and Serdar Cotton Yarn factories in Turkmenistan.

The company has set up a supply network among its subcontractors in various countries. As a result, it procures a wide range of products and offers them for sale to its clients.

Operating in Turkmenistan, Turkey and the US, and Dubai, Gap Pazarlama establishes strong partnerships with leading brands in international markets. Gap Pazarlama boasts many prominent brands in its customer portfolio, including Bershka, Zara, Pull & Bear, Tesco, River Island, La Redoute, Mango, Puma, U.S. Polo in ready-to-wear and JC Penney, Costco, BB&B, Sears, Kmart, Bonton in home textiles.

2016 HIGHLIGHTS:

- Gap Pazarlama's textile revenue reached a historic high in 2016 after the company began operations in the petrochemical industry.
- The company included Pakistan in its supply chain once again while adding Bangladesh and Italy to its target markets.
- Gap Pazarlama doubled its market share in Australia after two years of meticulous strategic planning.
- Because EU countries are still deeply affected by the global economic crisis, Gap Pazarlama continues to seek out new international market opportunities while stepping up sales and marketing efforts in Australia, New Zealand, South Africa and South America.
- Placing great importance on branding activities, the company created its own brands in alternative markets.
- Besides the Heimtextil trade fair in Germany, Gap Pazarlama participated in trade shows in Azerbaijan, Nigeria and Morocco in 2016 to present its new products and collections to industry representatives.
- Gap Pazarlama began implementing the Six Sigma methodology to improve internal processes and efficiency.

GAP PAZARLAMA'S TEXTILE REVENUE REACHED A HISTORIC HIGH IN 2016 AFTER THE COMPANY BEGAN OPERATIONS IN THE PETROCHEMICAL INDUSTRY.

ENGİN SEZER
GAP PAZARLAMA

MINING SECTOR

"Everyone respects this man because he is a reputable man."

DENİZHAN KILDIRAN (8)

AN OVERVIEW OF THE MINING SECTOR IN 2016

EFFECTIVE CASH FLOW MANAGEMENT BECAME EVEN MORE IMPORTANT IN 2016 DUE TO COMMODITY PRICE FLUCTUATIONS CAUSED BY GLOBAL POLITICAL UNCERTAINTY.

The major factors that affected the mining industry in 2016 were the presidential election in the United States, Brexit (the UK's decision to leave the European Union), the shutdown of 20 nickel mines by the Philippine government, high taxes imposed on mining companies in Australia and South Africa, China's economic slowdown, health-threatening air pollution in China due to CO_2 emissions from coal-fired power plants, and recent developments in lithium batteries and electric vehicles.

The market value of the global mining industry, which has steadily declined since 2012, dropped by 37% in 2015, back to the pre-crisis level of 2004. However, prices of commodities and precious metals began to rise in early 2016. Companies that managed their cash flow effectively were able to increase production, restructure their debt by selling their assets at high prices, strengthen their balance sheets, and rebuild their credibility. In 2016, the price of iron ore, zinc, nickel, copper, silver and gold rose by 81%, 65.7%, 17.3%, 17.1%, 15.7% and 8.6%, respectively. Meanwhile, China stepped up its acquisitions of mining assets, equity participations, and funding programs worldwide.

After the Brexit vote in 2016, gold and silver prices climbed to US$ 1,350/ounce in July, before starting to fall again after the US presidential election and plunging below US$ 1,200/ounce toward the end of the year. The Fed's interest rate hikes and expectations for further increases in 2017 drive the US dollar while suppressing the price of gold.

Donald Trump has promised large spending on infrastructure, leading to expectations for a rise in investment expenditures after the election. As a result, the price of copper rallied from US$ 4,700/ton to US$ 5,800/ton, reaching its highest level in recent years. The price of iron ore also rose significantly to US$ 80/ton, up from US$ 43/ton at the beginning of the year.

Meanwhile, lithium brine exploration activities and project investments have expanded in parallel with increased investments in electric vehicles and battery technologies worldwide. The great majority of the world's known lithium reserves, the so-called "white petroleum," is located in Australia and Argentina-Chile-Bolivia, known as the "Lithium Triangle." In addition to lithium mining, graphite, cobalt, nickel and manganese mining activities have increased as they are the metals used in the production of next-generation batteries.

In 2016, global mining companies invested in innovation, digital transformation, and renewable energy technologies. Digital innovation will most likely be the hottest topic in the mining industry in the coming period. Companies that fail at digital transformation will suffer profit loss and face major business challenges in the future. Many countries are also switching to renewable energy in mining operations due to rising environmental pressures related to emissions.

Meanwhile in Turkey, the Ministry of Energy and Natural Resources introduced new regulations and projects in 2016 to encourage domestic coal production. To this end, MTA (General Directorate of Mineral Research and Exploration) is planning 1 million meters of drilling in 2017. Furthermore, the government has recently levied an additional tax of US$ 15/ton on imported coal to curb coal imports and accelerated the tendering process for coal production and thermal power plants.

In 2016, the world's major mining companies undertook a series of measures in response to commodity price fluctuations; these included effective cost management, debt reduction, limiting capital expenditures, and cutting dividend payments to strengthen their balance sheets. They also implemented effective cash flow management strategies. In 2017, exploration, investment and technology spending is expected to rise in parallel with the recovery in commodity prices; in addition, mergers and acquisitions are projected to pick up pace.

LİDYA MADENCİLİK

BOASTING A FORWARD-LOOKING MANAGEMENT STYLE AND A HIGH-PERFORMING WORKFORCE, LİDYA MADENCİLİK PLACES GREAT IMPORTANCE ON OCCUPATIONAL HEALTH AND SAFETY, ENVIRONMENTAL AND SOCIAL RESPONSIBILITIES, FOR SUSTAINABLE MINING ACTIVITIES.

ESTABLISHMENT DATE
2006

SHAREHOLDING STRUCTURE
99.28%
Çalık Holding A.Ş.

0.72%
Other

NUMBER OF EMPLOYEES
111 persons

www.lidyamadencilik.com

FIRSTS AND MAJOR ACHIEVEMENTS IN THE SECTOR:

- 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.
- 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.

COMPETITIVE ADVANTAGES:

- Operated by Lidya Madencilik, Polimetal 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
- Seven years of experience gained at Çöpler Gold Mine
- Synergy created by the Çalık Group brand and its subsidiaries

Founded in 2006 to engage in exploration, mining and processing of precious metals-gold and copper in particular-Lidya Madencilik forged the first major international partnership in the Turkish mining sector with Alacer Gold in 2009. As of year-end 2016, Lidya Madencilik conducted its operations in Turkey and the region with ten employees as well as 94 personnel subsidiaries in which the company operates. Lidya Madencilik aims to become the most respected and valuable mining company in Eurasia.

THANKS TO ITS HIGHLY COMPETENT EXPLORATION TEAM, LİDYA MADENCİLİK HAS MADE TWO MAJOR DISCOVERIES OVER THE PAST FOUR YEARS.

Çöpler Gold Mine, the flagship project of the partnership between Lidya Madencilik and Alacer Gold, produced 37.5 tons of gold since the project commenced. The company is an investor in the Kartaltepe and Tunçpınar exploration sites owned by Polimetal Madencilik, and the operator of the Gediktepe project. Under the collaboration with Mariana Resources, Lidya Madencilik operates the Hot Maden project.

Thanks to its highly competent exploration team, Lidya Madencilik has made two major discoveries-one in Balıkesir and the other in Artvin-over the past four years. The company completed the preliminary feasibility study on Balıkesir Gediktepe Polymetallic Mine and commenced infrastructure work after obtaining the Environmental Impact Assessment (EIA) Report. Lidya Madencilik also initiated the preliminary feasibility study on the Artvin Hot Mine Project, the second major discovery, and continued drilling operations.

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.

2016 HIGHLIGHTS:

Çöpler Gold Mine, which is operated by Anagold:

- Produced 119,000 ounces (3.4 tons) of gold; total production since the beginning of the project has reached about 1.2 million ounces (34 tons).
- Began construction under the Çöpler Sulfide Expansion Project after obtaining the necessary permits.

Under the Gediktepe Project:

- The preliminary feasibility study was completed.
- The Environmental Impact Assessment (EIA) report was obtained and infrastructure work commenced.
- A 50-50 ownership structure was established between Lidya Madencilik and Alacer Gold.

- Some 29,000 meters of drilling was completed at the Artvin Hot Mine Project, which is operated by Artmin Madencilik, and the preliminary feasibility study was initiated.
- Detailed geological surveys were completed on the İvrindi and Sarıçayıryayla sites, which are owned by Polimetal Madencilik.
- Some 29,000 meters of drilling was completed at the Kartaltepe Projects.

AS OF YEAR-END 2016, LİDYA MADENCİLİK CONDUCTED ITS OPERATIONS IN TURKEY AND THE REGION WITH 10 EMPLOYEES AS WELL AS 94 PERSONNEL OF ITS SUBSIDIARIES. LİDYA MADENCİLİK AIMS TO BECOME THE MOST RESPECTED AND COMPETITIVE MINING COMPANY IN THE EURASIA REGION.

MUSTAFA AKSOY
LİDYA MADENCİLİK

LİDYA MADENCİLİK

ANAGOLD MADENCİLİK CONTINUES ITS **INVESTMENT IN THE SULFIDE EXPANSION PROJECT AT ÇÖPLER GOLD MINE; THE TOTAL COST OF THE PROJECT IS US$ 744 MILLION.**

FINANCIAL AND OPERATIONAL RESULTS

In 2016, Anagold Madencilik produced 119,000 ounces of gold and posted US$ 142 million in revenue. The company continues its investment in the Sulfide Expansion Project at Çöpler Gold Mine. The total cost of the project is US$ 744 million, of which US$ 134 million was spent in 2016.

Further, the company invested US$ 14.3 million in Kartaltepe Madencilik, US$ 9.3 million in Polimetal Madencilik for the Gediktepe Project, and US$ 1.4 million in other projects-total investment spending amounted to US$ 10.7 million. Additionally, US$ 4.6 million was invested in Artmin Madencilik for exploration, development and infrastructure activities.

INVESTMENT PROJECTS

Sulfide Expansion Project

The company secured US$ 350 million in project finance loans from European banks. The first gold pour is expected in third quarter 2018. According to initial studies, the project's mine life is extended to 2040.

Certifications

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

POLİMETAL MADENCİLİK

POLİMETAL MADENCİLİK CONDUCTS ITS OPERATIONS BY SHOWING GREAT RESPECT FOR THE ENVIRONMENT AND HUMAN LIFE.

COMPETITIVE ADVANTAGES:

- A strong team that boasts a thorough mastery of Turkish geology
- Commitment to high mining standards
- A highly prospective exploration portfolio

Founded in 2011 as a subsidiary of Lidya Madencilik and Alacer Gold, Polimetal Madencilik engages in exploration and development of precious metal deposits–including gold, copper, silver and zinc. With a total of 79 staff members, the company is currently carrying out nine exploration projects.

Polimetal Madencilik aims to contribute to Turkey's economic growth by discovering the country's underground riches in the most rapid, cost-effective and productive manner. The company conducts operations with full respect given to the natural environment and human life.

Despite being a young company, Polimetal Madencilik has created a strong team and made major discoveries within a very short time, becoming a key player in the mining industry.

Polimetal Licenses (80%)
Polimetal Gediktepe Licenses (50%)
Artmin Licenses (70%)
Anagold Licenses (20%)
Kartaltepe Licenses (50%)
Tunçpınar Licenses (50%)

AGILITY

TELECOM SECTOR

"My father works a lot, quickly and efficiently at the office."

EREN ALP KAPLAN (9)

AN OVERVIEW OF THE TELECOM SECTOR IN 2016

EUROPE'S TELECOMMUNICATIONS INDUSTRY IS UNDERGOING MAJOR CHANGES. LOBBYING EFFORTS TO CHANGE THE SPECIAL RATES APPLIED TO INTERNATIONAL ROAMING SERVICES CONTINUE AT FULL PACE.

In 2016, the telecommunications industry continued to grow, albeit at a lower rate than recent years. Data usage via mobile and fixed devices is increasing. The transition from traditional mobile phones to smartphones continues while the number of users who connect through multiple access points with multiple devices is on the rise. So-called "hyper-connected users" demand uninterrupted, high-quality internet service.

In the near future, it seems likely that social media, e-commerce, and messaging will be overshadowed by new emerging services and concepts such as the Internet of Things (IoT), big data, and the sharing economy.

Network operators continue to invest in new technologies to keep up with emerging trends and meet consumer needs. In 2016, the use of 4.5G has become more common while initial testing on 5G networks was conducted. In addition, network operators undertook investments to expand IoT applications into other areas, such as smart homes, smart cities and security services.

In the last three years, some major mergers and acquisitions in the telecom sector have occurred. The most important development was AT&T's acquisition of Time Warner in the US. Meanwhile, OTT services (over-the-top content transmitted via the internet) have caused a decline in the overall revenues of network operators. Therefore, mobile network operators are focusing their efforts to launch VoLTE and VoWiFi services as quickly as possible.

Europe's telecommunications industry is undergoing major changes. Lobbying efforts to change the special rates applied to international roaming services continue at full pace; meanwhile, new regulations are proposed to provide OTT services to users without intervention. However, it also seems necessary to intervene in OTT traffic to ensure information security, customer security and national security.

In 2016, competition intensified in Albania's telecom market. Due to high saturation levels with market penetration reaching 138% in the total population and nearly 180% among users, the leading mobile network operators launched price promotion campaigns to stimulate the market. "Rich content at a low price" strategies implemented in 2015 and 2016 have resulted in an oversaturated market.

Small, unlicensed network operators that provide nonstandard fixed-network services in Albania have a negative impact on the market. Located in small towns across the country, these companies purchase content from media companies and connections from internet service providers. They can offer very low prices by keeping content unrecorded and using nonstandard internet connections.

In 2016, ALBtelecom initiated efforts to prevent this structure from proliferating and develop the market in collaboration with the regulatory authorities, AKEP and AMA. The company shares the results of field studies with related authorities and informs them about the negative effects of these operations on service quality and development of the market.

ALBtelecom fights against this illegal formation by sharing information with media partners and other licensed companies in the sector. These efforts will greatly contribute to the development of the telecom industry in Albania, where competitive conditions do not yet meet EU standards. However, Albania continues work towards accession to the European Union. To this end, Albania signed a framework agreement with the EU in 2003, and started to implement the expanded framework program in 2009. With this effort, the country has made significant progress towards improving the competitive environment.

As competitive conditions improve, the Albanian telecom industry will continue to develop.

ALBTELECOM

CLOSELY MONITORING CUSTOMERS' NEEDS, ALBTELECOM CONTINUES ITS CAPITAL INVESTMENTS AS THE COMPANY AIMS TO DELIVER TOP QUALITY COMMUNICATION SERVICES.

ESTABLISHMENT DATE
1912

DATE OF EXIT FROM MAIL SERVICE
1992

SHAREHOLDING STRUCTURE

76%
CETEL Telekom (Çalık Holding ve Türk Telekom)

16.77%
Arnavutluk Ekonomi, Ticaret ve Enerji Bakanlığı

3%
Posta Shqiptare (Arnavutluk Posta Hizmeti)

4.23%
Other

NUMBER OF EMPLOYEES
856 persons
1,495 persons
Number of employees, including subcontractors

www.albtelecom.al

FIRSTS AND MAJOR ACHIEVEMENTS IN THE SECTOR:

- The only telecommunications company in Albania that can provide all types of fixed and mobile services through an integrated structure
- Albania's largest fixed line operator
- Operator that has gained the most customers via MNP (Mobile Number Portability)
- Service provider with the highest number of IPTV customers in the Albanian market
- The first telecom operator in Albania to offer quadruple-play bundles including fixed voice, broadband, IPTV and mobile communication services
- 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

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

GOALS:

- To boost Internet services market share to over 45%
- To capture a 16% share in the total mobile market by year-end 2017
- To become the leading 4G service provider in the Albanian market

Having previously existed as a government entity tracing its history back to 1912, ALBtelecom was restructured in 1992 as Albania's state telecommunications company and it joined Çalık Holding in 2007. Today, ALBtelecom is Albania's largest fixed line operator, providing a range of electronic communication services such as fixed and mobile, 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 in 2015.

FINANCIAL SUMMARY (TL MILLION)	2014	2015	2016
TOTAL ASSETS	591	683	775
NET SALES	219	221	225
TOTAL SHAREHOLDERS' EQUITY	120	82	61
EBITDA	34	31	58
EBITDA MARGIN (%)	16	14	26

NUMBER OF SUBSCRIBERS (THOUSAND)

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 79%, 40% and 15%, maintaining leadership in the fixed voice and fixed internet market and maintaining stability in the mobile market, respectively.

With its dynamic workforce of 1,495 employees, ALBtelecom plans to maintain steady growth by diversifying its service offerings and improving service quality in 2017.

ALBtelecom complies with international standards of occupational safety and quality in all its operations; accordingly, the company holds ISO 27001 (Information Security Management System) and ISO 9001 (Quality Management System) certifications.

ALBTELECOM MAINTAINS ITS LEADERSHIP POSITION IN FIXED VOICE, FIXED INTERNET AND MOBILE SERVICES MARKETS WITH MARKET SHARES OF 79%, 40% AND 15%, RESPECTIVELY.

TAHSİN YILMAZ
ALBTELECOM

ALBTELECOM PURCHASED NEW BASE STATIONS FROM HUAWEI TO USE 20 MHZ OF THE 2600 MHZ TOTAL BANDWIDTH THE COMPANY HAD ACQUIRED FOR TRANSITIONING TO 4.5G. TESTS ON THE NEW BASE STATIONS WERE COMPLETED AND INSTALLATION WORK BEGAN.

2016 HIGHLIGHTS:

- Boosting fixed-line sales with regional campaigns
- Winning 67% of public internet access contracts
- Launching the Quad (four-in-one) product
- Launching the hybrid product
- International roaming plans
- Conducting "CrossBorders" and "Visitor" campaigns during the holiday season
- Cooperating with Turkcell in areas such as academy, roaming, campaign management, new practices and security

INVESTMENT PROJECTS

Expanding 4G-LTE coverage into all cities

After obtaining the 4G-LTE license in 2015, ALBtelecom expanded 4G-LTE coverage in the capital Tirana as well as in other major cities to offer its customers fast mobile internet access. Subsequently, numerous mobile data users switched to the 4G-LTE service. The company also completed its preparations for transitioning to 4.5G and started to set up the infrastructure in collaboration with the equipment manufacturer Huawei.

20 MHz of the 2600 MHz spectrum is commissioned.

ALBtelecom purchased new base stations from Huawei to use 20 MHz of the 2600 MHz total bandwidth the company had acquired for transitioning to 4.5G. Tests on the new base stations were completed and installation work began. With this investment, 4G-LTE speed will increase to 300 Mb from 150 Mb and coverage will be expanded further.

New practices, new products, new collaborations

- Launching the "Smart Business" platform for corporate customers
- Winning 67% of public contracts with the new tender strategy
- Introducing customer value management processes and proposals
- Offering customers new products and services through business partners, in addition to telecommunications services such as ticketing and food
- Introducing quadruple-play bundles that include fixed and mobile services
- Launching hybrid plans that combine the cost-control feature of prepaid plans and the convenience of postpaid plans
- Offering the ALBtv service to mobile subscribers
- Enriching the static device portfolio under company agreements signed with Vestel, Huawei and Neptun

- Launching the sales commission system which is based on customers' usage performance
- Boosting fixed-line sales via regional campaigns
- Expanding the retail network through exclusive dealership agreements
- Selling ALBtelecom's fixed services through non-exclusive dealers
- Using the "ALBtelecom" brand, instead of "ALBtelecom & Eagle Mobile," in all marketing communications
- Improving the quality of subscriber services and customer satisfaction
- Delivering customer services through Facebook, online chat and the website

QUALITY STANDARDS AND CERTIFICATIONS

- On March 23, 2016, ALBtelecom was certified by ABS International Certification Surveillance, Auditing and Training Services Ltd.
- ALBtelecom obtained ISO 14001:2004 Environmental Management System certification.

AWARDS

- ALBtelecom received the SAP Quality Award for the Central and Eastern Europe region in the "Business Transformation" category.
- Implementing the international standards for occupational safety and quality in all its operations, ALBtelecom holds the ISO 27001 Information Security Management System and ISO 9001 Quality Management System certifications.

IMPLEMENTING THE INTERNATIONAL STANDARDS FOR OCCUPATIONAL SAFETY AND QUALITY IN ALL ITS OPERATIONS, ALBTELECOM HOLDS THE ISO 27001 INFORMATION SECURITY MANAGEMENT SYSTEM AND ISO 9001 QUALITY MANAGEMENT SYSTEM CERTIFICATIONS.

WORK FROM THE HEART

FINANCE SECTOR

"Everyone works enthusiastically at a colorful, free and diverse workplace."

EYMEN BİLGİ (8)

AN OVERVIEW OF THE FINANCE SECTOR IN 2016

AS OF SEPTEMBER 2016, THE TOTAL ASSETS OF THE TURKISH BANKING SECTOR AMOUNTED TO MORE THAN TL 2.7 TRILLION, UP 15.8% ON A NOMINAL BASIS COMPARED WITH YEAR-END 2015.

In 2016, both global financial markets and the Turkish economy were faced with unexpected fluctuations. The European Central Bank and the Bank of Japan continued their expansionary monetary policies during the year to support global liquidity. However, a series of developments-including the Brexit vote, the US presidential election, the rise of right-wing populism in EU countries, risks and vulnerabilities in the EU banking sector, and events in neighboring countries-affected global risk appetite during the year. Particularly, the uncertainty surrounding future economic policies in the US under the new administration has led to a dramatic rise in market volatility. In the face of growing market risks, capital flows to developing countries dropped significantly and the currencies of these emerging markets depreciated sharply against major currencies. Furthermore, Turkey's political risk premium increased during the year due to the events that took place in July, and after Moody's downgraded Turkey's sovereign credit rating.

Due to these various developments in the second half of the year, domestic economic activity slowed in 2016 compared to the prior year. Therefore, the Central Bank of Turkey ("CBRT") continued its monetary policy simplification, which began in March, in the second and third quarters of the year. This policy helped CBRT reduce its weighted average funding costs, thereby supporting domestic demand. While the average cost of liquidity provided by CBRT to banks was 8.5% in the first quarter, it was reduced to 8% in the third quarter. However, due to the fluctuations in global financial markets, the cost of liquidity increased slightly again in November. Meanwhile, CBRT introduced some macro measures, such as reduction of required reserve ratios and adjustments on reserve option coefficients, to provide some leeway to banks in terms of costs and liquidity. In addition, policymakers eased macro prudential measures to support moderate loan growth.

As of September 2016, total assets of the Turkish banking sector amounted to more than TL 2.7 trillion, up 15.8% in nominal terms compared with year-end 2015. As of year-end 2016, the banking sector increased its net profit by 44% year-on-year to TL 38 billion. Profit growth can be attributed to the decrease in non-interest expenses and the rise in net interest income. Additionally, the decline in the loss caused by securities trading, derivatives and FX transactions contributed to the sound financial performance of banks. As a result, the banking sector's overall ROE and ROA rose to 14.3% and 1.9%, respectively.

AKTİF BANK

ESTABLISHMENT DATE
1999

SHAREHOLDING STRUCTURE

99.42%
Çalık Holding A.Ş.

0.3%
Gap Güneydoğu Tekstil San. A.Ş.

0.28%
Other

NUMBER OF EMPLOYEES

1,372 persons*

2,132 persons
Number of employees, including subcontractors

www.aktifbank.com.tr

BUSINESS AREAS:
Financial services in Turkey and its close geography

OPERATING REGIONS:
Turkey, Kazakhstan, Russia, TRNC

FIRSTS AND MAJOR ACHIEVEMENTS IN THE SECTOR:
- UPT: First domestic money transfer service in Turkey
- First asset-backed security issuance in Turkey
- Turkey's first Islamic participation certification
- First TL-denominated bank bonds
- The first and only card valid at the entrance to stadiums with a number of approximately 2.5 million: Passolig
- Performing 1 billion credit card transactions annually, which account for half of all credit card transactions in Turkey, with EKent smart transport cards, which are used by 10 million persons nationwide.

COMPETITIVE ADVANTAGES:
- "Next Generation Banking" business model
- Strong partnerships with effective retail-banking distribution networks
- Successfully implemented franchising system providing the bank with cost-free distribution channel, which is equivalent to having a 10% share of the ATM market
- Ability to reach customers via thousands of PTT branches-a distribution channel that corresponds to 45% of the industry's entire branch network
- Extension of consumer loans through about 1,500 retail stores
- 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
- Expertise in selling retail products through mobile devices and the internet, thanks to effective management of digital channels
- Offering Passolig Debit and Credit Cards, and N Kolay Digital Credit Cards, exclusively through alternative channels

* Subsidiaries are included in the number of employees.

IN 2016, AKTİF BANK SUCCESSFULLY CONDUCTED ITS OPERATIONS UNDER THE BANK'S UNIQUE BUSINESS MODEL-"NEXT GENERATION BANKING."

AKTİF BANK HAS CREATED A STRONG SERVICE MODEL WITH ALTERNATIVE DISTRIBUTION CHANNELS AND COOPERATION IN RETAIL BANKING, WHERE COMPETITION IS INTENSE AND A WIDESPREAD DISTRIBUTION NETWORK IS REQUIRED.

DR. SERDAR SÜMER
AKTİF BANK

GOALS:

- 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
- Gaining access to innovative, investable projects by expanding the web application through innovation and R&D activities
- Investing in portfolios that generate a steady flow of income through direct partnerships in commercial real estate and/or revenue/profit sharing models
- Gaining expertise and competitive advantage in the renewable energy industry via project finance and various partnerships
- Offering the Bank's debt instruments to the public
- Issuing sukuk in international markets
- Launching the first mutual funds that will be managed in accordance with the principles of interest-free financing
- Forming Real Estate Funds and Venture Capital funds, which will be offered to qualified investors, under alternative investments
- 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
- Reaching Turkish customers who do not have a bank account with pre-paid cards and mobile applications
- Creating alternative credit scores for individual customers who do not have a credit score at KKB (Credit Bureau of Turkey) and developing a new digital credit program aimed at such customers
- Introducing innovative prepaid cards for transportation and bill payment to further expand the customer base in niche segments by improving the synergy between subsidiaries
- Expanding the customer base to 5 million by year's end via alternative banking channels and product offerings

AWARDS IN 2016:

- N Kolay Credit Card: First prize in the category of "Innovation in the Delivery of Financial Products" at the Financial Innovation Awards.
- aktifbank.com.tr: Best in Class award in the "Banking" category at the Interactive Media Awards.
- nkolaykredi.com.tr: Outstanding Achievement award in the "Financial Services" category at the Interactive Media Awards.
- Passolig: Most Creative Project award in the category of "Connected Stadium Innovation" at the Connected Stadium Awards.
- First prize in the "Sales" category at the 2016 MasterCard Catalyst Awards.
- Most Innovative Investment Bank award at the 2016 Global Banking & Finance Review Awards.

AS OF YEAR-END 2016, AKTİF BANK INCREASED ITS ASSETS BY 25.5% YEAR-ON-YEAR, UP FROM TL 7.6 BILLION IN 2015.

2015 Annual Report titled "The Art of Banking":

- League of American Communications Professionals (LACP) Vision Awards: Platinum Award in the "Banks and Financial Institutions" category; Gold Award in the "Printed and Digital Annual Reports" category; 11th place in the worldwide ranking; 7th place in the EMEA ranking, and 1st place in the national ranking for Turkey.
- MerComm Galaxy Awards: Honorable Mention Award in the "Design Management" category.
- MerComm ARC Awards: Honorable Mention Award in the "Cover Design" category; Gold Award in the "Content" category.
- Platinum Award at the Hermes Creative Awards.

Engaging in retail, investment and corporate banking, Aktif Bank is Turkey's largest privately-owned investment bank. In 2016, Aktif Bank successfully conducted its operations under its unique business model-"Next Generation Banking."

As part of corporate banking activities, Aktif Bank develops and provides innovative, customized solutions in real estate financing, sports financing, customs financing, cotton financing, supplier financing as well as financing for the vehicle leasing industry, energy investment projects, the leasing industry, and the communications industry.

The bank improves its service quality through dynamic financing models and product diversification.

Aktif Bank boosted its brand awareness across the country by offering private banking services. Thanks to its competitive pricing strategy, the bank has also increased its market share. In 2017, Aktif Bank significantly expanded its customer base by diversifying its product range. The bank's total assets, which amounted to TL 7.6 billion in 2015, grew by 25.5% as of 2016-end.

Next generation banking without the costs of branches

Since its establishment, Aktif Bank has embraced the concept of "Next Generation Banking via alternative delivery channels, instead of branches." The bank created a powerful customer service model based on strong partnerships and alternative channels in the retail-banking segment, a highly competitive market, which traditionally requires a widespread distribution network. Under its collaboration with PTT-a unique partnership in the sector-Aktif Bank continued to give loan and sell insurance products to a wide customer base via PTT branch locations in 2016. The total number of customers that Aktif Bank reaches through the PTT branch channel corresponds to 40% of the customer base of all bank branches in the country. Additionally, the bank successfully gives customer loans via some 1,500 retail stores, equivalent to half of all bank branches in Turkey.

Furthermore, implementing an effective franchising strategy, Aktif Bank has access to an alternative delivery channel consisting of about 4,500 N Kolay İşyeri service locations and kiosks across all provinces in Turkey, equivalent to having a 10% share of the total ATM market. N Kolay service centers provide a variety of services-including bill payment, buying cell phone minutes, money transfer, and purchasing sports match tickets-to 15% of 20 million Turkish residents who do not have a bank account.

Through its unique business model, which eliminates the cost of branching, Aktif Bank reached a total of 3.5 million individual customers in 2016, corresponding to about 10% of Turkey's entire retail banking market. The bank provides only marketing and operational support to its business model. In the consumer loans market, while the sector grew by 7%, Aktif Bank achieved 50% volume growth and rose to 13th place among 47 banks.

2016 HIGHLIGHTS:

- **N Kolay-The key to retail banking**
  Through its "N Kolay Digital Credit Card" and "N Kolay Debit Card" products, launched in 2016, Aktif Bank received loan applications for TL 6 billion from more than 800,000 card users. The bank differentiates in the industry with its loan volume as well as the number of N Kolay Debit Card holders, which reached almost 100,000 in 2016. Additionally, Aktif Bank launched a new prepaid card "N Kolay Cüzdan Card," the first product under the bank's strategy to achieve growth through prepaid cards. N Kolay Cüzdan Card provides a convenient way to pay bills at N Kolay Transaction Centers and serves as a good example of the synergy between the bank's subsidiaries.

  In 2017, Aktif Bank plans to launch a new mobile application and a smart transport card to offer users an innovative solution for inner-city transportation, in addition to existing card payment systems.

- **"Passolig": The Key for Stadium Entry**
  With 2.5 million users in 2016, Passolig achieved significant growth in Turkey's payment systems market. In 2017, Passolig will continue to expand via mobile projects. The Passo mobile application will provide greater convenience in ticket-buying and stadium entry. Aktif Bank expects continued growth in the prepaid-card market by reaching 3 million users in 2017.

- **Financing for Energy Projects:**
  Aktif Bank provides long-term financing for renewable energy projects, including solar power plants, hydroelectric power plants, and wind power plants.

- **EchoPOS: A New Technology Company**
  The new technology company EchoPOS provides software and hardware products to the retail industry, thereby contributing to the sector's growth.

- **Haliç Leasing**
  After becoming partners in Haliç Leasing, ICD & Aktif Bank commenced operations in the leasing industry. Haliç Leasing will be the only financial leasing company in Turkey to offer Islamic products to its customers.

- **Financing of Vodafone Arena Stadium**
  Aktif Bank financed the Vodafone Arena Stadium, which opened in April 2016.

FINANCIAL SUMMARY (TL MILLION)		2012	2013	2014	2015	2016
ASSET SIZE		3,518	5,109	6,252	7,556	9,483
	% CHANGE	37.8	45.2	22.4	20.9	25.5
LOANS-CORPORATE LOANS		1,724	2,049	2,725	3,377	3,847
	% CHANGE	53.9	18.9	33	23.9	13.92
LOANS-CONSUMER LOANS		641	1,528	1,258	1,261	1,673
	% CHANGE	15.1	138.4	-17.7	0.2	32.7
NPL RATIO		0.68	2.46	3.01	1.99	1.88
	% CHANGE	28.3	261.8	22.4	-33.9	-5.5
OPERATING INCOME		391	613	619	783	932
	% CHANGE	32.5	56.8	1	26.5	19.0
NET PROFIT		95	124	34	26	98
	% CHANGE	43.9	30.5	-72.6	-23.5	276.9
BONDS		1,502	2,004	3,009	2,620	3,169
	% CHANGE	79.5	33.4	50.1	-12.9	21.0
ASSET BACKED SECURITIES		578	444	363	-	375
	% CHANGE	244.0	-23.2	-18.2	-100.0	100.0

AKTİF BANK SUBSIDIARIES

AKTİF BANK WON FIRST PRIZE WITH ITS N KOLAY KIOSK PROJECT AT A COMPETITION HELD BY THE EUROPEAN FINANCIAL MANAGEMENT ASSOCIATION (EFMA).

EKENT

EKent carries out urban infrastructure transformation through integrated systems, and develops smart urban technologies that offer lucrative business models to municipalities. Founded in 2002 to develop smart city technologies, EKent is the leading systems integrator and operator in Turkey. Currently, the company serves 18 locations, of which five are metropolitan areas, including Ankara. The EKENT infrastructure operates the most common and high volume Electronic Fare Collection System of Turkey with a total of 9 million smart card management, annual sales of 2 million smart cards, annually 33 million, and a total of 282 million magnetic tickets.

Beyond serving as an integrator and operator of inner-city transportation systems, EKent is positioned as a technology company that develops smart city technologies.

In 2013, EKent became the E-Ticket System Integrator as a result of a tender held by the Turkish Football Federation; it went on to conduct the world's largest stadium transformation project in only seven months. This initiative included the infrastructure systems transformation of 46 stadiums in 26 cities, passage control and visualization systems, integrated ticketing, and stadium ticket office services infrastructure. EKent also provides system operation services for these stadiums. With this project, the bank started to serve all sports fans in Turkey.

N KOLAY PAYMENT INSTITUTION

Executing 6.5 million transactions per month, N Kolay is by far the largest payment institution in Turkey. The company provides service via nearly 500 N Kolay transaction centers and 4,250 N Kolay kiosks across the country. N Kolay Payment Institution offers its customers a variety of convenient and safe financial transaction services-including bill payment, subscription transactions, domestic and international money transfers-in their own neighborhoods, within walking distance of their homes, and without waiting in line.

Today, millions of people in Turkey prefer to use N Kolay Payment Institution as a payment channel. Implementing a customer-centric service approach and focusing on delivering a high level of customer satisfaction, N Kolay Payment Institution serves customers six days a week with long working hours.

Aktif Bank's N Kolay Kiosk project won First Prize in a competition held by the European Financial Management Association (EFMA), a leading organization for the financial services and banking industries in Europe.

SİGORTAYERİ

Turkey's innovative insurance broker Sigortayeri ranks among the top 10 insurance brokers in the country, thanks to its robust capital structure, professional team of experts, and advanced technology applications.

As part of corporate insurance activities, Sigortayeri provides insurance coverage, consulting and risk analysis services across a wide region, in Turkey and abroad, with its dedicated placement team. The company is an important solution partner in insurance projects for the construction, energy, textile and financial services industries.

Sigortayeri also offers individual insurance plans on sigortayeri.com and via mobile applications in a fast, convenient manner. The company provides pre-sales and after-sales support with its expert teams to enhance customer experience during the insurance process. In recognition of its excellent web presence, sigortayeri.com received the Best Website Award in the "Insurance" category at the 2015 Golden Spider Awards.

In 2016, Sigortayeri continued its investments to further expand its distribution network-including e-commerce, brick-and-mortar locations, telemarketing and mobile platforms-to offer its customers convenient access to insurance products. In addition, the company developed new products and services to meet the needs of the transportation, electricity distribution and retail industries.

While introducing many firsts to the insurance industry, Sigortayeri has also contributed to overall market growth and reinforced the positive perception towards insurance products.

As a result, Sigortayeri achieved profitable growth in 2016 and increased its premium production by 100% over last year.

UPT

UPT Ödeme Hizmetleri A.Ş. is the first company to obtain a payment license in Turkey. The UPT system is fully integrated with EFT, SWIFT and other money transfer systems used worldwide, making the company a preferred business partner for international corporations. Many international corporations send payments to recipients in Turkey through the UPT system for a low fee. In addition, UPT provides service across Turkey as its system is also integrated with PTT. The UPT system does not require users to have bank accounts in order to send money. Customers can transfer funds in multiple currencies to the recipient's name, or bank account or credit card account, domestically and internationally. When compared with other money transfer systems, UPT has a unique technical infrastructure based on a customer-focused system to boost customer satisfaction. UPT is a highly innovative platform, which is why it won First Prize in the "Most Effective Infrastructures" category at the 2012 Financial World Innovation awards; and the Grand Prize as the "Payment System of the Year" at an awards program organized by the Payment Systems Magazine (PSM) in 2011.

UPT delivers service at its own branches in Istanbul, Antalya, Sakarya, and İzmir, and through N Kolay service locations, agents and PTT offices across Turkey. Furthermore, UPT has a wide service network consisting of 400,000 cash payment locations in 222 countries.

UPT also works to develop digital solutions for its customers. For example, in the online order system, customers can easily and quickly complete their fund transfers by entering the required information on the website or the mobile application and then delivering the cash to a branch. A remarkable feature of this application is that it has a multiple-language function that translates the information entered by the user in his/her own language into Latin.

Actively engaging in social responsibility initiatives, UPT sends previously owned toys, books and clothes that are in good condition to needy village schools as part of its "Everything Is for the Children" project. To date, the company has reached out to nearly 50 village schools with donations.

PAVO

Thanks to its extensive experience in the cash register industry, PAVO Teknik Servis Elektrik Elektronik San. Tic. A.Ş. offers payment systems and solutions, especially cash registers certified by the Ministry of Finance, to domestic and international clients.

PAVO, a subsidiary of Aktif Bank since 2013, aims to maximize customer satisfaction with its strong R&D infrastructure, solutions-oriented sales & marketing strategy, high-quality products and operational services.

PAVO has collaborated with Ingenico, the world's leading provider of payment systems and solutions, to design the lightest, most practical, and fastest cash register POS device with EFT POS feature: Ingenico iWE 280. The company obtained the manufacturing license, and soon thereafter reached a reputable position in the next-generation cash register POS market in 2014.

PAVO develops value-added solutions tailored to various industries and companies through its retail channels with next-generation cash register POS products. The company began selling these devices in November 2015 under the requirement set forth by the Ministry of Finance, as well as the Ingenico iWE 280 and iDE 280 with EFT POS feature.

Thanks to GMP3 applications, Ingenico cash registers enable the integration of bank cards, meal cards and ERP software on cash register POS devices. Therefore, they are recognized in many industries as high-quality, reliable cash registers that offer end-to-end solutions.

ACTIVELY ENGAGING IN SOCIAL RESPONSIBILITY INITIATIVES, UPT SENDS USED TOYS, BOOKS AND CLOTHING THAT ARE IN GOOD CONDITION TO NEEDY VILLAGE SCHOOLS AS PART OF ITS "EVERYTHING IS FOR THE CHILDREN" PROJECT.

EMLAK GİRİŞİM'S FIRST PROJECT UNDER THE REVENUE-SHARING MODEL WAS THE INTERNATIONAL AWARD-WINNING KARTALKULE PROJECT IN ISTANBUL, WHICH CONSISTS OF 205 RESIDENTIAL AND OFFICE UNITS ON A TOTAL CONSTRUCTION AREA OF 32,000 M².

Emlak Girişim

Emlak Girişim was set up to seize business opportunities in the real estate and construction industry. In parallel with the robust growth in this sector, and based on Aktif Bank's innovative financial models and products, the company will launch revenue sharing models, direct partnerships and urban transformation projects to become a leading player in the industry.

Emlak Girişim's first such project via the revenue sharing model was the international award-winner Kartalkule in Istanbul, which consists of 205 residential and office units with a total construction area of 32,000 m².

The company's largest investment is the Istanbul International Finance Center (IFC), which will become one of the world's top financial hubs. 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.

Istanbul International Finance Center (IFC), Turkey's biggest real estate development project which was initiated in 2013, is being built on a 303,000 square meter tract with 3 million square meters of construction area. The company achieved a first in Turkey and successfully executed a sukuk issuance in order to finance this project. The IFC project, which is set to become an industry milestone, is scheduled for completion by end-2019.

Additionally, Emlak Girişim A.Ş. is a financial partner in the Metropol Project. Developed by Emlak Konut A.Ş., Metropol is a large-scale mixed-use project, which is being built on a 99,000 square meter tract with a total construction area of 835,000 square meters in the Doğu Ataşehir district of Istanbul. The Metropol Project is scheduled for completion in the half of 2017.

Kazakhstan Ijara Company Joint Stock Company (KIC)

Established in 2013 with the beginning of operations in early 2014, KIC is the first financial leasing company in Kazakhstan that operates in accordance with Islamic finance principles. Its other cofounders include ICD, an Islamic Development Bank affiliate that finances private sector investments; Eurasia Group in Kazakhstan; Al Hilal Bank; Zaman Leasing, and Kolon Group, the 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 within five years.

Euroasia Leasing Company (ELC)
Founded in 2012 in Tatarstan, ELC is the first Islamic financial leasing company to become operational in Russia. In September 2014, Aktif Bank acquired a 25% stake in the company, which is in partnership with ICD, an Islamic Development Bank affiliate that finances private sector investments. Its other cofounders include Eler New Energy Power GMBH, Zaman Leasing in Kazakhstan and Kolon Group, the leading South Korean company. Delivering financial leasing services mainly to small and medium sized enterprises (SMEs), ELC ranks among Russia's leading Islamic financial leasing companies and targets becoming an overall market leader within five years.

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; in addition, it is the largest international investment firm in the Turkish Republic of Northern Cyprus (TRNC). The Islamic Corporation for the Development of the Private Sector (ICD), which is a member of the Islamic Development Bank (IsDB) Group, is one of the partners in EMIC, along with CreditWest Bank Ltd., Kıymet Trading & Contracting Ltd. and Tüfekçi Group, all based in TRNC. EMIC aims to seek out, develop and initiate investment opportunities in TRNC and surrounding countries to support the development of the private sector, and to contribute to sustainable economic development. The company is working to become a strategic solution partner and the leader in private sector investments.

Mükafat Portföy Yönetimi A.Ş.
Established in 2016 as a joint venture between ICD (Islamic Corporation for the Development of the Private Sector) and Aktif Bank, Mükafat obtained the operating license at year's end. Mükafat conducts its operations in accordance with the principles of interest-free finance. The company aims to utilize the savings of interest-rate sensitive persons in Turkey as well as the funds obtained from international sources in alternative products such as venture capital funds and real estate funds to contribute to the real economy. Mükafat initially plans to focus on alternative investments by introducing venture capital and real estate funds to traditional investors. In addition to products aimed at qualified investors, the company plans to expand its product portfolio with share certificates and lease certificates that will be offered to the public. To boost savings across the country, Mükafat also places great importance on the management of interest-free pension funds. Additionally, Mükafat aims to provide private asset management services by developing portfolio models in line with investors' risk-taking propensity and maturity expectations to maximize yield.

When conducting its operations, Mükafat protects the rights of company partners, employees and customers under all conditions, and takes a professional approach while creating value for society and the community without compromising quality.

Echo Bilgi Yönetim Sistemleri A.Ş.
Established on August 17, 2016 as a joint venture between Aktif Bank and Robotpos, EchoPOS develops payment system solutions for the retail industry.

EchoPOS aims to become a solution partner for the organized retail industry and SMEs by providing payment systems and automation solutions for front and back office applications at retail chain stores. In addition to payment systems, the company will also offer its clients inventory management, sales, order tracking and profitability management solutions in a faster, more convenient, and efficient manner. EchoPOS uses Windows-based systems for organized retail chains and Android-based systems for small and medium-sized enterprises, thereby enabling clients to deliver customer service via tablet computers. In addition, the system allows users to monitor their promotional campaigns and revenues.

Haliç Finansal Kiralama A.Ş.
After becoming partners in Haliç Leasing in fourth quarter 2016, Aktif Bank & ICD expect Haliç Leasing to further expand its business activities. Haliç Leasing will be the only financial leasing company in Turkey to offer Islamic products to its customers. As a result, Haliç Leasing will fill an important gap in the market, which is 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.

Certifications and Licenses Obtained in 2016
- EN 15838: Customer Contact Centers Management System Certification
- Capital Markets Board General Custody License
- Capital Markets Board Portfolio Management License
- ISO 27001:2013 Information Security Management System: The system sets out the requirements related to the installation, operation and improvement of information security systems as well as identification and management of information security risks. Aktif Bank's Information Technology Group successfully passed the audit performed by an independent certification body and was granted ISO 27001:2013 Information Security Management System certification by TÜRKAK (Turkish Accreditation Agency).
- R&D Center License: As a result of the evaluation conducted by the R&D Centers Assessment Committee of the Ministry of Science, Industry and Technology, Aktif Bank's Information Technology Group was deemed qualified for the R&D Center License on August 10, 2016. Mr. Faruk Özlü, Minister of Science, Industry and Technology, and Mr. Nihat Zeybekçi, Minister of Economy, presented the R&D Center License to Aktif Bank at an official ceremony held on September 27, 2016 at the R&D Centers Summit.

BANKA KOMBETARE TREGTARE (BKT)

BKT, THE OLDEST, LARGEST AND THE BEST BANK IN ALBANIA, IS A SYMBOL OF TRUST IN THE COUNTRY.

ESTABLISHMENT DATE

1925

SHAREHOLDING STRUCTURE

100%
Çalık Holding A.Ş.

NUMBER OF EMPLOYEES

1,311 persons

1,561 persons
Number of employees, including subcontractors

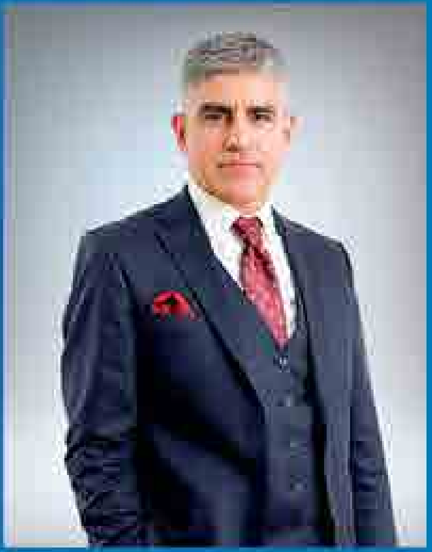
www.bkt.com.al

FIRSTS AND MAJOR ACHIEVEMENTS IN THE SECTOR:

- First commercial bank in Albania
- First privatized bank in the country
- First Albanian bank to expand into overseas markets (27 branches in Kosovo)
- First installment credit card in the country and the leading bank in credit cards
- 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
- First 3D-Secure system in Albania to ensure safe online shopping
- First and only Albanian bank to become a member of WSBI (World Saving Bank Institution)
- First bill payment system in Albania
- First bank to offer online top-up and Pay TV payment services
- First murabaha transaction in Albania
- The bank that made it possible for Albania to become a member of ICC (International Chamber of Commerce)
- First consumer loan pre-approval via SMS
- First check-secured loan product
- 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
- In 2012, BKT's CEO Seyhan Pencabligil was named "CEO of the Year" in Europe (EMEA Finance)
- First bank to offer e-government services
- First bank to enable online customs duty payments
- First bank to launch the virtual POS product, thereby pioneering e-commerce in the country

FINANCIAL SUMMARY (TL MILLION)	2014	2015	2016
TOTAL ASSETS	6,384	7,938	10,623
NET SALES	341	389	420
TOTAL SHAREHOLDERS' EQUITY	573	855	1,231
EBITDA	120	185	215
EBITDA MARGIN (%)	35	48	51
MARKET SHARE ON ASSET SIZE (%)	24.3	25.9	27.2
MARKET SHARE ON ACCOUNT (%)	23	25.4	26
MARKET SHARE ON LOANS (%)	17.7	19.6	21.4

- BKT Primacard: the first rewards credit card (loyalty program) in Albania
- First loan product specially designed for pensioners
- First system for notification and payment of traffic tickets online
- First system to make online school payments at branch locations or via the internet
- Icara-Albania's first Islamic financial leasing company, of which BKT is a co-founder-began its operations
- First virtual school card that provides convenience to parents when making school payments and offers collection guarantee to private schools
- First system that enables mobile phone top-ups at ATMs
- First multi-functional mobile application that uses Beacon integration and automated push notifications
- First mobile business application in the country
- In 2015, BKT was named the best bank in southeastern Europe in terms of social responsibility initiatives (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.
- Under an agreement with the government, BKT began offering first-time homebuyers government-subsidized loans on public housing projects built by the government.
- BKT began offering instant approval and instant installment credit cards to finance ALBtelecom's 4G-compatible devices and telecom bundles.
- In collaboration with MasterCard, BKT launched the first contactless credit card in Albania.
- BKT was the first bank to offer its services over WhatsApp.
- BKT was the first bank to enable ATM deposits, a transaction that normally takes a lot of time due to legal and technical problems in Albania.
- BKT expanded the practice of installment payments with credit cards and rewards program across all BKT POS devices; the bank also introduced installment payments on foreign transactions.
- Enjoying a market share of 27%, BKT ranks first among all Turkish banks that operate overseas.
- BKT has the largest market share in Albania in terms of deposits and loan volume.
- More than 50% market share in mortgage loans (in local currency).
- The most profitable bank-accounting for 78% of total banking industry profit-and the most profitable company in Albania.
- The oldest, largest and the best bank in Albania: BKT was named the "Best Bank" in Albania by The Banker seven times, by Euromoney five times, and by EMEA Finance six times. BKT has received all the "Best Bank" awards in Albania for the past three years.
- BKT is the most valuable Albanian brand.



ENJOYING A DEPOSIT MARKET SHARE OF 26%, BKT RANKS FIRST AMONG ALL TURKISH BANKS THAT OPERATE OVERSEAS.

SEYHAN PENCABLIGİL
BKT

BANKA KOMBETARE TREGTARE (BKT)

EUROMONEY NAMED BKT THE "BEST BANK" IN ALBANIA FOR THE FIFTH TIME.

AS OF DECEMBER 2016, BKT'S ASSETS INCREASED FROM US$ 298 MILLION TO US$ 3 BILLION, REGISTERING A REAL INCREASE OF 13%.

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.
- Boasting 91 years of experience and enjoying steady growth in the banking industry, BKT is the most trusted and reputable bank in Albania. Its leading position creates a significant advantage for the bank in terms of deposits. BKT enjoys a broad customer base and long-term deposits: the bank's deposit market share is 26%.
- BKT has the second largest branch and ATM network in Albania.
- BKT differentiates itself from international banks with its stable organizational structure. It also has the advantage of implementing a long-term strategy that 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 more than a 50% market share in mortgage loans (in local currency).

GOALS:

BKT has largely achieved the objectives it had set for its 90th year, and much earlier than planned. The bank only fell short of its goal to expand into other countries in the region, such as Macedonia and Montenegro. Currently, BKT is setting new goals for its centenary anniversary, which will serve as the bank's roadmap for the coming decade.

Awards in 2016:

- April 2016-Award for the "Best Domestic Bank in Albania in 2015" presented by the prestigious British trade magazine EMEA Finance for the sixth consecutive year.
- June 2016: JCR Eurasia affirmed our long term national credit rating at AAA (Alb) with stable outlook for the eighth time. Long Term International Foreign and Local Currency ratings were affirmed as BBB-.
- July 2016-The "Best Bank in Albania" award presented by Euromoney magazine for the fifth consecutive year.

- November 2016: JCR Eurasia Rating confirmed BKT's score of compliance with Albania's Corporate Governance Code as 87.06 with a 'stable' outlook. According to JCR Eurasia Rating's methodology and notational representation, the level of overall convergence of BKT with the principles of corporate governance corresponds to the AAA (Alb)/Distinctive category and its degree to the level of a/Excellent.
- December 2016: The Banker magazine named BKT "The Best Bank in Albania" for the fourth consecutive year since 2013, and for the seventh time in total.

Certifications

- ISO 9001:2008 Quality Management System (granted by TÜV Austria)

2016 HIGHLIGHTS:

- In 2016, BKT remained the most profitable bank as well as the most profitable company in Albania for the third consecutive year. BKT single-handedly generated 78% of total banking profits in the country where 16 banks operate.
- In 2016, BKT received all the "Best Bank" awards in Albania for the fourth consecutive year, from Euromoney, EMEA Finance and The Banker.

Financial and Operational Results

As of December 2016, BKT's assets increased US$ 298 million to US$ 3 billion, registering a real increase of 13%. Meanwhile, total deposits went up by US$ 126 million over the same period to US$ 2.35 billion.

Based on IFRS, BKT's net profit amounted to US$ 58.4 million while shareholders' equity grew US$ 56 million to US$ 350 million and ROE stood at 19.1%. BKT's market share in total assets rose to 27.2% while its market share in total deposits increased 60 basis points to reach by 26%.

Corporate/commercial loans make up 70% of BKT's loan portfolio. As of December 2016, BKT expanded its total loan portfolio by 12% in real terms to US$ 1 billion, capturing a 21.3% market share. With this performance, BKT maintained its position as the biggest bank in the country, a remarkable success first achieved by the bank at year-end 2015. In Albania, the ratio of nonperforming loans to total gross loans (NPL 90) was 18.2% at year-end 2016. Posting an NPL ratio of 7.5%, BKT outperformed its competitors to become once again the most successful bank in the country, as in previous years. Additionally, BKT increased its share in consumer loans to 24% to remain the market leader for the fourth consecutive year.

As of December 2016, BKT operated a total of 93 branches, 66 in Albania and 27 in Kosovo, in addition to 151 ATMs and 4,305 POS terminals in these two countries. The Bank employed 1,311 personnel at end-2016.

Collaborations

As in previous years, BKT continued to evaluate international business opportunities in 2016, including new investments and collaborations.

In 2016, BKT's overseas loan portfolio, including financial services companies, expanded by US$ 58 million to reach US$ 245 million. BKT allocated a US$ 40 million loan to Aldridge Minerals Inc. (AGM: CN), a mining company listed on Canada's stock exchange, for the company's mine development operations in Turkey. The bank extended US$ 30 million of the total loan facility in September.

BANKA KOMBETARE TREGTARE (BKT)

AS IN PREVIOUS YEARS, BKT CONTINUED TO EVALUATE INTERNATIONAL BUSINESS OPPORTUNITIES IN 2016, INCLUDING NEW INVESTMENTS AND COLLABORATIONS.

THANKS TO ITS STRATEGIC PARTNERSHIP WITH MASTERCARD IN 2016, BKT GAINED A SIGNIFICANT COMPETITIVE ADVANTAGE IN TERMS OF DEVELOPING NEW CARD PRODUCTS.

At the Central and Eastern European Forum, organized annually by Euromoney in January in Vienna, BKT held a special session to introduce Albania's economy to investors and to promote its role as a financier for potential investment projects.

The total amount of the subordinated loan, provided by GGF (Green for Growth Fund) in previous years, was increased by EUR 12 million to EUR 25 million, under a new agreement signed at year-end 2015. The new agreement was extended for another 10 years so that the bank can continue to provide financing to individual and corporate customers for their energy efficiency projects under the coordination of the Projects & Structured Finance Department.

Using the long-term loans obtained from EFSE (European Fund for Southeast Europe) in recent years, BKT lent out more than EUR 25 million to over 570 SMEs in Albania. As of year-end 2016, BKT extended US$ 15 million (EUR 14 million) in loans to SME clients. Portfolio at Risk (PAR 90) for these loans stood at 2%.

In 2016, MasterCard chose BKT as its first strategic partner in Albania. Under this partnership, BKT gained a significant competitive advantage in terms of keeping abreast of new developments and campaigns in the bank cards market.

As of year-end 2016, credit limits for correspondent banks were raised to US$ 650 million, up from US$ 580 million at year-end 2015.

New Investment Projects

In collaboration with Çalık Holding's IT personnel, BKT initiated the "SPHERA" project in 2015 to run all human resources functions on the SAP system. The project was successfully completed and launched in March 2016. After completion of the project, which encompasses various, complex HR functions, the human resources team and all employees of the bank gained access to a range of services such as E-Training, E-Self Service, E-Recruitment and Performance Management. The project served to take human resources processes at BKT to a whole new level.

In line with its focus on profitability, BKT began developing profitability management software in 2016, collaboration with Loxon, a Gold Level Oracle partner. The bank aims to complete the project by end-March 2017. After completion of this project, BKT will be able to precisely calculate the profitability of products, services, customers, business segments and branches.

In 2016, BKT completed the project that was developed to automatically and centrally sequester customer accounts. As a result, the bank significantly reduced operational risks arising from the legal process as well as the overall transaction time. BKT also collaborated with ALBtelecom for printing and mailing letters of notification to customers.

Under the agreement signed with SAP (Opentext) at end-2015, BKT initiated the digital archive project, which will be completed by the beginning of next year. In addition, BKT chose a location to build its central archive; the project design was completed and approved by the Board of Directors. The bank applied for the construction permit and plans to complete the project in 2017.

To meet new regulatory requirements introduced by the Bank of Albania to achieve Basel II compliance, BKT launched a risk management & data modeling project in 2016. This effort enables the bank to calculate and manage its capital adequacy ratio, regulatory capital, and the Common Reporting Framework (COREP) in a fast and accurate manner.

At the beginning of the year, BKT started to develop a comprehensive Business Continuity Management (BCM) Plan in collaboration with Deloitte Albania. BKT aims to finalize the plan, which will be applied across all departments of the bank, in first quarter 2017.

New Practices, New Products and New Collaborations

- In 2016, BKT launched its mobile banking application, which was designed for iOS and Android devices. With this effort, the bank once again introduced an innovative solution that goes beyond common banking practices in Albania.
- In collaboration with MasterCard, BKT launched the first contactless credit card in Albania.
- BKT expanded the practice of installment payments with credit cards and rewards program across all POS devices. The bank also introduced installment payments for online shopping and foreign transactions.
- Installment transactions increased two-fold year-on-year.
- BKT began sending push notifications for all customer transactions through BKT Smart. Moreover, the bank customized these messages for different age groups and enabled restrictions on message types.
- BKT began to offer customer services over WhatsApp.
- BKT started forwarding inbound calls to its branch locations on to the Call Center, where agents serve customers on behalf of the branches.
- BKT initiated a collaboration with UPT concerning international money transfers, thereby taking a step forward toward creating Group synergy.
- BKT completed and launched the Cashback software.
- BKT launched ALO SHPI (7474) and ALO EV services to respond to customer queries about mortgage products through its Call Center.
- For the first time in Albania, BKT created a simple risk-based pricing framework for preparing loan proposals.
- BKT launched Matrushka Deposit, a new type of deposit account that enables customers to invest with increasing interest rates with the flexibility of withdrawing money from their accounts.
- BKT digitalized the process of credit card delivery to effectively monitor the shipping process.
- BKT lifted the burden of debt enforcement proceedings on its branches by switching to an automated debt collection system. The bank also collaborated with ALBtelecom for printing and mailing letters of notification to customers.
- BKT made it possible to make ATM deposits.
- BKT signed a collaboration agreement with Booking.com to offer its customers additional benefits.

QUALITY STANDARDS AND CERTIFICATIONS

- July 2016: BKT Albania's ISO 9001:2008 Quality Management System certification was renewed by TÜV AUSTRIA to be valid for a period of three years.
- September 2016: BKT Kosovo's ISO 9001:2008 Quality Management System certification was renewed by TÜV AUSTRIA to be valid for a period of three years.

SUSTAINABILITY

CORPORATE MANAGEMENT

"We generate golden ideas by learning from our past mistakes and we build a sustainable future with these ideas."

ASIA ZHLLIMA (12)

CORPORATE MANAGEMENT

THE "ÇALIK" BRAND, WHICH IS BUILT ON ÇALIK HOLDİNG'S ENTREPRENEURIAL SPIRIT AND EXTENSIVE KNOW-HOW, IS DIFFERENTIATED IN DOMESTIC AND INTERNATIONAL MARKETS WITH THE CORPORATE VALUES IT REPRESENTS.

SINCE ITS ESTABLISHMENT, ÇALIK HOLDİNG 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.

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 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.

Çalık Holding's Corporate Values

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

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

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

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

THE AUDIT GROUP AIMS TO PROVIDE INTERNAL AUDIT PERSONNEL WITH COMPREHENSIVE TRAINING TO ENSURE THAT THEY SERVE GROUP COMPANIES TO THE FULLEST EXTENT OF THEIR KNOWLEDGE AND COMPETENCE.

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 in accordance with the annual audit plan. To perform its duties independently, the Audit Group reports directly to the Chairman of the Board of Directors.

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 from the Chairman of the Board of Directors.

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

The Audit Group oversees and evaluates the effectiveness of the Internal Control system within the framework of the risk-based annual audit plan.

The Audit Group reports its findings 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.

The Audit Group undertakes further inspections and investigations whenever deemed necessary or upon the request of the Chairman. The Group also investigates misconduct and erroneous actions to avoid risk.

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 and thus primes the Internal Audit team as all-rounders. To this end, the Group organizes training programs on a regular basis to improve employees' knowledge and experience.

CORPORATE SOCIAL RESPONSIBILITY ACTIVITIES

ÇALIK HOLDİNG AIMS TO CREATE SOCIAL VALUE IN ALL THE COUNTRIES WHERE IT OPERATES, TURKEY IN PARTICULAR. IN 2016, THE GROUP CONTINUED ITS SOCIAL RESPONSIBILITY EFFORTS THROUGH VARIOUS PROJECTS, ESPECIALLY THOSE AIMED AT IDENTIFIED AREAS OF NEED.

ÇALIK HOLDİNG IMPLEMENTS CORPORATE SOCIAL RESPONSIBILITY PROJECTS EITHER DIRECTLY OR IN COOPERATION WITH CIVIL SOCIETY ORGANIZATIONS, IN ACCORDANCE WITH THE PRINCIPLE OF "CREATING VALUE FOR SOCIETY," WHICH REFLECTS THE HOLDING'S CORPORATE CULTURE.

Sustainability is a core value for Çalık Holding. Besides adding value to human life in all its domestic and overseas projects, Çalık Holding always aims to improve the quality of life in local communities and support their future by implementing a CSR strategy that is aligned with the needs of local society.

In accordance with its approach to social responsibility, Çalık Holding undertakes efforts to improve entrepreneurship, innovation and education, which the Holding considers to be the most important areas for building a better future for young people and society as a whole.

Çalık Holding aims to create social value in all the countries where it operates, Turkey in particular. In 2016, the Group continued its social responsibility efforts through various projects, especially those aimed at identified areas of need.

Creating Value for Society

Çalık Holding, keenly aware of its responsibilities towards local communities and the natural environment, conducts all its business operations within the framework of sustainable development and social responsibility. Çalık Holding implements corporate social responsibility projects either directly or in cooperation with civil society organizations, in accordance with the principle of "Creating value for society," which reflects the Holding's corporate culture.

Education

In 2016, Çalık Holding organized a special event to promote and support the Sancar Turkish Cultural and Community Center, which will be built by the Aziz & Gwen Sancar Foundation in the United States. The foundation was established by Prof. Dr. Aziz Sancar, who was recently awarded the Nobel Prize in Chemistry, and Prof. Dr. Gwen Sancar. At the event, which was hosted by Ahmet Çalık, Chairman of Çalık Holding, guests were informed about the planned activities of the Sancar Turkish Cultural and Community Center. The center aims to promote science and technology cooperation between Turkey and the United States, and support Turkish students and researchers living in the US.

Çalık Holding understands that branding is a key success factor for Turkey. Therefore, the Holding continued its support for the Second Ankara Brands Festival in 2016, which attracted more than 35,000 attendees, 80% of whom were students.

In 2016, Çalık Holding began renovating various facilities-including the exhibition hall, training room and laboratory-used by the Departments of Civil Engineering and Mining Engineering at Istanbul Technical University (ITU). The Holding completed the renovation of the exhibition hall, where antique materials and tools are displayed, at the Geomatics Engineering Department (Faculty of Civil Engineering) of Istanbul Technical University.

UPT Ödeme Hizmetleri A.Ş., a subsidiary of Aktif Bank, which is a Çalık Holding company, initiated a new social responsibility project in 2016. As part of its "Everything Is for the Children" initiative, UPT sent used toys, books and clothes that are in good condition to needy village schools. Under this project, which sets a good example of social recycling, the company reached out to nearly 50 village schools.

Lidya Madencilik, a Çalık Holding company, provided support for two school projects, undertaken by its subsidiary Anagold in İliç, Erzincan, thereby continuing its contributions to the region's development.

In 2016, Kosovo Energy Distribution Services ("KEDS"), a subsidiary of Çalık Holding, focused its CSR efforts on education. KEDS Academy, which was founded by the company to provide qualified personnel to the energy industry and offer a solution to the unemployment problem in Kosovo, completed the third-term classes and graduated 50 students in 2016. In addition, KEDS built IT laboratories at six elementary schools around Kosovo and provided 10 computers for each laboratory.

Banka Kombetare Tregtare (BKT), Çalık Holding's subsidiary in the Balkans, provided non-refundable scholarships to 60 low-income students during the 2016 academic year.

In 2016, ALBtelecom, which is based in Albania, provided support for an important event organized by the Faculty of History and Philology at the University of Tirana to contribute to studies related to history and literature as well as social development.

Social Solidarity

In the fifth year of Çalık Holding's "Breaking Our Fast in Anatolia" initiative, which was launched in 2012, iftar was served to more than 45,000 persons in Erzincan during the month of Ramadan.

The proceeds from the sale of paintings made by Çalık Enerji employees at the Offsite Meeting were donated to the Social Work Club, which was formed by the company's employees. The Social Work Club used these donations to provide clothing and Ramadan Packages to low-income students.

ALBtelecom organized a special event, where the Albanian National Circus performed, for employees' children. The young residents of Zyber Halluli Orphanage in Tirana were also invited to the event, where they received various donations, including money, toys, food and clothing.

KEDS Academy purchased handmade bags and postcards to provide financial support for youth who cannot attend school due to poverty, and underprivileged women in Pristina, Kosovo.

Health

In 2016, Çalık Enerji organized breast cancer screening tests for female employees aged 35 and over at the company headquarters in Ankara. The purpose of the event was to raise breast cancer awareness among women employees.

BKT provided financial support for purchasing office equipment and printing 500 copies of the Health Regulation developed by the Institute of Public Health of Albania.

Environment

Çalık Gayrimenkul, the Holding's subsidiary in the construction sector, ran a social media campaign titled "What Can We Do to Protect the Environment?" for a period of one week to commemorate June 5, World Environment Day and to draw attention to environmental issues. In collaboration with the TEMA Foundation, the company also planted trees on behalf of nature lovers who participated in the campaign.

In 2016, ARAS EDAŞ, a subsidiary of Çalık Holding, replaced the bare conductor wires on the transmission lines with insulated wires to prevent collisions and electrocution of birds. For pilot implementation, the company chose the valley between Kuyucuk Lake in Arpaçay/Kars, a bird migration route and home to 217 bird species, and Çıldır Lake in Ardahan. ARAS EDAŞ insulated wires on the 30-km transmission line.

Sports

During the 2016-2017 season, Aktif Bank provided wheelchairs for the Istanbul Wheelchair Basketball Team, which plays in the Turkish Wheelchair Basketball Second League.

Innovation

Çalık Holding was among the main sponsors of Turkish Innovation Week, which is organized by the Turkish Exporters' Assembly (TIM) to draw attention to the importance of innovation and to support innovation projects.

In 2016, BKT once again provided support for Digital Innovation Week, which is organized by the Albanian Ministry of State Innovation and Public Administration. The bank also adopted and implemented innovation trends in its projects to make life easier for people.

WORK SAFETY, ENVIRONMENT AND QUALITY POLICY

ÇALIK HOLDİNG ENSURES THAT EFFECTIVE POLICIES AND PRACTICES RELATING TO QUALITY, ENVIRONMENTAL PROTECTION, OCCUPATIONAL HEALTH AND SAFETY ARE IMPLEMENTED ACROSS ALL THE COMPANIES UNDER ITS UMBRELLA, AND OBTAINS THE REQUIRED CERTIFICATIONS FOR THESE SYSTEMS.

EACH MEMBER OF THE ÇALIK HOLDİNG FAMILY IS VALUED AS AN INDIVIDUAL. TO THIS END, THE GROUP TAKES EVERY PRECAUTION TO ELIMINATE HEALTH AND SAFETY RISKS.

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.

Each member of the Çalık Holding Family is valued as an individual. To this end, the Group takes every precaution to minimize risks related to occupational health and safety, and ensures employees' active involvement in occupational health and safety practices that are updated on a regular basis.

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

Quality Certificates of Group Companies:
-Çalık Enerji: Çalık Enerji, ISO 9001, ISO 14001, OHSAS 18001
-YEDAŞ: ISO 9001, ISO 14001, OHSAS 18001 Integrated Certification, ISO 27001, ISO 10002
-Epsaş: ISO 9001 ISO 50001, ISO 14001, OHSAS 18001 ISO 27001 ISO 10002
-Gap İnşaat: ISO 9001, ISO 14001 and OHSAS 18001
ISO 9001, ISO 14001 OHSAS 18001, ISO 50001, ISO 27001 BCI Membership, Bluesign, Oeko-Tex Standard 100, Reproducibility of Organic Production Certificate (GOTS,OCS, GRS), Levi's Accreditation Document, M&S Accreditation Document,
Debenham's Accreditation Document

-Lidya Madencilik: İSGÇ Policy Commitment Certificate-ARTMİN, İSGÇ Policy Commitment Certificate-POLİMETAL
-Gap Pazarlama: ISO 9001, ISO 14001, ISO 18001, WRAP, Sedex, 6Sigma
-ALBTelecom: ISO 27001:2013, ISO 9001:2008, ISO 14001:2004, OHSAS 18001:2007
-Aktif Bank: En15838 European Union Call Center Certification, Capital Markets Board General Custody License Certificate, Capital Markets Board Portfolio Custody License Certificate, ISO 27001 2013, R&D Center Certificate
-Banka Kombetare Tregtare: ISO 9001:2008 (By TÜV Austria)

Information Security Management System: The system sets out the requirements related to the installation, operation and improvement of information security systems as well as identification and management of information security risks. Aktif Bank's Information Technology Group successfully passed the audit performed by an independent certification body and was granted ISO 27001:2013 Information Security Management System certification by TÜRKAK (Turkish Accreditation Agency).

R&D Center License: As a result of the evaluation conducted by the R&D Centers Assessment Committee of the Ministry of Science, Industry and Technology, Aktif Bank's Information Technology Group was deemed qualified for the R&D Center License on August 10, 2016. Mr. Faruk Özlü, Minister of Science, Industry and Technology, and Mr. Nihat Zeybekçi, Minister of Economy, presented the R&D Center License to Aktif Bank at an official ceremony held on September 27, 2016 at the R&D Centers Summit.

AS A RESULT OF THE EVALUATION CONDUCTED BY THE R&D CENTERS ASSESSMENT COMMITTEE OF THE MINISTRY OF SCIENCE, INDUSTRY AND TECHNOLOGY, AKTİF BANK'S INFORMATION TECHNOLOGY GROUP WAS DEEMED QUALIFIED FOR THE R&D CENTER LICENSE ON AUGUST 10, 2016.

HUMAN RESOURCES

ÇALIK HOLDİNG AIMS TO BUILD A WORKFORCE THAT IS HIGHLY-SKILLED, SOLUTIONS-ORIENTED, INNOVATIVE, AND CAPABLE OF USING VALUE-ADDED, ADVANCED TECHNOLOGIES EFFECTIVELY.

AS OF YEAR-END 2016, ÇALIK HOLDİNG EMPLOYED 13,048 BLUE-COLLAR WORKERS, 8,015 WHITE-COLLAR STAFF, AND 12,270 SUBCONTRACTORS- A TOTAL OF 33,333 PERSONNEL.

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

As of year-end 2016, Çalık Holding employed 33,333 personnel: 13,048 staff working in Turkey, 8,015 employees working abroad, and 12,270 subcontractors.

2016-12 EMPLOYEES

COMPANIES	WHITE COLLAR	BLUE COLLAR	WHITE COLLAR+BLUE COLLAR	SUBCONTRACTORS	TOTAL
HOLDING	124	4	128	86	214
TEXTILE	866	7,847	8,713	121	8,834
CONSTRUCTION	1,372	4,287	5,659	7,625	13,284
ENERGY	2,109	804	2,913	2,789	5,702
MINING	76	35	111	0	111
TELECOM	838	18	856	639	1,495
FINANCE	2,630	53	2,683	1,010	3,693
OVERALL TOTAL	**8,015**	**13,048**	**21,063**	**12,270**	**33,333**

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

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

In parallel with the Group's constantly growing and expanding organizational structure, modern human resources management processes are put in place, and organization-related modifications are made to meet evolving corporate needs efficiently and effectively.

Furthermore, systems are set up to blend individuals' personal careers with corporate targets. Çalık Holding strives to recruit those highly skilled employees who will move the Group forward into the future.

Vision, Mission and Values Study

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

The vision and mission statements, and the core values for the coming period:

Vision

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

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 where we operate.

Core Values

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

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. The Holding launched its employer brand under the slogan "The Smiling Faces of Çalık."

Employee Loyalty and Internal Customer Satisfaction Surveys

Surveys are conducted to measure employee loyalty; factors that affect loyalty are analyzed and reported to the senior management. The Employee Loyalty Survey performed in 2016 across the entire organization yielded a high loyalty rate of 66%, well above the average in Turkey.

Internal customer satisfaction surveys are carried out on a regular basis to measure employee satisfaction of the services offered to them, such as the cafeteria, shuttles, cleaning, and the like. Findings are then shared with relevant departments for further improvement.

THE COMPENSATION POLICY IS UPDATED REGULARLY BASED ON MARKET AND INDUSTRY ANALYSES.

THE CORE VALUES, WHICH GUIDE THE HOLDING IN ALL AREAS OF BUSINESS AND RELATIONSHIPS, ARE PLACED AT THE HEART OF THE RECRUITMENT PROCESS. **CANDIDATES WHO SHARE THE SAME VALUES AND HAVE THE ABILITY TO ADAPT TO THE GROUP'S ORGANIZATIONAL CULTURE ARE GIVEN PRIORITY.**

Compensation Management Practices

Çalık Holding implements a compensation strategy that is aligned with the Group's long-term goals and risk management framework. When determining the compensation policy, Çalık Holding takes into consideration both company and individual performance, the scope and scale of the business, location, competitive conditions in the market, and budget criteria. The compensation strategy is implemented across all Group companies and the compensation policy is updated regularly based on market and industry analyses.

Strategic Performance Management System

Çalık Holding began implementing the Strategic Performance Management System gradually in 2015 and 2016 across all Group companies.

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. In 2017, further improvements will be made to the Strategic Performance Management System, which forms the basis of human resources processes, such as compensation management, rewards and recognition, career and training management.

Recruitment Process

Çalık Holding revised its recruitment process and began implementing it across all Group companies. The Core Values, which guide the Holding in all areas of business and relationships, are placed at the heart of the recruitment process. Candidates who share the same values and have the ability to adapt to the Group's organizational culture are given priority.

TRAINING NEEDS ARE DETERMINED ACCORDING TO THE STAFF'S PERFORMANCE EVALUATION RESULTS AND CAREER PLANS.

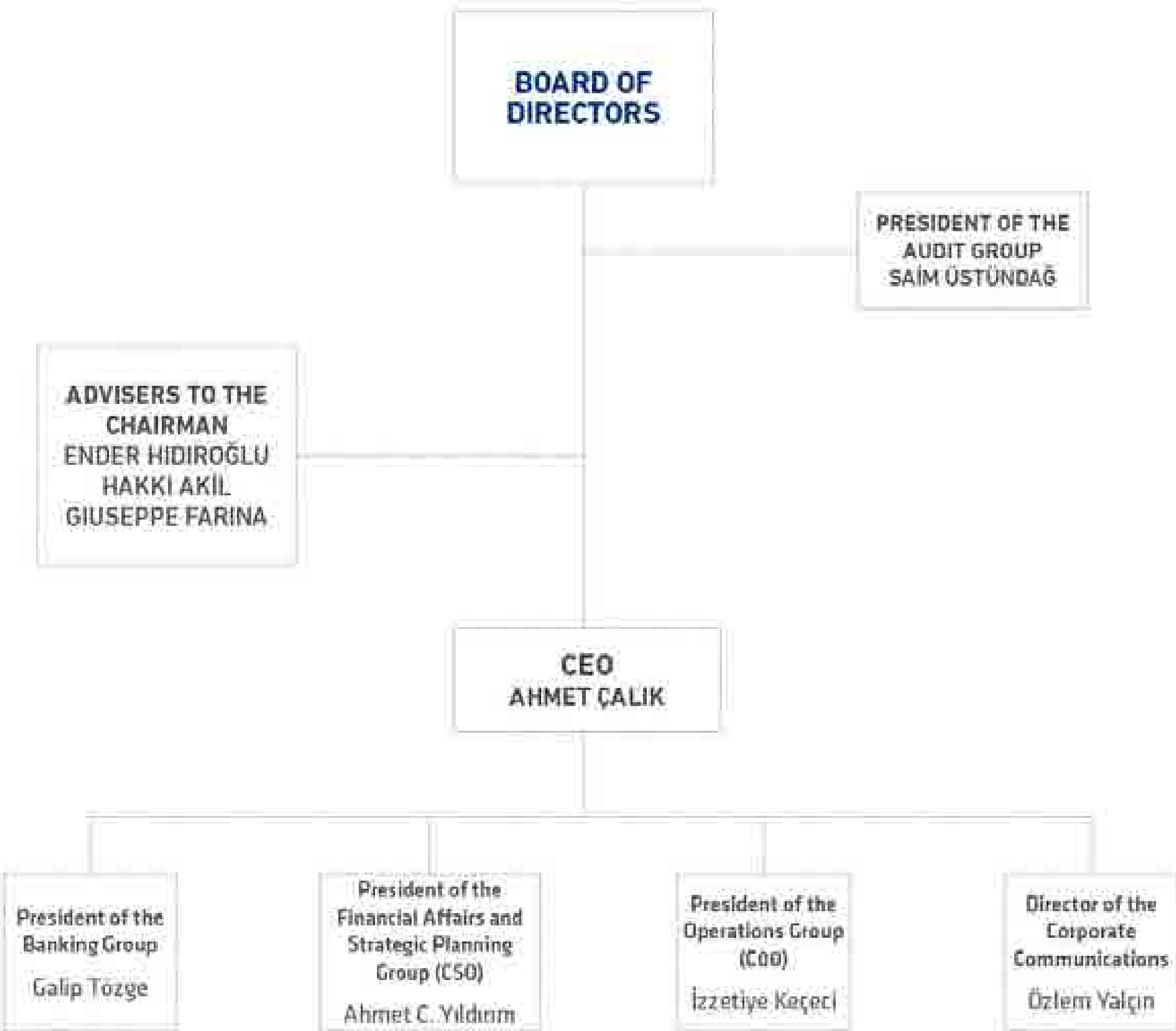
Training Management

Training needs are determined according to employees' performance evaluation results and career plans. 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.

Training activities reflect the long-term and deliberate steps taken to improve the careers of the Group's employees and to provide backups when they are considered company-based. Employees who advance their professional knowledge, skills, and improve their competencies are promoted to positions of higher responsibility.

In 2016, the Human Resources Department organized innovative corporate training programs in line with Company strategies, to boost employee performance, contribute to the advancement of the corporate culture and improve in-house communications. For example, Performance Dialogue Workshops are organized to support the Strategic Performance Management System.

ORGANIZATION STRUCTURE



MEHMET ERTUĞRUL GÜRLER
DEPUTY CHAIRMAN

Mehmet Ertuğrul Gürler was born in 1958 and graduated from Marmara University, Department of Business Administration. In his professional career spanning 37 years, Mr. Gürler served as Deputy Refinery Manager at BP Overseas Refining Company Ltd. from 1983 to 1987. Between 1987 and 1994, he held various management positions, including Finance Director and Board Member at Dow Türkiye A.Ş. After serving as Deputy General Manager at Total Oil Türkiye A.Ş. from 1994 to 1998, Mr. Gürler joined Çalık Holding A.Ş. as General Manager in 1998. Mr. Gürler currently serves as Deputy Chairman of Çalık Holding, Banka Kombetare Tregtare, ALBtelecom, and Çalık Denim. He is also the Chairman of the Board of Directors at YEPAŞ, and Board Member at Aktif Bank, Gap İnşaat, and Gap Pazarlama.

AHMET YILDIRIM
PRESIDENT OF THE FINANCIAL AFFAIRS AND STRATEGIC PLANNING GROUP (CSO)

Ahmet Yıldırım graduated from Istanbul University's Department of Economics (English) in 1991. In the same year he joined Yapı Kredi Bank as a Management Trainee and he was appointed as Director of the Treasury Department in 1999. Subsequently, Ahmet Yıldırım became CEO and Board Member at Yapı Kredi Bank Germany. In June 2006, he returned to Istanbul and served as CEO at Yapı Kredi Investment and as Board Member at other companies of the same group. Mr. Yıldırım continued his career as General Manager and Board Member at Alternatif Yatırım A.Ş. As of 2014, Ahmet Yıldırım was appointed as Çalık Holding, President of Strategy and Financial Affairs Group and he continues to serve as Çalık Holding Board Member and Aktif Bank Board Member.

ENDER HIDIROĞLU
ADVISER TO THE CHAIRMAN

Ender Hıdıroğlu graduated from Middle East Technical University's Department of Mechanical Engineering, and held various positions at a range of companies, including GATEKS, UPISAS, SANKO, SASA, YURTAS, Paktaş and ISKO. After joining Çalık Holding in 1992, 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. Mr. Hıdıroğlu has held senior management and Board Member positions at various Çalık Holding companies; he currently serves as Adviser to the Chairman of Çalık Holding.

ORGANIZATION STRUCTURE

HAKKI AKİL
CHIEF ADVISER TO THE CHAIRMAN

Hakkı Akil was born in 1953 in Çorum. He graduated from Galatasaray High School in 1972 and from the University of Bordeaux in 1977. Mr. Akil began his professional career in 1979 at the Turkish Ministry of Foreign Affairs. After attending ENA (École Nationale d'Administration) between 1987 and 1989, Hakkı Akil continued his career at the Ministry, where he served as Ambassador in Ashgabat, Turkmenistan from 2005 to 2008, and later as Ambassador in Abu Dhabi between 2005 and 2008.

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. Saim Üstündağ earned his Master's degree in Accounting from the University of Illinois (USA) in 2005. Subsequently, he was granted the Certified Public Accountant (CPA) license. After serving as General Secretary of the Turkish Accounting Standards Board (TMSK) between 2005 and 2007, Mr. Üstündağ became a partner in the Audit Department of Deloitte Turkey, where he worked from 2007 to 2014. Mr. 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 resource positions at Group companies. Ms. Keçeci has 18 years of professional experience, and she has served as Human Resources Director at Çalık Holding since January 2009. She is also a Board Member at the Group companies Gap İnşaat and Çalık Gayrimenkul. Additionally, İzzetiye Keçeci holds ICF (International Coach Federation) and NLP Practitioner certifications.

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 has been continuing his education in the Masters of Laws Program at Bilgi University since 2015.
He 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, including Assistant General Manager at Akbank, and Board Member at 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.

GIUSEPPE FARINA
ADVISER TO THE CHAIRMAN

Giuseppe Farina was born in 1951 and graduated Summa Cum Laude from the University of Rome, Engineering Department. He began his professional career in 1977 at Telecom Italia as a Network and Telecommunications Specialist; until 2000, he held various management positions at the same company. Mr. Farina was the CEO of IS-TIM from 2000 to 2004. Subsequently, he served as Vice Chairman and later as Chairman of Avea between 2004 and 2006. Giuseppe Farina was the Representative for Turkey at Enel, a multinational energy company, Executive Board Member at Enel Green Power Geothermal and Deputy Chairman of the Executive Board at Enel Green Power Turkey, respectively between 2006 to 2014. Giuseppe Farina has served as Adviser to the Chairman of Çalık Holding and Chairman of ALBtelecom since 2015.

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.

FINANCIAL INFORMATION

"I wave to my mother and send her my love when she leaves for work in the morning. She works with my love for her."

DEMİR BAYAZITOĞLU (7)

ÇALIK HOLDİNG ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

Consolidated Financial Statements As at and for the Year Ended 31 December 2016 With Independent Auditor's Report

13 March 2017

This report includes 5 pages of independent auditor's report and 116 pages of consolidated financial statements together wtih their explanatory notes.

ÇALIK HOLDİNG ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

Table of Contents

Akis Bağımsız Denetim ve
Serbest Muhasebeci Mali Müşavirlik A.Ş.
Kavacık Rüzgarlı Bahçe Mah. Kavak Sok.
No:29 Beykoz 34805 İstanbul
Tel +90 (216) 681 90 00
Fax +90 (216) 681 90 90
www.kpmg.com.tr

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 2016, 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 2016, 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

The revenue from the construction contracts of the companies in energy and and construction sector amounting to USD 1.479.183 thousands for a total construction cost amounting to USD 1.085.491 thousands constitutes a significant portion of the Group's total revenue.

Çalık Enerji Sanayi ve Ticaret A.Ş. and Gap İnşaat Yatırım ve Dış Ticaret A.Ş., the consolidated subsidiaries of the Group, and their subsidiaries operating in the construction sector, conduct mainly engineering, procurement and construction projects ("EPC") in Turkey and abroad.

Due from customers for contract work and due to suppliers and subcontractors for the construction contract works were USD 605.291 thousands and USD 5.610 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 using the percentage of completion method. 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.

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 cost for the construction contracts recognised to amounts invoiced by suppliers and subcontractors and the subsequent receipt of payment to those parties.

- 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 2016, gross receivables related to finance sector operations were USD 2.329.731 thousands against which loan allowance for impairment of USD 68.581 thousands were provided ending with a net carrying amount of USD 2.261.150 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. So there is a risk of misstatement in the calculation of the allowance related to the classification of performing the non-performing loans in accordance with International Accounting Standard 39 Financial Instruments: Recognition and Measurement ("IAS 39").

Furthermore, the specific allowances are made against the carrying amount of loans and receivables that are identified as being impaired based on regular reviews of outstanding balances to reduce these loans and receivables to their recoverable amounts.

In assessing the recoverable amounts of the loans and receivables, the estimated future cash flows are discounted to their present value using the loans' original effective interest rates which requires management's significant judgement to exercise.

Portfolio basis (collective) allowances are maintained to reduce the carrying amount of portfolios of similar loans and receivables to their estimated recoverable amounts at the date of financial position. The expected cash flows for portfolios of similar assets are estimated based on previous experience and considering the credit rating of the underlying customers and late payments of interest or penalties.

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.

Furthermore there is a risk of misstatement in the calculation of allowance related to errors in the main parameters of allowance for probable losses on loans and receivables from customers (specific and collective) in accordance with IAS 39 in the consolidated financial statements.

How the matter was addressed in our audit

- We reviewed the provisioning methodology implemented by the Group.

- We tested the key controls over the classification and provisioning methodology such as; system based and manual controls over the timely recognition of impaired loans, controls over the impairment calculation models including data inputs, controls over cash flow estimates and finally governance controls which includes the management meetings for the approval process of allowance for probable losses on loans.

- We performed a loan review process by testing a sample of loans to form our own assessment as to whether impairment events had occurred and to assess whether impairments had been identified in a timely manner.

- We tested the assumptions underlying the impairment identification and quantification including forecasts of future cash flows, valuation of underlying collateral and estimates of recovery on default. This included taking into consideration the impact of forbearance. We tested the underlying models for allowances calculated on a collective basis.

- We tested the appropriateness and accuracy of the inputs to those models, such as probability of default and loss given default rates, and compared where available, data and assumptions made to external benchmarks.

- We tested the controls over related disclosures.

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.

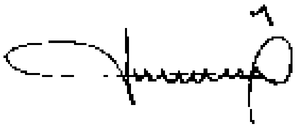
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely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

Akis Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş.
A member of KPMG International Cooperative



Hakan Ölekli
Partner

13 March 2017
Istanbul, Turkey

ÇALIK HOLDİNG ANONİM ŞİRKETİ AND ITS SUBSIDIARIES
AS AT 31 DECEMBER 2016
CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(AMOUNTS EXPRESSED IN THOUSANDS OF UNITED STATES DOLLAR ("USD") UNLESS OTHERWISE STATED.)

Assets	**Notes**	**31 December 2016**	**31 December 2015**
Current assets			
Cash and cash equivalents	8	502.853	364.186
Financial investments	9	851.042	837.353
Trade receivables	10	1.160.893	981.001
Due from related parties	*7*	*33.614*	*5.002*
Due from third parties		*1.127.279*	*975.999*
Receivables related to finance sector operations	11	1.062.759	871.060
Due from related parties	*7*	*103.760*	--
Due from third parties		*958.999*	*871.060*
Other receivables	12	156.157	195.684
Due from related parties	*7*	*44.468*	*30.912*
Due from third parties		*111.689*	*164.772*
Inventories	13	503.382	415.717
Derivatives	22	3.470	2.687
Prepayments	14	157.776	142.334
Current tax assets	26	3.911	4.073
Other current assets	19	588.719	550.786
Subtotal		**4.990.962**	**4.364.881**
Assets held for sale	5	55.235	65.034
Total current assets		**5.046.197**	**4.429.915**
Non- current assets			
Trade receivables	10	343.009	182.457
Due from third parties		*343.009*	*182.457*
Receivables related to finance sector operations	11	1.198.391	1.152.550
Due from third parties		*1.198.391*	*1.152.550*
Other receivables	12	56.708	22.914
Due from third parties		*56.708*	*22.914*
Financial investments	9	759.015	741.651
Investments in equity-accounted investees	15	89.178	80.236
Investment property	18	154.067	142.191
Property, plant and equipment	16	588.562	526.125
Intangible assets	17	187.266	209.775
Goodwill		*1.079*	*1.306*
Other intangible assets		*186.187*	*208.469*
Prepayments	14	31.259	62.767
Deferred tax assets	26	29.172	51.744
Total non-current assets		**3.436.627**	**3.172.410**
Total assets		**8.482.824**	**7.602.325**

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

ÇALIK HOLDİNG ANONİM ŞİRKETİ AND ITS SUBSIDIARIES
AS AT 31 DECEMBER 2016
CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

(AMOUNTS EXPRESSED IN THOUSANDS OF UNITED STATES DOLLAR ("USD") UNLESS OTHERWISE STATED.)

Liabilities	**Notes**	**31 December 2016**	**31 December 2015**
Short term liabilities			
Short term loans and borrowings	21	1.866.813	1.940.757
Short term portion of long term loans and borrowings	21	294.816	148.261
Derivatives	22	3.909	4.420
Trade payables	10	540.591	471.159
Due to related parties	*7*	*2.620*	*5.512*
Due to third parties		*537.971*	*465.647*
Payables related to finance sector operations	11	2.857.397	2.478.065
Due to related parties	*7*	*681*	--
Due to third parties		*2.856.716*	*2.478.065*
Payables related to employee benefits	23	8.992	6.571
Other payables	12	22.317	22.360
Due to related parties	*7*	*394*	*283*
Due to third parties		*21.923*	*22.077*
Deferred revenue	14	654.868	508.726
Current tax liabilities	26	10.140	7.041
Short term provisions	24	25.480	23.883
Short term employee benefits	*24*	*12.744*	*9.931*
Other short term provisions	*24*	*12.736*	*13.952*
Other short term liabilities	19	62.755	68.081
Liabilities from equity accounted investees	15	--	20.177
Subtotal		**6.348.078**	**5.699.501**
Liabilities held for sale	5	2.687	2.734
Total short term liabilities		**6.350.765**	**5.702.235**
Long term liabilities			
Long term loans and borrowings	21	384.288	412.946
Trade payables	10	19.296	28.881
Due to third parties		*19.296*	*28.881*
Payables related to finance sector operations	11	300.671	287.615
Due to third parties		*300.671*	*287.615*
Other payables	12	46.854	47.612
Due to third parties		*46.854*	*47.612*
Deferred revenue	14	318.189	334.395
Long term provisions	24	11.671	10.804
Long term employee benefits	*24*	*11.359*	*10.804*
Other long term provisions	*24*	*312*	--
Deferred tax liabilities	26	55.346	47.294
Other long term liabilities		15.109	1.406
Total long term liabilities		**1.151.424**	**1.170.953**
Total liabilities		**7.502.189**	**6.873.188**

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

ÇALIK HOLDİNG ANONİM ŞİRKETİ AND ITS SUBSIDIARIES
AS AT 31 DECEMBER 2016
CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

(AMOUNTS EXPRESSED IN THOUSANDS OF UNITED STATES DOLLAR ("USD") UNLESS OTHERWISE STATED.)

	Notes	31 December 2016	31 December 2015
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		(118.207)	(148.528)
Restricted reserves	27	424.033	263.384
Retained earnings		168.760	236.487
Profit for the year		208.666	94.033
Total equity attributable to the owners of the Company		**886.942**	**649.066**
Total non-controlling interests	**27**	**93.693**	**80.071**
Total equity		**980.635**	**729.137**
Total equity and liabilities		**8.482.824**	**7.602.325**

ÇALIK HOLDİNG ANONİM ŞİRKETİ AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2016

(AMOUNTS EXPRESSED İN THOUSANDS OF UNİTED STATES DOLLAR ("USD") UNLESS OTHERWİSE STATED.)

Continuing operations	**Notes**	**2016**	**2015**
Revenue	28	2.562.951	2.365.355
Cost of sales	28	(1.904.681)	(1.861.900)
Gross profit from non-finance sector operations	**28**	**658.270**	**503.455**
Revenue from finance sector operations	28	361.661	298.825
Cost of revenues from finance sector operations	28	(143.550)	(121.413)
Gross profit from finance sector operations	**28**	**218.111**	**177.412**
Gross profit	**28**	**876.381**	**680.867**
Other income from operating activities	30	300.461	223.643
General and administrative expenses	29	(253.274)	(239.588)
Selling, marketing and distribution expenses	29	(80.530)	(110.264)
Research and development expenses	29	(8.003)	(8.902)
Share of profit of equity accounted investees	15	17.545	1.366
Other expenses from operating activities	30	(127.135)	(77.587)
Operating profit		**725.445**	**469.535**
Gain from investing activities	31	38.037	37.249
Loss from investing activities	31	(2.886)	(10.842)
Operating profit before finance costs		**760.596**	**495.942**
Finance income	32	10.099	4.943
Finance costs	32	(469.753)	(383.035)
Net finance costs		**(459.654)**	**(378.092)**
Profit before tax from continuing operations		**300.942**	**117.850**
Current tax expense	26	(45.022)	(39.182)
Deferred tax benefit/(expense)	26	(35.573)	18.313
Total tax expense		**(80.595)**	**(20.869)**
Profit for the year		**220.347**	**96.981**

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 2016 (CONTINUED)

(AMOUNTS EXPRESSED İN THOUSANDS OF UNİTED STATES DOLLAR ("USD") UNLESS OTHERWİSE STATED.)

Other comprehensive income	**Notes**	**2016**	**2015**
Profit for the year		**220.347**	**96.981**
Items that are or may be reclassified to profit or loss			
Foreign currency translation differences for foreign operations and reporting currency translation differences		39.055	(67.469)
Change in fair value of available-for-sale financial assets	9	(672)	(7.515)
Deferred tax benefit/(expense)	26	92	1.822
Total other comprehensive income/(loss)		**38.475**	**(73.162)**
Total comprehensive income		**258.822**	**23.819**
Net profit attributable to:			
Owners of the Company		208.666	94.033
Non-controlling interests		11.681	2.948
Net profit for the year		**220.347**	**96.981**
Total comprehensive income attributable to:			
Owners of the Company		238.987	16.498
Non-controlling interests		19.835	7.321
Total other comprehensive income		**258.822**	**23.819**

ÇALIK HOLDİNG ANONİM ŞİRKETİ AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2016

(AMOUNTS EXPRESSED IN THOUSANDS OF UNITED STATES DOLLAR ("USD") UNLESS OTHERWISE STATED.)

	Attributable to owners of the Company									
			Restricted reserves	Accumulated other comprehensive income/(expense) that may be reclassified to profit or loss		Retained earnings/ (accumulated losses)				
	Paid-in capital	Adjustment to share capital	Legal reserves	Fair value reserve of financial assets available-for-sale	Translation reserve	Retained earnings/ (accumulated losses)	Profit for the year	Total	Non-controlling interests	Total equity
Balances at 1 January 2015	**200.302**	**3.388**	**145.825**	**(1.576)**	**(73.024)**	**(142.370)**	**369.883**	**502.428**	**61.881**	**564.309**
Total comprehensive income for the period										
Profit for the period	--	--	--	--	--	--	94.033	94.033	2.948	96.981
Other comprehensive income										
Net fair value change in financial assets available-for-sale	--	--	--	(5.693)	--	--	--	(5.693)	--	(5.693)
Foreign currency translation differences for foreign operations and reporting currency translation differences	--	--	--	--	(71.842)	--	--	(71.842)	4.373	(67.469)
Total other comprehensive income	--	--	--	(5.693)	(71.842)	--	--	(77.535)	4.373	(73.162)
Total comprehensive income/(loss) for the period	**--**	**--**	**--**	**(5.693)**	**(71.842)**	**--**	**94.033**	**16.498**	**7.321**	**23.819**
Transactions with owners, recorded directly in equity										
Change in non-controlling interest in consolidated subsidiaries without change in control	--	--	(1.956)	--	3.607	128.489	--	130.140	11.467	141.607
Dividend distribution to non-controlling interests	--	--	--	--	--	--	--	--	(628)	(628)
Acquisition of subsidiary with non-controlling interests	--	--	--	--		--	--	--	30	30
Transfers	--	--	119.515	--	--	250.368	(369.883)	--	--	--
Total transactions with owners	**--**	**--**	**117.559**	**--**	**3.607**	**378.857**	**(369.883)**	**130.140**	**10.869**	**141.009**
Balances at 31 December 2015	**200.302**	**3.388**	**263.384**	**(7.269)**	**(141.259)**	**236.487**	**94.033**	**649.066**	**80.071**	**729.137**
Balances at 1 January 2016	**200.302**	**3.388**	**263.384**	**(7.269)**	**(141.259)**	**236.487**	**94.033**	**649.066**	**80.071**	**729.137**
Total comprehensive income for the period										
Profit for the period	--	--	--	--	--	--	208.666	208.666	11.681	220.347
Other comprehensive income										
Net fair value change in financial assets available-for-sale	--	--	--	(580)	--	--	--	(580)	--	(580)
Foreign currency translation differences for foreign operations and reporting currency translation differences					30.901			30.901	8.154	39.055
Total other comprehensive income	**--**	**--**	**--**	**(580)**	**30.901**	**--**	**--**	**30.321**	**8.154**	**38.475**
Total comprehensive income/(loss) for the period	**--**	**--**	**--**	**(580)**	**30.901**	**--**	**208.666**	**238.987**	**19.835**	**258.822**
Transactions with owners, recorded directly in equity										
Change in non-controlling interest in consolidated subsidiaries without change in control	--	--	--	--	--	(1.040)	--	(1.040)	(2.762)	(3.802)
Disposal of interests in consolidated subsidiaries resulting loss of control	--	--	(92)	--	--	92	--	--	(6.615)	(6.615)
Formation of subsidiary with non controlling interest	--	--	--	--	--	--	--	--	842	842
Contribution to capital increase by non-controlling interests in subsidiaries with non-controlling share	--	--	--	--	--	--	--	--	2.293	2.293
Effect of liquidated subsidiary with non-controlling interest	--	--	(71)	--	--	--	--	(71)	29	(42)
Transfers	--	--	160.812	--	--	(66.779)	(94.033)	--	--	--
Total transactions with owners	**--**	**--**	**160.649**	**--**	**--**	**(67.727)**	**(94.033)**	**(1.111)**	**(6.213)**	**(7.324)**
Balances at 31 December 2016	**200.302**	**3.388**	**424.033**	**(7.849)**	**(110.358)**	**168.760**	**208.666**	**886.942**	**93.693**	**980.635**

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

ÇALIK HOLDİNG ANONİM ŞİRKETİ AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2016

(AMOUNTS EXPRESSED IN THOUSANDS OF UNITED STATES DOLLAR ("USD") UNLESS OTHERWISE STATED.)

	Notes	2016	2015
A.CASH FLOWS USED IN OPERATING ACTIVITIES		**135.403**	**(184.329)**
Profit for the period		**220.347**	**96.981**
Adjustments to reconcile cash flow generated from operating activities:		**(56.718)**	**(192.656)**
Adjustments for depreciation and amortisation	16,17	80.638	59.927
(Gain)/loss on sale of derivative financial instruments	31	(3.101)	6.806
Adjustments for fair value (gains) / loss of financial investments	9	(21.109)	(35.181)
Adjustments for provision for doubtful receivables		17.239	7.868
Adjustments for fair value gain of investment property	18	(18.095)	(15.455)
Adjustments for inventory impairment, net	13	(187)	314
Adjustments for provision for long term employee benefits	24	4.978	2.576
Adjustments for provisions for loan impairment	11	28.716	19.433
Adjustments for provisions, net	24	4.804	3.404
Adjustments for vacation pay liability	24	1.021	1.505
Adjustments for share of (profit)/ loss of equity accounted investees	15	(17.545)	(1.366)
Gain on sale of share in investments in equity accounted investees	31	(8.282)	--
Adjustments for interest income and expenses including those from the banking sector		(70.412)	(65.691)
Gain on sale of shares in the consolidatd subsidiaries of resulting in loss of subsidiary control	31	(1.041)	--
Adjustments for fair value changes of the service concession receivables	30	(49.820)	(37.121)
Rediscount interest (gain) / losses, net	30	3.949	(24.780)
Unrealized foreign currency (income) / loss		(89.631)	(137.917)
Adjustments for tax expense	26	80.595	20.869
Adjustments for the gains and losses on sales of property, plant and equipment, net	31	565	2.153
Changes in working capital		**(166.764)**	**(262.150)**
Adjustments for change in inventories		(170.007)	(59.326)
Adjustments for change in trade receivables		(533.942)	(266.466)
Adjustments for change in payables related to employee benefits		3.580	2.139
Adjustments for change in other receivables, other current assets and other non-current assets related with operating activities		(173.694)	(217.418)
Adjustments for change in assets held for sale		(1.503)	(6.198)
Adjustments for change in liabilities held for sale		428	143
Adjustments for change in receivables from finance sector operations		(619.263)	(554.404)
Adjustments for change in payables from finance sector operations		873.034	619.485
Change in restricted cash and cash equivalents		6.533	(8.899)
Adjustments for change in trade payables		159.500	168.514
Adjustments for change in prepayments		(30.577)	(93.881)
Adjustments for change in deferred income		279.408	233.594
Adjustments for change in other payables and other liabilities related with operating activities		39.739	(79.433)
Cash flows used in operating activities		**138.538**	**173.496**
Employee termination indemnity paid	24	(1.214)	(3.183)
Recoveries from receivables from finance operations	11	6.314	14.245
Interest received with financial sector activities		323.383	300.581
Interest paid on financial sector activities		(128.689)	(112.078)
Acquisition of investment property	18	(24.567)	(4.944)
Collection from doubtful receivables	10	4.038	17.320
Taxes paid	26	(40.727)	(38.445)
B. CASH FLOWS USED IN INVESTING ACTIVITIES		**(368.509)**	**(114.959)**
Proceeds from sales of property and equipment and intangible assets	16,17	2.193	12.225
Dividend received from equity accounted investees	15	250	221
Proceeds from disposal of held to maturity financial investments	9	232.942	181.782
Cash inflows from sales of subsidiary, net	4	2.496	--
Formation and capital contribution of share capital of equity accounted investees	15	(10.553)	(14.519)
Acquisition of non-controlling interests in entities under common control		3.135	--
Proceeds from sale of interest in subsidiaries without change in control		--	137.562
Purchase of non-controlling interests		(3.802)	--
Proceeds from sale of shares in equity accounted investees		1.127	--
Contribution to the capital increase in investments at fair value through profit or loss	9	(17.733)	--
Proceeds from / (repayment of) derivative financial instruments		3.006	(5.500)
Proceeds from available for sale financial investments	9	641.085	215.485
Acquisition of held to maturity financial investments	9	(165.572)	(105.101)
Acquisition of available for sale financial investments	9	(832.685)	(360.533)
Acquisition of property, plant and equipment	16	(187.398)	(142.871)
Acquisition of intangible assets	17	(37.000)	(33.710)
C. CASH FLOWS FROM FINANCING ACTIVITIES		**383.261**	**303.912**
Proceeds from/ (payments of) the funding of related parties	7,12	(161)	14.632
Dividend payment		--	(628)
Proceeds from / (repayment of) loans and borrowings, net		490.006	404.796
Interest paid		(106.584)	(114.888)
NET INCREASE IN CASH AND CASH EQUIVALENTS (A+B+C)		**150.155**	**4.624**
D. CASH AND CASH EQUIVALENTS AT THE BEGINING OF THE PERIOD		**335.676**	**331.052**
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD (A+B+C+D)	**8**	**485.831**	**335.676**

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

Notes to Consolidated Financial Statements

1 Reporting entity

Çalık Holding Anonim Şirketi ("Çalık Holding" or "the Company") was established in 1997 and the Company's main operations are to manage and coordinate the activities of its subsidiaries operating in different industries, including textile, energy, telecommunication, construction, real estate, investment, marketing, banking and finance, and to make investments in these industries.

Çalık Holding was established at its registered office address, Büyükdere Caddesi No:163 Zincirlikuyu İstanbul/Türkiye, on 20 March 1997.

As of 31 December 2016, Çalık Holding has 82 (31 December 2015:76) subsidiaries ("the Subsidiaries"), 8 (31 December 2015:8) joint ventures ("the Joint Ventures"), 1 (31 December 2015: 1) joint operation ("the Joint Operation") and 12 (31 December 2015: 9) associates ("the Associates") (referred to as "the Group" or "Çalık Group" herein and after). The consolidated financial statements of the Group as at and for the year ended 31 December 2016 and 2015, comprises Çalık Holding and its subsidiaries and the Group's interest in associates and joint ventures and operations.

As at 31 December 2016, the number of employees of the Group is 21.063 (31 December 2015: 18.912).

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

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

The subsidiaries, the joint ventures, the joint operation and the associates included in the consolidation scope of Çalık Holding, their country of incorporation, nature of business and their respective operating segments are as follows:

ÇALIK HOLDİNG ANONİM ŞİRKETİ AND ITS SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2016

(AMOUNTS EXPRESSED IN THOUSANDS OF UNITED STATES DOLLAR ("USD") UNLESS OTHERWISE STATED.)

1 Reporting entity (continued)

1.1 Entities in energy segment

Company name	Type of partnership	Country
Adacami Enerji Elektrik Üretim Sanayi ve Ticaret A.Ş	Subsidiary	Turkey
Aktif Doğalgaz Ticaret A.Ş.	Subsidiary	Turkey
Ant Enerji Sanayi ve Ticaret Limited Şirketi	Subsidiary	Turkey
Atagas Doğalgaz Ticaret A.Ş.	Joint venture	Turkey
Atayurt İnşaat A.Ş.	Subsidiary	Turkey
Atlas Petrol Gaz İthalat İhracat ve Pazarlama Ticaret A.Ş.	Subsidiary	Turkey
Ayas Rafineri ve Petrokimya Sanayi ve Ticaret A.Ş.	Subsidiary	Turkey
Başak Yönetim Sistemleri A.Ş.	Subsidiary	Turkey
Çalık Diamond Solar Enerji A.Ş.	Subsidiary	Turkey
Çalık Elektrik Dağıtım A.Ş.	Subsidiary	Turkey
Çalık Energy AB (**)	Subsidiary	Sweden
Çalık Enerji Dubai FZE	Subsidiary	UAE – Dubai
Çalık Enerji Elektrik Üretim ve Madencilik A.Ş.	Subsidiary	Turkey
Çalık Enerji Sanayi ve Ticaret A.Ş.	Subsidiary	Turkey
Çalık Gaz ve Petrol A.Ş.	Subsidiary	Turkey
Çalık Georgia LLC(**)	Subsidiary	Georgia
Çalık Limak Adi Ortaklığı	Joint venture	Turkey
Çalık NTF Elektrik Üretim ve Madencilik A.Ş.	Subsidiary	Turkey
Çalık Petrol Arama Üretim Sanayi ve Ticaret A.Ş.	Subsidiary	Turkey
Çalık Rüzgar Enerjisi Elektrik Üretim Limited Şirketi	Subsidiary	Turkey
Çedaş Elektrik Dağıtım Yatırımları A.Ş.	Subsidiary	Turkey
Çep Petrol Dağıtım Sanayi ve Ticaret A.Ş.	Subsidiary	Turkey
Doğu Akdeniz Petrokimya ve Rafineri Sanayi ve Ticaret A.Ş.	Subsidiary	Turkey
Doğu Aras Enerji Yatırımları A.Ş.	Joint venture	Turkey
Gap Elektrik Dağıtım Sanayi ve Ticaret A.Ş.	Subsidiary	Turkey
Hamerz Green Energy (**)	Subsidiary	Iran
Irmak Yönetim Sistemleri A.Ş.	Subsidiary	Turkey
İkideniz Petrol ve Gaz Sanayi ve Ticaret A.Ş.	Subsidiary	Turkey
JSC Calik Georgia Wind	Subsidiary	Georgia
Kızılırmak Enerji Elektrik A.Ş.	Subsidiary	Turkey
Kosova Çalık Limak Energy Sh.A.	Joint venture	Kosovo
LC Electricity Supply and Trading d.o.o.	Joint venture	Serbia
Mayestan Clean Energy (**)	Subsidiary	Iran
Momentum Enerji Elektrik Üretim Sanayi ve Ticaret A.Ş.	Subsidiary	Turkey
Onyx Trading Innovation FZE (**)	Subsidiary	UAE – Dubai
Petrotrans Enerji A.Ş.	Subsidiary	Turkey
Sembol Enerji A.Ş.	Subsidiary	Turkey
TAPCO Petrol Boru Hattı Sanayi ve Ticaret A.Ş.	Associate	Turkey
Tasfiye Halinde Japan International Enerji Network A.Ş. (*)	Subsidiary	Turkey
Technovision Mühendislik Danışmanlık ve Dış Ticaret A.Ş.	Subsidiary	Turkey
Technological Energy N.V.	Subsidiary	The Netherlands
Türkmen'in Altın Asrı Elektrik Enerjisi Toptan Satış A.Ş.	Subsidiary	Turkey
Yeşilçay Enerji Elektrik Üretim Sanayi ve Ticaret A.Ş.	Subsidiary	Turkey
Yeşilırmak Elektrik Dağıtım A.Ş.	Subsidiary	Turkey
Yeşilırmak Elektrik Perakende Satış A.Ş.	Subsidiary	Turkey

(*) This company is under liquidation.
(**)Çalık Energy AB, Çalık Georgia LLC and Hamerz Green Energy, Onyx Trading Innovation FZE and Mayestan Green Energy, the subsidiaries of the Group, 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 six-month period ended on 31 December 2016.

1 Reporting entity (continued)

1.1 Entities in energy segment (continued)

As at 31 December 2016, liquidation processes of Tasfiye Halinde Ortur Elektrik Üretim ve Ticaret Limited Şirketi and Tasfiye Halinde Vadi Elektrik Üretim Sanayi ve Ticaret Limited Şirketi have been completed. The activities of the companies have been terminated.

Adacami Enerji Elektrik Üretim Sanayi ve Ticaret A.Ş ("Adacami Enerji")

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

Aktif Doğalgaz Ticaret A.Ş. ("Aktif Doğalgaz")

Aktif Doğalgaz was established in 1999, in Istanbul for the purpose of operating in gas distribution and trading.

Ant Enerji Sanayi ve Ticaret Limited Şirketi ("Ant Enerji")

Ant Enerji was established in 2006, in Istanbul for the purpose of marketing, selling and distribution of energy.

Atagas Doğalgaz Ticaret A.Ş. ("Atagas Doğalgaz")

Atagas Doğalgaz was founded in 2014 as a joint venture with a joint agreement between Aktif Doğalgaz and ASL Enerji Sanayi ve Ticaret A.Ş. ("ASL Enerji") with the participation of these two companies equally by 50%, for the purpose of exporting natural gas to be purchased from Turkmenistan, through Iran and wholesales in Turkey and/or re-exporting abroad.

Atayurt İnşaat A.Ş. ("Atayurt İnşaat")

Atayurt İnşaat was established in 2009 for the purpose of building and operating energy power plants and providing operational and maintenance services to power plants. Atayurt İnşaat has opened a branch in Tripoli, Libya in 2014.

Atlas Petrol Gaz İthalat İhracat ve Pazarlama Ticaret A.Ş. ("Atlas Petrol")

Atlas Petrol was established in 2008 for the purpose of importing, exporting, and distributing of all kinds of crude oil and building and operation necessary facility for the production.

Ayas Rafineri ve Petrokimya Sanayi ve Ticaret A.Ş. ("Ayas Rafineri")

Ayas Rafineri was established in 2010 for the purpose of installing petroleum refinery, petrochemistry facilities, additional facilities and all kind of auxiliary and complementary plants, buying and selling them, acquiring interest in these facilities, operating and expanding them when necessary.

Başak Yönetim Sistemleri A.Ş. ("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 A.Ş.".

The former name of company, was changed on 11 April 2013 as "Başak Yönetim Sistemleri A.Ş.".

Çalık Diamond Solar Enerji A.Ş. ("Çalık Solar Enerji")

Çalık Solar Enerji was established in 2012 and main operation of the Çalık Solar Enerji is to develop and construct all kinds of solar energy power plants.

ÇALIK HOLDİNG ANONİM ŞİRKETİ AND ITS SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2016

(AMOUNTS EXPRESSED IN THOUSANDS OF UNITED STATES DOLLAR ("USD") UNLESS OTHERWISE STATED.)

1 Reporting entity (continued)

1.1 Entities in energy segment (continued)

Çalık Elektrik Dağıtım A.Ş. ("ÇEDAŞ")

ÇEDAŞ was established in 2010 according to legislations of Energy Market Regulatory Authority to distribute and sale of electricity and to invest in companies operating in these businesses.

Çalık Energy AB ("Çalık Energy AB")

Çalık Energy AB was established in 2012, in Stockholm. As of the reporting date the company is non operating.

Çalık Enerji Dubai FZE ("Çalık Enerji Dubai ")

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

Çalık Enerji Elektrik Üretim ve Madencilik A.Ş. ("Çalık Elektrik")

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

Çalık Enerji Sanayi ve Ticaret A.Ş. ("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 Gaz ve Petrol A.Ş. ("Çalık Gaz")

Çalık Gaz; formerly known as Akçay Enerji A.Ş. 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 Georgia LLC ("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 Limak Adi Ortaklığı

Çalık Limak Adi Ortaklığı was established in 2013 as a joint venture of ÇEDAŞ and Limak Yatırım Enerji Üretim İşletme Hizmetleri ve İnşaat A.Ş. ("Limak Yatırım"), in Istanbul for the purpose of supplying all kind of technical equipments to Kosovo Electricity Distribution and Supply Company ISC fully owned by Kosovo Çalık Limak Energy which is also a joint venture of Çalık Enerji and Limak Yatırım.

Çalık NTF Elektrik Üretim ve Madencilik A.Ş. ("Çalık NTF")

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

Çalık Petrol Arama Üretim Sanayi ve Ticaret A.Ş. ("Çalık Petrol")

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

1 Reporting entity (continued)

1.1 Entities in energy segment (continued)

Çalık Rüzgar Enerjisi Elektrik Üretim Limited Şirketi ("Çalık Rüzgar")

Çalık Rüzgar was established in 1994 for the purpose of building and operating of electricity power plants, production, selling and marketing of electricity.

Çedaş Elektrik Dağıtım Yatırımları A.Ş. ("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.

Çep Petrol Dağıtım Sanayi ve Ticaret A.Ş. ("ÇEP Petrol")

ÇEP Petrol was established in 2008 for the purpose of importing, exporting, distributing all kinds of crude oil and building and operating necessary facilities for the production.

Doğu Akdeniz Petrokimya ve Rafineri Sanayi ve Ticaret A.Ş. ("Doğu Akdeniz Petrokimya")

Doğu Akdeniz Petrokimya (formerly known as Enerji Petrol Gaz İthalat Pazarlama Sanayi ve Ticaret A.Ş.) 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 Enerji Yatırımları A.Ş. ("Doğu Aras")

Doğu Aras was founded in accordance with the energy market regulations as a joint venture with a joint agreement between ÇED and Kiler Alışveriş Hizmetleri Gıda Sanayi Ticaret A.Ş. ("Kiler Alışveriş") on 5 May 2013 with the participation of these two companies by 49% and 51%, 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 A.Ş. ("EDAŞ") and Aras Elektrik Perakende Satış A.Ş. ("EPAŞ"), which were previously state owned companies operating in electricity distribution and procurement in cities Kars, Ardahan, Iğdır, Ercincan, Ağrı, Bayburt and Erzurum, within the privatisation.

Gap Elektrik Dağıtım Sanayi ve Ticaret A.Ş. ("Gap Elektrik")

Gap Elektrik was established in 1998 and has a 30-year license to operate electrical distribution systems in the cities of Malatya, Elazığ, Tunceli and Bingöl. As of the reporting date, Gap Elektrik is a non-operating.

Hamerz Green Energy ("Hamerz")

Hamerz was established in Iran in 2016. The company has been established in order to carry out commercial and economic activities such as exporting and importing of all authorised products such as raw materials, industrial parts and tools. As of reporting date, Hamerz is non-operating.

Irmak Yönetim Sistemleri A.Ş. ("Irmak Yönetim")

Irmak Yönetim, formerly known as "Irmak Enerji Elektrik Üretim Madencilik Sanayi ve Ticaret A.Ş.", was established in 2008 for the purpose of building and operating electricity production facility and producing, selling and marketing of electricity.

ÇALIK HOLDİNG ANONİM ŞİRKETİ AND ITS SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2016

(AMOUNTS EXPRESSED IN THOUSANDS OF UNITED STATES DOLLAR ("USD") UNLESS OTHERWISE STATED.)

1 Reporting entity (continued)

1.1 Entities in energy segment (continued)

The name of Enerji Elektrik Üretim Madencilik Sanayi ve Ticaret A.Ş. was changed on 11 April 2013 as "Irmak Yönetim Sistemleri A.Ş.".

İkideniz Petrol ve Gaz Sanayi ve Ticaret A.Ş. ("İkideniz Petrol")

İkideniz Petrol was established in 2008 for the purpose of importing, exporting, distributing, operating and production all kinds of crude oil. As of the reporting date, İkideniz Petrol is non operating.

JSC Calik Georgia Wind ("JSC Georgia")

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

Kızılırmak Enerji Elektrik A.Ş. ("Kızılırmak")

Kızılırmak was established in 2005 in Istanbul for the purpose of importing, exporting, distributing and operating all kinds of natural gas, crude oil and derivatives of these products.

Kosova Çalık Limak Energy SH.A ("KÇLE")

KÇLE was established as a joint venture with a joint agreement between Çalık Enerji, ÇEDAŞ and Limak Yatırım on 17 September 2012 with the participation these three companies by 25%, 25% and 50%, respectively, in the share capital of KÇLE.

In 2015, shares of KÇLE representing 25% of all shares, held by ÇEDAŞ have been transferred to Çalık Enerji. On 8 May 2013, KÇLE purchased all shares of state-owned enterprise namely Kompania Per Distribuim Dhe Fumizim Me Energji Elektrike SH.A ("KEDS") which is operating in electricity distribution and procurement of electricity in Kosovo.

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

LC Electricity was founded in Serbia in 2014 as a joint venture with a joint agreement between Türkmen'in Altın Asrı Elektrik Enerjisi Toptan Satış A.Ş. ("Türkmen Elektrik") and Limak Yatırım with the participation of these two companies equally by 50%. The purpose of LC Electricity is trading electricity and sales/purchases of goods and services as part of this operation.

Mayestan Clean Energy ("Mayestan Clean Energy")

Mayestan Clean Energy was established in Iran in 2016. The company has been established in order to carry out trade and economic activities such as import, export and import of all authorized commercial products such as raw materials, industrial parts and tools. As of reporting date, Mayestan Clean Energy is non-operating.

Momentum Enerji Elektrik Üretim Sanayi ve Ticaret A.Ş. ("Momentum Enerji")

Momentum Enerji was established in 2008 for the purpose of building and operating of electricity power plant, producing, selling and marketing of electricity.

Onyx Trading Innovation FZE ("Onyx Trading")

Onyx Trading was established in Dubai in 2016. As of reporting date, Onyx Trading is non-operating.

1 Reporting entity (continued)

1.1 Entities in energy segment (continued)

Petrotrans Enerji A.Ş. ("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 A.Ş. ("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 Petrol Boru Hattı Sanayi ve Ticaret A.Ş. ("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.

Tasfiye Halinde Japan International Enerji Network A. Ş. ("Japan International")

Japan International was established in 2010 for the purpose of exploration and operation of solar power, wind power, geothermal power and other renewable energy resources, selling and marketing of electricity. Japan International is also engaged in processing and distribution of mineral ores. As of the reporting date, Japan International is in the liquidation process.

Technovision Mühendislik, Danışmanlık ve Dış Ticaret A.Ş. ("Technovision")

Technovision was established in 1994, in Ankara to provide machinery and civil engineering and consulting services. 90% of the Technovision's shares were acquired by Çalık Enerji in 2015 for the purpose of providing engineering and consultancy services to entities (See note 5.3).

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

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

Türkmen'in Altın Asrı Elektrik Enerjisi Toptan Satış A.Ş. ("Türkmen Elektrik")

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

Yeşilçay Enerji Elektrik Üretim Sanayi ve Ticaret A.Ş. ("Yeşilçay Enerji")

Yeşilçay Enerji was established in 2008 for the purpose of building and operating of electricity power plant, producing, selling and marketing of electricity. Yeşilçay Enerji also engages in exploration and production of mineral ore.

Yeşilırmak Elektrik Dağıtım A.Ş. ("YEDAŞ")

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

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

ÇALIK HOLDİNG ANONİM ŞİRKETİ AND ITS SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2016

(AMOUNTS EXPRESSED IN THOUSANDS OF UNITED STATES DOLLAR ("USD") UNLESS OTHERWISE STATED.)

1 Reporting entity (continued)

1.1 Entities in energy segment (continued)

Yeşilırmak Elektrik Perakende Satış A.Ş. ("YEPAŞ")

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

1.2 Entities in construction segment

Company name	Type of partnership	Country
Çalık Emlak ve Gayrimenkul Yatırımları A.Ş.	Subsidiary	Turkey
Çalık İnşaat A.Ş.	Subsidiary	Turkey
Gap Construction A.B	Subsidiary	Sweden
Gap Construction Co.	Subsidiary	Libya
Gap Construction Investment and Foreign Trade LLC("Gap Qatar")	Subsidiary	Qatar
Gap İnşaat Construction and Investment Co. Ltd. ("Gap Inşaat Cons.")	Subsidiary	Sudan
Gap İnşaat Dubai FZE	Subsidiary	Dubai
Gap İnşaat Saudi Arabia Ltd.	Subsidiary	S. Arabia
Gap İnşaat Ukraine Ltd. ("Gap Inşaat Ukraine")	Subsidiary	Ukraine
Gap İnşaat Yatırım ve Dış Ticaret A.Ş.	Subsidiary	Turkey
Gapyapı İnşaat A.Ş.	Subsidiary	Turkey
Innovative Construction Technologies Trading FZE ("Innovative Construction")	Subsidiary	Dubai
Kentsel Dönüşüm İnşaat A.Ş.	Subsidiary	Turkey
Varyap Varlıbaşlar Yapı Sanayi ve Turizm Yatırımları A.Ş - Gap İnşaat Yatırım ve Dış Ticaret A.Ş. Ortak Girişimi	Joint operation	Turkey
White Construction N.V.	Subsidiary	The Netherlands

Çalık Emlak ve Gayrimenkul Yatırımları A.Ş. ("Çalık Emlak")

Çalık Gayrimenkul Ticaret A.Ş. and Çalık Turizm Kültür İnşaat Sanayi ve Ticaret A.Ş., 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 Yatırım ve Dış Ticaret A.Ş. ("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 Construction and Investment Co. Ltd, Gap Construction A.B, Gap İnşaat Saudi Arabia Ltd, Kentsel Dönüşüm İnşaat A.Ş., Gap Construction Co., Çalık İnşaat A.Ş, Gap Construction A.B, Gap Construction Investment and Foreign Trade LLC-Qatar, Gap İnşaat Dubai FZE (UAE), Gap İnşaat Ukraine Ltd. White Construction N.V. and Innovative Construction Technologies Trading FZE.

Subsidiaries of Gap İnşaat namely, Gap İnşaat Construction and Investment Co. Ltd, Gap İnşaat Saudi Arabia Ltd, Kentsel Dönüşüm İnşaat A.Ş., Gap Construction Co, Çalık İnşaat A.Ş., Gap Construction A.B, Gap Construction Investment and Foreign Trade LLC-Qatar, Gap İnşaat Dubai FZE, Gap İnşaat Ukraine Ltd. White Construction N.V. and Innovative Construction Technologies Trading FZE were established for the purpose of engaging in construction projects in the countries where they operate.

(AMOUNTS EXPRESSED IN THOUSANDS OF UNITED STATES DOLLAR ("USD") UNLESS OTHERWISE STATED.)

1 Reporting entity (continued)

1.2 Entities in construction segment (continued)

Gapyapı İnşaat A.Ş. ("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.

Varyap Varlıbaşlar Yapı Sanayi ve Turizm Yatırımları A.Ş- Gap İnşaat Yatırım ve Dış Ticaret A.Ş. Ortak Girişimi ("Varyap-Gap Ortak Girişimi")

Varyap-Gap Ortak Girişimi was founded on 14 April 2010 for the purpose of construction of "Metropol Istanbul" project and sharing revenue equally of the real estate sales with a joint agreement signed between Varyap Varlıbaşlar Yapı Sanayi ve Turizm Yatırımları Ticaret A.Ş. ("VARYAP") and Gap İnşaat with a participation rate of 50% equally. VARYAP ultimately shares revenue with Emlak Konut Gayrimenkul Yatırım Ortaklığı A.Ş. and get 56.85% portion of the total sales proceeds as the land was provided by Emlak Konut Gayrimenkul Yatırım Ortaklığı A.Ş..

1.3 Entities in textile segment

Company names	Type of partnership	Country
Balkan Dokuma TGPJ	Associate	Turkmenistan
Çalık Alexandria For Readymade Garments	Subsidiary	Egypt
Çalık Denim Tekstil Sanayi ve Ticaret A.Ş.	Subsidiary	Turkey
Gap Türkmen-Türkmenbaşı Jeans Kompleksi	Associate	Turkmenistan
Serdar Pamuk Egrigi Fabrigi ÇJB	Associate	Turkmenistan
Türkmenbaşı Tekstil Kompleksi	Associate	Turkmenistan

Balkan Dokuma TGPJ ("Balkan Dokuma")

Balkan Dokuma was established in 2000 for the purpose of manufacturing and marketing yarn.

Çalık Alexandria For Readymade Garments ("Çalık Alexandria")

Çalık Alexandria was established in 2006 in Egypt for the purpose of engaging in the business of manufacturing and marketing ready wear, yarn and textures.

Çalık Denim Tekstil Sanayi ve Ticaret A.Ş. ("Çalık Denim")

Çalık Denim, formerly known as Gap Güneydoğu Tekstil Sanayi ve Ticaret A.Ş., 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.

Gap Türkmen -Türkmenbaşı Jeans Kompleksi ("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.

Serdar Pamuk Egrigi Fabrigi ÇJB ("Serdar Pamuk") and Türkmenbaşı Tekstil Kompleksi ("TTK")

Serdar Pamuk and TTK were established in Turkmenistan for the purpose of producing denim fabric in textile industry.

ÇALIK HOLDİNG ANONİM ŞİRKETİ AND ITS SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2016

(AMOUNTS EXPRESSED IN THOUSANDS OF UNITED STATES DOLLAR ("USD") UNLESS OTHERWISE STATED.)

1 Reporting entity (continued)

1.4 Entities in marketing segment

Company name	Type of partnership	Country
Gap Pazarlama A.Ş.	Subsidiary	Turkey
Gap Pazarlama FZE Jebel Ali Free Zone	Subsidiary	UAE – Dubai
Gappa Textile Inc.	Subsidiary	USA
Synergy Marketing N.V.	Subsidiary	The Netherlands

Gap Pazarlama A.Ş. ("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 Jebel Ali Free Zone ("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 Textile Inc.

Gappa Textile Inc. was established to operate in the international markets for selling of the home textiles and ready-to-wear garments.

Synergy Marketing N.V.

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

1.5 Entities in telecommunication segment

Company name	Type of partnership	Country
Albtelecom Sh.a.	Subsidiary	Albania
Cetel Çalık Enerji Telekomünikasyon Hizmetleri A.Ş.	Subsidiary	Turkey
Cetel Telekom İletişim Sanayi ve Ticaret A.Ş.	Subsidiary	Turkey
Telemed Telekom A.Ş.	Subsidiary	Turkey

As at 31 December 2016, liquidation processes of Tasfiye Halinde Yenikom Telekomünikasyon Hizmetleri A.Ş. have been completed. The activities of the companies have been terminated.

Albtelecom Sh.a. ("Albtelecom")

Albtelecom was established in 1992 with a company name Albtelecom Telekomi Shqiptar and transformed into a joint-stock company on 23 February 1999. Until 28 September 2007, Government of Albania as represented by the Ministry of Economy, Trade and Energy was the sole shareholder of the company. As of 28 September 2007, CT Telecom Sh.a, a former subsidiary of Cetel Telekom İletişim Sanayi ve Ticaret A.Ş. ("Cetel Telekom") acquired 76% 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.

(AMOUNTS EXPRESSED IN THOUSANDS OF UNITED STATES DOLLAR ("USD") UNLESS OTHERWISE STATED.)

1 Reporting entity (continued)

1.5 Entities in telecommunication segment (continued)

Cetel Çalık Enerji Telekomünikasyon Hizmetleri A.Ş. ("Cetel Çalık")

Cetel Çalık was established in 2004 in Istanbul for the purpose of providing various services in the fields of telecommunication, communication, press, and internet.

Cetel Telekom

Cetel Telekom was established in 2007 in Istanbul. The principal activities are telecommunication, multimedia, internet and data transportation.

Telemed Telekom A.Ş. ("Telemed")

Telemed was established in 2010 for the purpose of providing all kind of services in the fields of telecommunication, communication, media, internet, and voice and data communication.

1.6 Entities in banking and finance segment

Company name	Type of partnership	Country
Aktif Yatırım Bankası A.Ş.	Subsidiary	Turkey
Albania Leasing Company	Associate	Albania
Banka Kombetare Tregtare Sh.a	Subsidiary	Albania
Çalık Finansal Hizmetler A.Ş.	Subsidiary	Turkey
Haliç Finansal Kiralama A.Ş.	Associate	Turkey
Kazakhistan Ijara Company KIC Leasing	Associate	Kazakhstan
Euro-Mediterranean Investment Company Limited	Associate	TRNC
Euroasian Leasing Company	Associate	Tatarstan-Russia
Mükafat Portföy Yönetimi A.Ş.	Subsidiary	Turkey
Sigortayeri Sigorta ve Reasürans Brokerliği A.Ş.	Subsidiary	Turkey

Aktif Yatırım Bankası A.Ş. ("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 A.Ş." from "Çalık Yatırım Bankası A.Ş." on 1 August 2008.

Albania Leasing Company ("Albania Leasing")

Main activity of Albania Leasing is financial leasing. As of the reporting date, Albania Leasing is non-operating.

Banka Kombetare Tregtare Sh.a ("BKT")

BKT was founded in 1998 by obtaining banking license and engages in banking activities in Albania.

Çalık Finansal Hizmetler A.Ş. ("Çalık Finansal Hizmetler")

Çalık Finansal Hizmetler was established in 2003 as Aktifbank's cooperation with Şekerbank T.A.Ş. and Çalık Holding for their projects of investing in domestic and foreign banks. In 2008, Çalık Holding acquired shares held by Şekerbank T.A.Ş..

ÇALIK HOLDİNG ANONİM ŞİRKETİ AND ITS SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2016

(AMOUNTS EXPRESSED IN THOUSANDS OF UNITED STATES DOLLAR ("USD") UNLESS OTHERWISE STATED.)

1 Reporting entity (continued)

1.6 Entities in banking and finance segment (continued)

Haliç Finansal Kiralama A.Ş. ("Haliç Leasing")

Haliç Leasing was established in 2004, in Turkey for the purpose of operating in financial leasing sector. 32% of the Haliç Leasing's shares were acquired by the Group on 11 October 2016.

Kazakhistan Ijara Company KIC Leasing ("Kazakistn Ijara")

Kazakhistan Ijara Company KIC Leasing was established in 2013, in Kazakhstan for the purpose of operating in financial leasing sector.

Euro-Mediterranean Investment Company Limited ("Euro-Mediterranean")

Euro-Mediterranean was established in 2015 for the purpose of portfolio management in Northern Cyprus Turkish Republic.

Euroasian Leasing Company ("ELC")

Euroasian Leasing Company was established in Tatarstan-Russia to provide leasing solutions to the SME sector in accordance with the Islamic principles.

Mükafat Portföy Yönetimi A.Ş. ("Mükafat Portföy")

Mükafat Portföy is established to operate in the field of portfolio management in 2016.

Sigortayeri Sigorta ve Reasürans Brokerlığı A.Ş. ("Sigortayeri")

Sigortayeri provides insurance products through the virtual and physical multi-channel structure that are shaped according to the needs of potential policyholders in order to operate insurance brokerage.

1.7 Entities in other segments

Company name	Type of partnership	Country
Aktif Yatırım Bankası Sukuk Varlık Kiralama A.Ş.	Associate	Turkey
Artmin Madencilik Sanayi ve Ticaret A.Ş.	Subsidiary	Turkey
Asset Aktif Sportif ve Sanatsal Etkinlik Hizmetleri Ticaret A.Ş.	Subsidiary	Turkey
Çalık Hava Taşımacılık Turizm Sanayi ve Ticaret A.Ş.	Subsidiary	Turkey
Dore Altın ve Madencilik A.Ş.	Subsidiary	Turkey
E-Kent Elektronik Ücret Toplama Sistemleri A.Ş.	Subsidiary	Turkey
Echo Bilgi Yönetim Sistemleri A.Ş.	Subsidiary	Turkey
Emlak Girişim Danışmanlığı A.Ş.	Subsidiary	Turkey
E-Post Elektronik Perakende Otomasyon Satış ve Ticaret A.Ş.	Subsidiary	Turkey
IFM İstanbul Finans Merkezi İnşaat Taahhüt A.Ş.	Associate	Turkey
Kartaltepe Madencilik Sanayi ve Ticaret A.Ş.	Joint venture	Turkey
Lidya Madencilik Sanayi ve Ticaret A.Ş.	Subsidiary	Turkey
N-Kolay Ödeme Kuruluşu A.Ş.	Subsidiary	Turkey
Pavo Teknik Servis Elektrik ve Elektronik Sanayi ve Ticaret A.Ş.	Subsidiary	Turkey
Polimetal Madencilik Sanayi ve Ticaret A.Ş.	Joint venture	Turkey
Polimetal Mineral Madencilik Sanayi ve Ticaret A.Ş.	Subsidiary	Turkey
Tunçpınar Madencilik Sanayi ve Ticaret A.Ş.	Joint venture	Turkey
Tura Madencilik A.Ş.	Subsidiary	Turkey
UPT Ödeme Hizmetleri A.Ş.	Subsidiary	Turkey

1 Reporting entity (continued)

1.7 Entities in other segments (continued)

Aktif Yatırım Bankası Sukuk Varlık Kiralama A.Ş. ("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.

Artmin Madencilik Sanayi ve Ticaret A.Ş. ("Artmin Madencilik")

Artmin Madencilik (formerly known as AMG mineral Madencilik A.Ş.) 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%.

Asset Aktif Sportif ve Sanatsal Etkinlik Hizmetleri Ticaret A.Ş. ("Asset Aktif")

Asset Aktif was established in 2014 in Istanbul for the purpose of providing ticket sale and organization management for football and art activities.

Çalık Hava Taşımacılık Turizm Sanayi ve Ticaret A.Ş. ("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.

Dore Altın ve Madencilik A.Ş. ("Dore Altın")

Dore Altın 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.

E-Kent Elektronik Ücret Toplama Sistemleri A.Ş. ("E-Kent")

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.

Echo Bilgi Yönetim Sistemleri A.Ş. ("Echo")

Echo was established in Istanbul in 2016 to provide services in the field of software, hardware and information.

Emlak Girişim Danışmanlığı A.Ş. ("Emlak Girişim")

Emlak Girişim engages in real estate projects, structures and systems, and in this regard makes active counseling and guidance.

E-Post Elektronik Perakende Otomasyon Satış ve Ticaret A.Ş. ("E-Post")

E-Post was established in 2009 in Istanbul for the purpose of providing tailor-made postcard designing services.

IFM İstanbul Finans Merkezi İnşaat Taahhüt A.Ş. ("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.

ÇALIK HOLDİNG ANONİM ŞİRKETİ AND ITS SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2016

(AMOUNTS EXPRESSED IN THOUSANDS OF UNITED STATES DOLLAR ("USD") UNLESS OTHERWISE STATED.)

1 Reporting entity (continued)

1.7 Entities in other segments (continued)

Kartaltepe Madencilik Sanayi ve Ticaret A.Ş. ("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 A.Ş. ("Lidya Maden") and YAMAS with an ownership structure of 50% and 50%, respectively.

Lidya Madencilik Sanayi ve Ticaret A.Ş. ("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.

N-Kolay Ödeme Kuruluşu A.Ş. ("N-Kolay")

N-Kolay was established in 2014 in Istanbul for the purpose of providing bill payment point service to its customers.

Pavo Teknik Servis Elektrik ve Elektronik Sanayi ve Ticaret A.Ş. ("Pavo")

Pavo operates in the area of new generation payment recorders import, manufacture, sales and technical services.

1.8 Entities in other segments

Polimetal Madencilik Sanayi ve Ticaret A.Ş. ("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% and 50%, respectively.

Polimetal Mineral Madencilik Sanayi ve Ticaret A.Ş. ("Polimetal Mineral")

Polimetal Mineral was established on 15 November 2016 to explore, develop and operate all kinds of mines.

Tunçpınar Madencilik Sanayi ve Ticaret A.Ş. ("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% and 50%, respectively.

Tura Madencilik A.Ş. ("Tura")

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

UPT Ödeme Hizmetleri A.Ş. ("UPT")

UPT was established for the purpose of electronic money transfer and payment services.

(AMOUNTS EXPRESSED IN THOUSANDS OF UNITED STATES DOLLAR ("USD") UNLESS OTHERWISE STATED.)

2 Basis of preparation

a) Statement of compliance

Çalık Holding entities operating in Turkey maintain their books of account and prepare their statutory financial statements in Turkish Lira ("TL") in accordance with the Accounting Practice Regulations as promulgated by the Banking Regulatory and Supervision Agency ("BRSA") (applicable to the financial institutions), Turkish Uniform Chart of Accounts, Turkish Commercial Code and Tax Legislation.

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

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

b) Preparation of financial statements

The consolidated financial statements were approved by the Group management on 13 March 2017. Çalık Holding's General Assembly and the other regulatory bodies have the power to amend the consolidated financial statements which after their issue.

c) Basis of measurement

The consolidated financial statements have been prepared on the historical cost basis and for the Group's Turkish entities as adjusted for the effects of inflation that lasted by 31 December 2005, except for the followings:

- derivative financial instruments are measured at fair value,
- available-for-sale financial assets 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

The accompanying consolidated financial statements are presented in United States Dollar ("USD") whereas the Group's functional currency is Turkish Lira ("TL"). 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	
	2016	2015	2016	2015
TL/USD	3,0181	2,7200	3,5192	2,9076

ÇALIK HOLDİNG ANONİM ŞİRKETİ AND ITS SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2016

(AMOUNTS EXPRESSED IN THOUSANDS OF UNITED STATES DOLLAR ("USD") UNLESS OTHERWISE STATED.)

2 Basis of preparation (continued)

e) Use of estimates and judgements

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

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

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

- Note 3 (e) and (f) – Useful lives of property and equipment and intangible assets including goodwill
- Note 9 – Financial investments
- Note 10– Trade receivables and payables
- Note 14 – Prepayments and deferred revenue
- Note 18 – Investment property
- Note 22 – Derivatives
- Note 24 – Provisions
- Note 26 – Taxation
- Note 34 – Financial instruments – Fair values and risk management (including fair value explanations)

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. If the changes in accounting estimates are related with a period, they are applied in the period they are related with and if the changes are related with the future periods, they are applied both in the period the change is made and prospectively in the future periods.

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

Business combinations are accounted for using the acquisition method as at the acquisition date, which is the date on which control is transferred to the Group.

In assessing control, the Group takes into consideration potential voting rights that are currently exercisable.

The Group measures goodwill at the acquisition date as:

- the fair value of the consideration transferred; plus
- the recognised amount of any non-controlling interests in the acquiree; plus
- if the business combination is achieved in stages, the fair value of the pre-existing equity interest in the acquiree; less
- the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed.

When the excess is negative, a bargain purchase gain is recognised immediately in profit or loss.

3 Significant accounting policies (continued)

a) Basis of consolidation (continued)

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts generally are recognised in profit or loss.

Transactions costs, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred.

Any contingent consideration payable is measured at fair value at the acquisition date. If the contingent consideration is classified as equity, it is not remeasured and settlement is accounted for within equity. Otherwise, subsequent changes to the fair value of the contingent consideration are recognised in profit or loss.

ii) Non-controlling interests

The Group measures any non-controlling interests in the acquiree at their proportionate share of the acquiree's identifiable net assets, which are generally at fair value.

Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as transactions with owners in their capacity as owners. Adjustments to non-controlling interests are based on a proportionate amount of the net assets of the subsidiary. No adjustments are made to goodwill and no gain or loss is recognised in profit or loss.

iii) Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls a business when exposure, or rights, to variable returns due to its involvement with the investee and the ability to use its power over the investee to affect the amount of the investor's returns. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

The accounting policies of subsidiaries have been changed when necessary to align them with the policies adopted by the Group.

iv) Loss of control

On the loss of control, the Group derecognises the assets and liabilities of the subsidiary, any non-controlling interests and the other components of equity related to the subsidiary. Any surplus or deficit arising on the loss of control is recognised in profit or loss. If the Group retains any interest in the previous subsidiary, then such interest is measured at fair value at the date that control is lost.

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)

Associates are those entities in which the Group has significant influence, but not control or joint control, over the financial and operating policies. Significant influence is presumed to exist when the Group holds between 20% and 50% of the voting power of another entity. Investments in associates are accounted for using the equity method and are initially recognised at cost. The cost of investments includes transaction costs.

ÇALIK HOLDİNG ANONİM ŞİRKETİ AND ITS SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2016

(AMOUNTS EXPRESSED IN THOUSANDS OF UNITED STATES DOLLAR ("USD") UNLESS OTHERWISE STATED.)

3 Significant accounting policies (continued)

a) Basis of consolidation (continued)

The consolidated financial statements include the Group's share of profit and loss and other comprehensive income of associates, after adjustments to align the accounting policies with those of the Group, from the date that significant influence commences until the date that significant influence ceases.

When the Group's share of losses exceeds its interest in an associates, the carrying amount of that interest, 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.

vii) Joint arrangements

Joint arrangements are arrangements of which the Group has joint control, established by contracts requiring unanimous consent for decisions about the activities that significantly affect the arrangements' returns. They are classified and accounted for as follows:

- Joint operation – when the Group has rights to the assets, and obligations for the liabilities, relating to an arrangement, it accounts for each of its assets, liabilities and transactions, including its share of those held or incurred jointly, in relation to the joint operation.
- Joint venture (equity-accounted investees) – when the Group has rights only to the net assets of the arrangements, it accounts for its interest using the equity method.

The accompanying consolidated financial statements include the Group's share of the profit or loss and other comprehensive income of joint ventures, after adjustments to align the accounting policies with those of the Group, from the date that joint control commences until the date that joint control ceases.

When the Group's share of losses exceeds its interest in an joint venture, the carrying amount of the investment, including any long-term interests that form part thereof, is reduced to zero, and the recognition of further losses is discontinued except to the extent that the Group has an obligation or has made payments on behalf of the investee.

viii) Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealised gains arising from transactions with equity accounted investees are eliminated against the investment to the extent of Group's interest in the investee.

Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment. Carrying value of shares owned by the Group and dividends arising from these shares has been eliminated in equity and profit or loss accounts.

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

(AMOUNTS EXPRESSED IN THOUSANDS OF UNITED STATES DOLLAR ("USD") UNLESS OTHERWISE STATED.)

3 Significant accounting policies (continued)

b) Foreign currency

i) Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of Group entities at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between the amortised cost in the functional currency at the beginning of the year, adjusted for effective interest and payments during the year, and the amortised cost in foreign currency translated at the exchange rate at the end of the year.

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Non-monetary items in a foreign currency that are measured in terms of historical cost are translated using the exchange rate at the date of the transaction. Foreign currency differences arising on retranslation are recognised in profit or loss, except for differences arising on the retranslation of available-for-sale equity instruments (except on impairment in which case foreign currency differences that have been recognised in other comprehensive income 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; or qualifying cash flow hedges to the extent the hedge is effective.

The following significant foreign exchange rates are applied as at 31 December 2016 and 31 December 2015 are as follows:

	31 December 2016	31 December 2015
Euro / TL	3,7099	3,1776
USD / TL	3,5192	2,9076

ii) Foreign operations

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

Foreign currency differences are recognised in other comprehensive income, and presented in the foreign currency translation reserve (translation reserve) in equity. However, if the foreign operation is a non-wholly-owned subsidiary, then the relevant proportion of the translation difference is allocated to the non-controlling interests. When a foreign operation is disposed of such that control, significant influence or joint control is lost, the cumulative amount in the translation reserve related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal. When the Group disposes of only part of its interest in a subsidiary that includes a foreign operation while retaining control, the relevant proportion of the cumulative amount is reattributed to non-controlling interests.

When the Group disposes of only part of its investment in an associate or joint venture that includes a foreign operation while retaining significant influence or joint control, the relevant proportion of the cumulative amount is reclassified to profit or loss.

When the settlement of a monetary item receivable from or payable to a foreign operations is neither planned nor likely in the foreseeable future, foreign exchange gains and losses arising from such a monetary item are considered to form part of a net investment in a foreign operation and are recognised in other comprehensive income, and presented within equity in the translation reserve.

c) Financial instruments (continued)

i) Non-derivative financial assets

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.

ÇALIK HOLDİNG ANONİM ŞİRKETİ AND ITS SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2016

(AMOUNTS EXPRESSED IN THOUSANDS OF UNITED STATES DOLLAR ("USD") UNLESS OTHERWISE STATED.)

3 Significant accounting policies (continued)

c) Financial instruments (continued)

i) Non-derivative financial assets (continued)

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.

Financial assets and liabilities are offset and the net amount is presented in the consolidated statement of financial position when, and only when, the Group has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

The Group classifies non-derivative financial assets into the following categories: financial assets at fair value through profit or loss, held to maturity financial assets,loans and receivables, and available-for-sale financial assets.

Financial assets at fair value through profit or loss

A financial asset is classified at fair value through profit or loss if it is classified as held for trading or is designated as such upon initial recognition. These include investments in equity instruments. Financial assets are designated at fair value through profit or loss if the Group manages such investments and makes purchase and sale decisions based on their fair value in accordance with the Group's risk management or investment strategy. Upon initial recognition attributable transaction costs are recognised in profit or loss as incurred. Financial assets at fair value through profit or loss are measured at fair value and changes therein, which takes into account any dividend income, are recognised in profit or loss.

Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition loans and receivables are measured at amortised cost using the effective interest method, less any impairment losses. Loans and receivables comprise trade receivables including service concession receivables and due from customers for contract work, receivables related to finance sector operations (including banking loans and advances to banks and customers and finance lease receivables) and other receivables.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances, bank deposits and other liquid assets with original maturities of three months or less from the acquisition date that are subject to an insignificant risk of changes in their fair value.

Service concession arrangements

According to the "Transfer of Operating Rights Agreement" ("TORA") signed between Türkiye Elektrik Dağıtım A.Ş. ("TEDAŞ") and YEDAŞ on 24 July 2006, the operating rights on the distribution installations and other items related thereto were transferred to YEDAŞ for a consideration of TL 105.599 . TORA consideration has been amortized by adding to revenue cap during the first tariff period (2006-2010). As at 31 December 2016, the aforementioned TORA consideration amount has been fully amortised.

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.

3 Significant accounting policies (continued)

c) Financial instruments (continued)

i) Non-derivative financial assets (continued)

Under the terms of this agreement within in the scope of IFRIC 12, the Group acts as an electricity distributor and constructs or upgrades infrastructure used to provide a public service and operates and maintains that infrastructure for a specified period of time. There have been no changes in the structure of the agreement in the current year.

The Group recognises a financial asset arising from a service concession arrangement when it has an unconditional contractual right to receive cash or another financial asset from or at the discretion of the grantor for the construction or upgrade of the services provided.

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

Parameters related to operating rights resulting from "Distribution and Retail Sales License" which YEDAŞ owns via TORA are updated by EMRA committee decisions during the five year implementation periods. As of 31 December 2016, YEDAŞ fulfilled its obligations related to the license for services which was privatised at 24 July 2006, including the first implementation period between 2006 and 2010 and the second implementation period which covers the years 2011 and 2015.

Rights related to second implementation period were announced by EMRA Committee Decision (Decision No: 2991) at 28 December 2010. Rights which will be applicable for the third implementation period between 2016 and 2021 were announced by EMRA with its committee decision dated 30 December 2015 and numbered 6033-1.

YEDAŞ's revenues and costs are subject to EMRA regulations. Income requirements of YEDAŞ are determined by EMRA and adjusted if necessary for the differences of revenue items approved by EMRA In case of income items remain below or above the income requirement determined by EMRA, such differences may or may not be subject to adjusment, depending on the nature of the income. Currently adjusted revenue requirement for 5 years periods; The operating expenses required by YEDAŞ, the amortisation of its investment expenditures Alternative investment costs for not amortisation investment amounts, includes taxes deducted or added to income to compensate for periodical deviations resulting from tax applications. Over the years, revenue requirements and adjusment are calculated by updating with the Energy Market Index ("EMI").

YEDAŞ recognises and measures its revenue in accordance with IAS 18 "Revenue" for the services provided.

Finance lease receivables

Leases where the entire risks and rewards incident to ownership of an asset are substantially transferred to the lessee are classified as finance leases. A receivable at an amount equal to the present value of the lease payments, including any guaranteed residual value, is recognised. The difference between the gross receivable and the present value of the receivable is unearned finance income and is recognised over the term of the lease using the effective interest rate method. Finance lease receivables are included in receivables related to finance sector operations.

Held to maturity financial assets

If the Group has the positive intent and ability to hold debt securities to maturity, then such financial assets are classified as held-to-maturity. Held-to-maturity financial assets are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, held to maturity financial assets are measured at amortised cost using the effective interest method less and impairment losses.

ÇALIK HOLDİNG ANONİM ŞİRKETİ AND ITS SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2016

(AMOUNTS EXPRESSED IN THOUSANDS OF UNITED STATES DOLLAR ("USD") UNLESS OTHERWISE STATED.)

3 Significant accounting policies (continued)

c) Financial instruments (continued)

i) Non-derivative financial assets (continued)

Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are designated as available-for-sale and that are not classified in loans and receivables, at fair value through profit or loss and held to maturity of financial assets. The Group's investments in certain debt and equity instruments are classified as available-for-sale financial assets. Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses and foreign currency differences on available-for-sale equity instruments, are recognised in other comprehensive income and presented within equity in the fair value reserve, except that any instrument that does not have a quoted market price in an active market and whose fair value cannot be reliably measured is stated at cost. When an instrument is derecognised, the cumulative gain or loss in other comprehensive income is transferred to profit or loss.

Other

Other non-derivative financial assets are measured at amortised cost using the effective interest rate method, less any impairment losses.

ii) Non-derivative financial liabilities

The Group initially recognises all financial liabilities on the trade date, which is the date that the Group becomes a party to the contractual provisions of the instrument.

The Group derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire.

Financial assets and liabilities are offset and the net amount is presented in the consolidated statement of financial position when, and only when, the Group has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

The Group classifies non-derivative financial liabilities into other financial liabilities which mainly are comprises of loans and borrowings, trade payables, payables related to finance sector operations, payables related to employee benefits and other payables.

Such financial liabilities are recognised initially at fair value less any directly attributable transaction costs. Subsequent to initial recognition these financial liabilities are measured at amortised cost using the effective interest method.

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.

iii) Derivative financial instruments

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 economic characteristics and risks of the host contract and the embedded derivative are not closely related, a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative, and the combined instrument is not measured at fair value through profit or loss.

3 Significant accounting policies (continued)

c) Financial instruments (continued)

iii) Derivative financial instruments (continued)

The Group does not engage in derivative contracts qualified for hedge accounting. Therefore, on initial recognition, derivatives are recognised initially at fair value; attributable transaction costs are recognised in profit or loss as incurred. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are accounted in profit or loss as incurred.

iv) Share capital

Ordinary shares

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares are recognised as a deduction from equity, net of any tax effects.

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

The costs of items of property, plant and equipment of Çalık Group's Turkish entities purchased before 31 December 2005 are restated for the effects of inflation in TL units current at 31 December 2005 pursuant to IAS 29. Property, plant and equipment purchased after this date are recognised at their historical cost. Accordingly, property, plant and equipment of the Group are carried at costs, less accumulated depreciation and impairment losses, if any.

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.

ÇALIK HOLDİNG ANONİM ŞİRKETİ AND ITS SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2016

(AMOUNTS EXPRESSED IN THOUSANDS OF UNITED STATES DOLLAR ("USD") UNLESS OTHERWISE STATED.)

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 as investment property. Property that is being constructed for future use as investment property is accounted for at fair value. Any gain arising on 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 other comprehensive income and presented in the revaluation reserve in equity. Any loss is recognised immediately in profit or loss.

iii) Subsequent costs

Subsequent expenditure is capitalised only when it is probable that the future economic benefits associated with the expenditure will flow to the Group. Ongoing repairs and maintenance is expensed as incurred.

iv) Depreciation

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

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

The estimated useful lives for the current and comparative years of significant items of property and equipment 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

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

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

f) Intangible assets and goodwill

i) Goodwill

Goodwill that arises on the acquisition of subsidiaries is presented with intangible assets. For the measurement of goodwill at initial recognition, see Note 3 a) i).

3 Significant accounting policies (continued)

f) Intangible assets and goodwill (continued)

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

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

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

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

ÇALIK HOLDİNG ANONİM ŞİRKETİ AND ITS SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2016

(AMOUNTS EXPRESSED IN THOUSANDS OF UNITED STATES DOLLAR ("USD") UNLESS OTHERWISE STATED.)

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.

j) Impairment

i) Non-derivative financial assets

A financial asset not classified as at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset, and that the loss event(s) had an impact on the estimated future cash flows of that asset that can be estimated reliably. Objective evidence that financial assets are impaired can include 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 will enter bankruptcy, adverse changes in the payment status of borrowers or issuers in the Group, economic conditions that correlate with defaults or the disappearance of an active market for a security. In addition, for an investment in an equity security, a significant or prolonged decline in its fair value below its cost is objective evidence of impairment.

3 Significant accounting policies (continued)

j) Impairment (continued)

i) Non-derivative financial assets (continued)

Available-for sale financial assets

Impairment losses on available-for-sale investment securities are recognised by reclassifying the cumulative loss that has been recognised in other comprehensive income, and presented in the fair value reserve in equity, to profit or loss. The cumulative loss that is reclassified from other comprehensive income and recognised in profit or loss is 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. Changes in cumulative impairment losses attributable to application of the effective interest method are reflected as a component of interest income.

If, in a subsequent period, the fair value of an impaired available-for-sale debt security increases and the increase can be related objectively to an event occurring after the impairment loss was recognised, then the impairment loss is reversed, by the amount of the reversal recognised in profit or loss. However, any subsequent recovery in the fair value of an impaired available-for-sale equity security is recognised in other comprehensive income.

For an investment in unquoted equity instruments carried at cost because their fair value cannot be measured reliably, impairment losses is not reversed.

Financial assets measured at amortised cost

The Group considers evidence of impairment for these assets at both an individual asset and a collective level. All individually significant assets are individually assessed for impairment. Those found not to be impaired are then collectively assessed for any impairment that has been incurred but not yet individually identified. Assets that are not individually significant are collectively assessed for impairment.

Collective assessment is carried out by grouping together assets with similar risk characteristics. In assessing collective impairment, the Group uses historical information on the timing of recoveries and the amount of loss incurred, and makes an adjustment if current economic and credit conditions are such that the actual losses are likely to be greater or lesser than suggested by historical trends.

Loans and receivables

The recoverable amounts of loans and receivables are calculated as the present value of the expected future cash flows discounted at the instruments' original effective interest rates. Short-term balances are not discounted.

Specific allowances are made against the carrying amounts of loans and receivables that are identified as being impaired based on regular reviews of outstanding balances to reduce these assets to their recoverable amounts. In assessing the recoverable amounts of the assets, the estimated future cash flows are discounted to their present value. Portfolio basis allowances are maintained to reduce the carrying amount of portfolios of similar assets to their estimated recoverable amounts at the reporting date. Increases in the allowance account are recognised in profit or loss. If, in a subsequent period, the amount of impairment loss decreases and the decrease can be linked objectively to an event occurring after the write down, the write-down or allowance is reversed through profit or loss.

An impairment loss is 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 are recognised in profit or loss and reflected in an allowance account. When the Group considers that there are no realistic prospects of recovery of the asset, the relevant amounts are written off. If the amount of impairment loss subsequently decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, then the previously recognised impairment loss is reversed through profit or loss.

ÇALIK HOLDİNG ANONİM ŞİRKETİ AND ITS SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2016

(AMOUNTS EXPRESSED IN THOUSANDS OF UNITED STATES DOLLAR ("USD") UNLESS OTHERWISE STATED.)

3 Significant accounting policies (continued)

j) Impairment (continued)

ii) Non-financial assets

The carrying amounts of the Group's non-financial assets, other than investment property, inventories and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. An impairment loss is recognised if the carrying amount of an asset or its related cash-generating unit ("CGU") exceeds its recoverable amount.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU. For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGUs. Subject to an operating segment ceiling test, CGUs to which goodwill has been allocated are aggregated so that the level at which impairment testing is performed reflects the lowest level at which goodwill is monitored for internal reporting purposes. Goodwill acquired in a business combination is allocated to groups of CGUs that are expected to benefit from the synergies of the combination.

Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the CGU (group of CGUs), and then to reduce the carrying amounts of the other assets in the CGU (group of CGUs) on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. For other assets, an impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

Equity-accounted investees

An impairment loss in respect of an equity-accounted investee is measured by comparing the recoverable amount of the investment with its carrying amount. An impairment loss is recognised in profit or loss, and is reversed if there has been a favourable change in the estimates used to determine the recoverable amount.

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 or distribution rather than through continuing use.

Immediately before classification as held for sale, the assets, or components of a disposal group, are remeasured in accordance with the Group's accounting policies. Thereafter generally the assets, or disposal group, are 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 pro rata basis, except that no loss is allocated to inventories, financial assets and deferred tax assets, which continue to be measured in accordance with the Group's accounting policies. Impairment losses on initial classification as held for sale and subsequent gains and losses on remeasurement are recognised in profit or loss. Gains are not recognised in excess of any cumulative impairment loss.

Once classified as held for sale, intangible assets and property, plant and equipment are not amortised or depreciated, and equity accounted investee is no longer equity accounted.

3 Significant accounting policies (continued)

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 1,22 and USD 1,31 (equivalent to TL 4,30 and TL 3.83, respectively) at 31 December 2016 and 2015, respectively.

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

Income ceiling calculation for the Group's entities holding electricity distribution and retail sale license per the service concession agreement is updated yearly in accordance with EMRA decision No. 2991 dated 28 December 2010 in order to compensate the expenditures (such as employee benefit costs) relevant to the operations performed under these licenses as they incurred. Accordingly, the employee severance indemnity amounting to USD 1.709 (31 December 2015: USD 1.797) 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 not recognised any actuarial differences on reserve for employee severance indemnity in other comprehensive income.

Reserve for employee severance indemnity is not subject to any statutory funding.

Obligations for contributions to defined contribution pension plans are recognised as an expense in profit or loss when they are due. The Group's banking subsidiary in Albania makes compulsory social security contributions that provide pension benefits for employees upon retirement. The local authorities are responsible for providing the legally set minimum threshold for pensions in Albania under a defined contribution pension plan.

iii) 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% 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% of their state monthly pension until the accumulated fund for the employee is consumed.

ÇALIK HOLDİNG ANONİM ŞİRKETİ AND ITS SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2016

(AMOUNTS EXPRESSED IN THOUSANDS OF UNITED STATES DOLLAR ("USD") UNLESS OTHERWISE STATED.)

3 Significant accounting policies (continued)

l) Employee benefits (continued)

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% 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.

iv) Vacation pay liability

Short-term employee benefit obligations are consisting of reserve for the vacation pay liability due to the earned and unused vacation rights of its employees of the Group's Turkish entities, and measured on an undiscounted basis and are recognised in profit or loss as the related service is provided.

m) Provisions

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

i) Provisions for EMRA regulations

In case of incompliance with the Electricity Market Act numbered 6446 which is effective after the publication on the Official Gazette dated 30 March 2013, numbered 28603 as well as with the regulations and communiqués promulgated by EMRA, EMRA sends a letter notifying the reason and related penalty fee with payment maturity to the Group. Although these penalties generally are paid in advance, some payments could be delayed until the final confirmation is reached in case of disagreement with EMRA. Based on the final conclusions of the legal department of the Group and assumption/analysis made by the Group management, required provision is made on the consolidated statement of the financial position when the notification is received.

iii) Onerous contracts

A provision for onerous contracts is recognised when the expected benefits to be derived by the Group from a contract are lower than the unavoidable cost of meeting its obligations under the contract. The provision is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract. Before a provision is established, the Group recognises any impairment loss on the assets associated with that contract.

3 Significant accounting policies (continued)

n) Revenue

i) Construction contracts and real estate business

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.

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.

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.

ÇALIK HOLDİNG ANONİM ŞİRKETİ AND ITS SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2016

(AMOUNTS EXPRESSED IN THOUSANDS OF UNITED STATES DOLLAR ("USD") UNLESS OTHERWISE STATED.)

3 Significant accounting policies (continued)

n) Revenue (continued)

ii) Energy business (continued)

Transmission system utilisation

The transmission tariff is prepared by the 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.

3 Significant accounting policies (continued)

n) Revenue (continued)

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.

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.

ÇALIK HOLDİNG ANONİM ŞİRKETİ AND ITS SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2016

(AMOUNTS EXPRESSED IN THOUSANDS OF UNITED STATES DOLLAR ("USD") UNLESS OTHERWISE STATED.)

3 Significant accounting policies (continued)

n) Revenue (continued)

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.

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.

q) Leases

i) Leased assets

Leases in terms of which the Group assumes substantially all the risks and rewards of ownership are classified as finance leases. On initial recognition, the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

3 Significant accounting policies (continued)

q) Leases(continued)

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.

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.

r) 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.

s) 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.,

ÇALIK HOLDİNG ANONİM ŞİRKETİ AND ITS SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2016

(AMOUNTS EXPRESSED IN THOUSANDS OF UNITED STATES DOLLAR ("USD") UNLESS OTHERWISE STATED.)

3 Significant accounting policies (continued)

t) 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.

u) 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 the following temporary differences: the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss, and differences relating to investments in subsidiaries, joint arrangements and associates to the extent that it is probable that they will not reverse in the foreseeable future. In addition, deferred tax is not recognised for taxable temporary differences arising on the initial recognition of goodwill.

The measurement of deferred tax reflects the tax consequences that would follow the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities. For investment property that is measured at fair value, the presumption that the carrying amount of the investment property will be recovered through sale has not been rebutted.

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

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity.

A deferred tax asset is recognised for unused tax losses, tax credits and deductable temporary differences, to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Deferred taxes related to fair value measurement of available for sale assets are charged or credited to equity and subsequently recognised in profit or loss together with the deferred gains that are realised.

Tax exposures

In determining the amount of current and deferred tax the Group takes into account the impact of uncertain tax positions and whether additional taxes and interest may be due. The Group believes that its accruals for tax liabilities are adequate for all open tax years based on its assessment of many factors, including interpretations of tax law and prior experience. This assessment relies on estimates and assumptions and may involve a series of judgements about future events. New information may become available that causes the Group to change its judgement regarding the adequacy of existing tax liabilities; such changes to tax liabilities will impact tax expense in the period that such a determination is made.

3 Significant accounting policies (continued)

u) Income tax (continued)

Transfer pricing in Turkey

Transfer pricing is disclosed in the 13th clause of the Corporate Tax Law under the heading "veiled shifting of profit" via transfer pricing. The application details are stated in the "general communiqué regarding veiled shifting of profits via transfer pricing" published on 18 November 2007.

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

The provisions concerning to the "thin capitalisation" are stated in the Article 12 of new corporate tax law issued by Ministry of Finance of Turkey. According to the Article 12, if the borrowings obtained directly or indirectly from the shareholders of the companies or persons related to shareholders exceeds three times of the shareholders' equity of the company operating in Turkey at any time during the related year, the exceeding portion of the borrowing will be treated as thin capital.

The financial borrowings were regarded as thin capitalisation provided with:

- The borrowings obtained directly or indirectly from the shareholders of the companies or persons related to shareholders
- Used for/in the entity
- Borrowings exceeds three times of the shareholders' equity of the company at any time during the related year.

v) 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.

y) 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.

z) 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.

ÇALIK HOLDİNG ANONİM ŞİRKETİ AND ITS SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2016

(AMOUNTS EXPRESSED IN THOUSANDS OF UNITED STATES DOLLAR ("USD") UNLESS OTHERWISE STATED.)

3 Significant accounting policies (continued)

aa) 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.

ab) 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.

ac) Related parties

Parties are considered related to the Group if:

(a) Directly, or indirectly through one or more intermediaries, the party:

  (i) controls, is controlled by, or is under common control with the Group (this includes parent, subsidiaries and fellow subsidiaries);
  (ii) has an interest in the Group that gives it significant influence over the Group; or
  (iii) has joint control over the Group;

(b) the party is an associate of the Group;
(c) the party is a joint venture/operation in which the Group is a venturer;
(d) the party is member of the key management personnel of the Group and its parent;
(e) the party is a close member of the family of any individual referred to in (a) or (d);
(f) the party is an entity that is controlled or significantly influenced by, or for which significant voting power in such entity resides with directly or indirectly, any individual referred to in (d) or (e);
(g) the party is a post-employment benefit plan for the benefit of employees of the Group, or of any entity that is a related party of the Group.

A related party transaction is a transfer of resources, services or obligations between related parties, regardless of whether a price is charged.

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

3 Significant accounting policies (continued)

ad) New standards and interpretations not yet adopted

A number of new standards, amendments to standards and interpretations are not yet effective for the year ended 31 December 2016, and have not been applied in preparing these consolidated financial statements.

IFRS 9 Financial Instruments – Classification and measurement

As amended in December 2012, the new standard is effective for annual periods beginning on or after 1 January 2018. Phase 1 of this new IFRS 9 introduces new requirements for classifying and measuring financial assets and liabilities. The amendments made to IFRS 9 will mainly affect the classification and measurement of financial assets and measurement of fair value option ("FVO") liabilities and requires that the change in fair value of a FVO financial liability attributable to credit risk is presented under other comprehensive income. Early adoption is permitted. The Group is in the process of assessing the impact of the standard on the consolidated financial position or performance of the Group.

IFRS 15 Revenue from Contracts with customers

The standard replaces existing IFRS and US GAAP guidance and introduces a new control-based revenue recognition model for contracts with customers. In the new standard, total consideration measured will be the amount to which the Company expects to be entitled, rather than fair value and new guidance have been introduced on separating goods and services in a contract and recognizing revenue over time. The standard is effective for annual periods beginning on or after 1 January 2018, with early adoption permitted under IFRS. The Group is in the process of assessing the impact of the amendment on the consolidated financial position or performance of the Group.

IFRS 16 Leases

On 13 January 2016, IASB published 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 change IAS 40 Investment Properties. IFRS 16 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. The standard 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 in the process of assessing the impact of the amendment on the consolidated financial position or performance of the Group.

IFRIC 22 – Foreign Currency Transactions and Advance Consideration

The amendments clarifies the accounting for transactions that include the receipt or payment of advance consideration in a foreign currency. The Interpretation covers foreign currency transactions when an entity recognizes a non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration before the entity recognizes the related asset, expense or income. The date of the transaction, for the purpose of determining the exchange rate, is the date of initial recognition of the non-monetary prepayment asset or deferred income liability. If there are multiple payments or receipts in advance, a date of transaction is established for each payment or receipt. The amendment is effective for annual reporting periods beginning on or after 1 January 2018 with earlier application is permitted. The Group is in the process of assessing the impact of the amendment on the consolidated financial position or performance of the Group.

ÇALIK HOLDİNG ANONİM ŞİRKETİ AND ITS SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2016

(AMOUNTS EXPRESSED IN THOUSANDS OF UNITED STATES DOLLAR ("USD") UNLESS OTHERWISE STATED.)

3 Significant accounting policies (continued)

ad) New standards and interpretations not yet adopted (continued)

Amendments to IAS 7 Statement of Cash Flows – Disclosure Initiative

IAS 7 Statement of Cash Flows has been amended as part of the IASB's broader disclosure initiative to improve presentation and disclosure in financial statements. The amendments will require disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flow and non-cash changes. The amendments are effective for periods beginning on or after 1 January 2017, with earlier application permitted. The Group is in the process of assessing the impact of the amendment on the consolidated financial position or performance of the Group.

Amendments to IAS 12 Income Taxes– Recognition of Deferred Tax Assets for Unrealized Losses

The amendments clarify that the existence of a deductible temporary difference depends solely on a comparison of the carrying amount of an asset and its tax base at the end of the reporting period, and is not affected by possible future changes in the carrying amount or expected manner of recovery of the asset. The amendments are effective for annual periods beginning on or after 1 January 2017. The Group is in the process of assessing the impact of the amendment on the consolidated financial position or performance of the Group.

Amendments to IFRS 2 – Classification and Measurement of Share-based Payment Transactions

IFRS 2 Share-Based Payment has been amended by IASB to improving consistency and resolve some long-standing ambiguities in share-based payment accounting. The amendments cover three accounting areas: i) measurement of cash-settled share-based payments, ii) classification of share-based payments settled net of tax withholdings; and iii) accounting for modification of a share-based payment from cash-settled to equity-settled. Also, same approach has been adopted for the measurement of cash-settled share-based payments as equity-settled share-based payments. If certain conditions are met, share-based payments settled net of tax withholdings are accounted for as equity-settled share-based payments. The amendments are effective for periods beginning on or after 1 January 2018, with earlier application permitted. The Group does not expect that these amendments will have significant impact on the consolidated financial position or performance of the Group.

IAS 40 – Transfers of Investment Property

Amendments to IAS 40 - Transfers of Investment Property issued by IASB have been made to clarify uncertainty about that provide evidence of transfer of /from investment property to other asset groups. A change in management's intentions for the use of property does not provide evidence of a change in intended use. Therefore, when an entity decides to dispose of an investment property without development, it continues to treat the property as an investment property until it is derecognized (eliminated from the statement of financial position) and does not reclassify it as inventory. Similarly, if an entity begins to redevelop an existing investment property for continued future use as investment property, the property remains an investment property and is not reclassified as owner-occupied property during the redevelopment. The amendment is effective for annual reporting periods beginning on or after 1 January 2018 with earlier application is permitted. The Group is in the process of assessing the impact of the amendment on the consolidated financial position or performance of the Group.

3 Significant accounting policies (continued)

ad) New standards and interpretations not yet adopted (continued)

Improvements to IFRSs

The IASB issued Annual Improvements to IFRSs - 2014–2016 Cycle. The amendments are effective as of 1 January 2018. Earlier application is permitted. The Group does not expect that these amendments will have significant impact on the consolidated financial position or performance of the Group.

Annual Improvements to IFRSs – 2014–2016 Cycle

IFRS 1 "First Time Adoption of International Financial Reporting Standards"

IFRS 1 is amended to clarify that the deletion of short-term exemptions for first-time adopters related to disclosures for financial instruments, employee benefits and consolidated financial statements.

IFRS 12 "Disclosure of Interests in Other Entities"

The amendments clarify that the entity is not required to disclose summarized financial information for that subsidiary, joint venture or associate under the requirements of IFRS 12, when an entity's interest in a subsidiary, a joint venture or an associate (or a portion of its interest in a joint venture or an associate) is classified (or included in a disposal group that is classified) as held for sale in accordance with IFRS 12.

IAS 28 "Investments in Associates and Joint Ventures"

The amendment enable when an investment in an associate or a joint venture is held by, or is held indirectly through, an entity that is a venture capital organization, or a mutual fund, unit trust and similar entities including investment-linked insurance funds, the entity may elect to measure that investment at fair value through profit or loss in accordance with IFRS 9.

ÇALIK HOLDİNG ANONİM ŞİRKETİ AND ITS SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2016

(AMOUNTS EXPRESSED IN THOUSANDS OF UNITED STATES DOLLAR ("USD") UNLESS OTHERWISE STATED.)

4 Acquisition and disposals of subsidiary and non-controlling interest

4.1 Purchase of non-controlling interests without control change without change in control during 2016

Doğu Akdeniz

The Group acquired interest of Doğu Akdeniz from Select Investments Pte. on 1 February 2016. Interest with a nominal value of USD 3.800 representing to 15.00% of the interest of Doğu Akdeniz's all shares were acquired for a consideration of USD 3.802. Resulting the increase, the Group's ownership interest from 84,40% to 99,40% in Doğu Akdeniz.

4.2 Disposal of subsidiary during 2016

Çalık Pamuk

On 30 June 2016, the share of Çalık Denim with a nominal value of USD 5.702 representing %55.00 of Çalık Pamuk's capital have been sold for a total consideration of USD 9.409. At the end of this transaction a net profit of USD 1.041 have been recognized in the profit or loss.

4.3 Acquisitions of subsidiary during 2015

Technovision

On 19 March 2015, Çalık Enerji, a consolidated subsidiary operating in energy sector contributed to the capital increase of Technovision by getting the ownership of all shares with a carrying amount of USD 42 representing 90,00% of Technovision's shares.

The combination had the following effect on the Group's assets and liabilities on 1 January 2015 which is the date of the Technovision's available financial information to be recognised in this combination, since no significant change in the Technovision's operations and financial information is expected between 1 January 2015 and the acquisition date:

	Pre-acquisition carrying amounts	Fair value adjustments	Recognised values on acquisition
Current assets	129	--	129
Non-current assets	1	--	1
Current liabilities	(11)	--	(11)
Net identifiable assets andliabilities acquired			**119**
Capital contribution			(42)
Bargain purchase gain			**77**

4.4 Disposal of non controlling interest during 2015

Çalık Enerji

On 28 May 2015, the shares of Çalık Enerji held by the Group with a nominal value of USD 1.815 representing 4,48% of Çalık Enerji's capital have been sold to Kırmızı Elmas Enerji ve Altyapı Yatırımları A.Ş., a subsidiary of Mitsubishi Corporation, for a total consideration of USD 141.607 and this has been treated as a transaction in with non-controlling interests sold, recognised directly under equity.

(AMOUNTS EXPRESSED IN THOUSANDS OF UNITED STATES DOLLAR ("USD") UNLESS OTHERWISE STATED.)

5 Discontinued operation and disposal group held for sale

The Group reclassified assets and liabilities of Çalık Alexandria operating in textile sector as "Assets held for sale" as the Group plans to dispose its production and retail facilities of this subsidiary. All assets and liabilities of this subsidiary except the cash and cash equivalents have been classified as "Assets held for sale" and "Liabilities held for sale" in the consolidated financial statements, respectively. In addition, properties acquired as a result of legal proceedings of uncollectable loans and receivables of banking sector operations have been re-presented under "Assets held for sale".

As at 31 December 2016, assets and liabilities including those of discontinued operations are USD 55.235 and USD 2.687 (31 December 2015: USD 65.034 and USD 2.734), respectively, and details are as follows:

Assets held for sale	**31 December 2016**	**31 December 2015**
Inventories	687	686
Property, plant and equipment (*)	54.516	64.308
Intangible assets	18	18
Other assets	14	22
	55.235	**65.034**

Liabilities held for sale	**31 December 2016**	**31 December 2015**
Loans and borrowings	2.687	--
Other payables	--	2.687
Other liabilities	--	47
	2.687	**2.734**

(*) Property, plant and equipment consists of properties classified as held for sale of the subsidiaries in textile sector amounting to USD 8.917 (31 December 2015: USD 8.917), land and buildings with a carrying value of USD 855 obtained against the doubtful receivables in marketing sector and properties amounting to USD 44.744 (31 December 2015: USD 55.391) which were acquired as a result of legal proceedings of uncollectable loans and receivables of banking sector operations.

ÇALIK HOLDİNG ANONİM ŞİRKETİ AND ITS SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2016

(AMOUNTS EXPRESSED IN THOUSANDS OF UNITED STATES DOLLAR ("USD") UNLESS OTHERWISE STATED.)

6 Operating segments

The Group has six reportable segments, as described below, which are largely organised and managed separately according to the nature of products and services provided, distribution channels and profile of customers.

Assets, liabilities, profit and measurement of financial results of the segments are dependent to accounting policies of the Group. Segment operating profit, assets and liabilities consist of items directly belonging to these segment or items that can be distributed fairly.

The Group's main reportable operating segments are as follows:

Energy: Entities in energy segment operate in sale of electricity, operation of natural gas and crude oil resources, exploration-production of these resources and sale and transportation of these resources to international markets.

Construction: Entities in construction segment are operating in construction, contracting and decoration businesses both within Turkey and abroad. In addition, these entities are managing mining of all kinds of minerals, marble, lime, clay, coal and stone as long as the necessary permits are granted and trading of marble, store cutting machines with its spare parts, ceramic floor and wall tiles both within the country and abroad. These entities are also providing services for land development and project development services for urban renewal, office residential and housing markets.

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

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

Telecommunication: Entities in telecommunication segment mainly provides telecommunication, communication, press and internet services.

Banking and finance: Entities in banking and finance segment mainly provides commercial and investment banking, financial leasing, insurance, project financing, other financial services, trading of marketable securities and credit financial services.

Other: Entities in other segment mainly engage in electronic fee collection, organisation, mining, transportation energy licence procurement and various services.

(AMOUNTS EXPRESSED IN THOUSANDS OF UNITED STATES DOLLAR ("USD") UNLESS OTHERWISE STATED.)

6 Operating segments (continued)

The following information was prepared according to the accounting policies applied for subsidiaries, associates, joint ventures and joint operations.

	31 December 2016								
	Energy	Construction	Textile	Marketing	Tele-communication	Banking and finance	Others	Eliminations	Total
Revenue	1.176.764	847.160	229.720	166.832	74.394	523.163	32.861	(126.282)	2.924.612
Gross profit	344.491	172.392	51.479	37.799	27.195	263.138	26.865	(46.978)	876.381
Share of profit or (loss) accounted investees	34.197	--	--	--	--	255	(16.907)	--	17.545
Interest income	4.775	472	256	95	--	28	1.221	(132)	6.715
Other income/(costs), net	(48.517)	(1.994)	14.695	(8.217)	(27.161)	(136.816)	18.058	14.756	(175.196)
Results from operating activities	**334.946**	**170.870**	**66.430**	**29.677**	**34**	**126.605**	**29.237**	**(32.354)**	**725.445**
Gain /(loss) from investing activities	(282)	(543)	1.721	(189)	(12)	(59)	397.887	(363.372)	35.151
Interest expense	(15.930)	(45)	(11.628)	(19.007)	(10.527)	(4.174)	(76.735)	13.765	(124.281)
Finance cost / income, net	(23.701)	(3.534)	(57.227)	7.648	(1.002)	(9.400)	(269.881)	21.724	(335.373)
Consolidated profit / (loss) before tax	**295.033**	**166.748**	**(704)**	**18.129**	**(11.507)**	**112.972**	**80.508**	**(360.237)**	**300.942**
Income tax benefit / (expense)	(50.212)	(2.831)	2.087	(14)	(110)	(25.034)	(3.217)	(1.264)	(80.595)
Net profit/(loss) for the year	**244.821**	**163.917**	**1.383**	**18.115**	**(11.617)**	**87.938**	**77.291**	**(361.501)**	**220.347**

	Energy	Construction	Textile	Marketing	Tele-communication	Banking and finance	Other	Eliminations	Total
Segment assets	1.422.599	1.497.483	306.502	181.561	220.219	5.709.373	1.749.719	(2.604.632)	8.482.824
Segment liabilities	(1.011.893)	(1.204.832)	(247.483)	(147.977)	(202.926)	(5.114.344)	(1.292.664)	1.719.930	(7.502.189)
Capital expenditure	102.256	39.478	69.733	268	12.622	56.370	3.226	(34.987)	248.966
Depreciation and amortisation	(14.666)	(11.384)	(7.455)	(160)	(16.486)	(25.094)	(5.393)	--	(80.638)

ÇALIK HOLDİNG ANONİM ŞİRKETİ AND ITS SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2016

(AMOUNTS EXPRESSED IN THOUSANDS OF UNITED STATES DOLLAR ("USD") UNLESS OTHERWISE STATED.)

6 Operating segments (continued)

	31 December 2015								
	Energy	**Construction**	**Textile**	**Marketing**	**Tele-communication**	**Banking and finance**	**Others**	**Eliminations**	**Total**
Revenue	1.238.110	500.701	286.755	168.099	81.239	481.401	54.252	(146.377)	2.664.180
Gross profit	323.530	78.913	57.335	29.113	24.039	263.528	28.201	(123.792)	680.867
Share of profit or (loss) accounted investees	10.282	--	--	--	--	603	(9.426)	(93)	1.366
Interest income	19.702	449	6.601	3	--	227	30	(1.474)	25.538
Other income/(costs), net	(106.443)	28.013	(6.415)	(19.276)	(36.455)	(109.169)	18.999	(7.490)	(238.236)
Results from operating activities	**247.071**	**107.375**	**57.521**	**9.840**	**(12.416)**	**155.189**	**37.804**	**(132.849)**	**469.535**
Gain /(loss) from investing activities	34.240	3.894	(1.208)	186	(226)	(7.472)	292.155	(295.162)	26.407
Interest expense	(30.304)	(20.219)	(16.830)	(3.646)	(10.157)	(72.637)	(81.962)	114.013	(121.742)
Finance cost / income, net	(25.265)	(38.257)	(33.097)	(7.367)	3.574	(4.789)	(169.811)	18.662	(256.350)
Consolidated profit / (loss) before tax	**225.742**	**52.793**	**6.386**	**(987)**	**(19.225)**	**70.291**	**78.186**	**(295.336)**	**117.850**
Income tax benefit / (expense)	(14.257)	3.236	6.566	6	(1.381)	(18.213)	2.242	932	(20.869)
Net profit/(loss) for the year	**211.485**	**56.029**	**12.952**	**(981)**	**(20.606)**	**52.078**	**80.428**	**(294.404)**	**96.981**

	Energy	**Construction**	**Textile**	**Marketing**	**Tele-communication**	**Banking and finance**	**Other**	**Eliminations**	**Total**
Segment assets	1.346.494	944.116	326.226	99.423	234.967	5.325.574	1.618.550	(2.293.025)	7.602.325
Segment liabilities	(845.454)	(784.883)	(250.725)	(83.129)	(206.624)	(4.762.684)	(1.140.259)	1.200.570	(6.873.188)
Capital expenditure	23.748	51.929	25.849	886	23.444	34.932	20.738	--	181.526
Depreciation and amortisation	(13.863)	(4.100)	(6.208)	(97)	(15.390)	(18.465)	(1.804)	--	(59.927)

(AMOUNTS EXPRESSED IN THOUSANDS OF UNITED STATES DOLLAR ("USD") UNLESS OTHERWISE STATED.)

6 Operating segments (continued)

Distribution of the property, plant and equipment and revenue balances by geographic divisions where the Group operates in, are as follows:

	2016	2015
Revenue		
Turkey	1.343.082	1.483.668
Turkmenistan	1.213.440	780.239
Albania	213.659	219.230
Other	154.431	181.043
	2.924.612	**2.664.180**
Non-current Assets		
Turkey	1.517.120	1.514.001
Turkmenistan	159.795	41.530
Albania	1.671.560	1.563.041
Other	88.152	53.838
	3.436.627	**3.172.410**

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:

	31 December 2016				
	Shareholders	**Associates**	**Joint ventures**	**Other**	**Total**
Trade receivables	--	31.452	2.037	125	33.614
Other receivables	27.382	55	1.367	15.664	44.468
Receivables related to finance sector operations	--	89.539	--	14.221	103.760
Borrowings	--	(6.935)	(257)	(19.863)	(27.055)
Trade payables	--	(2.046)	(111)	(463)	(2.620)
Payables related to finance sector operations	(312)	(86)	(240)	(43)	(681)
Other payables	(374)	--	--	(20)	(394)
Total	**26.696**	**111.979**	**2.796**	**9.621**	**151.092**

	31 December 2015				
	Shareholders	**Associates**	**Joint ventures**	**Other**	**Total**
Trade receivables	--	2.636	--	2.366	5.002
Other receivables	28.007	324	1.454	1.127	30.912
Trade payables	--	(4.764)	(748)	--	(5.512)
Other payables	--	--	--	(283)	(283)
Cash and cash equivalents	--	549	--	--	549
Total	**28.007**	**(1.255)**	**706**	**3.210**	**30.668**

No impairment losses have been recognised against balances outstanding as at 31 December 2016 (31 December 2015: None) and no specific allowance has been made for impairment losses on balances with the related parties.

ÇALIK HOLDİNG ANONİM ŞİRKETİ AND ITS SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2016

(AMOUNTS EXPRESSED IN THOUSANDS OF UNITED STATES DOLLAR ("USD") UNLESS OTHERWISE STATED.)

7 Related party disclosures (continued)

As at 31 December, the Group had the following transaction with its related parties:

	31 December 2016				
	Shareholders	**Associates**	**Joint ventures**	**Other**	**Total**
Revenue	--	33.532	3.486	2.852	39.870
Cost of sales	--	(21.464)	(13)	(14.474)	(35.951)
General and administrative expenses	--	--	(262)	(71)	(333)
Gain from investing activities	2.788	39	--	4.921	7.748
Total	**2.788**	**12.107**	**3.211**	**(6.772)**	**11.334**

	31 December 2015				
	Shareholders	**Associates**	**Joint ventures**	**Other**	**Total**
Revenue	--	24.189	137	669	24.995
Interest income	--	(1)	--	--	(1)
Interest expense	--	--	--	(2)	(2)
General and administrative expenses	--	276	221	--	497
Income/(expenses) from other operation activities	--	--	--	(251)	(251)
Total	**--**	**24.464**	**358**	**416**	**25.238**

Transactions with key management personnel

On a consolidated basis, key management costs included in general and administrative expenses for the year ended 31 December 2016 amounted to USD 21.772 (2015: USD 23.940).

8 Cash and cash equivalents

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

2016	**Finance(*)**	**Non-finance(**)**	**Total**
Cash on hand	42.839	574	43.413
Cash at banks	327.979	89.572	417.551
-Time deposits	236.952	85.576	322.528
-Demand deposits	91.028	3.996	95.024
Balances at central bank (excluding statutory reserve)	40.842	--	40.842
Other cash and cash equivalents(***)	154	893	1.047
Cash and cash equivalents	**411.814**	**91.039**	**502.853**
Restricted amounts	(4.532)	(12.490)	(17.022)
Cash and cash equivalents in the consolidated statement of cash flows	**407.282**	**78.549**	**485.831**

2015	**Finance(*)**	**Non-finance(**)**	**Total**
Cash on hand	42.499	197	42.696
Cash at banks	223.990	62.915	286.905
-Time deposits	*155.499*	*10.949*	*166.448*
-Demand deposits	*68.491*	*51.966*	*120.457*
Balances at central bank (excluding statutory reserve)	31.401	--	31.401
Other cash and cash equivalents(***)	2.942	242	3.184
Cash and cash equivalents	**300.832**	**63.354**	**364.186**
Restricted amounts	(5.887)	(22.623)	(28.510)
Cash and cash equivalents in the consolidated statement of cash flows	**294.945**	**40.731**	**335.676**

(*) Finance represents the Group's entities operating in banking and finance business.
(**) Non-finance represents the Group's entities operating in businesses other than banking and finance.
(***) Other cash and cash equivalents are mainly due to reverse repo transactions amounting to USD 895 (31 December 2015: USD 1.457), money in transit amounting to USD 130 as of 31 December 2016 (31 December 2015: USD 1.641). There is no receivables from money market in 31 December 2016 (31 December 2015: None).

(AMOUNTS EXPRESSED IN THOUSANDS OF UNITED STATES DOLLAR ("USD") UNLESS OTHERWISE STATED.)

8 Cash and cash equivalents (continued)

As at 31 December 2016, restricted cash in cash equivalents amounting to USD 17.022 (31 December 2015: USD 28.510) is not available in the Group's day-to-day operations. USD 6.269 of the restricted amounts is related to the mandatory bank deposits at banks in Turkmenistan for engineering, procurement and construction projects ("EPC") in accordance with the relevant agreements (31 December 2015: USD 15.817). USD 638 of the restricted amounts (31 December 2015: None) is related to the mandatory bank deposits at a bank in Georgia for a maintenance contract and amount of USD 1.950 are held in domestic banks as security for the outstanding bank loans. The remaining restricted cash balance of USD 1.344 (31 December 2015: USD 1.816) mainly comprised of cash security given to İstanbul Takas ve Saklama Bankası A.Ş. for the electricity purchases from Market Financial Settlement Center ("PMUM"). USD 38 (31 December 2015: USD 46) of the restricted amounts consists of the amounts that are restricted by the court for the expropriation cases.

The mandatory restricted account amounting to USD 6.783 (31 December 2015: USD 5.887). This amounts arising from the Group's banking activities in Albania and Turkey. The first payment of the bond issue which is blocked in the account Citibank N.A. in the amount of USD 4.059 and the blocked until the completion of the Group's bond issuance of USD 100 million in 2016. Deposit amount of USD 4.059 has been removed due to the completion of the bond issue. (31 December 2015: USD 4.059)

The Group's exposure to currency risks related to cash and cash equivalents are disclosed in Note 34.

9 Financial investments

At 31 December, financial investments comprised the following:

	31 December 2016		
	Current	**Non-current**	**Total**
Available-for-sale financial investments	597.530	687.116	1.284.646
Held to maturity financial investments	82.112	71.899	154.011
Financial assets at fair value through profit or loss (*)	171.400	--	171.400
	851.042	**759.015**	**1.610.057**

	31 December 2015		
	Current	**Non-current**	**Total**
Available-for-sale financial investments	565.612	642.838	1.208.450
Held to maturity financial investments	111.341	98.813	210.154
Financial assets at fair value through profit or loss (*)	160.400	--	160.400
	837.353	**741.651**	**1.579.004**

(*) As at 31 December 2016 and 2015, equity securities in Anagold Madencilik Sanayi ve Ticaret A.Ş. 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 2016, an increase in fair value for this investment amounting to USD 21.109 (31 December 2015: USD 35.181) 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 9.387 / USD 9.935 (31 December 2015: USD 7.483 / USD 7.910), respectively.

ÇALIK HOLDİNG ANONİM ŞİRKETİ AND ITS SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2016

(AMOUNTS EXPRESSED IN THOUSANDS OF UNITED STATES DOLLAR ("USD") UNLESS OTHERWISE STATED.)

9 Financial investments (continued)

Available-for-sale financial investments

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

	31 December 2016	31 December 2015
	Carrying Amount	**Carrying amount**
Financial investments of finance sector companies entities		
Public sector bonds, notes and bills	941.846	992.345
Private sector bonds, notes and bills	324.678	182.805
Equity securities – listed	7.878	20.107
Total	**1.274.402**	**1.195.257**
Financial investments of non-finance sector companies entities		
Private sector bonds, notes and bills	120	221
Equity securities – non-listed		
Bursagaz Bursa Şehiriçi		
Doğal Gaz Dağıtım Ticaret ve Taahhüt A.Ş	7.428	8.990
Kayserigaz Kayseri Doğalgaz Dağıtım Pazarlama Ticaret A.Ş.	1.788	2.164
JSC Calik Georgia Wind	17	790
Other	891	1.028
Total	**10.244**	**13.193**
Balance at 31 December	**1.284.646**	**1.208.450**

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

As at 31 December 2016, investments in equity securities amounting to USD 10.124 (31 December 2015: USD 12.972) 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:

	31 December 2016	31 December 2015
	Carrying Amount	**Carrying amount**
Financial investments of finance sector companies entities		
Private sector bonds, notes and bills	97.478	105.862
Public sector bonds, notes and bills	56.533	104.292
Total	**154.011**	**210.154**

(AMOUNTS EXPRESSED IN THOUSANDS OF UNITED STATES DOLLAR ("USD") UNLESS OTHERWISE STATED.)

9 Financial investments (continued)

The movements in financial investments during the year ended 31 December 2016 were as follows:

	Available-for-sale portfolio	Held to maturity portfolio	Fair value through profit or loss portfolio
At 1 January 2016	**1.208.450**	**210.154**	**160.400**
Additions through purchases	832.685	165.572	--
Fair value gains/ (losses)	(672)	--	21.109
Disposals (sale and redemption)	(641.172)	(232.942)	--
Foreign currency translation differences	(114.645)	11.227	(27.842)
Capital increase effect	--	--	17.733
At 31 December 2016	**1.284.646**	**154.011**	**171.400**

The movements in financial investments during the year ended 31 December 2015 were as follows:

	Available-for-sale portfolio	Held to maturity portfolio	Fair value through profit or loss portfolio
At 1 January 2015	**1.397.993**	**206.123**	**156.800**
Additions through purchases	360.533	105.101	--
Fair value gains/ (losses)	(7.515)	--	35.181
Disposals (sale and redemption)	(215.485)	(181.782)	--
Foreign currency translation differences	(231.833)	(14.531)	(31.581)
Transfers to held to maturity portfolio	(95.243)	95.243	--
At 31 December 2015	**1.208.450**	**210.154**	**160.400**

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

In 2015, the Group's subsidiaries operating in banking and finance segments classified their financial assets held as financial assets available for sale consisting of government debt securities amounting to USD 95.243 as investments held-to-maturity due to the change in the Group's intention of holding.

10 Trade receivables and payables

Trade receivables

Short-term trade receivables

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

	31 December 2016	31 December 2015
Due from related parties	33.614	5.002
Due from third parties	1.127.279	975.999
	1.160.893	**981.001**

ÇALIK HOLDİNG ANONİM ŞİRKETİ AND ITS SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2016

(AMOUNTS EXPRESSED IN THOUSANDS OF UNITED STATES DOLLAR ("USD") UNLESS OTHERWISE STATED.)

10 Trade receivables and trade payables (continue)

Trade receivables (continue)

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

	31 December 2016	31 December 2015
Due from customers for contract work (Note 20)	605.291	484.617
Accounts receivables	475.551	408.113
Doubtful receivables	53.413	48.771
Service concession receivables	41.946	31.981
Postdated cheques received	24.686	22.573
Notes receivables	10.605	31.533
Other trade receivables	3.250	2.475
	1.214.742	**1.030.063**
Allowances for doubtful trade receivables (-)	(53.413)	(48.771)
Discount on trade receivables (-)	(436)	(291)
Total	**1.160.893**	**981.001**

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 737.036 at of 31 December 2016 (31 December 2015: USD 603.221).

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

	31 December 2016	31 December 2015
Balance at 1 January	48.771	65.990
Allowance for the period	16.743	7.868
Recoveries of amounts previously impaired (-)	(4.038)	(17.320)
Foreign currency translation difference	(8.063)	(7.767)
Total	**53.413**	**48.771**

Long-term trade receivables

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

	31 December 2016	31 December 2015
Service concession receivables	225.537	175.429
Accounts receivables	117.472	7.028
Total	**343.009**	**182.457**

(AMOUNTS EXPRESSED IN THOUSANDS OF UNITED STATES DOLLAR ("USD") UNLESS OTHERWISE STATED.)

10 Trade receivables and trade payables (continue)

Maturity of the service concession receivables was as follows:

	Receivables subject to redemption	
Redemption year	**31 December 2016**	**31 December 2015**
2016	--	31.981
2017	41.946	35.118
2018	53.199	34.130
2019	41.985	30.382
2020	37.746	26.861
2021	30.380	20.129
2022	23.474	13.940
2023	18.296	9.562
2024	13.206	5.307
2025	7.251	--
Total	**267.483**	**207.410**

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

	31 December 2016	31 December 2015
At 1 January	**207.410**	**175.037**
Additions	82.660	71.115
Redemptions related to current year investments	(30.505)	(24.761)
Fair value gain	49.820	37.121
Foreign currency translation difference	(52.007)	(40.117)
Correction at current period regarding revenue caps	10.808	--
Other	(703)	(10.985)
At 31 December	**267.483**	**207.410**

Short-term trade payables

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

	31 December 2016	31 December 2015
Accounts payables(*)	517.464	456.783
Notes payable	6.788	6.172
Cheques given and payment orders	284	56
Other trade payables	16.055	8.148
Total	**540.591**	**471.159**

(*) 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.

ÇALIK HOLDİNG ANONİM ŞİRKETİ AND ITS SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2016

(AMOUNTS EXPRESSED IN THOUSANDS OF UNITED STATES DOLLAR ("USD") UNLESS OTHERWISE STATED.)

10 Trade receivables and trade payables (continue)

Long term trade payables

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

	31 December 2016	31 December 2015
Accounts payables	19.296	28.881
Total	**19.296**	**28.881**

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 to 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	31 December 2016	31 December 2015
Due from related parties	103.760	--
Due from third parties	958.999	871.060
Total	**1.062.759**	**871.060**

Receivables related to finance sector operations	31 December 2016	31 December 2015
Loans and receivables from customers	750.944	632.040
Loans and receivables from banks	303.797	229.013
Non-performing loans and receivables	29.418	31.725
Subtotal	**1.084.159**	**892.778**
Provision for impairment in value of loans and receivables	(21.400)	(21.718)
Total	**1.062.759**	**871.060**

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

Non current receivables related to finance sector operations	31 December 2016	31 December 2015
Due from third parties	1.198.391	1.152.550
Total	**1.198.391**	**1.152.550**

Receivables related to finance sector operations	31 December 2016	31 December 2015
Loans and receivables from customers	1.194.356	1.159.072
Loans and receivables from banks	51.216	20.279
Subtotal	**1.245.572**	**1.179.351**
Provision for impairment in value of loans and receivables	(47.181)	(26.801)
Total	**1.198.391**	**1.152.550**

(AMOUNTS EXPRESSED IN THOUSANDS OF UNITED STATES DOLLAR ("USD") UNLESS OTHERWISE STATED.)

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

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

	31 December 2016	31 December 2015
Specific allowances for impairment		
Balance on 1 January	39.470	37.169
Impairment loss for the year	20.961	5.282
- Charge for the year	*27.171*	*19.433*
- Recoveries	*(6.210)*	*(14.151)*
Translation difference	(2.445)	(8.263)
Balance on 31 December	**57.986**	**39.470**
Collective allowances for impairment		
Balance on 1 January	9.049	13.755
Impairment loss for the year	1.441	(94)
- Charge for the year	*1.545*	--
- Recoveries	*(104)*	*(94)*
Translation difference	105	(4.612)
Balance on 31 December	**10.595**	**9.049**
Total allowances for impairment	**68.581**	**48.519**

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	31 December 2016	31 December 2015
Due to related parties	681	--
Due to third parties	2.856.716	2.478.065
Total	**2.857.397**	**2.478.065**

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

Short term payables related to finance sector operations	31 December 2016	31 December 2015
Due to banks	**63.688**	**76.627**
Time deposits	*60.878*	*73.321*
Current accounts	*2.810*	*3.306*
Due to customers	**2.047.226**	**1.935.034**
Individual	*1.651.590*	*1.569.360*
Private enterprises	*296.518*	*264.054*
Public institutions	*58.201*	*51.298*
Other	*40.917*	*50.322*
Customer accounts (*)	**367.176**	**244.138**
Funds from repo transactions	**379.307**	**222.266**
Total	**2.857.397**	**2.478.065**

(*) 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 2016, this account doesn't include any deposit amount (31 December 2015: None).

ÇALIK HOLDİNG ANONİM ŞİRKETİ AND ITS SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2016

(AMOUNTS EXPRESSED IN THOUSANDS OF UNITED STATES DOLLAR ("USD") UNLESS OTHERWISE STATED.)

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

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

Long term payables related to finance sector operations	31 December 2016	31 December 2015
Payables from finance sector activities to third parties	300.671	287.615
Total	**300.671**	**287.615**

Long term payables related to finance sector operations	31 December 2016	31 December 2015
Due to customers		
Individual	277.047	264.395
Private enterprises	20.122	16.761
Public institutions	3.502	6.459
Total	**300.671**	**287.615**

12 Other receivables and other payables

Other short term receivables

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

	31 December 2016	31 December 2015
Due from related parties	44.468	30.912
Due from third parties	111.689	164.772
	156.157	**195.684**

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

	31 December 2016	31 December 2015
Due from shareholders	27.473	28.380
Deposits and guarantees given	23.373	14.367
Receivables from tax authorities	6.937	6.029
Due from associates	1.177	1.081
Receivables from personnel	87	475
Other receivables (*)	100.064	148.413
	159.111	**198.745**
Allowance for other doubtful receivables (-)	(2.954)	(3.061)
Total	**156.157**	**195.684**

(*)This amount mainly consists of receivables of the Group's subsidiaries operating in construction sector amounting to USD 8.438 (31 December 2015: USD 63.803) from Emlak Konut Yatırım Ortaklığı A.Ş., receivables of the Group's former related party, Anateks Anadolu Tekstil Fabrikası A.Ş., amounting to USD 63.004 (31 December 2015: USD 82.582) and the other receivables amounting to USD 15.658 from Çalık Pamuk, which is a former subsidiary of the Group, and other miscellaneous receivables of subsidiaries in other sectors.

Other long term receivables

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

	31 December 2016	31 December 2015
Deposits and guarantees given	54.566	19.190
Other receivables	2.142	3.724
Total	**56.708**	**22.914**

(AMOUNTS EXPRESSED IN THOUSANDS OF UNITED STATES DOLLAR ("USD") UNLESS OTHERWISE STATED.)

12 Other receivables and other payables (continued)

Other short term payables

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

	31 December 2016	31 December 2015
Due to related parties	394	283
Due to third parties	21.923	22.077
Total	**22.317**	**22.360**

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

	31 December 2016	31 December 2015
Deposits and guarantees received (*)	18.306	14.468
Due to shareholders and other related parties	394	283
Other payables	3.617	7.609
Total	**22.317**	**22.360**

Other long term payables

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

	31 December 2016	31 December 2015
Due to third parties	46.854	47.612
	46.854	**47.612**

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

	31 December 2016	31 December 2015
Deposits and guarantees received (*)	46.854	47.612
Total	**46.854**	**47.612**

(*) As at 31 December 2016 and 2015, 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:

	31 December 2016	31 December 2015
Trading properties(*)	347.841	243.004
Trading goods	97.609	46.811
Raw materials	38.375	109.071
Finished goods	14.383	13.137
Semi finished goods in production	7.627	6.772
Other inventories	727	506
Allowance for impairment of inventories	(3.180)	(3.584)
Total	**503.382**	**415.717**

(*) Trading properties comprise residential and office buildings under development in various areas of Istanbul for selling.

ÇALIK HOLDİNG ANONİM ŞİRKETİ AND ITS SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2016

(AMOUNTS EXPRESSED IN THOUSANDS OF UNITED STATES DOLLAR ("USD") UNLESS OTHERWISE STATED.)

13 Inventories (continued)

Movements of provision for inventories for the year ended at 31 December were as follows:

	31 December 2016	31 December 2015
Beginning balance	3.584	3.746
Current year provision	445	717
Reversal due to sale	(632)	(403)
Translation difference	(217)	(476)
	3.180	**3.584**

As at 31 December 2016, the Group capitalised borrowing costs amounting to USD 117.797 (accumulated) on trading properties under development (31 December 2015: USD 101.700 (accumulated)).

14 Prepayments and deferred revenue

Current prepayments

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

	31 December 2016	31 December 2015
Advances given (*)	144.917	122.901
Other	12.859	19.433
Total	**157.776**	**142.334**

(*) 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:

	31 December 2016	31 December 2015
Advances given for property, plant and equipment acquisitions	312	2.269
Other(*)	30.947	60.498
Total	**31.259**	**62.767**

The other non-current prepayments mainly consist of the payment made to football clubs and Turkish Football Federation ("TFF") amounting to USD 26.440 (31 December 2015: USD 55.962) 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	31 December 2016	31 December 2015
Advances received (*)	642.027	467.997
Contract progress income (Note 20)	5.610	35.690
Short term deferred income	7.231	5.039
Total	**654.868**	**508.726**

(AMOUNTS EXPRESSED IN THOUSANDS OF UNITED STATES DOLLAR ("USD") UNLESS OTHERWISE STATED.)

14 Prepayments and deferred revenue (continued)

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

Long term deferred revenue	31 December 2016	31 December 2015
Long term deferred income (**)	318.189	334.395
Total	**318.189**	**334.395**

(*)As at 31 December 2016, advances received mainly comprised from advance payments from the customers of the Group's subsidiaries operating in energy sector for which the Group constructs electricity power plant and electricity distribution lines and other advances received from the Turkmenistan Government for the construction projects being conducted in Turkmenistan.
(**) As at 31 December 2016 and 2015, deferred income was derived from Gap İnşaat's real estate development projects and Metropol project constructed by Varyap - Gap İnşaat Ortak Girişimi, respectively USD 162.547 (31 December 2015: USD 98.614) and USD 127.437 (31 December 2015: USD 125.293)

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%, 25% and 50%, respectively, in the share capital of KÇLE. On 8 May 2013, KÇLE purchased all shares of the state-owned enterprise namely Kompania Per Distribuim Dhe Fumizim Me Energji Elektrike SH.A ("KEDS") which is operating in electricity distribution and procurement in Kosovo for a consideration of 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% to 50.00%.

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 49% and 51%, respectively, for the purpose of establishing and participating to the companies that are engaged in distribution, retail and wholesale of electricity energy and/or capacity, assigning management of these established and participated companies, providing consultancy services on technical, financial, information processing and human resources management issues and making industrial and commercial investments through this companies.

On 28 June 2013, Doğu Aras purchased all shares of EDAŞ and EPAŞ which were previously state owned companies operating in electricity distribution and procurement in cities Kars, Ardahan, Iğdır, Ercincan, Ağrı, Bayburt and Erzurum within the privatisation by paying an amount of USD 128.500 as a result of a tender in the privatisation process. As at the reporting date, the Group has recognised an asset amounting to USD 485 under "Investments in equity accounted investees" (31 December 2015: liability amounting to USD 20.177).

Atagas Doğalgaz

Atagas Doğalgaz was established on 10 October 2014 as a joint venture with a joint agreement between Aktif Doğalgaz and ASL Enerji with the participation of these two companies equally by 50%, for the purpose of exporting natural gas, to be purchased from Turkmenistan, through Iran and wholesales in Turkey and/or re-exporting abroad.

LC Electricity

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

ÇALIK HOLDİNG ANONİM ŞİRKETİ AND ITS SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2016

(AMOUNTS EXPRESSED IN THOUSANDS OF UNITED STATES DOLLAR ("USD") UNLESS OTHERWISE STATED.)

15 Investments in equity-accounted investees (continued)

i) Joint ventures (continued)

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

	31 December 2016		31 December 2015	
Joint ventures	**Carrying value**	**% of ownership**	**Carrying value**	**% of ownership**
Assets				
KÇLE	63.635	50,00	52.438	50,00
Polimetal	7.182	50,00	10.369	80,00
Kartaltepe	6.842	50,00	7.531	50,00
Tunçpınar	2.481	50,00	3.341	50,00
Doğu Aras	485	50,00	--	50,00
Çalık Limak Adı Ortaklığı	632	50,00	504	50,00
Atagas Doğalgaz	146	50,00	184	50,00
LC Electricity	6	50,00	8	50,00
	81.409		**74.375**	
Liabilities				
Doğu Aras (*)	--	--	(20.177)	50,00
Total	**81.409**		**54.198**	

(*) Since the Group's share of losses in Doğu Aras, a joint venture of the Group, exceeds its interest in this joint venture, the Group recognised a liability of USD 20.177 as the Group is obligated to fund Doğu Aras's operations as at 31 December 2015.

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

	2016	2015
Balance at 1 January	**54.198**	**45.867**
Share of profit of equity accounted investees	17.378	856
Translation difference	(5.511)	(5.334)
Share capital increases	8.439	13.030
Dividend income	(250)	(221)
Change of interest in equity accounted investees	7.155	--
Balance at 31 December	**81.409**	**54.198**

(AMOUNTS EXPRESSED IN THOUSANDS OF UNITED STATES DOLLAR ("USD") UNLESS OTHERWISE STATED.)

15 Investments in equity accounted investees (continued)

ii) Associates

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

	31 December 2016		31 December 2015	
Associates	**Carrying value**	**% of ownership**	**Carrying value**	**% of ownership**
Assets				
Kazakhstan Ijara				
Company KIC Leasing	2.414	14,31	2.270	14,31
Euro-Mediterranean (*)	1.378	21,00	1.427	21,00
Haliç Leasing	1.862	32,00	--	--
Albania Leasing	1.266	29,99	1.310	29,99
Eurasian Leasing Company	761	25,00	655	25,00
TAPCO	60	49,87	165	49,87
VKŞ (**)	28	100,00	34	100,00
IFM	--	5,00	--	5,00
TJK	--	40,20	--	40,20
TTK	--	32,00	--	32,00
Serdar Pamuk	--	10,00	--	10,00
Balkan Dokuma	--	31,00	--	31,00
Total	**7.769**		**5.861**	

(*)Euro-Mediterranean is established on 22 December 2015 in Tturkish Republic of Northern Cyprus as an associate for operates in finance sector to perform portfolio management.

(**) 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 2016 and 2015.

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

	2016	**2015**
Balance at 1 January	**5.861**	6.728
Acquisition of shares in associates	2.114	1.425
Share of gain of equity accounted investees	167	510
Translation difference	(373)	(2.866)
Capital contribution to share increase in associates	--	64
Balance at 31 December	**7.769**	**5.861**

ÇALIK HOLDİNG ANONİM ŞİRKETİ AND ITS SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2016

(AMOUNTS EXPRESSED IN THOUSANDS OF UNITED STATES DOLLAR ("USD") UNLESS OTHERWISE STATED.)

15 Investments in equity-accounted investees (continued)

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

						31 December 2016							
Company name-Associates	**Reporting period**	**Ownership rates (%)**	**Current assets**	**Non- current assets**	**Total assets**	**Current liabilities**	**Non-current liabilities**	**Total liabilities**	**Net assets**	**Profit/ (loss)**	**Group's share of net assets**	**Carrying amount**	**Group's share of profit/ (loss)**
Kazakhstan Ijara Company Jsc.	31 December	14,31%	6.831	10.696	17.526	535	21	556	16.971	25	2.429	2.414	4
Euro Mediterranean	31 December	21,00%	6.547	1.212	7.760	1.251	--	1.251	6.509	1.093	1.367	1.378	231
Aktif VKŞ	31 December	100,00%	18.900	2.792	21.692	18.845	52	18.898	2.794	6	2.794	28	7
Eurasian Leasing Company	31 December	25,00%	2.145	1.021	3.166	317	--	317	2.849	(147)	712	761	(36)
Albania Leasing Company	31 December	29,99%	2.343	4.601	6.945	1.443	2.108	3.550	3.395	(41)	1.018	1.266	(12)
Haliç Finansal Kiralama	31 December	32,00%	5.476	403	5.879	157	--	157	5.722	179	1.830	1.862	57
TAPCO	31 December	50,00%	593	449	1.042	922	--	922	120	(169)	60	60	(84)
Total												**7.769**	**167**

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

						31 December 2016							
Company name-Joint ventures	**Reporting period**	**Ownership rates (%)**	**Current assets**	**Non- current assets**	**Total assets**	**Current liabilities**	**Non-current liabilities**	**Total liabilities**	**Net assets**	**Profit/ (loss)**	**Group's share of net assets**	**Carrying amount**	**Group's share of profit/ (loss)**
KÇLE	31 December	50,00%	78.890	109.696	188.586	48.146	13.170	61.315	127.271	27.384	63.636	63.635	13.692
Doğu Aras	31 December	49,00%	60.014	207.257	267.272	131.750	129.745	261.495	5.777	40.825	2.831	485	20.004
Çalık Limak Adı Ortaklığı	31 December	50,00%	887	--	887	--	881	881	6	1.003	3	632	502
Atagas Doğalgaz	31 December	50,00%	324	2	326	34	--	34	291	(15)	146	146	(8)
Polimetal(*)	31 December	50,00%	5.648	4.038	9.685	992	216	1.208	8.477	(11.099)	4.239	7.182	(8.782)
Tuncpınar	31 December	50,00%	332	--	332	152	--	152	180	(438)	90	2.481	(219)
Kartaltepe	31 December	50,00%	33	5.126	5.159	1.781	--	1.781	3.378	(15.433)	1.689	6.842	(7.716)
LC Electricity	31 December	50,00%	740	2	742	538	--	538	204	(188)	102	6	(94)
Total												**81.409**	**17.378**

(*)As of 31 December 2016, the Group's interest in Polimetal decreased from 80% to 50%. The Group measured the investment in by 80% Polimetal until the date of ownership change.

(AMOUNTS EXPRESSED IN THOUSANDS OF UNITED STATES DOLLAR ("USD") UNLESS OTHERWISE STATED.)

15 Investments in equity-accounted investees (continued)

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

						31 December 2015							
Company name-Associates	**Reporting period**	**Ownership rates (%)**	**Current assets**	**Non- current assets**	**Total assets**	**Current liabilities**	**Non-current liabilities**	**Total liabilities**	**Net assets**	**Profit/ (loss)**	**Group's share of net assets**	**Carrying amount**	**Group's share of profit/ (loss)**
Kazakhstan Ijara Company Jsc.	31 December	14,31	7.274	9.741	17.015	1.136	19	1.155	15.860	4.119	2.270	2.270	590
IFM	31 December	5,00	4.384	119.165	123.549	121.997	1.552	123.549	--	(25)	--	--	--
Company Euro Mediterranean Investment	31 December	21,00	6.706	60	6.766	20	--	20	6.746	257	1.427	1.427	54
VKŞ	31 December	100,00	2.630	2	2.632	2.569	63	2.632	--	24	34	34	--
Eurasian Leasing Company	31 December	25,00	369	2.739	3.108	209	278	487	2.621	(164)	655	655	(41)
Albania Leasing Company	31 December	29,99	5.885	333	6.218	188	1.651	1.839	4.379	(108)	1.313	1.310	--
TAPCO	31 December	49,87	687	546	1.233	908		908	325	(186)	162	165	(93)
Total												**5.861**	**510**

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

						31 December 2015							
Company name-Joint ventures	**Reporting period**	**Ownership rates (%)**	**Current assets**	**Non- current assets**	**Total assets**	**Current liabilities**	**Non-current liabilities**	**Total liabilities**	**Net assets**	**Profit/ (loss)**	**Group's share of net assets**	**Carrying amount**	**Group's share of profit/ (loss)**
KÇLE	31 December	50,00	68.786	99.809	168.595	45.358	18.360	63.718	104.877	34.524	52.438	52.438	17.261
Doğu Aras	31 December	50,00	55.319	217.399	272.718	149.855	158.364	308.219	(35.501)	(15.146)	(17.396)	(20.177)	(7.421)
Çalık Limak Adı Ortaklığı	31 December	50,00	2.931	--	2.931	--	2.924	2.924	7	442	3	504	442
Atagas Doğalgaz	31 December	50,00	390	3	392	24	--	24	369	(20)	184	184	(10)
Polimetal	31 December	80,00	6.252	1.932	8.184	828	138	966	7.218	(8.933)	5.774	10.369	(7.146)
Tuncpınar	31 December	50,00	1.075	--	1.075	181	--	181	894	(451)	447	3.341	(225)
Kartaltepe	31 December	50,00	11	3.594	3.606	1.018	--	1.018	2.588	(4.089)	1.294	7.531	(2.045)
LC Electricity	31 December	50,00	1.176	2	1.178	1.132	--	1.132	46	39	23	8	--
Total												**54.198**	**856**

ÇALIK HOLDİNG ANONİM ŞİRKETİ AND ITS SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2016

(AMOUNTS EXPRESSED IN THOUSANDS OF UNITED STATES DOLLAR ("USD") UNLESS OTHERWISE STATED.)

15 Investments in equity-accounted investees (continued)

The following table summarises cash and cash equivalents, depreciation and amortisation expenses, interest income and interest expenses of significant joint ventures before consolidation eliminations and adjustments:

Company name	31 December 2016			
	Cash and cash equivalents	Depreciation and amortisation	Interest income	Interest expense
KÇLE	18.635	(12.277)	--	(1.099)
Doğu Aras	6.505	(2.178)	--	(24.780)
Çalık Limak Adi Ortaklığı	63	--	--	(65)
Kartaltepe	31	(39)	--	--
Polimetal	5.648	(376)	269	--
Tunçpınar	332	(57)	--	--
Atagas Doğalgaz	319	--	--	--
LC Electricity	262	--	--	--

Company name	31 December 2015			
	Cash and cash equivalents	Depreciation and amortisation	Interest income	Interest expense
KÇLE	13.963	(11.563)	28	(2.224)
Doğu Aras	3.382	(4.594)	3.956	(8.915)
Çalık Limak Adi Ortaklığı	142	--	--	--
Kartaltepe	10	(44)	--	--
Polimetal	4.457	(257)	153	--
Tunçpınar	209	(8)	--	--
Atagas Doğalgaz	387	--	--	--
LC Electricity	148	--	--	--

(AMOUNTS EXPRESSED IN THOUSANDS OF UNITED STATES DOLLAR ("USD") UNLESS OTHERWISE STATED.)

16 Property, plant and equipment

Movements of property, plant and equipment, and related accumulated depreciation during the years ended 31 December were as follows:

	Land and buildings	Machinery and equipment	Vehicles	Furniture and fixtures	Other tangible assets	Construction in progress(*)	Leasehold improvements	Total
Balance at 1 January 2015	**146.535**	**387.112**	**15.336**	**84.520**	**22.293**	**82.415**	**16.868**	**755.079**
Additions	1.086	42.208	4.585	17.099	1.433	69.960	6.501	142.872
Transfers	5.904	22.117	--	2.122	--	(30.616)	43	(430)
Foreign currency translation differences	(15.479)	(44.811)	(1.410)	(13.583)	(2.729)	(19.170)	(2.960)	(100.142)
Disposals	(2.686)	(1.844)	(1.768)	(4.373)	(10)	(8.567)	--	(19.248)
Balance at 31 December 2015	**135.360**	**404.782**	**16.743**	**85.785**	**20.987**	**94.022**	**20.452**	**778.131**
Balance at 1 January 2016	**135.360**	**404.782**	**16.743**	**85.785**	**20.987**	**94.022**	**20.452**	**778.131**
Additions	51.734	11.337	3.260	12.572	1.414	107.221	(139)	187.399
Transfers	8.442	104.662	149	1.497	--	(114.226)	(1.093)	(569)
Foreign currency translation differences	(16.131)	(46.265)	(393)	(9.476)	(1.276)	(14.094)	(3.324)	(90.959)
Disposals of subsidiary	--	--	(632)	(281)	--	--	(242)	(1.155)
Disposals	(988)	(6.039)	(941)	(1.742)	(551)	--	(152)	(10.413)
Balance at 31 December 2016	**178.417**	**468.477**	**18.186**	**88.355**	**20.574**	**72.923**	**15.502**	**862.434**

(*) The construction in progress mainly consists of the cost of the headquarter building under constructions of the subsidiary operating in the banking sector, Çalık Rüzgar's wind power plant construction located in Demircili and Sarpıncık, and Çalık Elektrik's hydroelectric power plant construction located Kızkayası.

As at 31 December 2016, total insurance coverage on property, plant and equipment is USD 274.827 (31 December 2015: USD 289.075).

At 31 December 2016, there are mortgages on property, plant and equipment amounting to USD 100.000 (31 December 2015: USD 71.750).

ÇALIK HOLDİNG ANONİM ŞİRKETİ AND ITS SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2016

(AMOUNTS EXPRESSED IN THOUSANDS OF UNITED STATES DOLLAR ("USD") UNLESS OTHERWISE STATED.)

16 Property, plant and equipment (continued)

	Land and buildings	Machinery and equipment	Vehicles	Furniture and fixtures	Other tangible assets	Construction in progress	Leasehold improvements	Total
Accumulated depreciation								
Balance at 1 January 2015	**(41.477)**	**(137.849)**	**(10.660)**	**(35.925)**	**(750)**	**--**	**(12.755)**	**(239.416)**
Current year depreciation	(4.944)	(22.598)	(2.388)	(8.163)	(1.590)	--	(1.353)	(41.036)
Foreign currency translation differences	3.330	12.002	1.578	4.869	(1.230)	--	2.671	23.220
Disposal	298	1.194	903	2.819	10	--	2	5.226
Balance at 31 December 2015	**(42.793)**	**(147.251)**	**(10.567)**	**(36.400)**	**(3.560)**	**--**	**(11.435)**	**(252.006)**
Balance at 1 January 2016	**(42.793)**	**(147.251)**	**(10.567)**	**(36.400)**	**(3.560)**	**--**	**(11.435)**	**(252.006)**
Current year depreciation	(7.657)	(31.025)	(3.303)	(9.857)	(1.448)	--	(1.758)	(55.048)
Foreign currency translation differences	2.869	16.934	807	3.447	(1.252)	--	2.209	25.014
Disposals of subsidiary	--	--	113	161	--	--	156	430
Disposal	278	4.859	842	1.163	549	--	47	7.738
Balance at 31 December 2016	**(47.303)**	**(156.483)**	**(12.108)**	**(41.486)**	**(5.711)**	**--**	**(10.781)**	**(273.872)**
Net carrying value at 1 January 2015	**105.058**	**249.263**	**4.676**	**48.595**	**21.543**	**82.415**	**4.113**	**515.663**
Net carrying value at 31 December 2015	**92.567**	**257.531**	**6.176**	**49.385**	**17.427**	**94.022**	**9.017**	**526.125**
Net carrying value at 31 December 2016	**131.114**	**311.994**	**6.078**	**46.869**	**14.863**	**72.923**	**4.721**	**588.562**

(AMOUNTS EXPRESSED IN THOUSANDS OF UNITED STATES DOLLAR ("USD") UNLESS OTHERWISE STATED.)

17 Intangible assets

Movements of intangible assets and related accumulated amortisation during the years ended 31 December 2016 and 2015 were as follows

	Goodwill	Licences & software	Electricity distribution rights	Brand names	Other intangibles	Total
Cost						
Balance at 1 January 2015	**1.637**	**70.633**	**215.220**	**--**	**41.689**	**329.179**
Additions	--	29.456	--	4.120	134	33.710
Foreign currency translation differences	(331)	(15.535)	(43.576)	(266)	(7.623)	(67.331)
Transfers from property, plant and equipment	--	280	--	--	150	430
Disposals	--	(2.949)	--	--	(10)	(2.959)
Balance at 31 December 2015	**1.306**	**81.885**	**171.644**	**3.854**	**34.340**	**293.029**
Balance at 1 January 2016	**1.306**	**81.885**	**171.644**	**3.854**	**34.340**	**293.029**
Additions	--	35.352	--	82	1.566	37.000
Foreign currency translation differences	(227)	(14.724)	(29.830)	(682)	(5.026)	(50.489)
Transfers from property, plant and equipment	--	282	--	--	287	569
Disposals of subsidiary	--	(1)	--	--	(2)	(3)
Disposals	--	(352)	--	--	(50)	(402)
Balance at 31 December 2016	**1.079**	**102.442**	**141.814**	**3.254**	**31.115**	**279.704**
Accumulated amortisation						
Balance at 1 January 2015	**--**	**(40.820)**	**(33.156)**	**--**	**(10.203)**	**(84.179)**
Current year amortisation	--	(10.934)	(7.057)	--	(900)	(18.891)
Foreign currency translation differences	--	8.928	7.169	--	1.114	17.211
Disposals	--	2.599	--	--	6	2.605
Balance at 31 December 2015	**--**	**(40.227)**	**(33.044)**	**--**	**(9.983)**	**(83.254)**
Balance at 1 January 2016	**--**	**(40.227)**	**(33.044)**	**--**	**(9.983)**	**(83.254)**
Current year amortisation	--	(17.915)	(6.360)	(7)	(1.308)	(25.590)
Foreign currency translation differences	--	8.743	6.648	1	998	16.390
Disposals of subsidiary	--	1	--	--	1	2
Disposals	--	14	--	--	--	14
Balance at 31 December 2016	**--**	**(49.384)**	**(32.756)**	**(6)**	**(10.292)**	**(92.438)**
Net carrying value at 1 January 2015	**1.637**	**29.813**	**182.064**	**--**	**31.486**	**245.000**
Net book value at 31 December 2015	**1.306**	**41.658**	**138.600**	**3.854**	**24.357**	**209.775**
Net book value at 31 December 2016	**1.079**	**53.058**	**109.058**	**3.248**	**20.823**	**187.266**

ÇALIK HOLDİNG ANONİM ŞİRKETİ AND ITS SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2016

(AMOUNTS EXPRESSED IN THOUSANDS OF UNITED STATES DOLLAR ("USD") UNLESS OTHERWISE STATED.)

18 Investment properties

As at 31 December, investment property comprised the following:

	31 December 2016	31 December 2015
Investment property under development	99.618	99.405
Investment property	54.449	42.786
	154.067	**142.191**

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

	2016	2015
Balance at 1 January	142.191	154.361
Additions	24.567	4.944
Changes in fair value(Note 30)	18.095	15.455
Foreign currency translation differences	(30.786)	(32.569)
Total	**154.067**	**142.191**

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:

2016	Level 1	Level 2	Level 3	Total
Investment property	--	--	154.067	154.067
Total	**--**	**--**	**154.067**	**154.067**

2015	Level 1	Level 2	Level 3	Total
Investment property	--	--	142.191	142.191
Total	**--**	**--**	**142.191**	**142.191**

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

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

The following table shows the discounted cash flow valuation technique used in measuring the fair value of investment property, as well as the significant unobservable inputs used.

Valuation technique	Significant unobservable inputs
Discounted cash flows: The valuation model considers the present value of net cash flows to be generated from the property, taking into account expected rental growth rate, void periods, occupancy rate, lease incentive costs such as rent-free periods and other costs not paid by tenants. The expected net cash flows are discounted using risk-adjusted discount rates. Among other factors, the discount rate estimation considers the quality of a building and its location (prime vs secondary), tenant credit quality and lease terms.	• Expected market rental growth, 2% • Occupancy rate (100%) • Risk-adjusted discount (10%) • Capitalization rate (6.5%).

As at 31 December 2016, borrowing costs capitalised by the Group are amounting to USD 29.451 (accumulated) on investment properties (31 December 2015: USD 22.743 (accumulated)).

As at 31 December 2016, the Group does not have mortgages on investment properties (31 December 2015: USD 38.250).

(AMOUNTS EXPRESSED IN THOUSANDS OF UNITED STATES DOLLAR ("USD") UNLESS OTHERWISE STATED.)

19 Other assets and liabilities

Other current assets

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

	31 December 2016	31 December 2015
Reserve Deposits at Central Banks (*)	478.335	473.371
Value Added Tax ("VAT") receivables	83.064	66.224
Other income accruals	6.946	10.303
Personnel advances	4.292	833
Other current assets	16.082	55
	588.719	**550.786**

(*) As at 31 December 2016 and 2015, 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:

	31 December 2016	31 December 2015
Taxes and funds payable	23.331	28.614
Blockage on corporate collection account	22.458	19.733
Turkish Football Federation' share on collection of card sales	1.861	1.349
VAT payable	132	400
Other current liabilities	14.973	17.985
	62.755	**68.081**

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 2016	31 December 2015
Due from customers for contract work (Note 10)	605.291	484.617
Due to customers for contract work (Note 14)	(5.610)	(35.690)
Total	**599.681**	**448.927**

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

	2016	2015
Total costs incurred on uncompleted contracts	3.487.674	2.771.034
Estimated earnings	1.114.117	853.080
Total estimated revenue on uncompleted contracts	**4.601.791**	**3.624.114**
Less: Billings to date	(4.002.110)	(3.175.187)
Net amounts due from customers for contract work	**599.681**	**448.927**

ÇALIK HOLDİNG ANONİM ŞİRKETİ AND ITS SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2016

(AMOUNTS EXPRESSED IN THOUSANDS OF UNITED STATES DOLLAR ("USD") UNLESS OTHERWISE STATED.)

21 Loans and borrowings

As at 31 December 2016, loans and borrowings comprised the following:

Short term loans and borrowings	31 December 2016	31 December 2015
Securities issued	885.413	910.031
Funds borrowed by the Group's banking subsidiaries	811.687	857.732
Current portion of long term bank loans	245.446	148.261
Bank loans	136.831	141.958
Factoring payables	8.435	12.753
Lease obligations	6.283	7.610
Issued bonds	49.370	--
Other financial liabilities	18.164	10.673
Total	**2.161.629**	**2.089.018**

Long term loans and borrowings	31 December 2016	31 December 2015
Bank loans	277.333	270.838
Funds borrowed by the Group's banking subsidiaries	32.537	37.270
Subordinated liabilities	26.377	27.284
Issued bonds	26.270	--
Securities issued	14.976	68.178
Lease obligations	7.338	10.582
Deferred interest of lease obligation	(543)	(1.206)
Total	**384.288**	**412.946**

As at 31 December 2016, the terms and conditions of outstanding loans and borrowings including factoring payables comprised the following:

			31 December 2016		
	Currency	Nominal interest rate (%)	Year of maturity	Nominal value	Carrying amount
Secured bank borrowings	TL	Revolving	2017	7.900	7.900
Secured bank borrowings	TL	14,50-19,30	2017	50.771	51.045
Secured bank borrowings	USD	0,06-12,00	2017-2021	408.534	411.870
Secured bank borrowings	EUR	0,13-13,30	2017-2025	105.706	106.203
Unsecured bank borrowings	TL	7,00-19,00	2017-2018	85.608	64.109
Unsecured bank borrowings	USD	0,10-10,00	2017	326.392	330.628
Unsecured bank borrowings	USD	Spot	2017	26.275	26.378
Unsecured bank borrowings	EUR	0,01-8,30	2017-2031	525.595	524.232
Unsecured bank borrowings	CHF	0,50-1,14	2017	7.842	7.847
Debt securities issued	TL	10,50-14,00	2017	842.783	781.341
Debt securities issued	USD	3,00-Libor+5,00	2017-2020	112.428	118.579
Debt securities issued	EUR	1,80–3,28	2017	73.294	76.109
Factoring payables	TL	6,00-18,25	2017	4.431	4.432
Factoring payables	USD	6,50-10,00	2017	4.003	4.003
				2.581.562	**2.514.676**

(AMOUNTS EXPRESSED IN THOUSANDS OF UNITED STATES DOLLAR ("USD") UNLESS OTHERWISE STATED.)

21 Loans and borrowings (continued)

At 31 December 2015, the terms and conditions of outstanding loans and borrowings including factoring payables were as follows:

	31 December 2015				
	Currency	**Nominal interest rate (%)**	**Year of maturity**	**Nominal value**	**Carrying amount**
Secured bank borrowings	TL	Revolving	2016	9.561	9.561
Secured bank borrowings	TL	18,30	2016	37.452	37.692
Secured bank borrowings	USD	2,40 – 12,00	2016-2018	86.094	86.185
Secured bank borrowings	EUR	0,73-10,30	2018-2025	89.735	89.796
Unsecured bank borrowings	TL	8,44-20,00	2016-2018	99.400	100.130
Unsecured bank borrowings	USD	1,70-10,00	2016-2021	794.223	785.223
Unsecured bank borrowings	USD	Spot	2016	13.892	13.892
Unsecured bank borrowings	EUR	2,08 - 9,55	2016-2031	346.948	347.942
Unsecured bank borrowings	AUD	2,20	2016	870	870
Unsecured bank borrowings	CHF	0,50 – 0,82	2016	7.651	7.663
Unsecured bank borrowings	GBP	1,00-1,00	2016	523	523
Unsecured bank borrowings	ILS	1,00-1,35	2016	3.851	3.866
Debt securities issued	TL	10,80-15,00	2016-2017	793.607	794.079
Debt securities issued	USD	2,50 – 4,60	2016-2020	116.105	140.011
Debt securities issued	EUR	2,00 – 3,00	2016	44.119	44.119
Factoring payables	TL	18,25	2016	17.244	12.753
				2.461.275	**2.474.305**

As at 31 December 2016, there are mortgages on administrative buildings and investment properties under construction which belong to Gap İnşaat amounting to USD 18.154 (31 December 2015: USD 10.402) and USD 167.923 (31 December 2015: USD 112.550), 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), 192.780.000 (TL 192.780), 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:

	2016		2015	
	Assets	**Liabilities**	**Assets**	**Liabilities**
Forward transactions	810	(775)	129	(1.122)
Swap transactions	2.468	(2.943)	2.558	(3.294)
Currency options	192	(191)	--	(4)
	3.470	**(3.909)**	**2.687**	**(4.420)**

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.

ÇALIK HOLDİNG ANONİM ŞİRKETİ AND ITS SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2016

(AMOUNTS EXPRESSED IN THOUSANDS OF UNITED STATES DOLLAR ("USD") UNLESS OTHERWISE STATED.)

23 Payables related to employee benefits

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

	31 December 2016	31 December 2015
Due to personnel	5.482	4.394
Social security premiums payable	3.510	2.177
	8.992	**6.571**

24 Provisions

As at 31 December, provisions comprised the following items:

	31 December 2016	31 December 2015
Short term provisions		
Short term employee benefits	12.744	9.931
Other short term provisions	12.736	13.952
Total short term provisions	**25.480**	**23.883**
Long term provisions		
Long term employee benefits	11.359	10.804
Other short term provisions	312	--
Total long term provisions	**11.671**	**10.804**
Total provisions	**37.151**	**34.687**

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

	31 December 2016	31 December 2015
Short-term		
Vacation pay liability	5.278	5.328
Bonus provisions	7.464	4.383
Other employee benefits	2	220
	12.744	**9.931**
Long term		
Employee termination benefits	11.359	9.842
Other	312	962
	11.671	**10.804**

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

Short-term	31 December 2016	31 December 2015
Provisions for expenses	1.636	1.695
Provision for litigations	10.120	12.257
Other current provisions	980	--
	12.736	**13.952**

(AMOUNTS EXPRESSED IN THOUSANDS OF UNITED STATES DOLLAR ("USD") UNLESS OTHERWISE STATED.)

24 Provisions (continued)

Reserve for employee severance indemnity

In accordance with the existing labour law in Turkey, the Group entities operating in Turkey are required to make lump-sum payments to employees who have completed one year of service and whose employment is terminated without cause or who retire (age of 58 for women, age of 60 for men) or completed service years of 20 for women or 25 for men, are called up for military service or die. According to change of regulation, dated 8 September 1999, there are additional liabilities for the integration articles.

For the years ended 31 December, the movements in the reserve for employee severance indemnity were as follows:

	2016	2015
Balance at the beginning of the year	9.842	13.286
Interest cost	1.588	1.057
Cost of services	2.352	1.519
Paid during the year	(1.214)	(3.183)
Actuarial difference	1.037	(200)
Translation difference	(2.246)	(2.637)
Balance at the end of the year	**11.359**	**9.842**

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:

	2016	2015
	%	%
Discount rate	4,72	2,31
Interest rate	11,00	10,50
Expected rate of salary/limit increase	6,00-9,00	6,00-9,00
The range of turnover rate to estimate the probability retirement	1,00-6,00	1,00-6,00

The computation of the liability is predicated upon retirement pay ceiling announced by the Government. As at 31 December 2016, the ceiling amount was USD 1,22 (31 December 2015: USD 1,31).

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

	1 January 2016	Provision for the reserve	Reversal	Currency translation differences	31 December 2016
Provision for litigations	12.257	690	(699)	(2.128)	10.120
Vacation pay liability	5.328	1.263	(242)	(1.071)	5.278
Bonus provisions	4.383	8.367	(4.200)	(1.086)	7.464
Employee termination benefits	9.842	4.978	(1.214)	(2.247)	11.359
Other expense provisions	1.695	377	(664)	540	1.948
Other	1.182	1.143	(210)	(1.133)	982
Total	**34.687**	**16.818**	**(7.229)**	**(7.125)**	**37.151**

ÇALIK HOLDİNG ANONİM ŞİRKETİ AND ITS SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2016

(AMOUNTS EXPRESSED IN THOUSANDS OF UNITED STATES DOLLAR ("USD") UNLESS OTHERWISE STATED.)

24 Provisions (continued)

	1 January 2015	Provision for the reserve	Reversal	Currency translation differences	31 December 2015
Provision for litigations	5.402	8.906	(409)	(1.642)	12.257
Vacation pay liability	4.916	1.854	(350)	(1.092)	5.328
Bonus provisions	8.739	2.750	(5.907)	(1.199)	4.383
Employee termination benefits	13.286	2.576	(3.383)	(2.637)	9.842
Other expense provisions	6.394	--	(3.575)	(1.124)	1.695
Other	339	963	(118)	(2)	1.182
Total	**39.076**	**17.049**	**(13.742)**	**(7.696)**	**34.687**

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 2016 are as follows:

31 December 2016	Original currency (USD equivalent)			
	USD	TL	Others	Total
A Total amount of GPMs given in the name of its own legal personality	386.078	354.604	19.681	760.363
B Total amount of GPMs given in the name of the consolidated subsidiaries and joint ventures	--	226.818	--	226.818
- Total amount of GPMs given in the name of the consolidated subsidiaries	--	*226.818*	--	*226.818*
C Total amount of GPMs given to be able to conduct ordinary business transactions to secure payables of third parties	--	--	--	--
D Other GPMs given	--	--	--	--
Total	**386.078**	**581.422**	**19.681**	**987.181**

GPMs in respect of commitment and contingencies realised in the ordinary course of business were given as at 31 December 2015 are as follows:

31 December 2015	Original currency (USD equivalent)			
	USD	TL	Others	Total
A Total amount of GPMs given in the name of its own legal personality	383.109	102.103	39.275	524.487
B Total amount of GPMs given in the name of the consolidated subsidiaries and joint ventures	--	211.363	--	211.363
- Total amount of GPMs given in the name of the consolidated subsidiaries	--	*211.363*	--	*211.363*
C Total amount of GPMs given to be able to conduct ordinary business transactions to secure payables of third parties	--	--	--	--
D Other GPMs given	--	--	--	--
Total	**383.109**	**313.466**	**39.275**	**735.850**

(AMOUNTS EXPRESSED IN THOUSANDS OF UNITED STATES DOLLAR ("USD") UNLESS OTHERWISE STATED.)

25 Commitments and contingencies (continued)

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

	31 December 2016	31 December 2015
Given for ongoing EPC projects	568.903	436.108
Pledge on shares	226.818	211.363
TETAŞ and TEİAŞ	79.939	55.862
Given to banks	64.661	10.402
Given to EMRA	3.771	4.819
Given to other suppliers and government agencies	43.089	17.296
Total contingent liabilities	**987.181**	**735.850**

Litigation and claims

As at 31 December 2016, the expected cash outflow amount for the pending claims filed against to the Group is USD 10.120 (31 December 2015: USD 12.257). As at 31 December 2016, 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	2016	2015
Within one year	6.436	6.740
After one year not more than five years	13.810	17.481
More than five years	3.488	4.323
Total	**23.734**	**28.544**

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.

Corporate income tax is levied at the rate of 20% (2015: 20%) and advance tax returns are filed on a quarterly basis.

According to the new Corporate Tax Law, 75% (2015: 75%) of the capital gains arising from the sale of properties and investments owned for at least two years are exempted from corporate tax on the condition that such gains are kept under equity as restricted funds within five years from the date of the sale. The remaining 25% of such capital gains are subject to corporate tax.

ÇALIK HOLDİNG ANONİM ŞİRKETİ AND ITS SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2016

(AMOUNTS EXPRESSED IN THOUSANDS OF UNITED STATES DOLLAR ("USD") UNLESS OTHERWISE STATED.)

26 Taxation (continued)

There is also a withholding tax on the dividends paid and is accrued only at the time of such payments. According to the amendments in the tax legislations, which became effective from 24 April 2003, dividends that are paid to the shareholders from the profits of the years between 1999 and 2002 are immune from the withholding tax, if such profits are exempted from corporation tax bases of the companies. As per the decision no.2006/10731 of the Council of Ministers published in the Official Gazette no.26237 dated 23 July 2006, certain duty rates included in the articles no.15 and 30 of the new Corporate Tax Law no:5520 revised. Accordingly, the withholding tax rate on the dividend payments other than the ones paid to the non resident institutions generating income in Turkey through their operations or permanent representatives and the resident institutions, was increased from 10% to 15%. In applying the withholding tax rates on dividend payments to the non resident institutions and the individuals the withholding tax rates covered in the related Double Tax Treaty Agreements are taken into account.

In Turkey, the tax legislation does not permit a parent company and its subsidiaries to file a consolidated tax return. Therefore, provision for taxes shown in the consolidated financial statements reflects the total amount of taxes calculated on each entity that are included in the consolidation.

Under the Turkish taxation system, tax losses can be carried forward to be offset against future taxable income for up to five years. Tax losses cannot be carried back.

In Turkey, there is no procedure for a final and definitive agreement on tax assessments. Companies file their tax returns within four months following the close of the accounting year to which they relate. Tax returns are open for five years from the beginning of the year that follows the date of filing during which time the tax authorities have the right to audit tax returns, and the related accounting records on which they are based, and may issue reassessments based on their findings.

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% (31 December 2015: 15%). 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% (31 December 2015: 10%).

Under Kosovo tax legislation system, tax losses can be carried forward to be offset against future taxable income for up to seven years.

26 Taxation (continued)

Republic of Iraq

As at 31 December 2016, the applicable corporate tax rate for the subsidiaries and branches operating in Iraq is 15% (31 December 2015: 15%). Tax losses can be carried forward to be offset against future taxable income for up to five years to the extent of the half of the current year profit when the financial profit is reported. As at 31 December 2016 and 2015, 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 25% (31 December 2015: 25%). 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 2016, 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 2016 and 2015, the Group's subsidiaries operating in Dubai are not subject to corporate tax.

USA

As at 31 December 2016, the applicable corporate tax rate for the subsidiary operating in USA is 40% (31 December 2015: 40%) but additional tax applications up to 12% could be charged.

Georgia

The applicable corporate tax rate in Georgia is 15% (31 December 2015: 15%).

Turkmenistan

According to Turkmenistan law, while the corporate tax rate is 8% for local companies, it is 20% for branches of foreign companies and for local companies which have foreign 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% (31 December 2015: 20%). In addition to the 20% tax rate, a Jihad tax is levied by 4%.

Serbia

The applicable corporate tax rate in Serbia is 15% (31 December 2015: 15%).

Uzbekistan

The applicable corporate tax rate in Uzbekistan is 17,20% (31 December 2015: 17,20%).

The Netherlands

The applicable corporate tax rate in The Netherlands is 25% (31 December 2015: 25%).

ÇALIK HOLDİNG ANONİM ŞİRKETİ AND ITS SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2016

(AMOUNTS EXPRESSED IN THOUSANDS OF UNITED STATES DOLLAR ("USD") UNLESS OTHERWISE STATED.)

26 Taxation (continued)

Tax recognised in profit or loss

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

Reconciliation of effective tax rate

	Continuing operations		Discontinued operations		Total	
	2016	**2015**	**2016**	**2015**	**2016**	**2015**
Current corporation and income taxes	45.022	39.182	--	--	45.022	39.182
Deferred tax expense / (benefit)	35.573	(18.313)	--	--	35.573	(18.313)
Total income tax expense / (benefit)	**80.595**	**20.869**	**--**	**--**	**80.595**	**20.869**

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:

	2016		2015	
	Amount	**%**	**Amount**	**%**
Reported profit before taxation	300.942		117.850	
Taxes on reported profit per statutory tax rate of the Company	(60.188)	(20)	(23.570)	(20,00)
Permanent differences:				
Disallowable expenses	(14.394)	(4,78)	(34.325)	(29,13)
Tax exempt income	76.838	25,53	26.326	22,34
Effect of different tax rates in foreign jurisdictions	1.407	0,47	996	0,85
Investment incentives effect	2.214	0,73	7.376	6,26
Recognition of previously unrecognized temporary differences	(2.826)	(0,94)	--	--
Effect of share of profit of equity-accounted investees and other consolidated adjustments	(84.789)	(28,17)	273	0,23
Current-year tax losses for which no deferred tax asset is recognised	(10.162)	(3,38)	(5.739)	(4,87)
Utilisation of previously unrecognised tax losses	10.824	3,60	7.003	5,94
Recognition of previously unrecognised tax losses carried forward	--	--	2.507	2,13
Current-year amortisation expense of electricity distribution rights for which no deferred tax asset is recognised	(1.272)	(0,42)	(1.411)	(1,20)
Others, net	1.753	0,64	(305)	(0,26)
Tax expense	**(80.595)**	**(26,78)**	**(20.869)**	**(17,71)**

Current tax assets/liabilities

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

	2016	**2015**
Taxes on income	80.595	20.869
Less: Deferred tax (expense)/ benefit	35.573	(18.313)
Corporation taxes paid in advance	(37.759)	(33.687)
Foreign currency translation difference	(1.034)	(2.527)
Current tax liabilities/(assets), net	**6.229**	**2.968**

As at 31 December 2016, current tax liabilities on income amounting to USD 10.140 (31 December 2015: USD 7.041) is not offset with prepaid taxes amounting to USD 3.911 (31 December 2015: USD 4.073) since they are related to different tax jurisdictions.

(AMOUNTS EXPRESSED IN THOUSANDS OF UNITED STATES DOLLAR ("USD") UNLESS OTHERWISE STATED.)

26 Taxation (continued)

Deferred tax assets and liabilities

Deferred tax is provided in respect of taxable temporary differences arising between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes, except for the differences relating to goodwill not deductible for tax purposes and the initial recognition of assets and liabilities which affect neither accounting nor taxable profit. Unrecognised deferred tax assets and liabilities

As at 31 December 2016, deferred tax assets amounting to USD 42.644 have not been recognised with respect to the statutory tax losses carried forward as at 31 December 2016 (31 December 2015: USD 20.099). 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:

	2016	2015
2016	--	64.563
2017	202	68.435
2018	49.393	221.196
2019	62.480	168.927
2020	86.259	26.843
2021	14.885	--
	213.219	**549.964**

The Group applied the "Tax Amnesty Law" numbered 6736 which was approved by the Turkish Grand National Assembly on 3 August 2016 and published in the Official Gazette dated 19 August 2016 and numbered 29806 subsequent to the approval of President of Turkish Republic. As of 31 December 2016, the Group made a voluntary increase in its tax base by reducing the 50% of the carry forward tax losses amounting to USD 227.086 of the years for which the Group made a voluntary increase. As a result those tax losses cannot be used any longer in accordance with the corporate tax paragraphs of Tax Amnesty Law and deducted from unused tax losses carried forward as at 31 December 2016.

ÇALIK HOLDİNG ANONİM ŞİRKETİ AND ITS SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2016

(AMOUNTS EXPRESSED IN THOUSANDS OF UNITED STATES DOLLAR ("USD") UNLESS OTHERWISE STATED.)

26 Taxation (continued)

Recognised deferred tax assets and liabilities

Deferred tax assets and deferred tax liabilities at 31 December are attributable to the items detailed in the table below:

	2016		2015	
	Asset	**Liability**	**Asset**	**Liability**
Vacation pay liability	1.740	--	1.558	--
Employee severance indemnity	1.536	--	1.569	--
Loans and receivables impairment provision	1.203	--	--	(348)
Financial assets at fair value through profit or loss	--	(6.029)	--	(7.418)
Available for sale investment securities	1.878	--	37	--
Derivative financial instruments	192	--	206	--
Provisions	1.327	--	3.586	--
Inventories	194	(12.245)	--	(3.511)
Deferred income	--	--	6.524	--
IAS 39 effect on loans and borrowings	2.050	(3.987)	1.229	(2.551)
Investment property	--	(24.154)	--	(35.008)
Property, plant and equipment and intangible assets	50.126	(7.222)	51.302	(8.333)
Investment incentives	18.161	--	19.683	--
Tax losses carried forward	8.809	--	12.176	--
Contract progress	--	(650)	--	--
Effect of percentage of completion method	--	(3.358)	--	(1.238)
Service concession receivables	--	(57.133)	--	(44.551)
Allowance for doubtful receivables	1.319	--	924	--
Security deposits	3.639	--	3.672	--
Other temporary differences	2.019	(5.589)	7.239	(2.297)
Total deferred tax assets/(liabilities)	**94.193**	**(120.367)**	**109.705**	**(105.255)**
Set off of tax	(65.021)	65.021	(57.961)	57.961
Deferred tax assets/(liabilities), net	**29.172**	**(55.346)**	**51.744**	**(47.294)**

According to the Tax Procedural Law in Turkey, statutory losses can be carried forward maximum for five years. Consequently, 2021 is the latest year for recovering the deferred tax assets arising from such tax losses carried forward.

(AMOUNTS EXPRESSED IN THOUSANDS OF UNITED STATES DOLLAR ("USD") UNLESS OTHERWISE STATED.)

26 Taxation (continued)

Movements in deferred tax balances during the year 2016:

	1 January 2016	Effects of translation	Recognised in profit or loss	Recognised in other comprehensive income	31 December 2016
Vacation pay liability	1.558	(346)	528	--	1.740
Employee severance indemnity	1.569	(313)	280	--	1.536
Loan impairment provision	(348)	(188)	1.739	--	1.203
Financial assets at fair value through profit or loss	(7.418)	1.272	117	--	(6.029)
Available for sale investment securities	37	(312)	2.062	91	1.878
Derivative financial instruments	206	(40)	26	--	192
Contract progress	--	108	(758)	--	(650)
Provisions	3.586	(351)	(1.908)	--	1.327
Inventories	(3.511)	2.129	(10.669)	--	(12.051)
Deferred income	6.524	--	(6.285)	--	239
IAS 39 effect on borrowings	(1.322)	370	(984)	--	(1.936)
Investment property	(35.008)	5.292	5.562	--	(24.154)
Property, plant and equipment and intangible assets	42.969	(8.697)	8.633	--	42.905
Investment incentives	19.683	(3.736)	2.214	--	18.161
Tax losses carried forward	12.176	(1.909)	(1.458)	--	8.809
Effect of percentage of completion method	(1.238)	603	(2.723)	--	(3.358)
Service concession receivables	(44.551)	11.117	(23.699)	--	(57.133)
Allowance for doubtful receivables	924	(252)	647	--	1.319
Security deposits	3.672	(738)	705	--	3.639
Other temporary differences	4.942	1.088	(9.602)	--	(3.572)
Total deferred tax assets/(liabilities)	**4.450**	**5.097**	**(35.573)**	**91**	**(25.935)**

ÇALIK HOLDİNG ANONİM ŞİRKETİ AND ITS SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2016

(AMOUNTS EXPRESSED IN THOUSANDS OF UNITED STATES DOLLAR ("USD") UNLESS OTHERWISE STATED.)

26 Taxation (continued)

Movements in deferred tax balances during the year 2015:

	1 January 2015	Effects of translation	Recognised in profit or loss	Recognised in other comprehensive income	31 December 2015
Vacation pay liability	1.019	(258)	797	--	1.558
Employee severance indemnity	2.659	(500)	(590)	--	1.569
Loan impairment provision	870	(104)	(1.114)	--	(348)
Financial assets at fair value through profit or loss	(7.840)	1.668	(1.246)	--	(7.418)
Available for sale investment securities	188	(30)	(1.943)	1.822	37
Derivative financial instruments	129	(33)	110	--	206
Provisions	(251)	(211)	4.048	--	3.586
Inventories	(22.418)	3.549	15.358	--	(3.511)
Deferred income	4.452	(1.107)	3.179	--	6.524
IAS 39 effect on borrowings	(325)	139	(1.136)	--	(1.322)
Investment property	(37.053)	7.878	(5.833)	--	(35.008)
Property, plant and equipment and intangible assets	62.094	(13.538)	(5.587)	--	42.969
Investment incentives	16.027	(3.720)	7.376	--	19.683
Tax losses carried forward	8.294	(2.063)	5.945	--	12.176
Loss provision	(2.280)	337	1.943	--	--
Effect of percentage of completion method	858	(41)	(2.055)	--	(1.238)
Service concession receivables	(41.296)	9.162	(12.417)	--	(44.551)
Allowance for doubtful receivables	1.556	(293)	(339)	--	924
Security deposits	2.540	(629)	1.761	--	3.672
Other temporary differences	(1.516)	(3.598)	10.056	--	4.942
Total deferred tax assets/(liabilities)	**(12.293)**	**(3.392)**	**18.313**	**1.822**	**4.450**

27 Capital and reserves

Paid in capital

At 31 December 2016, the Group's statutory nominal value of authorised and paid-in share capital is USD 200.302 (31 December 2015: USD 200.302) (comprising of 400.000.000 registered shares (31 December 2015: 400.000.000) having par value of TL 1 (31 December 2015: TL 1) each).

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

	2016		2015	
	Thousands of shares	**%**	**Thousands of shares**	**%**
Ahmet Çalık	399.999	99,99	399.999	99,99
Other	1	0,01	1	0,01
	400.000	**100**	**400.000**	**100**

(AMOUNTS EXPRESSED IN THOUSANDS OF UNITED STATES DOLLAR ("USD") UNLESS OTHERWISE STATED.)

27 Capital and reserves (continued)

Restricted reserves

The legal reserves are established by annual appropriations amounting to 5% of income disclosed in the Group's statutory accounts until it reaches 20% of paid-in share capital (first legal reserve). Without limit, a further 10% of dividend distributions in excess of 5% of share capital is to be appropriated to increase legal reserves (second legal reserve). The first legal reserve is restricted and is not available for distribution as dividend unless it exceeds 50% of share capital.

According to the 5th paragraph of the Corporate Tax Law numbered 5520, 75% 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% of such capital gains are subject to corporate tax.

As at 31 December 2016, 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 227.444 (31 December 2015: USD 103.655).

In the accompanying consolidated financial statements, the total legal restricted reserves excluding the non-controlling interest portion amounted to USD 424.033 as at 31 December 2016 (31 December 2015: USD 263.384).

Non-controlling interests

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

	2016	2015
Non controlling interest at the beginning of the year	80.071	61.881
Net profit for the year attributable to non controlling interests	11.681	2.948
Foreign currency translation differences	8.154	4.373
Disposal of interests in consolidated subsidiaries resulting loss of control	(6.615)	--
Effect of the acquisition/(disposal) of non-controlling interests	(2.762)	11.467
Acquisition of subsidiary with non-controlling interest	--	30
Formation of a subsidiary with non-controlling interests	842	--
Contribution to the capital increase by the non-controlling interests	2.293	--
Liquidation of subsidiaries with non-controlling interest	29	--
Dividend distribution	--	(628)
Balance at the end of the year	**93.693**	**80.071**

Translation reserve

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

ÇALIK HOLDİNG ANONİM ŞİRKETİ AND ITS SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2016

(AMOUNTS EXPRESSED IN THOUSANDS OF UNITED STATES DOLLAR ("USD") UNLESS OTHERWISE STATED.)

28 Revenue and cost of sales

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

	2016	2015
Domestic sales	883.280	926.841
Export sales	1.676.871	1.430.889
Other sales	10.447	12.936
Sales discounts (-)	(7.647)	(5.311)
Subtotal	**2.562.951**	**2.365.355**
Cost of sales (-)	(1.904.681)	(1.861.900)
Gross profit from non-finance operations	**658.270**	**503.455**
Revenue from finance sector operations	361.661	298.825
Cost of revenues from finance sector operations (-)	(143.550)	(121.413)
Gross profit from finance sector activities	**218.111**	**177.412**
Gross profit	**876.381**	**680.867**

The depreciation and amortization expense of USD 51.337 was recognised in the cost of sales (2015: USD 42.407).

29 General and administrative expenses, selling, marketing and distribution expenses, research and development expenses and expenses by nature

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

	2016	2015
Personnel expenses	111.860	112.891
Depreciation and amortisation expenses	27.141	15.745
Rent expense	20.749	17.396
Representation expenses	12.430	6.448
Maintenance and repair expenses	12.188	8.926
Consulting expenses	10.268	15.853
Travel and accommodation expenses	6.296	9.885
Communication and information expenses	6.167	7.352
Taxes, duties and fees other than on income	5.749	5.228
Insurance expenses	3.546	4.066
Utility expenses	2.651	2.377
Office expenses	2.131	6.142
Provision for employee severance payment indemnity	1.270	119
Other	30.828	27.160
	253.274	**239.588**

(AMOUNTS EXPRESSED IN THOUSANDS OF UNITED STATES DOLLAR ("USD") UNLESS OTHERWISE STATED.)

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

For the years ended 31 December, selling, marketing and distribution expenses comprised the following:

	2016	2015
Personnel expenses	25.036	25.482
Maintenance and repair expenses	18.120	25.307
Advertising and promotion expenses	6.919	20.114
Transportation expenses	6.856	11.610
Commission expense	4.976	3.809
Rent expense	3.721	3.710
Office expenses	2.575	3.686
Travel and accommodation expenses	2.017	2.302
Taxes, duties and fees	1.912	2.935
Consulting expenses	1.685	1.520
Depreciation and amortization expenses	684	615
Fair expenses	531	484
Communication and information expenses	359	745
Other	5.139	7.945
Total	**80.530**	**110.264**

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

	2016	2015
Personnel expenses	2.377	3.041
Travel and accommodation expenses	1.040	1.287
Consulting expenses	409	1.151
Other	4.177	3.423
Total	**8.003**	**8.902**

For the years ended 31 December, personel and depreciation and amortization expenses comprised the following.

	2016	2015
Personnel expenses		
Cost of sales (-)	97.129	43.782
General and administrative expenses	111.860	112.891
Selling, marketing and distribution expenses	25.036	25.482
Research and development expenses	2.377	3.041
Total	**236.402**	**185.196**

	2016	2015
Depreciation and amortization expenses		
Cost of sales (-)	51.337	42.408
General and administrative expenses	27.141	15.745
Selling, marketing and distribution expenses	684	615
Research and development expenses	1.476	1.160
Total	**80.638**	**59.928**

ÇALIK HOLDİNG ANONİM ŞİRKETİ AND ITS SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2016

(AMOUNTS EXPRESSED IN THOUSANDS OF UNITED STATES DOLLAR ("USD") UNLESS OTHERWISE STATED.)

30 Other income and expense from operating activities

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

	2016	2015
Foreign exchange gains	140.378	93.344
Fair value differences of service concession receivables (Note 10)	49.820	37.121
Updated alternative return on investment	22.768	15.424
Fair value gain on revaluation of investment properties	18.095	15.455
Recoveries/reversals of provisions made	10.984	31.967
Interest income	6.715	25.539
Other income from operating activities	51.701	4.793
Total	**300.461**	**223.643**

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

	2016	2015
Impairment of loans and receivables of finance sector entities	28.716	19.433
Due from shareholders written off in accordance with the Tax Amnesty Law numbered 6736(*)	25.637	--
Foreign exchange losses	21.695	26.668
Provision for doubtful receivables	17.239	8.559
Rediscount interest expense	10.664	12.341
Provision expenses	2.655	10.586
Expenses related to canceled real estate development project	6.035	--
Other expense from operating activities	14.494	--
Total	**127.135**	**77.587**

(*) As of 31.12.2016 group has been benefitted tax amnesty. Regarding, Çalık Holding has voluntarily been made an application for charging off the receivables from affiliates amounting USD 21.987. With the estimated tax amount of USD 659 for this transaction, Çalık Holding, in total, has been recorded USD 22.646 on its Profit/Loss Accounts for relevant period.

31 Gain and loss from investing activities

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

	2016	2015
Gain on financial assets at fair value through profit or loss	21.109	35.181
Gain on sale of investments in equity accounted investees	8.282	--
Gain from sale of derivative financial instruments	3.101	--
Gain on sale of property, plant and equipment	1.678	--
Gain on sale of associate (subsidiary)	1.041	--
Dividend income from equity securities held	443	364
Foreign exchange gains	40	--
Other	2.343	1.704
Total	**38.037**	**37.249**

(AMOUNTS EXPRESSED IN THOUSANDS OF UNITED STATES DOLLAR ("USD") UNLESS OTHERWISE STATED.)

31 Gain and loss from investing activities (continued)

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

	2016	2015
Loss on sale of property, plant and equipment	2.243	2.153
Loss on other investment activities	412	980
Loss on sale of derivative financial instruments	--	6.806
Other	231	903
Total	**2.886**	**10.842**

32 Finance income and finance cost

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

	2016	2015
Foreign exchange gains on borrowings	6.607	539
Interest income late payment	3.460	--
Other	32	4.404
Total	**10.099**	**4.943**

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

	2016	2015
Foreign exchange losses on borrowings	321.118	240.649
Interest expense on borrowings	124.281	121.743
Bank commission expenses	10.776	4.161
Letters of guarantees commission expenses	1.919	4.622
Financing expenses on factoring activities	801	1.069
Other charges and commission expenses	10.858	10.791
Total	**469.753**	**383.035**

ÇALIK HOLDİNG ANONİM ŞİRKETİ AND ITS SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2016

(AMOUNTS EXPRESSED IN THOUSANDS OF UNITED STATES DOLLAR ("USD") UNLESS OTHERWISE STATED.)

33 Disclosure of interests in other entities

Information regarding the subsidiaries in which the Group has major non-controlling interests is as follows:

Subsidiaries	Non-controlling interests	Profit attributable to non-controlling interests	Cumulative non-controlling interests	Dividends paid to non-controlling interests
Çalık Pamuk				
31 December 2016	--	--	--	--
31 December 2015	45,45	1.325	6.228	608
Albtelecom				
31 December 2016	39,20	(3.543)	11.485	--
31 December 2015	39,20	(7.197)	15.757	--
Çalık Enerji				
31 December 2016	4,58	14.474	28.301	--
31 December 2015	4,58	8.570	16.594	--

The financial information of Çalık Pamuk before the Group's consolidation adjustments and eliminations is as follows:

Summary of Çalık Pamuk's statement of financial position	31 December 2016	31 December 2015
Cash and cash equivalents	--	169
Trade receivables	--	8.836
Other current assets	--	28.069
Non-current assets	--	1.141
Total assets	**--**	**38.215**
Short-term borrowings	--	13.510
Short term portion of long term loans and borrowings	--	5.144
Other short term liabilities	--	5.705
Long-term liabilities	--	50
Total liabilities	**--**	**24.409**
Total equity	**--**	**13.806**
Total equity and liabilities	**--**	**38.215**

Summary of Çalık Pamuk's statement of profit or loss:	2016	2015
Revenue	--	145.832
Cost of sales	--	(136.740)
Operating expenses	--	(1.818)
Gain from investing activities	--	6
Finance cost	--	(3.531)
Tax expenses	--	(833)
Profit/(loss) for the period	**--**	**2.916**

(AMOUNTS EXPRESSED IN THOUSANDS OF UNITED STATES DOLLAR ("USD") UNLESS OTHERWISE STATED.)

33 Disclosure of interests in other entities (continued)

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 2016	31 December 2015
Cash and cash equivalents	1.280	4.930
Trade receivables	12.617	17.792
Other current assets	10.281	9.179
Non-current assets	193.090	200.242
Total assets	**217.268**	**232.143**

	2016	2015
Short-term borrowings	3.942	16.397
Other short term liabilities	72.518	64.606
Long-term liabilities	114.337	113.714
Total liabilities	**190.797**	**194.717**
Total equity	**26.471**	**37.426**
Total equity and liabilities	**217.268**	**232.143**

Summary of Albtelecom's statement of profit or loss	2016	2015
Revenue	74.394	81.016
Cost of sales	(47.199)	(57.201)
Operating expenses	(27.206)	(34.567)
Loss from investing activities	(12)	(226)
Finance cost	(8.870)	(6.000)
Tax expenses	(110)	(1.381)
Profit/(loss) for the period	**(9.003)**	**(18.359)**

ÇALIK HOLDİNG ANONİM ŞİRKETİ AND ITS SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2016

(AMOUNTS EXPRESSED IN THOUSANDS OF UNITED STATES DOLLAR ("USD") UNLESS OTHERWISE STATED.)

33 Disclosure of interests in other entities (continued)

The consolidated financial information of Çalık Enerji before the Group's consolidation adjustments and eliminations is as follows:

Summary of Çalık Enerji's statement of financial position	31 December 2016	31 December 2015
Cash and cash equivalents	18.410	27.282
Trade receivables	557.177	594.487
Other current assets	101.588	215.212
Non-current assets	745.424	509.513
Total assets	**1.422.599**	**1.346.494**
Short-term borrowings	34.277	23.453
Short term portion of long term loans and borrowings	48.835	10.957
Other short term liabilities	548.873	682.828
Long-term liabilities	379.908	128.216
Total liabilities	**1.011.893**	**845.454**
Total equity	**410.706**	**501.040**
Total equity and liabilities	**1.422.599**	**1.346.494**

Summary of Çalık Enerji's statement of profit or loss	2016	2015
Revenue	1.176.764	1.238.110
Cost of sales	(832.272)	(914.580)
Operating expenses	(9.545)	(76.459)
Gain from investing activities	(282)	34.240
Finance cost	(39.632)	(55.569)
Tax expenses	(50.212)	(14.257)
Profit/(loss) for the period	**244.821**	**211.485**

34 Financial instruments – Fair values and risk management

Financial risk management

Overview

The Group has exposure to the following risks from its use of financial instruments:

- credit risk
- liquidity risk
- market risk
- operational risk

This note presents information about the Group's exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing risks, and the Group's management of capital. Further quantitative disclosures are included throughout these consolidated financial statements.

Risk management framework

Risk management activities are conducted by a realistic organizational structure and it is fully supported with the commitment of top level management.

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

Financial risk management (continued)

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.

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.

ÇALIK HOLDİNG ANONİM ŞİRKETİ AND ITS SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2016

(AMOUNTS EXPRESSED IN THOUSANDS OF UNITED STATES DOLLAR ("USD") UNLESS OTHERWISE STATED.)

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

Credit risk (continued):

Allowance for impairment

The Group's banking and finance group establishes an allowance for impairment losses on assets carried at amortised cost that represents its estimate of incurred losses in its loans and advances to customers and investment in debt security portfolio. This allowance is a specific loss component that relates to individually significant exposures.

Due to the increase in the consumer loan portfolio of Aktifbank and the availability of the historical trends of the probability of default, starting from 1 January 2012, Aktifbank started to provide collective loan loss allowance established for groups of homogeneous assets in respect of losses that have been incurred but have not been identified except for loans and receivables subject to individual assessment for impairment.

Write-off policy

The Group's banking group write off a loan or investment debt security balance, and any related allowances for impairment losses, when the Group's banking subsidiaries determine that the loan or security is uncollectible. This determination is reached after considering information such as occurrence of significant changes in the borrower's / issuer's financial position such that the borrower / issuer can no longer pay the obligation, or that proceeds from collateral will not be sufficient to pay back the entire exposure.

Loans with renegotiated terms

Loans with renegotiated terms are loans that have been restructured due to deterioration in the borrower's financial position and where the Group's banking subsidiaries have made concessions that it would not otherwise consider. Once the loan is restructured it remains in this category independent of satisfactory performance after restructuring.

(AMOUNTS EXPRESSED IN THOUSANDS OF UNITED STATES DOLLAR ("USD") UNLESS OTHERWISE STATED.)

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

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 2016	Receivables							
	Trade receivables		Other receivables					
	Related party	Third party	Related party	Third party	Cash at banks and other cash and cash equivalents [*]	Financial investments[**]	Receivables from finance sector operations	Derivatives
Maximum credit risk exposure at reporting date (A+B+C+D)	**33.614**	**1.470.288**	**44.468**	**168.397**	**418.598**	**1.420.655**	**2.261.149**	**3.470**
Portion of maximum risk covered by guarantees								
A. Carrying value of financial assets that are neither past due nor impaired	28.274	1.449.697	44.468	105.393	418.598	1.420.655	2.157.425	3.470
B.Carrying value of financial assets that are past due but not impaired	5.340	20.591	--	63.004	--	--	103.724	--
C. Carrying value of impaired assets	--	--	--	--	--	--	--	--
Past due (gross carrying amount)	--	53.413	--	2.954	--	--	110.618	--
- Impairment (-)	--	(53.413)	--	(2.954)	--	--	(110.618)	--
- 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 are excluded.
[**] Equity securities are excluded.

ÇALIK HOLDİNG ANONİM ŞİRKETİ AND ITS SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2016

(AMOUNTS EXPRESSED IN THOUSANDS OF UNITED STATES DOLLAR ("USD") UNLESS OTHERWISE STATED.)

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

Credit risk (continued):

Exposure to credit risk (continued):

31 December 2015	Receivables							
	Trade receivables		Other receivables					
	Related party	Third party	Related party	Third party	Cash at banks and other cash and cash equivalents (*)	Financial investments(**)	Receivables from finance sector operations	Derivatives
Maximum credit risk exposure at reporting date (A+B+C+D)	**5.002**	**1.158.456**	**30.912**	**187.686**	**290.089**	**1.385.525**	**2.023.610**	**2.687**
Portion of maximum risk covered by guarantees								
A. Carrying value of financial assets that are neither past due nor impaired	5.002	1.142.206	30.912	105.105	290.089	1.385.525	1.826.964	2.687
B.Carrying value of financial assets that are past due but not impaired	--	16.250	--	82.581	--	--	196.646	--
C. Carrying value of impaired assets	--	--	--	--	--	--	--	--
Past due (gross carrying amount)	--	48.771	--	3.061	--	--	74.722	--
- Impairment (-)	--	(48.771)	--	(3.061)	--	--	(74.722)	--
- 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 are excluded.
(**) Equity securities are excluded.

(AMOUNTS EXPRESSED IN THOUSANDS OF UNITED STATES DOLLAR ("USD") UNLESS OTHERWISE STATED.)

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

Credit risk (continued):

Impairment losses

As of 31 December 2016 and 2015, the aging of trade receivables that are past due but not impaired was as below:

31 December 2016	**Receivables**		**Receivables from financial sector operations**
	Trade Receivables	**Other Receivables**	
Past due 0-30 days	1.065	--	42.553
Past due 1-3 months	259	--	56.053
Past due 3-12 months	24.866	--	1.125
Past due 1-5 years	--	63.004	3.993
More than five years	--	--	--
Total	**26.190**	**63.004**	**103.724**
Part of secured with guarantee etc.	--	--	--

31 December 2015	**Receivables**		**Receivables from financial sector operations**
	Trade Receivables	**Other Receivables**	
Past due 0-30 days	8.721	--	42.843
Past due 1-3 months	1.097	--	60.557
Past due 3-12 months	6.432	42.448	25.242
Past due 1-5 years	--	40.133	68.004
More than five years	--	--	--
Total	**16.250**	**82.581**	**196.646**
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.

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.

ÇALIK HOLDİNG ANONİM ŞİRKETİ AND ITS SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2016

(AMOUNTS EXPRESSED IN THOUSANDS OF UNITED STATES DOLLAR ("USD") UNLESS OTHERWISE STATED.)

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

Liquidity risk (continued)

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 2016	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	(3.158.068)	(3.158.390)	(1.177.991)	(1.679.728)	(279.875)	(20.796)
Loans and borrowings	(2.545.917)	(2.685.186)	(1.135.311)	(1.030.408)	(472.298)	(47.169)
	(5.703.985)	**(5.843.576)**	**(2.313.302)**	**(2.710.136)**	**(752.173)**	**(67.965)**
Expected maturities						
Non-derivative financial liabilities						
Trade payables	(559.887)	(559.887)	(161.723)	(378.868)	(19.296)	--
Other payable	(69.171)	(69.171)	(12.618)	(9.699)	(42.949)	(3.905)
Payable related to employee benefits	(8.992)	(8.992)	(5.667)	(3.325)	--	--
	(638.050)	**(638.050)**	**(180.008)**	**(391.892)**	**(62.245)**	**(3.905)**
Derivative financial instruments						
Inflow	3.470	616.551	396.467	220.085	--	--
Outflow	(3.909)	(614.496)	(395.143)	(219.353)	--	--
	(439)	**2.055**	**1.324**	**732**	**--**	**--**

(AMOUNTS EXPRESSED IN THOUSANDS OF UNITED STATES DOLLAR ("USD") UNLESS OTHERWISE STATED.)

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

31 December 2015	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	(2.765.680)	(2.771.794)	(1.575.612)	(908.567)	(262.444)	(25.171)
Loans and borrowings	(2.501.964)	(2.577.753)	(1.495.096)	(667.823)	(362.895)	(51.939)
	(5.267.644)	**(5.349.547)**	**(3.070.708)**	**(1.576.390)**	**(625.339)**	**(77.110)**
Expected maturities						
Non-derivative financial liabilities						
Trade payables	(500.040)	(502.195)	(270.674)	(202.579)	(28.942)	--
Other payable	(69.972)	(70.004)	(24.750)	(30.909)	(14.253)	(92)
Payable related to employee benefits	(6.571)	(6.571)	(2.787)	(3.777)	(7)	--
	(576.583)	**(578.770)**	**(298.211)**	**(237.265)**	**(43.202)**	**(92)**
Derivative financial instruments						
Inflow	2.687	722.129	705.184	15.351	--	--
Outflow	(4.420)	(722.208)	(706.778)	(17.024)	--	--
	(1.733)	**(79)**	**(1.594)**	**(1.673)**	**--**	**--**

Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices, will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

Interest rate risk

The Group's operations are subject to the risk of interest rate fluctuations to the extent that interest-earning assets and interest-bearing liabilities mature or 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.

ÇALIK HOLDİNG ANONİM ŞİRKETİ AND ITS SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2016

(AMOUNTS EXPRESSED IN THOUSANDS OF UNITED STATES DOLLAR ("USD") UNLESS OTHERWISE STATED.)

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

Profile

As at 31 December, the interest rate profile of the Group's interest-bearing financial instruments was as follows:

	2016	2015
Fixed rate instruments		
Financial assets	1.389.531	1.438.617
Financial liabilities	5.181.113	4.973.243
Variable rate instruments		
Financial assets	2.481.675	2.163.997
Financial liabilities	522.872	294.402

As of 31 December 2016, 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 2.721. 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 2.721. This analysis assumes that all other variables remain constant (31 December 2015: USD 5.826, USD 7.073 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 Euro and USD.

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.

(AMOUNTS EXPRESSED IN THOUSANDS OF UNITED STATES DOLLAR ("USD") UNLESS OTHERWISE STATED.)

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

Currency risk (continued)

At 31 December 2016, the currency risk exposures of the Group in USD equivalents are as follows:

CURRENCY POSITION STATEMENT		**31 DECEMBER 2016**		
	USD equivalent	**USD**	**EURO**	**OTHER(*)**
1. Trade Receivables	210.224	98.840	104.141	1.600
2a. Monetary financial assets	1.802.023	545.730	1.133.968	60.877
2b. Non-monetary financial assets	--	--	--	--
3. Other	113.957	97.935	4.294	11.495
4. Current assets (1+2+3)	**2.126.204**	**742.506**	**1.242.403**	**73.972**
5. Trade Receivables	64.653	33.198	29.562	291
6a. Monetary financial assets	669.833	247.089	391.497	10.032
6b. Non-monetary financial assets	6.907	3.545	2.032	1.220
7. Other	5.693	5.158	507	--
8. Non-current assets (5+6+7)	**747.086**	**288.989**	**423.597**	**11.543**
9. Total Assets (4+8)	**2.873.290**	**1.031.495**	**1.666.000**	**85.515**
10. Trade payables	(169.917)	(75.212)	(58.251)	(33.297)
11. Financial liabilities	(1.315.136)	(667.401)	(606.995)	(7.847)
12a. Other monetary liabilities	(1.507.398)	(271.644)	(1.131.249)	(43.205)
12b. Other non-monetary liabilities	(527)	(377)	(142)	--
13. Short term liabilities (10+11+12)	**(2.992.978)**	**(1.014.634)**	**(1.796.636)**	**(84.349)**
14. Trade payables	(3.919)	--	(3.718)	--
15. Financial liabilities	(290.714)	(224.057)	(63.231)	--
16a. Other monetary liabilities	(298.978)	(25.224)	(257.760)	(2.027)
16b. Other non-monetary liabilities	--	--	--	--
17. Long term liabilities (14+15+16)	**(593.611)**	**(249.281)**	**(324.710)**	**(2.027)**
18. Total liabilities (13+17)	**(3.586.589)**	**(1.263.916)**	**(2.121.345)**	**(86.376)**
19. Outside of the financial statements derivatives instruments net assets / (liability) position (19a+19b)	**35.559**	**(75.757)**	**99.245**	**6.693**
19a. Hedged portion of assets amount	210.213	81.258	111.181	11.749
19b. Hedged portion of liabilities amount	(174.654)	(157.015)	(11.936)	(5.056)
20. Net foreign currencies assets / (liability) position (9+18+19)	**(677.740)**	**(308.178)**	**(356.100)**	**5.832**
21. Monetary items Net foreign currencies assets / (liability) position (IFRS 7.b23) (=1+2a+5+6a+10+11+12a+14+15+16a)	**(839.329)**	**(338.682)**	**(462.036)**	**(13.576)**

(*) USD equivalents are given.

ÇALIK HOLDİNG ANONİM ŞİRKETİ AND ITS SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2016

(AMOUNTS EXPRESSED IN THOUSANDS OF UNITED STATES DOLLAR ("USD") UNLESS OTHERWISE STATED.)

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

Currency risk (continued)

At 31 December 2015, the currency risk exposures of the Group in USD equivalents are as follows:

CURRENCY POSITION STATEMENT	31 DECEMBER 2015			
	USD equivalent	**USD**	**EURO**	**OTHER(*)**
1. Trade Receivables	523.924	480.008	33.804	6.973
2a. Monetary financial assets	1.503.189	537.923	826.600	61.908
2b. Non-monetary financial assets	--	--	--	--
3. Other	60.477	26.692	2.639	30.902
4. Current assets (1+2+3)	**2.087.590**	**1.044.622**	**863.043**	**99.783**
5. Trade Receivables	5.204	5.203	--	1
6a. Monetary financial assets	632.021	214.376	374.258	8.633
6b. Non-monetary financial assets	8.318	2.475	3.996	1.476
7. Other	6.720	4.057	797	1.792
8. Non-current assets (5+6+7)	**652.263**	**226.111**	**379.050**	**11.902**
9. Total Assets (4+8)	**2.739.853**	**1.270.733**	**1.242.093**	**111.685**
10. Trade payables	(271.871)	(159.551)	(85.555)	(18.819)
11. Financial liabilities	(1.260.949)	(822.880)	(378.986)	(23.889)
12a. Other monetary liabilities	(1.205.805)	(213.065)	(863.008)	(49.593)
12b. Other non-monetary liabilities	--	--	--	--
13. Short term liabilities (10+11+12)	**(2.738.625)**	**(1.195.497)**	**(1.327.549)**	**(92.301)**
14. Trade payables	(6.829)	--	(6.249)	--
15. Financial liabilities	(270.110)	(202.432)	(61.928)	--
16a. Other monetary liabilities	(362.196)	(22.668)	(309.649)	(1.125)
16b. Other non-monetary liabilities	--	--	--	--
17. Long term liabilities (14+15+16)	**(639.135)**	**(225.099)**	**(377.826)**	**(1.125)**
18. Total liabilities (13+17)	**(3.377.760)**	**(1.420.596)**	**(1.705.375)**	**(93.426)**
19. Outside of the financial statements derivatives instruments net assets / (liability) position (19a+19b)	**156.012**	**47.848**	**88.865**	**11.048**
19a. Hedged portion of assets amount	282.772	130.339	128.963	11.494
19b. Hedged portion of liabilities amount	(126.760)	(82.491)	(40.099)	(446)
20. Net foreign currencies assets / (liability) position (9+18+19)	**(481.895)**	**(102.015)**	**(374.417)**	**29.307**
21. Monetary items Net foreign currencies assets / (liability) position (IFRS 7.b23) (=1+2a+5+6a+10+11+12a+14+15+16a)	**(713.422)**	**(183.087)**	**(470.713)**	**(15.911)**

(*) USD equivalents are given.

(AMOUNTS EXPRESSED IN THOUSANDS OF UNITED STATES DOLLAR ("USD") UNLESS OTHERWISE STATED.)

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

Currency risk (continued)

Sensitivity analysis

A strengthening/weakening of the TL against the other currencies below would have increased/ (decreased) the comprehensive income and profit/loss (excluding the tax effect) as of 31 December as follows:

31 December 2016	**Profit / (Loss)**		**Equity**	
	Strengthening of TL	**Weakening of TL**	**Strengthening of TL**	**Weakening of TL**
Increase/(decrease) 10% of USD parity				
1-US Dollar net asset / liability	30.818	(30.818)	--	--
2-Hedged portion of US Dollar amounts(-)	--	--	--	--
3-Net effect of US Dollar (1+2)	**30.818**	**(30.818)**	**--**	**--**
Increase/(decrease) 10% of EUR parity				
4-EUR net asset / liability	37.540	(37.540)	--	--
5-Hedged portion of EUR amounts(-)	--	--	--	--
6-Net effect of EUR (4+5)	**37.540**	**(37.540)**	**--**	**--**
Increase/(decrease) 10% of other parities				
7-Other foreign currency net asset / liability	(584)	584	--	--
8-Hedged portion of other foreign currency amounts(-)	--	--	--	--
9-Net effect of other foreign currencies (7+8)	**(584)**	**584**	**--**	**--**
TOTAL (3+6+9)	**67.774**	**(67.774)**	**--**	**--**

31 December 2015	**Profit / (Loss)**		**Equity**	
	Strengthening of TL	**Weakening of TL**	**Strengthening of TL**	**Weakening of TL**
Increase/(decrease) 10% of USD parity				
1-US Dollar net asset / liability	10.201	(10.201)	--	--
2-Hedged portion of US Dollar amounts(-)	--	--	--	--
3-Net effect of US Dollar (1+2)	**10.201**	**(10.201)**	**--**	**--**
Increase/(decrease) 10% of EUR parity				
4-EUR net asset / liability	40.919	(40.919)	--	--
5-Hedged portion of EUR amounts(-)	--	--	--	--
6-Net effect of EUR (4+5)	**40.919**	**(40.919)**	**--**	**--**
Increase/(decrease) 10% of other parities				
7-Other foreign currency net asset / liability	(2.930)	2.930	--	--
8-Hedged portion of other foreign currency amounts(-)	--	--	--	--
9-Net effect of other foreign currencies (7+8)	**(2.930)**	**2.930**	**--**	**--**
TOTAL (3+6+9)	**48.190**	**(48.190)**	**--**	**--**

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.

ÇALIK HOLDİNG ANONİM ŞİRKETİ AND ITS SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2016

(AMOUNTS EXPRESSED IN THOUSANDS OF UNITED STATES DOLLAR ("USD") UNLESS OTHERWISE STATED.)

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

Capital management (continued)

Banking:

Aktifbank

BRSA sets and monitors capital requirements for the Aktifbank regularly.

The capital adequacy ratio calculations are made in accordance with the "Regulation on Measurement and Evaluation of Capital Adequacy of Banks" published in Official Journal No 28337 of 28 June 2012 from 1 July 2012. Standard Method is used to calculate market risk which is included in computation of capital adequacy ratio.

In implementing current capital requirements of BRSA requires Aktifbank to maintain a 12% ratio of total capital to total risk-weighted assets.

As at 31 December 2016, the Aktifbank's capital adequacy ratio is 12,70% (31 December 2015: 13,60%).

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%, while BKT has maintained this ratio at 14,08% as at 31 December 2016 (31 December 2015: 13,99%).

In December 2016, BKT has reported Regulatory Capital Ratio, Tier 1 Capital Ratio and Common Equity Tier 1 Ratio as 14,08%, 12,92% and 12,92%, respectively.(31 December 2015: 14,00%, 12,60% and 12,60 respectively).

Risk-Weighted Assets (RWAs): For calculation of credit risk, exposures, on- and off-statement of financial position are classified in 15 exposure classes. In general terms, client/ issuer type, loan destination and collateral are the main determinants of the exposure class. Each exposure class has its own specific requirements on how to assess the appropriate risk weight and respective risk weighted exposures. For credit risk and counterparty risk is applied the Standardised Approach. Market risk capital requirements are calculated in case the BKT has a trading portfolio that fulfils the requirements defined by the regulation and/ or a total net open currency position that is larger than the defined minimum threshold. Operational risk capital requirement is calculated based on the Basic Indicator Approach.

Compliance: BKT and its individually regulated operations have complied with all internally and externally imposed capital requirements throughout the year.

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

Operational risk

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

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

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

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

Compliance with Group standards is supported by a programme of periodic reviews undertaken by Internal Audit. The results of Internal Audit reviews are discussed with the management of the business unit to which they relate, with summaries submitted to the senior management of the Group.

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 HOLDİNG ANONİM ŞİRKETİ AND ITS SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2016

(AMOUNTS EXPRESSED IN THOUSANDS OF UNITED STATES DOLLAR ("USD") UNLESS OTHERWISE STATED.)

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

Fair value information

The table below shows the carrying amount and fair values of financial assets and financial liabilities, including their levels in the fair value. It does not include fair value information for financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value.

31 December 2016	Held-for trading	Designated at fair value	Loans and receivables	Available for-sale	Held to maturity	Other financial liabilities	Total carrying values Total	Level 1	Level 2	Level 3	Total fair values
Financial assets measured at fair value											
Financial investments	--	171.585	--	1.274.522	--	--	1.446.107	1.274.522	--	171.585	1.446.107
Derivatives	3.470	--	--	--	--	--	3.470	--	3.470	--	3.470
Financial assets not measured at fair value											
Financial investments	--	--	--	10.124	154.011	--	164.135	--	--	164.135	164.135
Trade receivables	--	--	1.503.902	--	--	--	1.503.902	--	--	--	--
Other receivables	--	--	212.865	--	--	--	212.865	--	--	--	--
Cash and cash equivalents	--	--	502.853	--	--	--	502.853	--	--	--	--
Receivables related to finance sector operations	--	--	2.261.149	--	--	--	2.261.149	--	--	--	--
	3.470	**171.585**	**4.480.769**	**1.284.646**	**154.011**	**--**	**6.094.481**	**1.274.522**	**3.470**	**335.720**	**1.613.712**
Financial liabilities measured at fair value											
Derivatives	3.909	--	--	--	--	--	3.909	--	3.909	--	3.909
Financial liabilities not measured at fair value											
Loans and borrowings	--	--	--	--	--	2.545.917	2.545.917	--	--	2.545.917	2.545.917
Trade payables	--	--	--	--	--	559.887	559.887	--	--	--	--
Payables related to finance sector operations	--	--	--	--	--	3.158.068	3.158.068	--	--	--	--
Other payables(*)	--	--	--	--	--	(69.171)	(69.171)	--	--	--	--
	3.909	**--**	**--**	**--**	**--**	**6.194.701**	**6.198.610**	**--**	**3.909**	**2.545.917**	**2.549.826**

(*) Deposits and guarantees given are excluded from other liabilities.
(**) Calculated for disclosure purpose.

(AMOUNTS EXPRESSED IN THOUSANDS OF UNITED STATES DOLLAR ("USD") UNLESS OTHERWISE STATED.)

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

Fair value information (continued)

The table below shows the carrying amount and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy. It does not include fair value information for financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value.

	31 December 2015	Held-for trading	Designated at fair value	Loans and receivables	Available for-sale	Held to maturity	Other financial liabilities	Total carrying values Total	Level 1	Level 2	Level 3	Total fair values
Financial assets measured at fair value												
Financial investments	--	148.370	--	1.207.287	--	--	1.355.657		1.281.182	--	148.370	1.429.552
Derivatives	2.687		--	--	--	--	2.687		--	2.687	--	2.687
Financial assets not measured at fair value												
Financial investments	--	--	--	13.193	210.154	--	223.347		--	--	224.080(**)	224.080
Trade receivables	--	--	1.163.458	--	--	--	1.163.459		--	--	--	--
Other receivables	--	--	218.598	--	--	--	218.599		--	--	--	--
Cash and cash equivalents	--	--	364.186	--	--	--	364.186		--	--	--	--
Receivables related to finance sector operations	--	--	2.023.610	--	--	--	2.023.610		--	--	2.007.458(**)	2.007.458
	2.687	**148.370**	**3.769.852**	**1.220.480**	**210.154**	**--**	**5.351.545**		**1.281.182**	**2.687**	**2.379.908**	**3.663.777**
Financial liabilities measured at fair value												
Derivatives	(4.420)	--	--	--	--	--	(4.420)		--	(4.420)	--	(4.420)
Financial liabilities not measured at fair value												
Loans and borrowings	--	--	--	--	--	(2.501.964)	(2.501.964)		--	--	(2.577.753)(**)	(2.577.753)
Trade payables	--	--	--	--	--	(500.041)	(500.041)		--	--	--	--
Payables related to finance sector operations	--	--	--	--	--	(2.765.680)	(2.765.680)		--	--	--	--
Other payables(*)	--	--	--	--	--	(7.891)	(7.891)		--	--	--	--
	(4.420)	**--**	**--**	**--**	**--**	**(5.775.576)**	**(5.779.996)**		**--**	**(4.420)**	**(2.577.753)**	**(2.582.173)**

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

ÇALIK HOLDİNG ANONİM ŞİRKETİ AND ITS SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2016

(AMOUNTS EXPRESSED IN THOUSANDS OF UNITED STATES DOLLAR ("USD") UNLESS OTHERWISE STATED.)

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

Fair value information (continued)

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. Where 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, they are measured at cost less impairment, if any, and their fair values are expected to approximate to their costs.

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 2016. Discounted cash flow method was used as valuation method and the fair value of this investment was assessed USD 171.400 (31 December 2015: USD 160.400).

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.

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.

(AMOUNTS EXPRESSED IN THOUSANDS OF UNITED STATES DOLLAR ("USD") UNLESS OTHERWISE STATED.)

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

Fair value information (continued)

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.
.

35 Group enterprises

The consolidated financial statements aggregate financial information from the following entities:

Subsidiaries

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

	Direct controlling interest of Çalık Holding and its subsidiaries		Effective ownership interest of Çalık Holding and its Subsidiaries	
Company name	2016	2015	2016	2015
Adacami Enerji [1]	99,95	99,95	95,38	95,38
Aktif Doğalgaz	97,50	97,50	97,40	97,40
Aktifbank	99,86	99,86	99,86	99,86
Albtelecom[5]	76,00	76,00	60,80	60,80
Ant Enerji[1]	50,00	50,00	47,71	47,71
Asset Aktif [6]	100,00	100,00	99,86	99,86
Atayurt İnşaat[1]	99,75	99,75	95,20	95,20
Atlas Petrol	100,00	100,00	99,89	99,89
Ayas Rafineri	99,89	99,89	99,89	99,89
Artmin[10]	70,00	70,00	69,50	69,50
Başak Yönetim	100,00	100,00	100,00	100,00
BKT[9]	100,00	100,00	100,00	100,00
Çalık Alexandria[3]	100,00	100,00	99,08	99,08
Çalık Denim[*]	99,18	99,18	99,18	99,18
Çalık Elektrik[1]	100,00	100,00	95,42	95,42
Çalık Emlak	98,06	98,06	98,06	98,06
Çalık Enerji	95,42	95,42	95,42	95,42
Çalık Enerji AB[1]	100,00	100,00	95,42	95,42
Çalık Enerji Dubai[1]	100,00	100,00	95,42	95,42
Çalık Finansal Hizmetler	100,00	100,00	100,00	100,00
Çalık Gaz	99,89	99,89	99,89	99,89
Çalık Georgia[1]	100,00	100,00	95,42	95,42
Çalık Hava	100,00	100,00	100,00	100,00
Çalık İnşaat[2]	99,75	99,75	99,13	99,07
Çalık Korea[3]	--	--	--	99,18
Çalık NTF[1]	100,00	100,00	95,42	95,42
Çalık Pamuk[3]	--	55,00	--	54,55
Çalık Petrol	80,00	80,00	79,91	79,91
Çalık Rüzgar[1]	95,00	95,00	90,65	90,65
Çalık Solar Enerji[1]	100,00	100,00	95,42	95,42
Çalık USA[3]	--	--	--	99,18
ÇED[1]	100,00	100,00	95,42	95,42
ÇEDAŞ[1]	99,95	99,95	95,38	97,62
Çep Petrol	99,75	99,75	99,64	99,64
Cetel Çalık[7]	100,00	100,00	100,00	100,00
Cetel Telekom[6]	80,00	80,00	80,00	80,00
Doğu Akdeniz Petrokimya	99,40	84,40	99,29	84,31
Dore Altın	100,00	100,00	100,00	100,00
E-Kent[8]	100,00	100,00	99,86	99,86
E-Post[8]	100,00	100,00	99,86	99,86
Echo[8]	50,00	--	49,93	--
Emlak Girişim[8]	100,00	100,00	99,86	99,86
Gap İnşaat Dubai[2]	100,00	100,00	99,37	99,32
Gap Elektrik	99,96	99,96	99,87	99,87
Gap Güneydoğu FZE[3]	--	100,00	--	99,18
Gap İnşaat	99,37	99,32	99,37	99,32
Gap İnşaat Cons. [2]	100,00	99,00	99,37	98,32
Gap Qatar [2]	100,00	100,00	99,37	98,54

ÇALIK HOLDİNG ANONİM ŞİRKETİ AND ITS SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2016

(AMOUNTS EXPRESSED IN THOUSANDS OF UNITED STATES DOLLAR ("USD") UNLESS OTHERWISE STATED.)

35 Group enterprises (continued)

Subsidiaries (continued)

	Direct controlling interest of Çalık Holding and its subsidiaries		Effective ownership interest of Çalık Holding and its Subsidiaries	
Company name	**2016**	**2015**	**2016**	**2015**
Gap Construction Co. [2]	100,00	100,00	99,37	98,54
Gap Pazarlama	95,01	95,01	95,01	95,01
Gap Pazarlama FZE([4]	100,00	100,00	95,01	95,01
Gap İnşaat Saudi Arabia Ltd [2]	100,00	99,00	99,37	98,32
Gap İnşaat Ukraine[2]	100,00	99,00	99,37	98,32
Gap Yapı	99,75	99,75	99,75	99,75
Gappa[4]	100,00	100,00	95,01	95,01
Gap Construction A.B [2]	100,00	100,00	99,37	99,28
Hamerz Green Energy	100,00	--	95,42	--
Innovative Construction [2]	100,00	--	99,37	--
İkideniz Petrol	99,99	99,99	99,89	99,89
Irmak Yönetim	100,00	100,00	100,00	100,00
Japan International	100,00	100,00	99,89	99,89
JSC Georgia[1]	85,00	100,00	81,11	95,42
Kentsel Dönüşüm[2]	99,75	99,75	99,13	99,07
Kızılırmak[1]	99,40	99,40	94,86	94,86
Lidya Maden	99,29	99,29	99,29	99,29
Mayestan Clean Energy[1]	100,00	--	95,42	--
Momentum Enerji[1]	100,00	100,00	95,42	95,42
Mükafat Portföy [8]	80,00	--	79,89	--
N Kolay Ödeme Kuruluşu A.Ş. [8]	100,00	100,00	99,86	99,86
Onyx Trading [1]	100,00	--	95,42	--
Ortur Elektrik[1]	--	90,00	--	85,88
Pavo [8]	80,00	80,00	79,89	79,89
Petrotrans Enerji	99,92	99,92	99,92	99,92
Polimetal Mineral	100,00	--	99,29	--
Sembol Enerji	100,00	100,00	99,89	99,89
Sigortayeri [8]	100,00	100,00	99,86	99,86
Synergy Marketing N.V	100,00	--	95,01	--
Telemed	100,00	100,00	100,00	100,00
Technological Energy[1]	100,00	--	95,42	--
Technovision[1]	90,00	90,00	85,88	85,88
Tura	100,00	99,99	100,00	99,99
Türkmen Elektrik[1]	97,00	97,00	92,63	92,63
UPT	100,00	--	99,86	99,86
Vadi Elektrik[1]	--	99,00	--	94,47
YEDAŞ[1]	100,00	100,00	95,38	97,62
Yenikom[1]	--	99,99	--	97,71
YEPAŞ[1]	100,00	100,00	95,38	97,62
Yeşilçay Enerji[1]	100,00	100,00	95,42	95,42
White Construction N.V	100,00	--	99,37	--

[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 Telemed, then consolidated under the Group
[6] First consolidated under Cetel Çalık, then consolidated under Telemed, then consolidated under the Group
[7] First consolidated under Telemed, then consolidated under the Group
[8] First consolidated under Aktifbank, then consolidated under the Group
[9] First consolidated under Çalık Finansal Hizmetler, then consolidated under the Group
[10] First consolidated under Lidya Maden, then consolidated under the Group

(AMOUNTS EXPRESSED IN THOUSANDS OF UNITED STATES DOLLAR ("USD") UNLESS OTHERWISE STATED.)

35 Group enterprises (continued)

Joint ventures

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

	Direct controlling interest of Çalık Holding and its subsidiaries		Effective ownership interest of Çalık Holding and its Subsidiaries	
	2016	**2015**	**2016**	**2015**
Çalık Limak Adi Ortaklığı	50,00	50,00	49,92	49,92
Doğu Aras	49,00	49,00	48,97	48,97
KÇLE	50,00	50,00	37,17	37,17
Kartaltepe	50,00	50,00	49,65	49,65
Polimetal	50,00	80,00	49,65	79,43
Tunçpınar	50,00	50,00	49,65	49,65
LC Electricity	50,00	50,00	50,00	50,00
Atagas Doğalgaz	50,00	50,00	50,00	50,00

Joint operation

The table below sets out the joint operation 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	
	2016	**2015**	**2016**	**2015**
Varyap-Gap Ortak Girişimi	50,00	50,00	49,64	49,64

Associates

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

	Direct controlling interest of Çalık Holding and its subsidiaries		Effective ownership interest of Çalık Holding and its Subsidiaries	
	2016	**2015**	**2016**	**2015**
Albania Leasing	29,99	29,99	26,25	26,25
Balkan Dokuma	31,00	31,00	31,00	31,00
Euro-Mediterranean	21,00	20,48	21,00	20,48
ELC	25,00	24,38	25,00	24,38
Haliç Leasing	32,00	--	31,96	--
IFM	5,00	5,00	4,99	4,99
Kazakhstan Ijara Company KIC Leasing	14,31	14,31	14,31	14,31
Serdar Pamuk	10,00	10,00	10,00	10,00
TAPCO	49,87	49,87	49,87	49,87
TJK	40,20	40,20	49,96	49,96
TTK	32,00	32,00	32,00	32,00
VKŞ	100,00	100,00	100,00	100,00

36 Subsequent events

Çalık Enerji, a consolidated subsidiary of the Group, issued a bond to the qualified investors with a nominal value of USD 40.176, a maturity of 24 months with quarterly coupon payments and variable interest on 3 February 2017 in accordance with the approval of issuance certificate by Capital Markets Board of Turkey dated 15 July 2016 and numbered 22/795.

On 6 January 2017, the Group acquired from the Kiler Holding A.Ş. all shares with a nominal value of USD 190 representing 1,00% of the share capital of the Doğu Aras for a consideration of TL 190. Group increased the ownership interest in Doğu Aras from 49,00% to 50,00% with this acquisition.

On 27 February 2017, Cetel Çalık, a consolidated subsidiary of the Group, merged with Telemed Telekom under Telemed Telecom. As a result of this merger Cetel Çalık A.Ş. expired without liquidation.

CONTACT DETAILS

ÇALIK HOLDİNG A.Ş.
Büyükdere Cad. No: 163
34394 Zincirlikuyu, Şişli/
ISTANBUL/TURKEY
Tel: (+90 212) 306 50 00
Fax: (+90 212) 306 56 00

ENERGY

ÇALIK ENERJİ SAN. VE TİC. A.Ş.
HEAD OFFICE
Yaşam Cad. Ak Plaza No: 7 Kat: 17
06510 Söğütözü/ANKARA/TURKEY
Tel: (+90 312) 207 70 00/71 00
Fax: (+90 312) 312 207 71 03

ÇALIK ENERJİ COMMERCIAL CENTER
Büyükdere Cad. No: 163
34394 Zincirlikuyu, Şişli/
ISTANBUL/TURKEY
Tel: (+90 212) 306 50 00-97
Fax: (+90 212) 306 29 66

ÇALIK ENERJİ IRAQ OFFICE
Elveziriye M-301 Z-7 D-14/3 BAGHDAD/
IRAQ

ÇALIK ENERJİ TURKMENISTAN OFFICE
Aşgabat Şaheri, Berkararlyk Etraby,
Bitarap Türkmenistan Şayoly, 538
ASHGABAD/TURKMENISTAN

ÇALIK ENERJİ GEORGIA OFFICE
129a David Aghmashenebeli Ave. 0102,
TBILISI/GEORGIA

JSC CALIK ENERJI SANAYI VE TICARET BRANCH OF GEORGIA
Old Tbilisi District, Gudiashvili Square, N4
TBILISI/GEORGIA

ÇALIK ENERJİ FZE
Jafza One Building, Office No: 2013,
JAFZA, DUBAI, BAE
Tel: (+971) 4-8812966
Fax: (+971) 4-8839494

ÇALIK ENERJİ UZBEKISTAN OFFICE
Tashkent City, Mirzo Ulugbek, Afrosiyob St.
14 (Roison Business Center, 5. Kat) 100031
TASHKENT/UZBEKISTAN
Tel: (+ 998 71) 256 01 28 -
(+ 998 71) 256 01 29
Fax: (+ 998 71) 256 01 42

ÇALIK ENERJİ LIBYA OFFICE
Tripoli Tower, Kat:5 No: 56
TRIPOLI/LIBYA

ÇALIK ENERJİ DAPRAŞ
Cemalpaşa Mah. Vali Yolu Cad.
No: 5 Yaprak Apt. K: 2 D: 6
SEYHAN/ADANA/TURKEY
Tel: (+90 322) 363 52 51
Fax: (+90 322) 458 52 53

YEŞİLIRMAK ELEKTRİK DAĞITIM A.Ş. (YEDAŞ)
Mimar Sinan Mah. Atatürk Blv. No: 190
55200 ATAKUM/SAMSUN/TURKEY
Tel: (+90 362) 311 44 00
Fax: (+90 362) 400 42 00

YEŞİLIRMAK ELEKTRİK PERAKENDE SATIŞ A.Ş. (YEPAŞ)
Cumhuriyet Mah. Atatürk Blv. No: 368-370
55200 ATAKUM/SAMSUN/TURKEY
Tel: (+90 362) 311 58 00
Fax: (+90 362) 999 29 79

KOSOVA ELEKTRİK TEDARİK VE DAĞITIM A.Ş.
Elektrokosova Building, No: 5
Bill Clinton Blv.
PRISHTINA/KOSOVO
Tel: (+ 381) 38 79 1556

ARAS ELEKTRİK DAĞITIM A.Ş.
Şükrüpaşa Mah. TEK Lojmanları Sok.
No: 57 25050 YAKUTİYE/ERZURUM/
TURKEY
Tel: (+90 850) 200 20 20
Fax: (+90 442) 242 27 80

MINING

LİDYA MADENCİLİK SAN. VE TİC. A.Ş.
Büyükdere Cad. No: 163 34394
Zincirlikuyu, Şişli/ ISTANBUL/TURKEY
Tel: (+90 212) 306 52 46
Fax: (+90 212) 212 28 85

POLİMETAL MADENCİLİK SAN. VE TİC A.Ş.
2176 Sok. Platin Tower İş Merkezi No: 7
Kat: 4 06520 Söğütözü
ANKARA/TURKEY
Tel: (+90 312) 219 01 66
Fax: (+90 312) 219 01 67

CONTACT DETAILS

CONSTRUCTION

GAP İNŞAAT YATIRIM VE DIŞ TİCARET A.Ş.
Büyükdere Cad. No: 163 34394
Zincirlikuyu, Şişli/ISTANBUL/TURKEY
Tel: (+90 212) 306 50 00
Fax: (+90 212) 306 54 34
E-mail: info@gapinsaat.com

GAP İNŞAAT TURKMENISTAN OFFICE
Altı Garliyeva Street No: 70
744028 AŞKABAT/TURKMENISTAN
Tel: (+99 312) 42 26 50
Fax: (+99 312) 42 26 50

GAP İNŞAAT IRAQ OFFICE
Airport Street, Close Hay Al Amil Bridge
BAGHDAT/IRAQ

GAP İNŞAAT DUBAI FZE
LB 19, Ofis No: 1106 P.O. Box 54605
DUBAI/B.A.E.
Tel: (+ 971) 4 884 91 47
Fax: (+ 971) 4 884 91 48

GAP İNŞAAT QATAR OFFICE
Makyol Qatar LLC
Al Corniche, MIA Intersection
Regency Business Centre, Unit 1102 P. O. Box: 15413
DOHA/QATAR
Tel: (+ 974) 4432 4402
Fax: (+ 974) 4432 3846

GAP İNŞAAT LIBYA OFFICE
Hai Alandalus, Behind Iraq Embassy
TRIPOLI/LIBYA
Tel: (+ 218) 21 477 28 70
Fax: (+ 218) 21 477 28 70

ÇALIK EMLAK VE GAYRİMENKUL YATIRIMLARI A.Ş.
Büyükdere Cad. No: 163
34394 Zincirlikuyu, Şişli/
ISTANBUL/TURKEY
Tel: (+90 212) 306 50 00
Fax: (+90 212) 306 54 68

TARLABAŞI URBAN RENEWAL OFFICE
Hüseyin Ağa Mah. Tarlabaşı Bulvarı No: 59
Beyoğlu/ISTANBUL/TURKEY
Tel: (+90 212) 293 93 10
Fax: (+90 212) 252 04 77

ŞEHRİZAR URBAN RENEWAL OFFICE
Burhaniye Mah. Tunuslu Mahmutpaşa Cad.
No: 2 Üsküdar, ISTANBUL/TURKEY
Tel: (+90 216) 593 34 90

METROPOL İSTANBUL PROJECT OFFICE
Atatürk Mah. Ataşehir Blv. Ata Blokları
Karşısı Ataşehir, ISTANBUL/TURKEY
Tel: (+90 216) 548 21 00
Fax: (+90 216) 548 21 10

FINANCE

AKTİF YATIRIM BANKASI A.Ş.
Aktif Bank Call Center (0850) 724 30 50

HEAD OFFICE
Büyükdere Cad. No: 163/A 34394
Zincirlikuyu, Şişli/ISTANBUL/TURKEY
Tel: (+90 212) 340 80 00
Fax: (+90 212) 340 88 79

AKTİF BANK ADANA BRANCH
Kurtuluş Mah. 64019 Sok. Pakyürek
İş Merkezi Kat: 4 No: 17
Seyhan/ADANA/TURKEY
Tel: (+90 322) 503 04 84
Fax: (+90 212) 340 88 09

AKTİF BANK ANKARA BRANCH
Farilya Business Center, Ufuk Üniversitesi
Cad. No: 8 Kat: 7 Ofis No: 39-40
06520 Söğütözü/ANKARA/TURKEY
Tel: (+90 312) 286 44 52
Fax: (+90 212) 376 31 22

AKTİF BANK ISTANBUL BRANCH
Büyükdere Cad. No: 163
34394 Zincirlikuyu, Şişli/
ISTANBUL/TURKEY
Tel: (+90 212) 340 80 40
Fax: (+90 212) 340 80 86

AKTİF BANK ISTANBUL BAĞDAT CADDESİ BRANCH
Bağdat cad. Mengüç Apt No: 311 /4 Kat: 2
Kadıköy/ISTANBUL/TURKEY
Tel: (+90 216) 467 52 08
Fax: (+90 212) 376 31 42

AKTİF BANK İZMİR BRANCH
Cumhuriyet Blv. No: 133 Okan Apt. B Blok
D: 6 K: 7 35220 Alsancak/İZMİR/TURKEY.
Tel: (+90 232) 421 15 90
Fax: (+90 212) 376 31 20

AKTİF BANK KAYSERİ BRANCH
Osman Kavuncu Cad. No: 191/1
38060 Melikgazi/KAYSERİ/TURKEY
Tel: (+90 352) 336 84 00
Fax: (+90 212) 376 31 32

AKTİF BANK BURSA BRANCH
Mudanya Yolu Sanayi Cad. Akpınar Mah.
No: 398 16200 Osmangazi/BURSA/
TURKEY
Tel: (+90 224) 242 62 72
Fax: (+90 212) 376 31 34

AKTİF BANK GAZİANTEP BRANCH
İncilipınar Mah. Kıbrıs Cad. Ataseven Apt.
A Blok No: 8-9
27090 Şehitkamil, GAZİANTEP/TURKEY
Tel: (+90 342) 324 79 00
Fax: (+90 212) 376 31 21

E-KENT ISTANBUL HEADQUARTERS
Büyükdere Cad. No: 124 Özsezen İş
Merkezi B Blok
Esentepe, Şişli/ISTANBUL/TURKEY
Tel: (+90 212) 340 80 00
Fax: (+90 212) 340 88 91
E-mail: iletisim@e-kent.com.tr

E-KENT ANKARA REGION DIRECTORATE
Cevizlidere Mahallesi 1245 Sok. No: 8
Çankaya/ANKARA/TURKEY
Tel: (+90 312) 219 02 35
Fax: (+90 312) 219 02 39
E-mail: iletisim@e-kent.com.tr

E-KENT KAYSERİ REGION DIRECTORATE
Serçeönü Mah. Birkan Sok. No: 27/ B
Kocasinan/KAYSERİ/TURKEY
Tel: (+90 352) 336 77 73
Fax: (+90 352) 336 99 20
E-mail: iletisim@e-kent.com.tr

E-KENT GAZİANTEP REGION DIRECTORATE
İncilipınar Mah. 3 No'lu Cad. 1 No'lu Sk.
Bayel İş Merkezi B Blok Kat: 1 Daire: 101
Şehitkamil/ GAZİANTEP/TURKEY
Tel: (+90 342) 231 70 03 -
(0 342) 231 70 06
Fax: (+90 342) 231 70 06
E-mail: iletisim@e-kent.com.tr

E-KENT KÜTAHYA REGION DIRECTORATE
Balıklı Mah. Osmanlı Cad. No: 108
KÜTAHYA/TURKEY
Tel: (+90 274) 223 13 38
Fax: (+90 274) 223 17 41
E-mail: iletisim@e-kent.com.tr

E-KENT SAKARYA REGION DIRECTORATE
Yenicami Mah. Sakarya Cad. No: 16
SAKARYA/TURKEY
Tel: (+90 264) 273 64 26
E-mail: iletisim@e-kent.com.tr

E-KENT DÜZCE REGION DIRECTORATE
Kültür Mah. Kuyumcuzade Bulvarı
Muratbey Sk. No: 6/1
DÜZCE/TURKEY
Tel: (+90 380) 524 32 75
E-mail: iletisim@e-kent.com.tr

E-KENT AKSARAY REGION DIRECTORATE
Minarecik Mah. 562. Sok No: 6/G Valilik
Arkası AKSARAY/TURKEY
Tel: (+90 382) 212 07 56
E-mail: iletisim@e-kent.com.tr

E-KENT BOLU BRANCH DIRECTORATE
Büyükcami Mah. Sanat Sok. Belediye Katlı
Otopark Altı No: 9/1-4
BOLU/ TURKEY
Tel: (+90 374) 218 11 89
E-mail: iletisim@e-kent.com.tr

E-KENT KAHRAMANMARAŞ BRANCH DIRECTORATE
İsmet Paşa Mah. Hükümet Blv. No: 34/1
Dulkadiroğlu/ KAHRAMANMARAŞ/TURKEY
Tel: (+90 344) 225 46 20
E-mail: iletisim@e-kent.com.tr

E-KENT BURSA REGION DIRECTORATE
Oulu Cad. Oylum Sitesi Çiğdem Apartmanı
No: 25 A Blok Daire: 1
Kükürtlü/Osmangazi /BURSA/TURKEY
Tel: (+90 224) 242 46 07 -
(0 224) 242 46 56
Fax: (+90 224) 242 73 87
E-mail: iletisim@e-kent.com.tr

TEXTILE

ÇALIK DENİM

HEADQUARTERS
Keresteciler Sitesi, Fatih Cad. Ladin
Sok. No: 17 34169 Merter, Güngören/
ISTANBUL/TURKEY
Tel: (+90 212) 459 26 26
Fax: (+90 212) 677 41 17

ÇALIK DENİM FACILITY
1. Organize Sanayi Bölgesi 2.Cadde No: 6
44900 Yeşilyurt/Malatya/TURKEY
Tel: (+90 422) 377 61 00
Fax: (+90 422) 237 54 17

CONTACT DETAILS

ÇALIK DENİM ITALY OFFICE
Centro Polifunzionale Dal Negro Via Fratelli Bandiera, 3 No: 5
31100 TREVISO/ITALY
Tel: + 39 422 44 50 66
Fax: + 39 422 69 92 55

ÇALIK DENİM HONG KONG OFFICE
A22, 2/F, Morlite Buliding, No.40
Hung to Road Kowloon/HONG KONG
Tel: +852-6624-9351
Fax: +852-9631-3848

ÇALIK DENIM AMSTERDAM OFFICE
Gustav Mahlerlaan 278-280 Amsterdam

GAP PAZARLAMA A.Ş.
HEADQUARTERS
Keresteciler Sitesi Fatih Cad.
Yıldırım Sok. No: 18 Merter Güngören/
ISTANBUL/TURKEY
Tel: (+90 212) 306 53 94
Fax: (+90 212) 306 53 01

GAP-PA TEXTILES INC.
276 Fifth Avenue, Suite 1008 New York, NY
10001 NEW YORK, NY 10016/USA
Tel: +1 212 481 71 00
Fax: +1 212 481 71 02

TELECOM

ALBTELECOM
HEAD OFFICE
Autostrada Tiranë – Durrës, Km 7, Kashar,
TIRANA/ALBANIA
Tel: (+ 355 4) 22 90 100
Faks: (+ 355 4) 22 32 200
www.calik.com

BKT (BANKA KOMBETARE TREGTARE)
Bulevardi Zhan D'Ark
TIRANA/ALBANIA
Tel: (+ 355) 4 2 250 955
Fax: (+ 355) 4 2 250 956

BKT KOSOVA
Banka Kombëtare Tregtare
Rr. Kosta Novakovic, Nr. 9, Qyteza Pajton,
PRISHTINA/KOSOVO
Tel: +381(0)38 666 666 -
+381(0)38 223 636
Fax:+381(0)38 222 906

ÇALIK HOLDİNG

www.calik.com