

While celebrating its 27th anniversary, Çalık Holding heads forward being a regional power with its reputability and entrepreneurship in the sectors that focused on and takes giant steps forward in corporate governance.

Page: 16 Steps that Shape the Future

Steps that Shape the Future

Çalık Holding which celebrates its 27th anniversary in 2007, forged ahead with its straightforward and focused growth strategy and value creation ability that cemented with strong performance results.

From 1930's to 1981...
 Çalık Group was founded in 1930 by İsmail Çalık. The group's first business was in the construction and real estate sectors. In 1981, the group diversified into the energy sector with the founding of Çalık Enerji.

1980
 The founding of Çalık Enerji in 1980 marked the beginning of the group's expansion into the energy sector. The company's first power plant was commissioned in 1981.

1987
 Çalık Enerji's first power plant, Çalık Enerji 1, was commissioned in 1987. This marked the beginning of the group's long-term commitment to the energy sector.

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Page: 18 Macro Economic Developments in 2007

Macro Economic Developments in 2007

Problems in US real estate sector...
 The US real estate sector has been a major source of economic uncertainty in 2007. The subprime mortgage crisis has led to a sharp decline in housing prices and a rise in foreclosures. This has led to a loss of confidence in the financial system and a decline in consumer spending.

World Economy
 The world economy has shown signs of slowing down in 2007. The US economy has slowed down due to the subprime mortgage crisis. Other major economies like Europe and China have also shown signs of slowing down.

Oil prices...
 Oil prices have risen significantly in 2007, reaching a record high of over \$100 per barrel. This has led to a decline in global economic growth and a rise in inflation.

Commodity prices...
 Commodity prices have risen significantly in 2007, reaching a record high of over \$100 per barrel. This has led to a decline in global economic growth and a rise in inflation.

Emerging markets...
 Emerging markets have shown signs of slowing down in 2007. The US economy has slowed down due to the subprime mortgage crisis. Other major economies like Europe and China have also shown signs of slowing down.

Page: 22 Developments in Çalık Holding in 2007

Developments in Çalık Holding in 2007

Our strategy...
 Çalık Holding's strategy in 2007 was focused on expanding its energy portfolio and strengthening its financial position. The group invested in new power plants and acquired stakes in other energy companies.

Energy investments...
 Çalık Holding invested in several new power plants in 2007, including the Çalık Enerji 10 and Çalık Enerji 11. The group also acquired stakes in other energy companies like Çalık Enerji 12 and Çalık Enerji 13.

Financial performance...
 Çalık Holding's financial performance in 2007 was strong. The group's revenue increased by 15% compared to 2006, and its profit margin improved significantly.

Operational performance...
 Çalık Holding's operational performance in 2007 was excellent. The group's power plants achieved high capacity factors and low operating costs.

Page: 24 Principal Indicators

Primary Indicators

The financial and operational results posted by Çalık Holding in 2007 further strengthened its position among a very small number of multi-sectoral groups that have been able to achieve sustainable real growth.

1.261 USD million...
 The Group's consolidated revenue reached USD 1,261 million in 2007, an increase of 15% over the previous year's revenue of USD 1,095 million.

952 USD million...
 The Group's consolidated operating profit reached USD 952 million in 2007, an increase of 20% over the previous year's operating profit of USD 793 million.

121 USD million...
 The Group's consolidated net profit reached USD 121 million in 2007, an increase of 25% over the previous year's net profit of USD 97 million.

19%
 The Group's gross profit margin increased to 19% in 2007, up from 18% in 2006.

Page: 4 Corporate Profile

Corporate Profile

A Credible and High Standing Regional Force...

Çalık Holding was established in 1981...
 Çalık Holding was established in 1981 by İsmail Çalık. The group's first business was in the construction and real estate sectors. In 1981, the group diversified into the energy sector with the founding of Çalık Enerji.

Our strategy...
 Çalık Holding's strategy in 2007 was focused on expanding its energy portfolio and strengthening its financial position. The group invested in new power plants and acquired stakes in other energy companies.

Our performance...
 Çalık Holding's financial performance in 2007 was strong. The group's revenue increased by 15% compared to 2006, and its profit margin improved significantly.

Page: 10 Chairman's Message

Chairman's Message

Dear Stakeholders,

I would like to start by announcing the good news about our significant developments and achievements in 2007.

2007 was a year of significant growth for Çalık Holding. The group's revenue increased by 15% compared to 2006, and its profit margin improved significantly. This was achieved through our strong operational performance and strategic investments in the energy sector.

Our performance in 2007 was a result of our clear strategy and the dedication of our employees. We have a long-term vision and a strong commitment to our stakeholders. We will continue to invest in our energy portfolio and strengthen our financial position.

2007 was an amazing year for Çalık Holding. Our healthy and sound energy and growth oriented approach, which we have followed since our establishment, brought us these results. We will continue to invest in our energy portfolio and strengthen our financial position.

Our strategy in 2007 was focused on expanding our energy portfolio and strengthening our financial position. We have a long-term vision and a strong commitment to our stakeholders. We will continue to invest in our energy portfolio and strengthen our financial position.

We accomplished successful results of our strategies based on reliable analysis in 2007. We will continue to grow without making any concessions from our strategy oriented management approach.

Page: 26 Fields of Operation in Brief



Fields of Operations in Brief

Energy & Telecommunications:
 An industry that achieves sustainable growth. Since its establishment within the Çalık Holding in 1993, Çalık Energy has become a leading and rapidly growing firm, becoming one of the most successful businesses of Çalık Holding. Çalık Energy is an internationally active firm. It has established production and distribution networks in 15 countries. In Turkey, it has established production and distribution networks in the coal, natural gas, and other countries. In the field of natural gas, it is the largest producer in Turkey. In addition, it has established production and distribution networks in other countries. In Turkey, it has established production and distribution networks in the coal, natural gas, and other countries. In the field of natural gas, it is the largest producer in Turkey. In addition, it has established production and distribution networks in other countries.

Construction & Investment:
 Investment with the strength of a global player. Çalık Holding undertakes various production projects in Turkey and other countries. It has established production and distribution networks in the coal, natural gas, and other countries. In Turkey, it has established production and distribution networks in the coal, natural gas, and other countries. In the field of natural gas, it is the largest producer in Turkey. In addition, it has established production and distribution networks in other countries.

Page: 28 Textiles



Textiles



Page: 36 Construction



Construction



Page: 44 Energy and Telecommunications



Energy and Telecommunication



Page: 54 Financial Services



Financial Services



Page: 62 Trade



Trade



Page: 68 Corporate Governance Approach



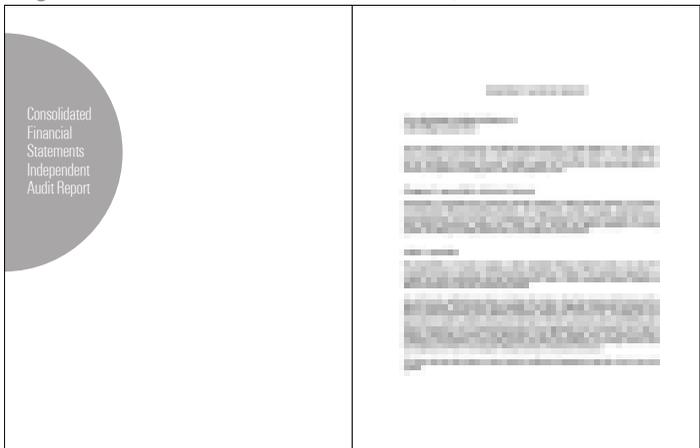
Corporate Governance Approach



Page: 75 Consolidated Financial Statements together with Auditor's Report



Consolidated Financial Statements together with Auditor's Report



*Corporate
Profile*



A Credible and High Standing Regional Force...

Çalık Holding was established in 1981;

Çalık Holding is one of the powerful and reputable groups of companies in a wide region in which Turkey is located in the exact middle and operates on major sectors such as energy-telecommunication, finance, textile, construction and trade.

- **Active in 12 countries,**
- **Consolidated assets size of USD 3,3 billion,**
- **USD 1.3 billion turnover,**
- **43 companies,**
- **15.223 employees**

Çalık Holding gives utmost importance to environmental and social values, operates in line with social responsibility concept and focuses on creating more added values for its social stakeholders with the help of its rapid and effective growth model based on generalizing business lines into different regions and sectors. The Holding cemented its vision on being a reputable world company with its recent breakthroughs and based its corporate plans, strategies and targets on a “**sustainability basis**”.

Çalık Holding operates under an umbrella of a synergic and contemporary corporate structure which employs the technology and modern management practices in each and every point of its production-service circle.

In the light of growth strategy which was tested and justified in different market conditions, Çalık Holding will continue to be one of the leading and powerful players of the business lines of its focus by blending enterprising and productivity features of its corporate culture.

Since the day it was founded, Çalık Holding has undersigned many groundbreaking investments, international business partnerships and successfully completed international contracting projects.

Holding;

- Launched its first denim cloth production complex in CIS countries,
- Undertook the first fertilizer, paper and cement plant construction projects outside Turkey on a turnkey basis.
- Succeeded to receive the first national credit rating ever in the Turkish textile industry,
- Became the 5th largest Turkish Eurobond exporter.

Çalık Holding adopts a corporate citizenship approach and seeks to be an example for other to follow. The Holding determined to share the added value through its commercial activities with the public and make investments in the “future humanity” by embracing;

- skills in making the very best use of knowledge and experience,
- result oriented operating principles,
- competency in embracing the ethical values and universal principles,
- attachment of importance to people and the environment.



Our Vision:

To be a reputable global company that is known for its entrepreneurship and prestige in the sectors of its focus.

Our Mission:

To be a group that ensures competitive advantage via focusing on the customer satisfaction, that is capable of competing against international brands, that does not make concessions with regard to the quality of its products and services, that achieves consistent and profitable growth by means of its operations and financial performance, and that contributes in the society and the environment.

Our Corporate Values:

Seeking to be an exemplary corporate citizen in all geographies of its operation, as Çalık Holding we have seven fundamental corporate values that strengthen its identity.

- Being a Çalık Person
- Skill in making use of information
- Commitment to success and result-oriented operation
- Integrity and transparency
- Acting responsibly and taking initiative
- Customer satisfaction
- Social responsibility







Strategy

The way to reach the objective

A straightforward and growth focused strategy

Çalık Holding anticipates that success in sustainable growth will continue and be supported by the EU integration process and global economic conditions in Turkey. In the light of this vision the Holding will continue its growth strategy within the concept of “global business relations and regional investments” shown its long term route map that was restructured in 2007.

The key to sustainable success:

The strategy rests on three pillars:

- Continuing to pursue additional growth in the energy sector and making new investments in telecommunication,
- Making variation and development plans in financial services,
- Giving greater weight to real estate development and valuation.

*Chairman's
Message*



Ahmet Çalık
Chairman

We accomplished successful results of our strategies based on reliable analysis in 2007. We will continue to grow without making any concessions from our strategy oriented management approach.

Dear Stakeholders,

I would like to start by announcing the good news about very significant developments and investments we implemented in 2007.

In 2007, we concentrated on making new investments in all the sectors we operate. While our growth trend is carried out especially in energy and telecommunication areas, we also took a first step to include media in our business segments in the light of positive data of sectoral financial indicators. Whilst going for an active institutional structuring in finance sector we also headed towards projects abroad with the aim of becoming a regional power. As part of our expanding businesses in construction sector, we undertook urban transformation projects which are newly made developments in Turkey and become more of an issue in local and international markets; our international business networks in textile and trade become the centre of new achievements for our holding.

You can be sure that we receive these progress and achievements on behalf of you with a great determination and a pleasure...

Strategy that paves the way for sound and healthy development

2007 was an amazing year for our holding. Our healthy and sound strategy and growth oriented approach, which we have followed since our establishment, brought their results more than ever in 2007 and paved the way for exciting developments for the upcoming years. What we offer to our customers and business partners, our increasing number of employees, our business lines that we aim to increase to six by the end of the year and our stronger name in global markets enable us to focus on the future, raise our targets and expand our activities internationally...

Our performance criteria for the year 2007

Total assets of Çalık Holding increased 133 % in real terms and reached to USD 3.336 million. The consolidated equity of our group, whose financial structure becomes stronger through time, is USD 952 million in 2007.

The Group increased both sectoral and consolidated sales compared to the previous year; total sales were realized as USD 1.261 million. Total product and service exports of our Group companies reached to USD 817 million in 2007.

Çalık Holding completed the year 2007 with a USD 239 million gross income.

A stronger Çalık Holding with new sectors and investments!

We have a never-ending energy in the energy sector

Dashoguz State Power Plant which was built by Çalık Enerji and taken into service in 2007 will be one of the largest electricity station of Turkmenistan with a power capacity of MW 250 in total. Dashoguz Power Plant which was constructed on a 70 thousand square meters area will meet around 10 % country's electricity needs. Total power of energy plants in Turkmenistan reached to MW 884 with the participation of the fifth electricity station constructed by Çalık Enerji.

So that Çalık Holding secures its position in energy sector in Turkey and nearby regions.

Important developments in telecommunication

We have begun to make infrastructure investments rapidly to increase our service quality to the best level and extend our product range, right after the acquisition of 76 % shares of Albtelecom in 2007, Albania's landline telephone operator. We have taken the first steps of an organizational transition in terms of market and customer orientations.

I can already tell the good news that Albtelecom will reach the world-wide standards in terms of customer satisfaction and service quality. We carried out another investment in this sector by taking GSM operator Eagle Mobile into service.

An agreement is signed with Huawei for the technical infrastructure works of Eagle Mobile in 2007. We wish to begin working with Eagle Mobile which is acquired by a Çalık Holding company, CETEL, in the privatization process of Albtelecom by March 2008.

We aim to provide a good quality and high technology service with Eagle Mobile which takes its name from "Eagle" figure, the national symbol of Albania. As Çalık Holding, we lead to meet the infrastructure needs of the region as well as ensuring Albanian people's integration to global information and telecommunication network with this investment.

We are proud to announce that Albania will get a better service in telecommunication sector after all these developments.

"Local, Global" Developments in Finance Sector

We have our active role in finance sector with BKT and Çalıkbank and sustain our enhancing investments in this business line.

Çalıkbank gained new perspectives in addition to its existing strengths by its corporate transition and reorganization program started in the second quarter of 2007. Hereupon the bank's 8-year performance figures are doubled up in 8 months.

In the direction of "Local, Global" mission, Çalıkbank continues its determined growth process to the aim of becoming a specialized bank which provides services to Turkish industrialists and entrepreneurs in the global markets. The bank also begins to design the first Direct Banking model of Turkey by adopting alternative distribution channels as main channels of this business line.

In 2006, Çalık Holding and Çalıkbank acquired the majority shares of BKT (Banka Kombetare Tregtare) in Albania through Çalık-Şeker Consortium which is established with the participation of Şekerbank and Çalık Holding which owns the majority shares. BKT which is the second largest bank of Albania completed its infrastructure activities in order to reach its target of becoming the financial power of the region. With the help of empowered service network total assets of the bank reached to USD 1,2 billion by the end of 2007. Other figures of the bank also reached to higher levels; deposits to USD 1,1 billion, loans to USD 337 million and net profit to USD 16,9 million.

Our primary goal in the region is to improve the private and commercial banking service qualities of BKT which operates with 37 branches in 21 cities of Albania and a first foreign branch in Pristine-Kosovo and strengthen its existence in Albanian economy.

“Respect for the city, respect for human beings”

2007 was a year of a new vision in the construction sector. We have become the coordinator of a very important project in parallel with our international initiatives.

We prioritized urban transformation projects which also have major importance for Turkey and we would like to continue this approach next year. The ongoing Tarlabası Project and upcoming Balat Project are the two of our urban transformation activities.

GAP İnşaat is assigned as the contractor company in Tarlabası Urban Transformation Project which is designed by the leadership of Beyoğlu Municipality to create a new, safe, sound, liveable and a city-integrated residential area. Tarlabası and upcoming Balat Urban Transformation Projects will be the most prestigious indicators of our future investments approach and these precious areas of İstanbul will create a connection with the city and the people.

Our latest sector: Media

One of the most important new steps for us is to get into the media sector. We took the first step to add the second largest media company to our associates by bidding the appraised value in ATV-Sabah Financial and Commercial Integration tender which was carried out in 5 December 2007. Takeover process is planned to be completed after the approval of RTUK- Radio and Television Supreme Council in the first quarter of 2008.

Good practices in the application of risk management

We have always been a leading, successful and growing group of companies; we created an added value, never considered our existence separate from the people of our country and succeeded to create a respected institutional name in national and international platforms.

We have never concerned about development and growth risks and always tried to create the most professional risk management systems. We believe in constant risk measuring and monitoring as well as believing the key to success is to turn a well analysed and managed risk to an opportunity. We applied this strategy to all our businesses throughout our professional life.

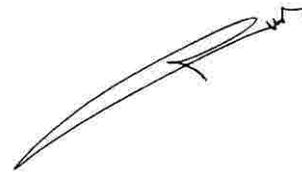
The year 2007 was even a year of breakthroughs for us. We had favourable results of our well thought of strategies. We wish to continue our developments without making any concessions from our strategy oriented management approach and to range up our dynamism.

We've always gained appreciation since our success and achievements that are compatible with our country's values; our major source of pride is this harmonization...

We believe that we will go from strength to strength with the support of our customers, local and international business partners and employees over 15.000 who adopt “Being a part of Çalık” principle into their working life...

I would like to thank to all our stakeholders and convey my respects to them...

Sincerely yours,



Ahmet Çalık
Chairman

*CEO's
Message*



Berat Albayrak
CEO

Our profitability indicators followed performance increase of our group companies in 2007. I strongly believe that these achievements show that much better days are ahead for both our country and our group.

I would like to begin with expressing my delightfulness of leaving another important and successful year for Çalık Holding behind. Undoubtedly, 2007 also went down in history of the group with many strategic breakthroughs for the group.

Our Group which was established in the 1970's with the entrepreneurship of Mr. Ahmet Çalık has become a leading 'regional power' through its local and international investments.

2007 was also an important year for global markets and Turkey. Global fluctuation that has come out in US real estate markets and spreaded over the world through capital markets has indicated the first signs of a very difficult process. 2007 might seem a difficult year for Turkey with two election processes and uncertain conditions but it was also a successful year with its performance resisted to the fluctuation. In parallel with developments in Turkey 2007 also was a very successful year for us in whom we reached our 'continuous and balanced growth' target in every business lines we operate and created many variations and developments.

In this context, the Eurobond issue we performed in the first quarter of 2007 which created a benchmark in finance sector and made a huge contribution to the stability of Turkish economy became a source of pride for our group. USD 1 billion offers made for our Eurobond tender was assured our success. We reached investor demands beyond our expectations and increased the amount of Eurobond issue from USD 150 million to USD 200 million.

We also succeeded in international arena with the share transfers of Albanian landline telephone operator Albtelecom and GSM operator Eagle Mobile by winning the privatization tenders in Albania. We both performed one of the biggest privatization tenders of Albania and also paved a new way for satisfying Albanian people's technological needs.

We took the first important step into energy sector by taking over Bursagaz through the privatization tender and entering natural gas distribution sector in 2004.

In line with our growth strategy in this sector, we aim to make another breakthrough in Kayseri by using opportunities of modern information technologies.

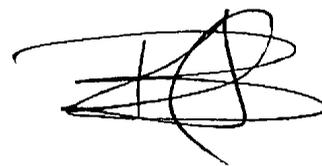
We made our major breakthrough by bidding the appraised value in ATV-Sabah Commercial and Economical unity tender in 5 January 2007. Therefore our group took its first step into media sector. Takeover process is planned to be completed in 2008 after the approvals of related legal bodies.

We strengthened our vision of being a high standing company, well known with its 'entrepreneurship and reputation' with investments that we sustained in 5 business lines in different regions such as Turkey, Balkans, Middle East, Turkic Republics and North Africa. I strongly believe that we accomplished our mission of being a group which creates competitive advantage by focusing customer satisfaction, competes with international brands in global markets, makes no concessions on its product and service quality, continues its constant and profitable growth and gives utmost importance to the society and the environment.

While performances of our group companies increased on sales and turnover basis, our profitability indexes on YTL and USD basis followed this positive situation. Çalık Holding's employees, business partners and customers are the parts of a big family. It is a great pleasure for us to feel the support of this family while these achievements show that much better day are ahead for both our country and our group. We fulfil our targets. I believe that these achievements show that much better days are ahead for both our country and our group.

I would like to thank Çalık Holding family which I have been proud to be a part of for many years for all the support and confidence they have given me, and repeat my belief of creating bigger breakthroughs in the years to come.

Sincerely yours,



Berat Albayrak
CEO

*Steps that
Shape
the Future ...*

Çalık Holding which celebrates its 27th anniversary in 2007 forges ahead with its straightforward and focused growth strategy and value creation ability that cemented with strong performance results.

From 1930's to 1981...

Çalık Family's activities in textile sector go back to 1930's. The first venture made by the Group's founder, Ahmet Çalık, Ortadoğu Tekstil Company was established in İstanbul in 1981. Textile has been evolved in Group's activities in time and become core and traditional field of activities.

1980

The world's leading manufacturer of denim cloth...

In the second half of the 1980's, Çalık Holding continued to undertake new ventures in the textile industry.

1987

GAP Güneydoğu Tekstil was founded in 1987. Today Gap Güneydoğu Tekstil is considered as one of the world's leading manufacturers of denim cloth.

1993

Textile industry initiatives go international...

The Group decided to extend its textile industry initiatives outside Turkey and became one of the first foreign groups make investments in Turkmenistan. Turkmenbashi Jeans Complex located on the legendary Silk Road near Ashgabat came into operation as the only denim producer in CIS countries.

1994

The Group's share of international trade in textile increases...

The Group increased its share in international trade each year. GAP Pazarlama was established in 1994. The establishment now serves as the international marketing company of Çalık Holding.

1996

The construction sector gains significance...

Çalık Holding decided to enlarge its construction operations in 1996. A restructuring and business development process was begun in GAP İnşaat in line with this mission.

1997

Textile industry activities abroad continue to expand...

Investments in Turkmenistan reached a new stage when Serdar Pamuk Eğrici came into operation in Turkmenistan in 1997. Turkmenbashi Textile Complex (home textiles, knitted outdoor and garments) established in the same year and commenced its operation in 2000.

Entering the energy sector...

The second half of 1990's is a period of opportunities presented by energy sector in our country. The Group established Gap Elektrik in order to make use of opportunities in electricity distribution sector.

Shifting to holding structure...

Çalık Holding was established in 1997. Group companies gathered under a management structure and a very important step was taken forward to corporate governance.

Developments in the energy business...

The Group anticipated that energy sector will gain a great importance all over the world in the new millennium. Accordingly, Çalık Enerji the second energy company of the Group was established in 1998.

1999

Innovative solutions in banking...

Çalık Holding entered to the finance sector in 1999 and Çalıkbank was established.

2000

Group assets exceed half a billion dollar...

Group's size of assets are realized over half a billion dollar in 2000. Net profit reached to USD 21 million.

2001

Increased production in denim cloth...

GAP Güneydoğu Tekstil's annual denim production reached 40 million meters from 27 million thanks to the investment to increase capacity.

For an effective value-creation chain...

In the direction of Group's strategic decisions, Sastaş and GAP Fibre's production lines were merged into those of GAP Güneydoğu Tekstil in order to form a more effective value-creation chain.

First credit rating...

Çalık Holding's first credit rating report was announced by Fitch IBCA (now Fitch Ratings) in 7th December. The Group evaluated with a BBB long-term national credit rating, during economic crisis in the market.

In 2001, Çalık Holding celebrated its 20th year in business.

2002

12,2 % real growth...

In 2002, Çalık Holding achieved 12,2 %rate of a real growth and reached many achievements in all business lines especially in construction sector.

Rapid growth at GAP İnşaat...

The Group's construction business line grew rapidly: GAP İnşaat cemented its world ranking position with many construction activities in fertiliser, paper and cement production facilities.



2003

Size of the assets is over one billion dollar...

Total assets of Çalık Holding which is always being able to continue and expand its activities in every kind of business cycles and create "a real model of sustainable growth" topped over one billion US dollars.

2004

Our new subsidiary: Bursagaz

Bursagaz, the local natural gas distributor company of the city of Bursa joined the group with the privatization tender made on the 19th of April in 2004.

2005

Active participation in privatizations...

In 2005, privatization activities reached a record high in Turkish economic history and Çalık Holding participated Türk Telekom and Tüpraş privatization tenders. The Group delivered a successful performance, reached to the last stages of both tenders and offered the second best prices.

Growth in energy...

The Group considered energy sector as a very important growth platform and gave the start signals of new projects in Turkey and neighbour countries in 2005. Some of these projects were thermal and hydro-electric power plants and oil pipeline constructions.

Çalık Holding's efforts in the energy sector brought results in 2006 and the Group undertook the construction of Trans Anatolian Pipeline Project. This international partnership project is a very important milestone for the transportation of Black Sea oil to the Mediterranean.

The Group designed a series of power generation projects to satisfy Turkey's increasing amount of energy needs and 2007 was the breakthrough year for energy sector.

New horizons in telecommunications...

Çalık Holding which successfully provides VoIP services in Turkmenistan won privatization tender of Albanian telecommunication company, Altelecom in 2005. The Group's telecommunication company CETEL taken over 76 % of Abtelecom shares by bidding the highest offer of EUR 120 million in the tender which was quite important for Albania with its direct investment opportunities.

2006

Bursagaz: an important leap...

Within the context of growth plans in energy sector, Çalık Holding acquired Bursagaz, the natural gas distribution company of Bursa, as part of a privatization tender. Bursagaz turned into a success story with over 500 thousand subscribers, 93 % penetration rate and a high quality service by the end of 2007.

The first step towards regional growth in banking...

Çalık Holding targeted a new region and became the partner of Banka Kombetare Tregtare (BKT), Albania's second largest bank.

Expansion towards other markets in textiles...

With the aim of using cost-reducing geographical advantages, Çalık Holding started investments of a ready-made garment factory in Egypt in 2006 as the part of the 'production in different regions' strategy.

More added value in construction sector...

In 2006, GAP İnşaat ranked 121st in international contractors list chosen by Engineering News Magazine with its numerous projects and proven competence in global stage.

Within the frame of new strategic trend, the Group decided to work on real estate projects especially urban transformation schemes which create very big social added values.

2007

Gap İnşaat, a world-ranking company...

GAP İnşaat proved its strong market position in global arena by ranking 121st in international contractors list chosen by Engineering News Record Magazine in 2007.

High demand for issuance of Eurobond

Çalık Holding's Eurobond issue had requests 4,8 times more than expected in February 2007. The planned amount was increased to USD 200 million and the term changed into 5 years instead of 3.

Kayserigaz follows the steps of Bursagaz...

After the acquisition of Bursagaz in 2004 Çalık Enerji acquired Kayserigaz, a natural gas distribution and operating company in Kayseri, in line with the growth strategy in energy sector.

Partnership with German energy giant, EWE

Çalık Enerji came to terms with EWE which is an international energy company based on Germany about the acquisition of 39,9 % of Bursagaz shares. This strategically important agreement between Çalık Enerji and EWE aims to grow together with a 'multi service' concept by improving the cooperation in water and electricity distribution and telecommunication areas.

TAPCO Project's foundation-laying ceremony

Foundation-laying ceremony of TAPCO-Trans Anatolian Pipeline Project which enables the transportation of Black Sea oil to the Mediterranean was held in Ceyhan, Adana in 24th of April 2007 with the participation of bureaucrats and senior management.

Licence for 15 million tons...

Çalık Enerji's licence application for an integrated refinery and petrochemistry complex with a capacity of 15 million tons was accepted by EMRA-Electricity Market Regulatory Authority.

Altelecom is now a Çalık Holding subsidiary

Çalık Holding acquired 76 % shares of Altelecom, Albanian Telecommunication Company, and legal takeover procedure was completed with an agreement signed in October 2007.

A new sector

In late 2007 Çalık Holding took its first step to enter a new sector by bidding for the ATV-Sabah Commercial and Economical Unity tender made by SDIF- Savings Deposit Insurance Fund.



World Economy

Global economy grew 4,5 % in 2007.

2007 was more difficult compared to the previous four years in terms of world economy. While world economies grew rapidly after 2002, especially in the second half of 2007 it was realized that global economy will not reach the expected growth rate. A substantial decline is expected in 2008 growth figures. According to the IMF prospects, growth rate of world economy declined to 4,5 % in 2007 compared to the 2006 figures of 4,5 % . Global growth is expected to drop off to 3,5 % in 2008.

Growth rates of developing countries haven't faced significant changes in 2007, but declines in growth rates are expected in China, India, Argentina, Venezuela and some Eastern Europe countries in 2008, which will reduce total growth rate of developing countries. Growth rate declines are also expected in some major developed countries in 2008. Growth rate prospects for 2008 are lower than previous years on condition that will be limited in Japan and Canada and faster in Britain.

Problems in US real estate sector...

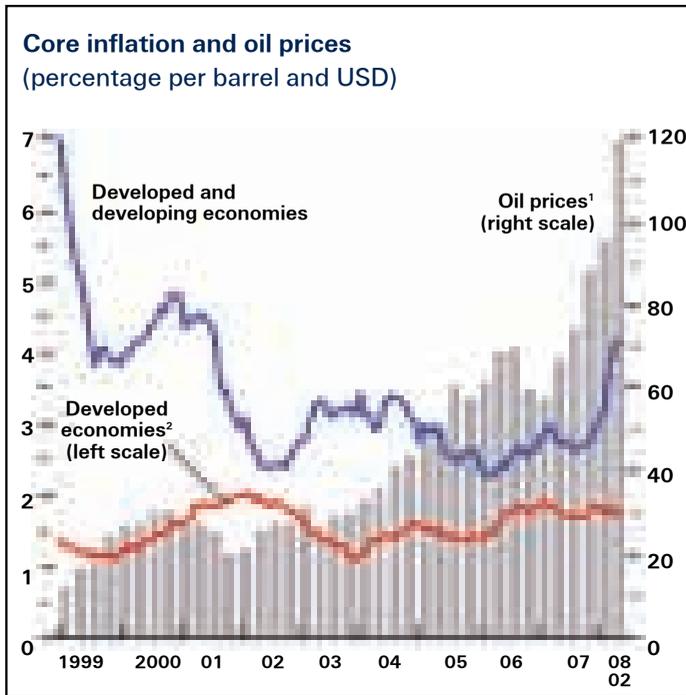
Problems emerged in the back payments of mortgage loans in the U.S.A. Meanwhile these loans are started to be used in credit markets via derivative instruments which was brought along financial difficulties for many financial institutions and created risk-averse fluctuation after experiencing a snowball effect.

This problem made a negative effect on global markets since last August. US economy underperformed due to the problems in real estate sector and fluctuations in credit markets in the second half of 2007. This situation is seriously weakened the structures of investment funds especially hedge funds and then the banks were shaken. Credit agencies began to face funding problems since these investment funds play a crucial role in their credit portfolio.

Developed countries are affected negatively of market fluctuations despite of developing countries that faced considerably smaller problems. Instabilities in financial system continue although developed countries tried to solve the problem by interventions of their central banks. Negative news aimed at US economy and big financial institutions' financial statements are still affected by macroeconomic equilibrium.

Growth is expected to slow down in Euro zone...

Measurable growth oriented risks showed increase in the Euro zone in 2007. According to IMF prospects, economic growth that was 2,6 % in the Euro zone in 2007 is expected to slow down to 1,6 % in 2008. Real estate investments and consumer expenses became to go down because of difficult mortgage conditions due to the volatility in global markets. Prospect of slowdown is highly connected with decline in the growth rates in countries like Germany, Italy and Spain in 2008.



Sources: Haver Analytics: IMF Index of Primary Goods Prices and calculations of IMF commissioners

1 - Average 3 month prices of England, Brent, Dubai and West Texas medium level crude oil.

2 - 12 months variation in core consumer price index (percentage). Total figures are calculated by using Purchasing Power Index (PPI).

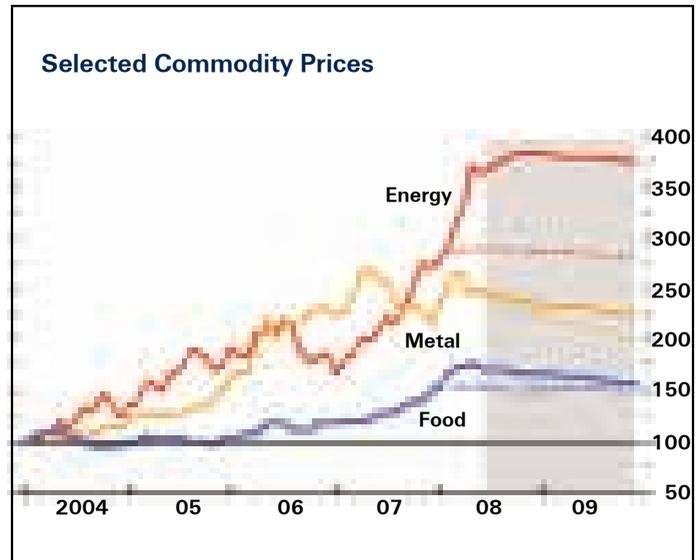
Source: IMF World Economic Outlook 2007

Upward trend in oil prices...

Another significant development in international markets is the upward trend in oil prices. Crude oil prices that was around USD 57 at the beginning of 2007 reached to the level of USD 100 to the end of the year. Scant supplies, increase in demand, security problems and speculative activities caused to reach that point.

Sharpest decline in the dollar against the euro in 2007...

The sharpest decline of US dollar against the euro in its history, real appreciation of local currencies in a significant part of developing countries and China's controlled and restricted revaluation policy were the important exchange rate developments of 2007. With the attraction of very low interest rates in Japan, international investors borrowed money in yen and made high interest rated investments in developing and developed country currencies. Japanese yen fluctuated due to the risk appetite in global markets. US dollar might be expected to appreciate against other currencies in 2008.



Sources: IMF Index of Primary Commodity Prices and calculations of IMF commissioners. Shaded area shows the predictions of IMF commissioners. Continuous lines show the current prospects and dashed lines shows the 28 February prospects.

Source: IMF World Economic Outlook 2007

Commodity prices highly increased in 2007...

Increase in goods prices together with oil prices is also one of the most important developments of 2007. Dollar depreciation against euro and other important currencies, liquidity and credit problems in global markets, some geopolitical risks that affect oil prices and speculators' heavy influence in the markets increased the goods prices. Especially increase in food prices made a very big pressure on inflation in almost every country. Consumer price index that was 1,9 % in 2006 increased to 4,1 % in 2007.

In conclusion...

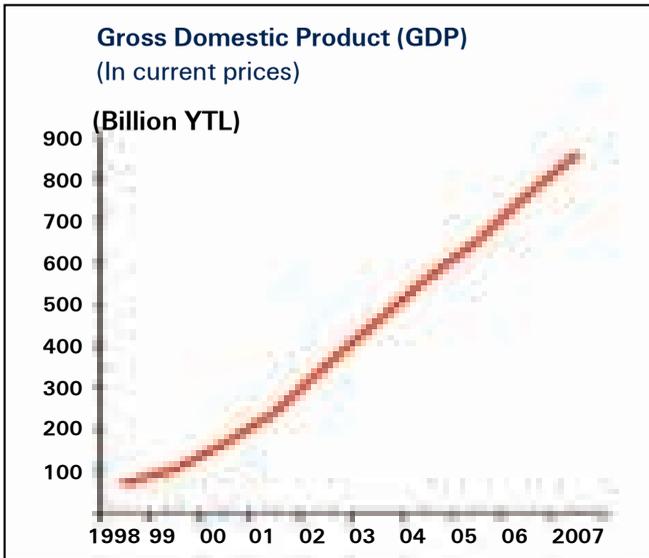
Actions taken by central banks in negative conditions, market interventions in developed countries and having much stable macroeconomic basis compared to the past in developing countries prevented the problems that occurred in the second half of 2007 turn into much bigger crises.

Turkish Economy

Although 2007 was a year under the influence of global developments and general election, the Turkish economy grew 4,5 %.

In 2007 in which global economic problems at the top of the agenda, global economic developments and domestic election made very big impacts on Turkish economy. Growth rate slowed down a little compared to average rate of 7,2 % in 2002-2006 period. Uncertainty caused by general and presidential elections weakened the domestic demand. Nevertheless Turkish economy grew 4,5 % in line with the EU harmonization policies, structural reforms and correct and stabilized applications

Increase in gross domestic product (GDP) slowed down in the third quarter of 2007...

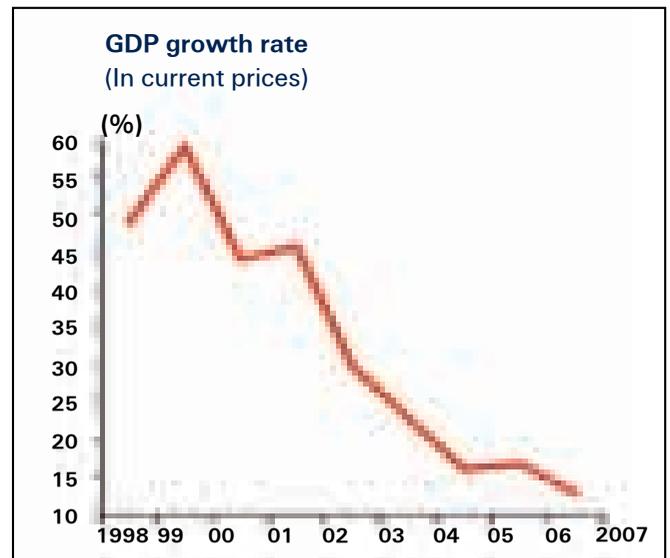


Global equities market completed the year 2007 with an increase

Despite the political and economic fluctuations in domestic and global markets ISE (İstanbul Stock Exchange) -100 index finished the year with 42 % increase and around 55000 marks. On the other hand domestic government bonds dropped to 16 % compared to the last year's 21 % rate.

YTL appreciated considerably in 2007

As a result of US dollar's value loss in international markets, dollar lost 18 % value against YTL and 8 % against euro. Variations in risk fluctuations in international markets, developments concerning inflation and current account deficit, Turkish Central Bank's interest rate decisions and foreign fund inflows have influences to the direction of foreign currencies. Foreign currencies showed a declining tendency in the first seven months of the year, but in the next period they followed a flexible movement because of market fluctuations. Current account deficit continued to be in rise and reached to USD 38 billion at the end of the year. Foreign trade deficit increased in 2007 compared to the previous years. Export increase was over import increase. Having export trade relations with EU countries and value increase in euro are the important factors that have impacts on foreign trade equilibrium. However high level of import input use, high prices of international goods, especially oil prices and Turkish lira's strong performance supported the import increase.

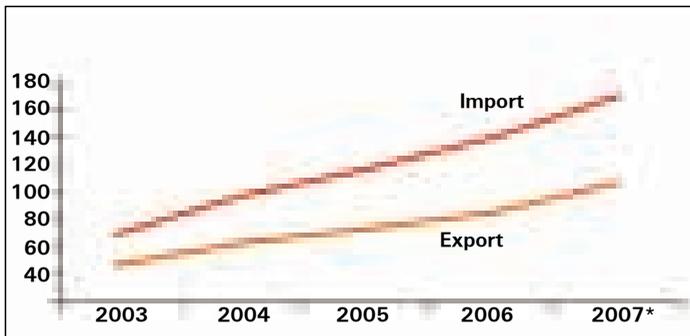


Upward trend in export figures...

Foreign Trade Indicators

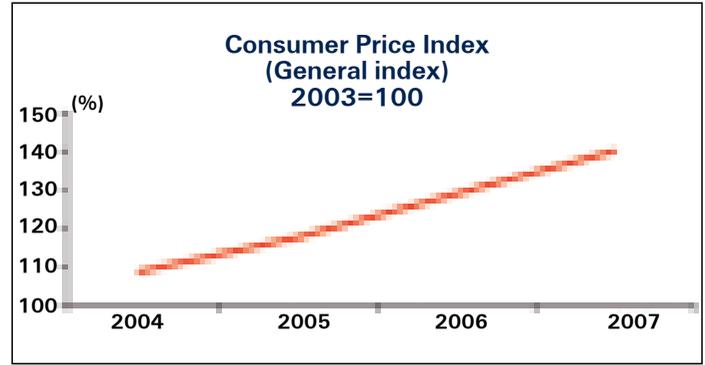
	2003	2004	2005	2006	2007*
Export (Million \$)	47.253	63.167	73.476	85.535	107.213
Change (%)	31,0	33,7	16,3	16,4	25,3
Import (Million \$)	69.340	97.540	116.774	139.576	170.057
Change (%)	34,5	40,7	19,7	19,5	21,8
Foreign Trade Balance (Million \$)	-22.087	-34.373	-43.298	-54.041	-62.844
Foreign Trade Volume (Million \$)	116.593	160.707	190.251	225.111	277.270
Export / Import Compare Rate (%)	68,1	64,8	62,9	61,3	63,0

Source: TSI, Turkey's Statistical Yearbook 2007, page 243

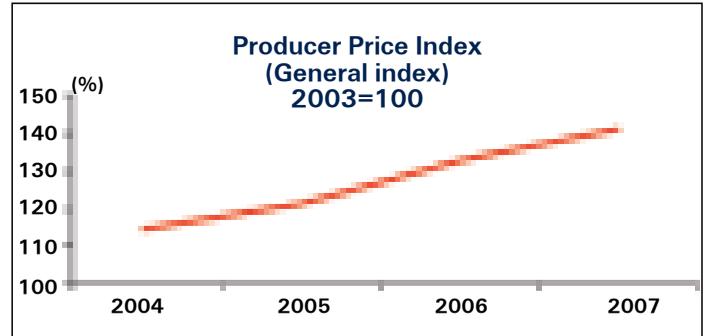


Source: TSI, Turkey's Statistical Yearbook 2007, page 317

Despite the increase in current account deficit, a substantial amount of capital inflow was provided as a result of focusing private sector's attention on credit extensions and heading forward to foreign investments. While looking at the economy in terms of production growth trend can be seen in all the sectors excluding agriculture. Industrial production grew by 5,4 % and agriculture sector decreased by 7,3 %. Growth in construction sector that is one of the leading sectors of the country slowed down to 5 % in 2007 while it was 18,5 % in 2006. Growth in real estate sector was higher than 2006 figures and reached almost 14 %.



Source: TSI, Turkey's Statistical Yearbook 2007, page 261



Source: TSI, Turkey's Statistical Yearbook 2007, page 262

In 2007 inflation was over the planned figures although it was lower than the year before. Despite the volatilities experienced in energy and goods prices in 2007, delayed reflections of tight monetary policy applied in 2006 backed up the decline process in inflation. Annual inflation rate declined after April as a result of recovery in service sector inflation. In the last quarter of the year, especially in November inflation rate increased depending upon the raise in private consumption tax rates of oil and tobacco. The year-end inflation rate climbed over the targets (8,4 %) and was 5,4 % in terms of producer price index (PPI) and 4 % in terms of consumer price index (CPI).

Unemployment rate maintained at the same level of 2006...

Turkey maintained unemployment rate within 9,9 % in 2007

Developments in Çalık Holding in 2007

In line with its strategy of being a regional force, in 2007 Çalık Holding involved itself in new business investments and speed up its corporate citizenship activities.

The financial and operational results posted by Çalık Holding in 2007 further strengthened its position among a very small number of multi-sectoral groups that have been able to achieve sustainable real growth.

In addition to the five main business lines in which is active in its national market, Çalık Holding continued with its ventures and investments in the Balkans, Middle East, North Africa and the Turkic republics, established new business relationships, and embarked upon new joint ventures.

Since the day its was founded, Çalık Holding has sought out and involved itself in global business relationships and it has had a high degree of access to global markets. In line with its strategy of being a global regional force, in 2007 the Group made a number of important and bold corporate decisions and charted a new course on the roadmap of its future growth.

In keeping with this Çalık Holding is focused on;

- Continuing to pursue regional growth and to rapidly increase its effectiveness in financial services,
- Undertaking major projects in energy sector while making a tender for leadership through new investments that carries out there,
- Taking the lead in real estate development projects that create social added value in the construction sector,
- Taking a bold step in to media sector by the end of the year.

2007 highlights...

- Last year Group's total sales reached USD 1,267 million, of which USD 450 million was from domestic sales. In 2007 group companies' total product and service exports reached USD 817 million, foreign sales constituted 64 % of the group sales.
- On business line basis, total sales in 2007 amounted to USD 492 million in textiles, USD 461 million in energy and telecommunication, USD 171 million in construction, USD 82 million in financial services and USD 55 million in marketing and other business lines.
- Çalık Holding booked a gross profit worth USD 239 million in 2007 with a 40 % increase in real terms over the last five years. Pre-tax profit of the Group reached USD 121 million with a 51 % increase.
- Çalık Holding's total assets reached USD 3,336 million in value. This corresponds to a 133 % increase in real terms over the last five years.
- Çalık Holding and its subsidiaries' investments reached USD 237 million in real terms over the previous year's amount of USD 74 million.

- Consolidated equities of the group continued to rise: Group's consolidated resources which realized as USD 841 million in 2006 increased 13 % and became USD 952 million in 2007. The real increase is 59 % in a 5-year period. The average equity profitability became 7 % in 2007 with the effect of newly made investments.
- By analysing the developments in the global world correctly, group companies keep on designing their corporate strategy and policies in the best possible way; reflect this strategy and policies to their various business lines in the quickest way and ensured their competitive market positions with much stronger positions.
- In 2006, as part of the strategy based on making production and sales activities in different parts of the world, the group has taken a leap forward to fulfil the high quality denim demands of South Korea, Japan and China markets which are currently in the increasing consumption trend: Within this context Çalık Korea Inc. was established and went into operation. On the other hand a ready made clothing factory which foundation was laid in 2006 started production in 2007.
- Çalık Holding which have business lines in the neighbour zones together with in Turkey, focused to take an active role in construction sector of the regions with offer an insight into a high profit and a growth potential. In line with this target, the group continued its new business development activities rapidly in 2007 and carried on working in different countries such as Turkmenistan, United Arab Emirates and Sudan. On the other hand Çalık Holding has carried out a strategy concentrated on real estate development projects which have very high social added values. Within this context, Fener-Balat and Tarlabası Urban Transformation Projects are in a very good progress.
- As the first step of expanding group's businesses in finance sector, the process of acquiring the majority shares of Banka Kombetare Tregtare (Albania) was completed in 2006 by receiving Albania government's approval and realizing the share transfer and the first branch outside Albania was opened in Pristine-Kosovo in November, 2007 within the context of group's expanding strategy.
- Banka Kombetare Tregtare (BKT) which was acquired by Çalık-Şeker Consortium is the third biggest bank of Albania and rated as the best bank of the country in 2006 by the world famous finance magazine 'The Banker'.
- As part of the strategy aiming to be one of the leading groups in the energy sector, Çalık Holding made important achievement plans and accomplished many projects that fulfil the increasing energy needs of Turkey especially in the power systems area in 2007. Group completed 5 power plants with total power potential of 883 MW in Turkmenistan.
- Çalık Holding undertook the Trans Anatolian Pipeline Project with Italian company, ENI. Foundation of 555 km. pipeline was laid in Ceyhan, Adana in 24th April 2007. The pipeline which is expected to transfer Russian and Kazakh oils to Ceyhan (Mediterranean) in a very effective and secure way will also create a very powerful synergy with its existing facilities and infrastructures in Turkey.
- Bursagaz which adds a private segment to Çalık Holding customer pyramid showed its difference with the service perfection within the shortest time and raised its number of subscribers to 600.000 by the year of 2007. Within the scope of carrying out the similar success in different towns, the group acquired Kayserigaz in the first half of 2007 and began to make the natural gas distribution of the city of Kayseri successfully.
- Çalık Holding is a very well known, dependable and creditworthy group of companies. As part of its high value identity the group continued and cemented its professional relations with global business partners such as ENI, IOCL, Parker Drilling, General Electric, Mitsubishi, Krupp Uhde, Voith, Kawasaki, Siemens, EBRD, IFC, EWE and Türk Telekom in 2007.
- The group continued its good business relations with banking and finance companies. Çalık Holding issued a Eurobond and created a very high demand with 4,8 more than the actual transaction. Such transactions are the proof of Çalık brand's high credibility in the international markets.
- Çalık Holding which performs non-finance sector activities and has international credit note, was assigned with grade B in 2007 by Fitch Ratings.
- By the same date, Gap Güneydoğu Tekstil which is one of the important companies of Çalık Holding was assigned with grade A (-) by Fitch Ratings.

*Primary
Indicators*

The financial and operational results posted by Çalık Holding in 2007 further strengthened its position among a very small number of multi-sectoral groups that have been able to achieve sustainable real growth.

1.261

USD million...

In all lines of business the Group's consolidated sales came to USD 1,261 million in 2007.

952

USD million...

The Group's consolidated shareholders' equity in 2007 increased 13 % and reached USD 952 million.

121

USD million...

The Group's operational profit increased 36 % and reached USD 121 million in 2007.

%19

The Group's gross profitability increased to 19 % in 2007.

USD (Thousand)	2007	2006	2005	2004	2003	% change (2003/2007)
Total Assets	3.336.265	2.804.127	1.685.182	1.714.333	1.433.518	132.73
Liquid Assets	1.968.379	1.703.701	919.887	908.084	727.626	170.52
Total Equities	952.041	841.303	735.248	654.252	633.408	50.30
Net Sales	1.261.643	1.221.048	1.150.860	1.126.143	1.146.713	10.02
Cost of Sales	1.022.284	954.199	960.259	979.804	976.264	4.71
Profit before Tax	120.824	88.778	105.011	39.950	79.920	51.18

Basic ratios

	2007	2006	2005	2004	2003
Gross Income (%)	19%	22%	17%	13%	15%
Profitability before Tax (%)	10%	7%	9%	4%	7%
Working Capital Ratio	1.01	1.01	1.34	1.25	1.33
Receivables Turnover	3.3	3.8	3.7	4.2	4.4
Stock Turnover	3.9	4.3	5.6	5.3	4.4
Debt Turnover	2.5	2.3	2.3	2.8	3.2

Çalık Holding's total assets reached USD 3,336 billion in value. This corresponds to a 133 % increase in real terms over the last five years. Consolidated shareholders' equity in the Group continued to grow, reaching USD 952 million in 2007.

Fields of Operations in Brief:

With all its mechanisms and dynamics, corporate elements that express themselves very well, business traditions, sound technological and intellectual infrastructure, and high brand value, Çalık Holding is a global player that is focused on growth and success in the five major business lines in which it is active.

Energy & Telecommunications:

A structure that ensures sustainable growth

Since it was established within the Çalık Holding in 1998, Çalık Enerji has ensured a stable and steady growth and become one of the most successful touchstones of Çalık vision. Çalık Holding is an active international player in electricity, petroleum, natural gas and telecommunications with operations in Turkey and Turkmenistan as well as in other countries. In the wake of its first natural gas venture in the province of Bursa in Turkey (Bursagaz), the Group follows up that success with another natural gas distribution company in Kayseri (Kayserigaz). Having also undertaken the Trans-Anatolian Pipeline contract, Çalık Holding will be maintaining its leading presence in the energy sector for many years to come.

- Çalık Enerji Sanayi ve Ticaret A.Ş.
- Naturel Gaz Sanayi ve Ticaret A.Ş.
- Cetel Çalık Enerji ve Telekomünikasyon Hizmetleri A.Ş.
- Çalık Enerji Elektrik Üretim ve Madencilik A.Ş.
- Trans Anadolu Petrol Boru Hattı Sanayi ve Ticaret A.Ş.
- Gap Petrol Gaz İthalat ve İhracat Pazarlama Sanayi ve Ticaret A.Ş.
- Doğu Akdeniz Petrokimya ve Rafineri Sanayi ve Ticaret A.Ş.
- Bursagaz Bursa Şehir içi Doğal Gaz Dağıtım Ticaret ve Taahhüt A.Ş.
- Çalık NTF Elektrik Üretim ve Madencilik A.Ş.
- Gap Elektrik Dağıtım Sanayi ve Ticaret A.Ş.
- Çalık Gaz Dağıtım Hizmetleri Sanayi ve Ticaret A.Ş.
- Çalık Maden İşletmeleri A.Ş.
- Soma Yapı Malzemeleri Madencilik Sanayi ve Ticaret A.Ş.
- Kayserigaz Kayseri Doğal Gaz Dağıtım Pazarlama ve Ticaret A.Ş.
- Ortur Elektrik Üretim ve Ticaret LTD.
- Vadi Elektrik Üretim Sanayi ve Ticaret LTD.
- Ant Enerji Sanayi ve Ticaret LTD.
- ALBTelecom SH.A.
- Eagle Mobile SH.A.
- CTTelecom SH.A.

Construction & Investment:

Investments with the strength to build tomorrow today...

In the scope of its activities in the construction sector, Çalık Holding undertakes turnkey production projects in textiles and other industrial applications; construction of housing, hospitals, schools, business centres, social facilities, and roads and highways; and urban transformation projects.

Construction Group which is the fastest-growing of Çalık Holding's business lines, makes a name for itself with the large-scale industrial projects that it has successfully completed to make it a name that is frequently mentioned in both the national and international arenas.

GAP İnşaat submitted tenders on the Tarlabası and Balat Urban Transformation Projects that are to be undertaken in Turkey for the first time and became entitled to be the contractor of aforesaid projects.

- Gap İnşaat Yatırım ve Dış Ticaret A.Ş.
- Gap İnşaat Construction and Investment Co. Ltd.
- Çalık İnşaat A.Ş.
- Kentsel Dönüşüm İnşaat A.Ş.
- Çalık Gayrimenkul Ticaret A.Ş.
- Çalık Turizm Kültür İnşaat Sanayi ve Ticaret A.Ş.

The momentum created by the ever accelerating success with the international projects carries Çalık Holding to the top of this field. The Group is currently undertaking large-scale projects not just in Turkey but also in Central Asia, Arabian Peninsula and Africa. Gap İnşaat's success on the international platform was confirmed once again when the company was ranked 121st in Engineering News Record magazine's list of the world's best 225 contractor companies report in 2007.

Textiles:

A leading manufacturer of denim cloth in the world markets...

Çalık Holding continues to be a leader of its original business line, the textile sector. As an internationally preferred manufacturer of denim cloth with integrated facilities in Malatya, Turkey and Turkmenistan, the Group is a global player capable of competing at world levels of volume and quality in textile products ranging from basic cotton yarns all the way to finished ready-to-wear garments.

- Gap Güneydoğu Tekstil San. ve Tic. A.Ş.
- Turkmenbashi Jeans Kompleksi
- Turkmenbashi Tekstil Kompleksi
- Balkan Dokuma A/O
- Serdar Pamuk Eğrici
- Çalık USA Inc.

The global textile companies in the Çalık Holding are capable of reaching the world markets in a wide geographic area. Recognition of Çalık trademark in textiles is growing steadily not just in Turkey, but also in countries ranging from the United States to the European Union, from Russia to the Far Eastern countries, and from North Africa to the Balkans.

Financial Services:

Çalık difference in investment banking...

Çalık Holding enjoys a prestigious and pioneering position in the business of investment banking through Çalıkbank and the Group's growth in this business line has been steady. In 2006 Çalık Holding undertook its first international initiative in financial services when it added Banka Kombetare Tregtare (BKT), one of the most highly respected banks of in Albania and took a very important step in both national and international terms. A new branch opened in Pristine, Kosovo in November 2007 is the first foreign investment of BKT.

Çalık Holding intends to further increase its activities in the business of financial services in order to add greater depth to its investment banking operations.

- Çalık Yatırım Bankası A.Ş.
- Çalık-Şeker Konsorsiyum A.Ş.
- BKT (Banka Kombetare Tregtare)

Trade:

A name that is sought out in global markets...

With manufacturing and marketing experience since 1930's, Çalık Holding has positioned Çalık denim brand as a world-class leading company in the business of international trade, where sustained success is the hallmark of a customer-focused approach to business.

- Gap Pazarlama A.Ş.
- Ortadoğu Tekstil Tic. ve San. A.Ş.
- Gappa Tekstil Inc.

Group companies have made Çalık name a leader that is active and dynamic at every stage of the production and marketing cycle, whose synergies increase day by day, and whose target audience is constantly expanding.

Media:

Turkey's leading media group...

Çalık Holding participated in the ATV-Sabah Commercial and Economical Unity tender Integration bid which was carried out in 5 December 2007. The Group determined to strengthen its success in media sector by its gained experience in other business lines in which it is active.

Textiles







Textiles

Textiles are the traditional and core business area in which Çalık Holding got its start and from which it originally grew. Today Çalık Holding is acknowledged to be one of the world's leading manufacturers of high-quality denim cloth, which it supplies to customers around the world. Çalık Holding is engaged in a variety of textile manufacturing and trading activities from raw cotton to ready-to-wear garments.

According to the figures declared by Turkish Exporters Assembly, Turkey's general export in 2007 increased to USD 105,9 billion with a 23,5 % raise compared to 2006. When viewed from the quarterly periods, general export figures increased 25,1 % by the first quarter, 24,1 % by the first half of the year, 23,5 % by the third quarter and 23,5 % by the end of the year and upward trend was kept for the second half of the year.

Turkey's textiles exports in 2007 were up 17,5 % and reached USD 6,6 billion. Increase rate of textile exports was behind the increase rate of general exports (23,5 %) and was higher than the rate of ready-to-wear and garment industries (14,8 %).

In terms of quarterly periods increase rate of general exports were 21,2 % by the first quarter, 18,8 % by the first half of the year, 18 % by the third quarter of the year and 17,5 % by the end of the year.

When considering current situation, the upward trend of textile exports as of the first quarter of the year hasn't continued in the following months. As a result of lower increase rates of textile exports, the share of textile exports in the general export figures fell down to 6,2 % in 2007. In 2006 this share was 6,5 %.

Despite all, textile sector together with ready-to-wear and garment industries are still the biggest exporting sectors of Turkey with a USD 22,6 billion worth export figures in total.

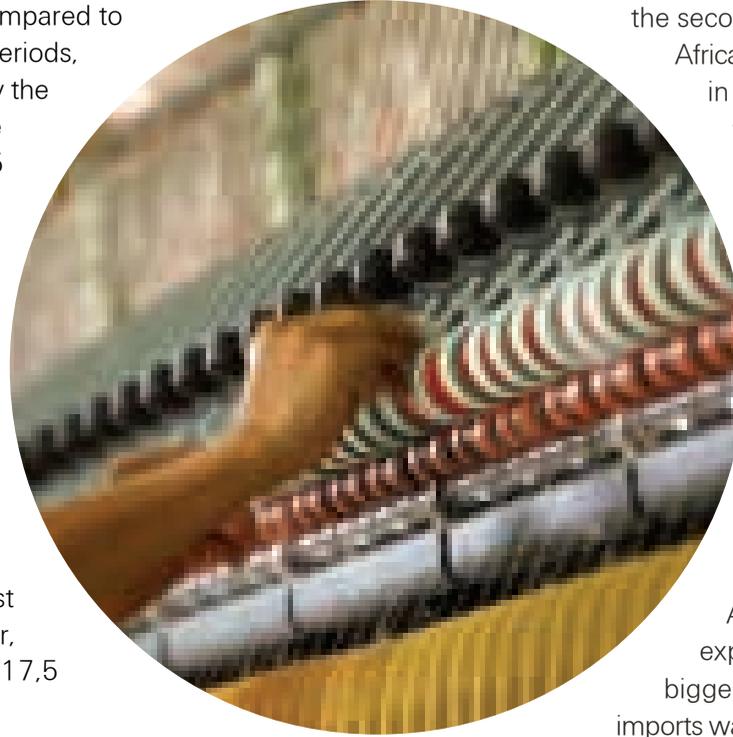
Export increased in every country group

In 2007 Turkey's export figures were up in every country groups without any exceptions at varying rates between 9,8 % and 33,5 %.

Proportionally the biggest increase in textile exports was in former Soviet countries with a 33,5 % rate.

More textile exports are directed to EU-27 countries as such in ready-to-wear and garment sector exports. In 2007, the share of Turkey's textile exports to these countries rose 14,5 % and reached USD 3,5 billion.

The year-on rise in exports to other group of countries such as Macedonia, Serbia, and Albania was a slightly higher 28,1 % than previous year. This country group's share rose to 2,6 % from 2,3 %.



In 2007, Turkey's largest textile customers were EU countries. Former Soviet countries ranked the second in importance with African countries at third position in the line-up. Textile exports to African country group including Egypt, Morocco and Tunisia which have signed bilateral free-trade agreements with Turkey rose 23,8 % and reached USD 432,9 million. The share of this country group from total textile exports also increased 6,6 % as a result of higher volume exports. According to the 2007 export figures, the fourth biggest country group in textile imports was Middle Eastern countries.

Proportional export raise to this country group (9,8 %) was quite below the general raise of Turkish textile exports (17,5 %). The year-on share of Middle Eastern countries in the general textile figures fell down to 6,1 % from 6,6 %.

Textile exports to other OECD countries including USA, Japan, Canada reached USD 307,3 million with a 12,7 % increase in 2007. It is quite significant to reach a 12,7 % rise in textile exports while a very serious 20 % loss occurred in ready-to-wear and garment exports to US markets. Turkey's exports in 2007 to Asian countries which are our competitors in textile and ready-to-wear garment industries reached USD 242,6 million with a 19,9 % raise.

The first three countries to import textile products from Turkey in 2007 were Italy, Russian Federation and Germany. Cotton fibre, cotton yarn and cotton fabric listed under the Tariff 52 were exported to Italy in 2007. Exports to this country in mentioned tariff were worth USD 229,6 million. Most of the textile exports to Russian Federation are made over the Tariff 54. USD 182,8 million worth synthetic and artificial filament cloth (Tariff 54) exports were made to this country. Most of the textile exports directed to Germany was made over the Tariff 52 consisting of cotton products. The exports to this country were worth USD 110,8 million.



Textiles are the traditional and core business area in which Çalık Holding got its start and from which it originally grew.

Today Çalık Holding is acknowledged to be one of the world's leading manufacturers of high-quality denim cloth, which it supplies to customers around the world. Çalık Holding is engaged in a variety of textile manufacturing and trading activities from raw cotton to ready-to-wear garments.

The Group's textile production activities are conducted at its facilities in Turkey (Malatya) by GAP Güneydoğu Tekstil and in Turkmenistan by its subsidiaries in said country by Turkmenbashi Textile Complex, Turkmenbashi Jeans Complex, Serdar Pamuk Eđrici Fabriđi, and Serdar Altın Asır Textile Complex, as well as in various sites all around the world through contracted enterprises engaged in contract manufacturing in various locations for a number of other labels.

Bottleneck conditions of local and international markets in textile haven't affected the Group's total sales in this business line; declining sales in domestic markets were compensated with increased export figures. GAP Güneydođu Tekstil's operating income reached USD 12 million in 2007.

Çalık Korea is a representative agency that provides logistics and was founded in Seoul, capital city of South Korea in 2007. This office provides services to Japan, South Korea, China and other Far East countries.

Rich product line, strong market position

GAP Güneydođu Tekstil offers its customers a rich line of products ranging from denim fabric to yarns and from gabardine to ready-to-wears. Keeping a close eye on world fashion trends, the company's ability to diversify and balance its product line gives it an important competitive advantage.

In order to keep its competitive advantage in textile sector, the Group makes use of new opportunities with its wide knowledge and experience and supports its growth with new investments.

Despite the adverse impact due to competition originating from Far East countries in recent years, firms like GAP Güneydoğu Tekstil that manufacture high quality products have been able to hold their market shares and even increase their sales volumes.

In 2004, GAP Güneydoğu Tekstil, which is one of the world's leading textile companies, began to produce high quality gabardine production as a result of increasing demand for gabardine fabrics. The company established its competitive power in global fabric market with this development. In 2007, company's gabardine sales increased 50 % like the year before as velvet and gabardine sales made to the world famous brands ran up.

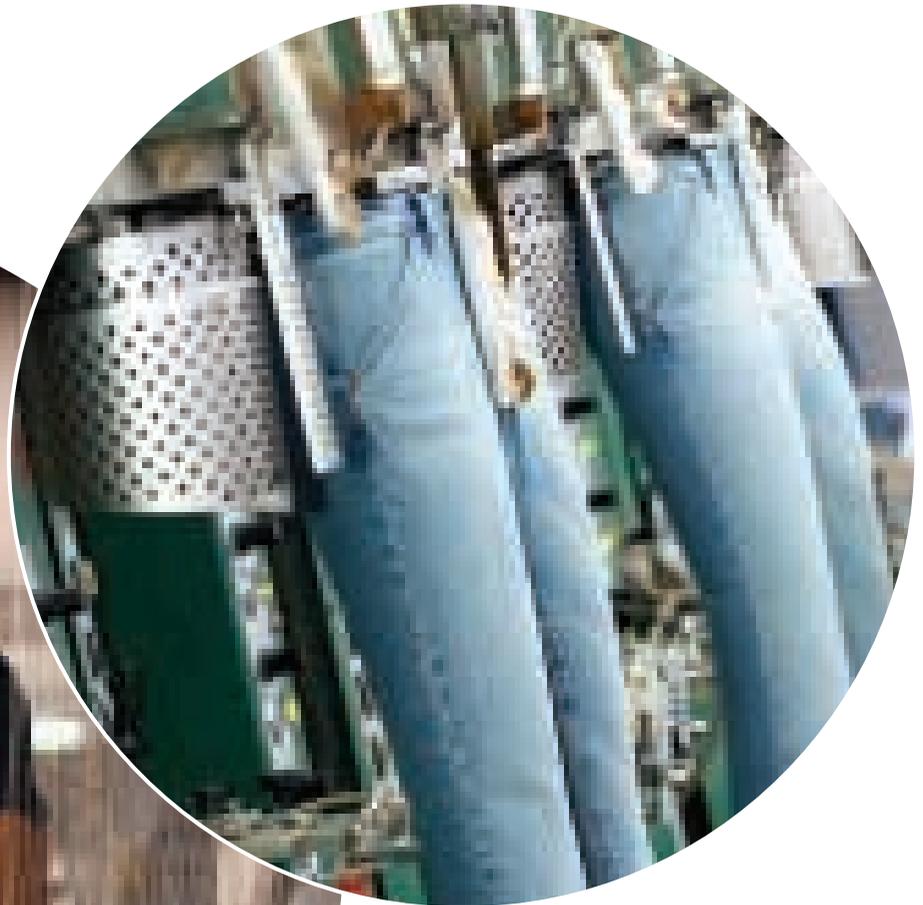
In 2007, total investments of Textile Group companies reached USD 4,2 million.

The company works with world's leading brands and added many new names to its customer portfolio in 2007 such as Diesel Kids, Replay Kids, Mexx, H&M, Levi's USA, Calvin Klein, G-Star, Tommy Hilfiger and Ecko Red.

GAP Güneydoğu Tekstil's goal is not just to compete but to maintain its reputation as the 'most wanted and preferred' producer of fabrics by enforcing to its product differentiation strategy.

Systematic investment policy supports growth

Construction of Egypt Ready-to-Wear Plant was completed and production was started in 2007. This facility will be an important venture from such standpoints as raw materials, labour, market and geography. Additional investments will continue and the factory is planned to work with a higher capacity in March 2008. Sub-productions are made through the organization in Egypt.





Focused on growth and branding...

Çalık Holding is determined to cement its position in global market by making use of its superior knowledge and experience in textile sector, its ability to transform customer demand into products, and its state-of-the-art production competencies.

One of the most important advantages of the Group in textile business is its ability to develop and deliver high added value products that shape the fashion trends, particularly in denim wear. The Group works with a big design team both in Turkey and abroad.

Çalık Holding aims to expand and strengthen its brand. In line with this objective the Group is currently focused on developing new partnerships in Far Eastern markets which has a great commercial potential and making direct sales in North African and North-Center American markets.

As a component of its growth strategy in denim and ready-to-wear clothing sectors, the Group plans to increase the volume of its sales and develop new business connections in Tunisia, Morocco, Algeria and Iran along with Egypt.

The first step in the Group's ready-to-wear branding activities was taken in Italy with the "Cherry Tree" label. Russia was chosen as the target market and 4 new stores were opened in this country in 2006 within the scope of creating an effective marketing and sales environment. In 2007, the company has 7 stores and now plans to accelerate its branding activities in Italy and other European countries by using the experiences in Russia.

The Group is willing to make use of new opportunities and support its growth with new investments in order to increase its competitiveness in textile sector.



With its full-scale of international trading volume Çalık Holding is one of the biggest exporter companies of Turkey.

GAP Güneydoğu Tekstil ranked 226th in "Turkey's First 500 Biggest Industrial Companies" list in 2007 and also got the 20th place in sectoral ranking.

Construction







Construction

Çalık Holding carries out its construction and contracting activities through its subsidiary, GAP İnşaat.

GAP İnşaat is a world-class international contractor and the author of projects in hundreds ranging from textile factories to heavy-industry facilities, from housing to highways, and from schools to museums.

Sectoral developments

Turkish construction industry's growth continued without interruption for the last three years.

The industry recently experienced the highest level of growth. Growth figures were 4,6 % in 2004, 21,5 % in 2005, 20 % in 2006, and 11,5 % in 2007. Despite these high-level growth figures, it must be considered that construction industry that hit the bottom line between 1993 and 2003 with a contraction rate of 22,4 % is still beyond the reach of compensating the sectoral losses. According to 2006 and 2007's GNP figures the size of the industry (in fixed prices) is still behind the year 1995. Construction is the only one in this position compared to the other sectors.

The reasons of growth experienced between 2004 and 2005 are long-term mortgage loans with lower interest rates and personal savings that turned towards real estate investments. Although it was criticized for its construction methods, the investments made for Divided Highways Project within the context of Transportation Projects refreshed the sector. The industry continued its high-level growth in 2006 and 2007.



Construction sector and employment

Construction is one of the leading sectors with a high-level employment rate. The contribution rate to employment is around 12 % with the help of its sub-industries.

contribution to employment was 6,2 %. Total employment including agriculture sector was 22,750,000 people and 1,419 of them were employed in the construction sector.

Construction sector's position within the Turkish economy

Construction is one of the biggest sectors of Turkey with its industrial or marketing and trading dimensions and has indirect impacts on 400 sectors/sub sectors.

Turkey's share in the world construction sector is 3 %. 20 Turkish contractor companies are in the list of the world's 225 largest international construction companies. Sector's direct share in GNP figures is 5 % and indirect share is 30 %. In the 35 years period after 1970's, Turkish contractors have undertaken 3600 projects worth a total of USD 85 million by the end of 2006 and have proven their strength in four continents through with their service qualities, competitive prices and customer satisfaction approaches.



When construction material exports and foreign contracting services are considered as a whole, construction sector's share in Turkey's total exports is 20 %. The sector makes the second biggest contribution to the balance of payments just after tourism sector. Construction industry is the leading sector of Turkey with its contributions to GNP and employment figures.

GAP İnşaat: Highly competent and expert team

Çalık Holding carries out its construction and contracting activities through its subsidiary, GAP İnşaat.

GAP İnşaat is a world-class international contractor that carries out many projects ranging from textile factories to heavy-industry facilities, from housing to highways and from schools to museums.

Çalık Holding is one of the strongest Turkish corporate groups active in the international contracting arena with its project portfolio.

As a respected contractor preferred on projects such as of infrastructure, superstructure, housing and industrial facilities, GAP İnşaat is a pioneering and innovative solution partner whose principle is to create customer satisfaction and loyalty and to take maximum advantage of modern technology as well as of its knowledge and experience and which is always respectful of environment and its employees.

GAP İnşaat puts its high health and safety standards, environmentally-conscious approach, customer satisfaction oriented principles and world wide technical experience into every project that is undertaken. GAP İnşaat considers this contribution as a management philosophy and also makes a commitment on adapting international quality, environment and labour safety standards such as ISO 9001 Quality Management System, ISO 14001 Environmental Management System and OHSAS 18001 Occupational Health & Safety Assessment Series.

The company makes use of the most advanced technology available in the management of all aspects of construction processes from project development to project management, from procurements to logistics, and from human resources to equipment mobilization and deployment and it is adept at simultaneously keeping track of worksite and back office activities in many different countries.

Construction Group booked a total turnover worth USD 171 million in 2007 and it contributed 14 % shares of Çalık Holding's consolidated results.

Çalık Holding has begun working on new projects in the areas of both urban transformation and land development. GAP İnşaat will find the opportunity to reflect its knowledge gained in international arena into Turkish markets.



An international contractor

GAP İnşaat ranked 121st in Engineering News Record Magazine's the world's biggest international contractors list in 2007.

In line with the group strategy the company carries out its activities in the neighbour region as well as in Turkey. GAP İnşaat currently operates many projects in Central Asia, Arabian Peninsula and African countries.

Çalık Holding is determined to pursue growth by using its experience in the construction sector and international credibility and execute many new projects. GAP İnşaat's main goal is to continue growing within the geographical region drawn by the Group strategy and transform its brand into a sectoral power.

New projects in real estate

In recent years, rapidly growing real estate sector became a centre of attraction for many investors. The selection of İstanbul as a "European Capital of Culture" in 2010 is expected to result in an increase in the city's urban transformation projects. GAP İnşaat followed these developments in the sector closely and began to generate both urban transformation and land development projects. GAP İnşaat will find the opportunity to reflect its international experience to Turkish market with such projects.

A company specialized in water-related projects

GAP İnşaat continued to demonstrate its intention to work on environmentally beneficial projects such as the 'Malatya Waste Water Treatment Plant' that was completed with the partnership of specialists in this field. The company submitted bids on global tenders on waste water treatment, drinking water, and desalinization projects and increased its expertise on the subject of each passing day.

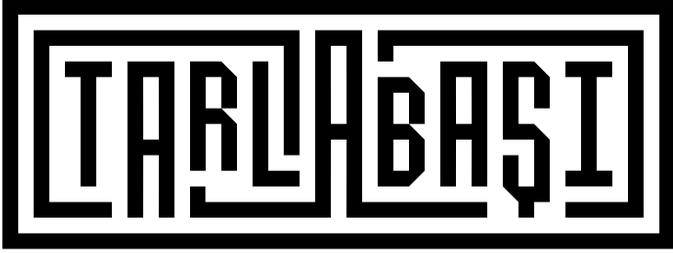
As a consequence of the increasing importance of water resources in the world, GAP İnşaat is determined to run projects that create environmental impacts, especially water projects, with the aim of carrying its experiences forward.

Projects completed in 2007

GAP İnşaat was completed many projects that includes structures such as an embassy service building, a culture complex consisted of a library, a museum and a concert hall, a cotton gin factory, a frontier zone customs building, an industrial infrastructure project, a power plant and four luxury residence projects.



Çalık Holding is determined to expand its operations and lead the way into new projects by using its competencies in the sector and its international reputation in the best possible way.



BEYOĞLU BELEDİYESİ YENİLEME PROJESİ

Following a tender GAP İnşaat is assigned as the contractor company in Tarlabası Urban Transformation Project which is designed by the leadership of Beyoğlu Municipality to create a new, safer, sound, liveable and a residential area that integrated with the city in Tarlabası which is one of the most important parts of İstanbul in terms of historical importance. 40 % of the buildings in Tarlabası are empty. The area never fulfils the contemporary needs of the city although it is situated in the middle of İstanbul and it hasn't been invested by property owners because of the negative living conditions. Within the context of this project this part of the city will be transformed by conserving its environmental, historical, architectural and cultural values.

Tarlabası has an architectural heritage with the significant examples of civil architecture dated back to the end of XIX. Century. The authentic street frame goes back to older times.

Tarlabası Urban Transformation Project involves the renovations of all the buildings, streets and infrastructure facilities spreaded over 20,000 square meters area. There are 196 cultural entities in need of protection within the scope of the project.

The project design is completed through workshops with the participation of many actors including experts from various disciplines, university lecturers, leading architects and private sector and municipality representatives.

European Commission's decisions are adopted in determination and protection of cultural entities. A historical estate inventory was made to determine the memorials, buildings and other facilities in the area. Inventory leaf papers and reports were made for every building in line with the Convention for the Protection of the Architectural Heritage of Europe in the determination process of immovable cultural and natural properties.

It is aimed to protect the architectural heritage and support the social life, to create safer living spaces that are integrated with their environment and live 24 hours a day, provide functional and high standard living areas, to offer spacious and sustainable evolution and to help environmental protection by considering energy use in project designing.

Following the approvals of official channels property owners will be asked to participate the Tarlabası Urban Transformation Project and the implementation process will be started. Beyoğlu Municipality will organize mutual meetings with the property owners and tenants and lead the consensus process at the coordination office in Tarlabası.

Cooperation between GAP İnşaat and Beyoğlu Municipality in legal process will develop and flourish with the participation of property owners, locals and non-governmental organizations during the project.

GAP İnşaat considers Tarlabası Urban Transformation Project which is the company's first investment project in Turkey as an important social responsibility project. As a partner of this long-running and multi-actors project, the company makes a voluntary contribution to the social plan generated for the local community.





Energy and
Telecommunication



Energy and Telecommunications

In view of huge potential that exists in Turkey and its surrounding region, Çalık Holding's basic strategy is to further develop the breadth and depth of its activities in the energy sector. Çalık Enerji, the Group's energy and telecommunications subsidiary, is active in three main business lines.

*Power systems, Oil and natural gas
Telecommunications.*



Sectoral developments

Energy once again remained high on the world's agenda in 2007. Energy prices increased across the board and particularly in the case of petroleum and natural gas due to strong demand as well as to worldwide political developments.

In Turkey, worries over the reliability of the country's energy resources owing to the fragility of the energy supply/demand structure and to the level of dependence on external sources of energy on the supply side continue to grow. As a result of policies aimed at giving priority to the use of domestic energy sources in our country, there has been an increase in lignite, hydroelectric, and wind projects. The sector's vigour is also strengthened by petroleum and natural gas exploration and exploitation projects that seek to maximize the benefit of existing natural resources.

Imported natural gas provides a significant amount of the energy needed by production activities in Turkey, while existing installed capacity finds it difficult to keep up with rising demand. These facts make it essential that new investment be undertaken urgently in energy production as well as distribution.

They also represent important business potential for firms. However the behaviour of investors that enter or would like to enter the sector to take advantage of this potential leads to developments that have a serious impact on costs. The most obvious example of this is the high level of Resource Utilization Support fund excises being charged on hydroelectric projects.



The sector is in the middle of a transition period because the industry's structure is still incomplete and issues such as legal framework, privatization, and energy market have not been fully addressed. Profitability decreased significantly because of the increases in costs and pressure on prices. Because the energy that is produced barely satisfies demand, the market prices that result tend to favour the generating companies. As a result of this energy wholesale companies' market share has dropped below 5 %. With the process of privatizing distributors currently on hold, this situation can be expected to persist for 2008.

Installed generation capacity in Turkey at the end of 2007 was 40,280 MW. Total electricity production during the same year amounted to 175,667 GWh. Turkey needs about 12-13 billion kWh of new production capacity every year since electricity consumption increases an average of 8 % a year. It is expected to face supply-side problems beginning from 2008.

Nearly 80 % of the electricity is generated in our country comes from thermal power plants about half of which use natural gas as their fuel.

Total consumption of natural gas reached 30,493 billion m³ in 2006 and 35,3 billion m³ in 2007. As more and more cities are planned to switch to natural gas and in view of plans to make even greater use of natural gas in industry, it is expected that the demand for natural gas in Turkey will grow rapidly in the years ahead and reach 41,3 billion m³ by 2010.

Source: Energy Market Regulatory Authority



Significant growth in energy

In view of the huge potential that exists in Turkey and its surrounding region, Çalık Holding's basic strategy is to further develop its activities in the energy sector. The region's energy potential offers new opportunities in the local and international arena;

- Turkey's geographical location close to producer countries that have nearly three-fourths of the world's biggest consumers of oil and natural gas is of the utmost strategic importance. Turkey is natural conduit between the energy-rich Caspian basin and Middle East regions on the one hand and Europe on the other. Turkey includes significant development dynamics owing to a demand for energy that parallels with its rapidly-growing and developing national economy. Turkey is a centre of attraction for local and international investors in line with the increasing demand for hydroelectric, thermic and alternative energy resources.

Considering the existing situation in the sector, Çalık Holding has been concentrating its activities in hydrocarbon and natural gas-rich countries in the neighbouring region in addition to the projects that it undertakes in its own market while also mapping out the expansion of its energy sector activities to encompass the Balkans, Eastern European, CIS, Middle Eastern and North African countries.

Çalık Enerji: a key agent of growth

Çalık Enerji is the Group's energy subsidiary. Founded in 1998, Çalık Enerji is active in two main business lines:

- power systems
- oil and natural gas
- telecommunications

Although Çalık Enerji's activities are concentrated in Turkey and Turkmenistan, the company also has offices in İstanbul, Ankara, Ashgabat, Tirana, Dubai and Amsterdam.

After Çalık Holding joined the energy sector with privatization projects on energy distribution, Çalık Enerji generated many important projects and put them into practice both in Turkey and abroad.

The company continued an upward trend with its success on completing international projects thanks to its technological and managerial approaches as well as to its strong engineering, procurement and contracting competencies and became a preferred business partner by international investors.

Çalık Enerji provides customer solutions with a combination of low costs, high quality and advanced technology by creating the Group-wise and in-house synergies.

In order to reach the most effective management structure Çalık Enerji employed advanced SAP corporate management software system, ISO 9001 Quality Management System, ISO 14001 Environmental Management System and OHSAS 18001 Occupational Health & Safety Assessment Series standards and has become one of the world's leading companies.



In 2007, Çalık Enerji Group booked a total turnover worth USD 462 million and made a 37% contribution to consolidated turnover.

As part of 2007 power systems operations;

- Çankırı-Orta coal area's government license was obtained in December 2005. To this extent an agreement was signed with PÖRY, the winner firm of the engineering tender, for the construction of a MW160 thermal power plant in 2006.
- Adacami Hydroelectric Power Station's (MW30) licence was renewed in line with the new legal procedure and hydraulic conditions and nationalization plan has been submitted to the Energy Market Regulatory Authority (EMRA). Construction and electromechanical equipment tenders were completed and the construction is planned to be started after the nationalization process.
- A licence for Topaktaş Hydroelectric Power Station (MW9) is planned to be obtained following the determination of situation and specification of location and terms that will be completed by Turkish Electricity Transmission Company and Energy Market Regulatory Authority (EMRA).

- Examination process in Kızkayası Hydroelectric Power Station (MW130) project was completed by General Directorate of State Hydraulic Works and licence phase was started.
- As part of electricity production projects, Aksu Hydroelectric Power Station (MW130), Düzhanlar Hydroelectric Power Station (MW10) and Vadi Hydroelectric Power Station (MW60) projects are in licensing process.
- Sarpıncık (MW32) and Demircili (MW40) wind power plant projects are in licensing process.
- In 2006, Çalık Enerji's biddability was approved in the privatization tender for Ankara's electricity distribution, but privatization calendar was on hold at this time.
- Ashgabat Power Plant (MW250), Dashoguz Power Plant (MW250) and Amu Darya Switchgear Equipment Projects that is executed by power plant contractor group in Turkmenistan were completed.



Oil and natural gas

Çalık Enerji carries out oil and gas exploration, production, transmission and distribution services.

- Çalık Enerji operates hydrocarbon exploration projects especially in Turkmenistan. Pursuant to the contract signed with the Turkmenistan government in 2003, Çalık Enerji has been engaging in oil drilling in that country with 3 rigs.

- Çalık Holding undertook "Trans Anatolian Pipeline Project" which is planned with the aim of reducing oil transportation of Black Sea - Mediterranean sea traffic and which is strategically important to Turkey and its hinterland. A "Pipeline Certificate" was given by the Council of Ministers in June 2006. Total amount of project investment is expected to be USD 1,7 billion. TAPCO (Trans Anatolian Pipeline Inc) was established with the partnership of an Italian company, ENI for the project execution and partnership meetings with other related companies continued.

Groundbreaking ceremony took place in 24th April 2007.

Market Regulatory Authority issued a licence for the USD 10 billion worth refinery and petrochemistry facilities in Ceyhan. Within the concept of this project, DAPRAŞ-East Mediterranean Petrochemistry and Refinery Inc. the firm will undertake the project has been set up and partnership operations continue.

- The company obtained licences for oil exploration for 12 fields in Erzurum-Ağrı region and 50 % stakes of two licences in Thrace were taken over.

Bursagaz: The first link in natural gas distribution

Bursagaz which has a 4 billion cubic meters natural gas potential and provides natural gas distribution service in Bursa, one of Turkey's industrial centres with a population of around 2 million, brought in something new and signed an international agreement with EWE, a German energy company in 2007. Bursagaz also helped to create and manage Çalık Holding's growth strategy in natural gas distribution sector.

In this context Bursagaz also managed the privatization process of Kayserigaz, played an active role in company's acquisition by Çalık Holding and provided to start its own reconstruction model in Kayserigaz.

Bursagaz made a difference with breaking new grounds and creating innovations. The company brought in something new and started 7/24 Natural Gas Inner Installation Assistance Service in 2007. Bursagaz gave a start to 'Mystery Customer' technique in line with its customer satisfaction oriented strategies. Monthly Blue-Green Magazine was published by Bursagaz in order to provide a support Bursa's social and cultural life put a new face on Bursa.

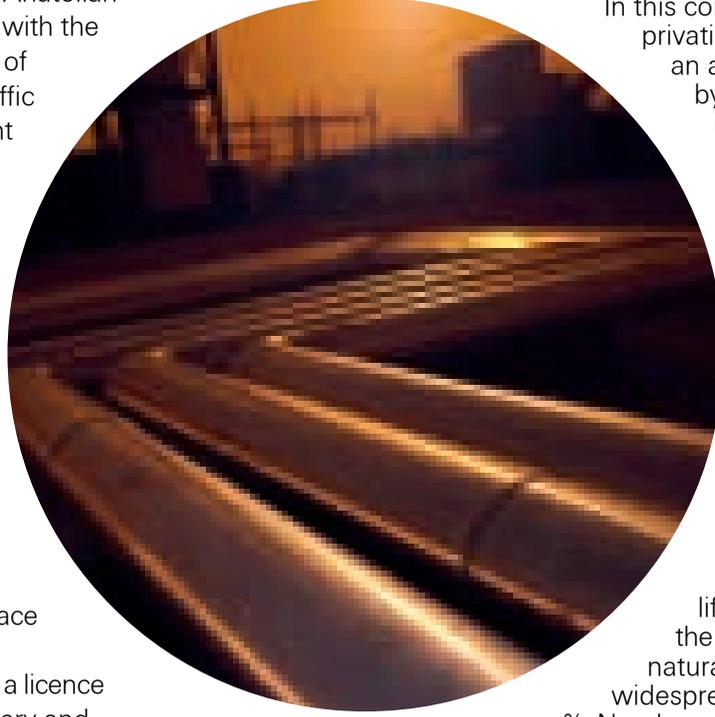
the continuous investments of Bursagaz, natural gas use of Bursa became

widespread and increased from 35 % to 79 %.

Number of subscribers reached 594.977 people from 288.885 by the end of 2007. Penetration of natural gas has also increased. Penetration rate for gas users raised to 80,78 % with a sales amount of 559.549,291 cubic meters in 2007. This rate was 36,73 % in 2004.

In 2007, as a consequence of these achievements, customer satisfaction level reached 86 % from 54 % in four years.

Bursagaz won 2006 Bursa Quality Award in 2007 and became a finalist in National Quality Awards organized by Turkish Industrialists' and Businessmen's Association and Quality Association of Turkey in the same year.



Çalık Enerji's activities in the business of natural gas distribution are carried out by its Bursagaz and Kayserigaz companies.

Kayserigaz:

The local natural gas distribution bid of Kayseri was the first gas distribution licence tender made by EMRA-Energy Market Regulatory Authority in 2003. Çalık Holding acquired whole stakes of HSV Kayseri Natural Gas Delivery Marketing and Commerce INC. in April, 2007 and the company incorporated by Çalık Enerji.

The new company started to work in line with Çalık Holding criteria, harmonised with them in a short time and stated a reorganization process with 'Change Begins' slogan. The company's name changed into KAYSERİGAZ in order to provide integration with the city. Çalık Enerji gained many experiences in energy sector with its special methods and innovations in natural gas management and conveyed this experience to Kayseri, one of the biggest cities of Turkey.

Kayseri is shown as a model in terms of urbanization. The city is one of the leading industrial parts of Turkey with its wide and open roads and problem-free reconstruction and infrastructure systems. These perfect facilities of the city make gas distribution operations safer and easier as well as the other infrastructure services. Up-and-coming and growing industry sector brings about rapid urbanization which makes Kayseri one of the biggest natural gas consumer cities. Kayseri situated in the junction point of pipelines that come from Iran and Russia, so the city gains an important strategic position in terms of natural gas distribution lines.

Kayserigaz made a breakthrough investment of USD 12,5 million in the first year and installation of 23 kms of steel pipe, 283 kms of polyethylene pipe and 74 kms of service lines were completed all around the city. Natural gas service is provided to 38 districts and 98 % of the city with this huge investment.

43,866 BBS became new subscribers and 40.160 BBS applied for gas system installations in 2007.

Kayserigaz reached 153.468 subscribers by increasing the number of subscribers 45 % in 10 months. There is a natural gas system in Kayseri since 2004 and subscriber penetration in new investment areas increased 55 % in 3 years. By the end of 2007 the number of gas subscribers reached 125,003 BBS with an 81 % gas user rate.

Kayserigaz reached a total gas capacity of 492 million cubic meters including 163 million cubic meters gas sales and 328 million cubic meters gas transmission figures in 2007.

Total turnover of the company is USD 78 million and net profit is USD 7 million in 2007.

Kayserigaz also leads the way in the sector by adopting SAP software and many other projects such as web-GIS.





Naturelgaz: Compressed natural gas delivered to your doorstep

Naturelgaz A.Ş. was established by Çalık Holding and Çalık Enerji (50 % shares each) for the purpose of operating in compressed natural gas (CNG) distribution sector.

Naturelgaz's mission is to provide CNG in cylinders for the industrial and household users in localities with piped natural gas is not available. CNG is an environmentally cleaner, economic and less risky fuel system that provides an address-supplied pipeless natural gas distribution. Since CNG is a developing industry in Turkey, Naturelgaz currently provides services in Bursa, Adapazarı, Antalya, Izmir and Balıkesir and plans to expand its service territory.

Telecommunications:

Another business line of Çalık Enerji is telecommunication. The company undertakes all its telecommunications projects through its subsidiary CETEL. It pursues a strategy of making itself a strong player owning and operating its own infrastructure in Turkey and its hinterland.

At the focal point of this strategy are the principles of acquiring companies that come up for privatization and providing added value services by installing and operating broadband infrastructure in metropolitan areas where the company has a presence.

- The acquisition process of Albania Telecom which was privatized in 2005 is finalized in September 2007.
- An agreement was signed with Huawei firm for technical infrastructure activities of Eagle Mobile, Alb Telecom's GSM operator in 12 December 2007. After the completion of technical works Eagle Mobile will provide services to Albanians by March 2008.
- The Group got the second position in Kyrgyzstan telecom tender and keeps following up the case since there hasn't any obligatory development in the subject yet.
- VoIP service in Turkmenistan carries on extensionally. The existing contact was renewed.
- Investment activities aiming at providing broadband infrastructure services in Bursa continues. Within this scope, the fibre optic cable infrastructure in parallel with distribution network of Bursagaz will be the first alternative telecommunication infrastructure system in Turkey.

Challenging goals and major investments

Çalık Holding will continue to develop its operations in energy and telecommunications sectors and grow in these industries thanks to its stable international partnerships and funding abilities.

Çalık Enerji that creates many different projects with the consideration of Turkey's energy needs plans to generate a series of investments consisting of hydroelectric being in the first place, nuclear and renewable energy sources.

In terms of its medium and long term strategies Çalık Enerji will continue to participate in privatization tenders concerning energy distribution with foreign partnerships.

On the other hand, production plant privatizations will be pursued in line with the targets to increase the production capacity of Çalık Enerji.

A considerable part of Çalık Enerji's activities are concentrated in Turkmenistan. The company keeps close tabs on new political equilibriums and developments in this country and tries to take necessary precautions in order to make its competitive advantage sustainable.

Since its establishment, the company's success in completing the international projects it undertakes, its competencies in engineering, procurement, and contracting as well as its technological and managerial approaches made it into a preferred business partner.

Çalık Enerji's medium and long term objective is to become one of the indispensable players of energy sector in Turkey and its neighbour region.



A conceptual image for a financial services document. It features a globe with a white grid overlay, positioned on top of a document. The document has a grid with numerical values (1,400, 1,450, 1,500, 1,550) and a line graph showing an upward trend. A green circular graphic is in the top-left corner.

Financial Services

Quarterly M

INDEX REVIEW

INDEX REVIEW REPORT & FORECAST FOR THE QUARTER ENDING 31/12/2023
FOR THE QUARTER ENDING 31/12/2023



Financial Services

Çalık Holding's financial services subsidiary Çalıkbank continued being an example of growth and determination in 2007; adopted its future strategy as of establishing the first "direct banking" model of Turkey.





Sectoral developments

In recent years there has been a significant amount of consolidation in the Turkish banking industry as a result of its restructuring process and market conditions; the number of banks active in the sector dropping from 59 in 2004 to 50 at the end of 2007. Four of these institutions are participation banks.

Despite the overall decline in the number of banks, the sector's total assets rose to TRY 559,6 billion (approximately USD 480 billion) by November 2007.

These changes in the banking sector were also accompanied by important developments in bank supervision and auditing. Banks Act (Statue 5411) enacted in November 2005 and Banking Act Regulations adopted in November 2006 brought the Turkish banking industry's supervision and auditing functions up to international standards.

One of the areas to which the new regulatory framework focused was that of risk management and the inculcation of risk-awareness in the Turkish banking industry. Banking industry reached a better structure with an ability to protect its rapid-growing assets against increasing risks in this period.

On the other hand, Turkish economy entered a comprehensive and positive transformation phase after November 2002. In a climate of increasing confidence and stability, the banking sector grew rapidly while also becoming more effective at its job of acting as a financial mediator. As a result of these developments, the ratio of the sector's loans to its total assets rose to 49,4 as of November 2007. There has also been a noticeable rise in the sector's consumer lending, particularly in home-finance loans since the beginning of 2003.

These developments also increased the competition in banking sector. As inflation rates came down, banks found it more and more necessary to turn their attentions to the issue of productivity. Turkish banking sector remained profitable in this period. According to the figures of November 2007 the sector's after-tax profit reached TRY 14,3 billion, a figure with a year-on rise of 34,6 %. An examination of the sector's profitability shows that the interest that banks earned on their lending activities accounted for a bigger share of their total revenues than had previously been the case.

Deposits continued to be the biggest part of sector's resources. As of November 2007, deposits accounted for a 61,2 % share of the banking sector's funding.

Among total liabilities shareholder's equity accounted for a 13,4 % share. As of November 2007, the sector-wide capital adequacy ratio was down to the 19,1 % levels with a 50 basis points loss.

In basic terms, the restructuring of any banking sector is not a closed-end process that can ever be brought to conclusion. It is rather an ongoing and dynamic process that is always contingent upon changing local and global factors. In this respect, efforts will always have to be made to further strengthen the system and maintain its stability.

Çalık Holding in financial services sector

The vast and deep experience that Çalık Holding has built up over the years in manufacturing and trade is put to good use in the banking business. Financial services business line became one of the strategic sectors of the Holding and a restructuring process was applied.

Çalık Holding is active in the banking business through Çalıkbank, its main financial services subsidiary and Banka Kombetare Tregtare (BKT) an Albanian bank in which the Group acquired a majority stake in 2006. Going far beyond its legal and ethical responsibilities as a major shareholder in banks, Çalık Holding is determined to support and nourish its existing and future ventures in financial services with its strong and highly respected trademark.

Çalıkbank provides corporate and commercial customers with the full range of banking products and services such as corporate banking, foreign trade finance, leasing, factoring, and project finance as well as high added value consultancy services that demand expertise and are specially designed to meet a customer's needs.

With the new restructuring process that was started by its new management team in the second quarter of 2007, Çalıkbank brought new perspectives into its existing strengths. The bank continued its further developments on its business strategies in which it is focused on with its new management that served in the major banks of the sector and employees. As a result, the bank's 8-year performance was doubled up in 8 months.

Sustainable growth and profitability

Despite the severe competition in its sector Çalıkbank continues to be an example of sustainable growth and profitability. In 2007, the bank's total assets reached USD 97 million with a 105 % increase and the bank booked a profit worth USD 3,5 million in 2007.

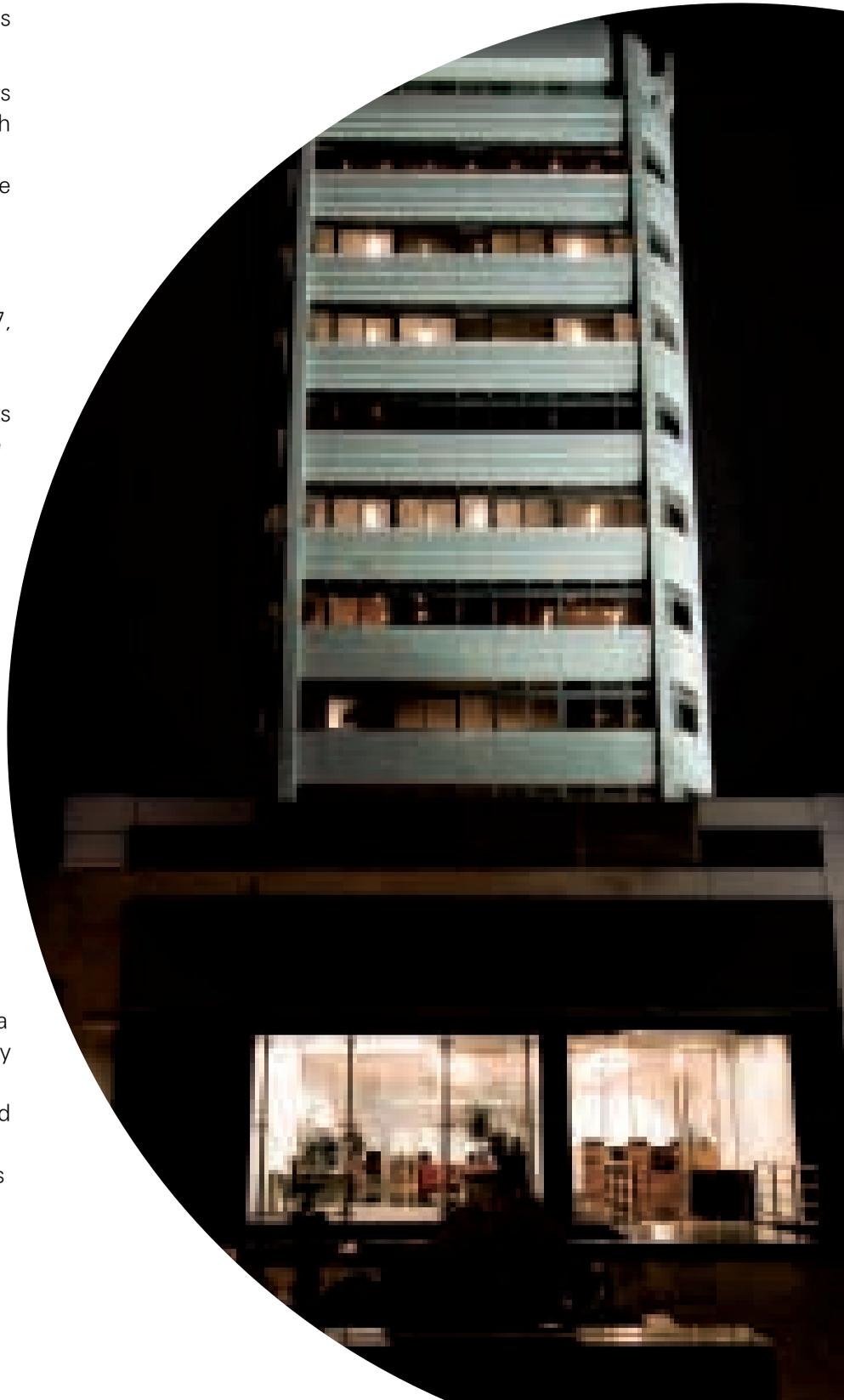
A robust shareholders' equity structure

Çalıkbank has a highly robust shareholder's equity. According to end-2007 figures the bank's shareholder's equity was USD 56 million. As of the same date, Çalıkbank's capital adequacy ratio was about 42 %.

A profitable balance sheet

Since its establishment in 1999, Çalıkbank has posted a profit every year and been focused on optimal productivity and high profitability. Çalıkbank's success in this accomplishment stems from its ability to balance risk and return at the right dimension in its balance sheet and to abide by this strategy no matter what market conditions may prevail.

Çalıkbank, established in 1999, is the first subsidiary of Çalık Holding in the financial services industry.



Selective lending policy, high asset quality

Çalıkbank provides intermediate services in foreign trade, factoring, project finance and non-cash credits in addition to its main credit extension activities.

The bank sustained to manage its credit portfolio with an optimal credit-risk balance approach and to provide optimum credit solutions for its customers in 2007.

With a lending performance that is exemplary in the sector, Çalıkbank had a total of USD 65 million in credit and loans in 2007 with a year-on rise of 102 %. As of the same year, non-cash credits reached USD 133 million with a year-on rise of 78 %.

Çalıkbank's portfolio is constituted of Turkey's leading large and medium sized companies. In line with its strategy based on long term cooperation approach, Çalıkbank focused on developing and deepening relationships that were built on long term collaboration with its existing customers.

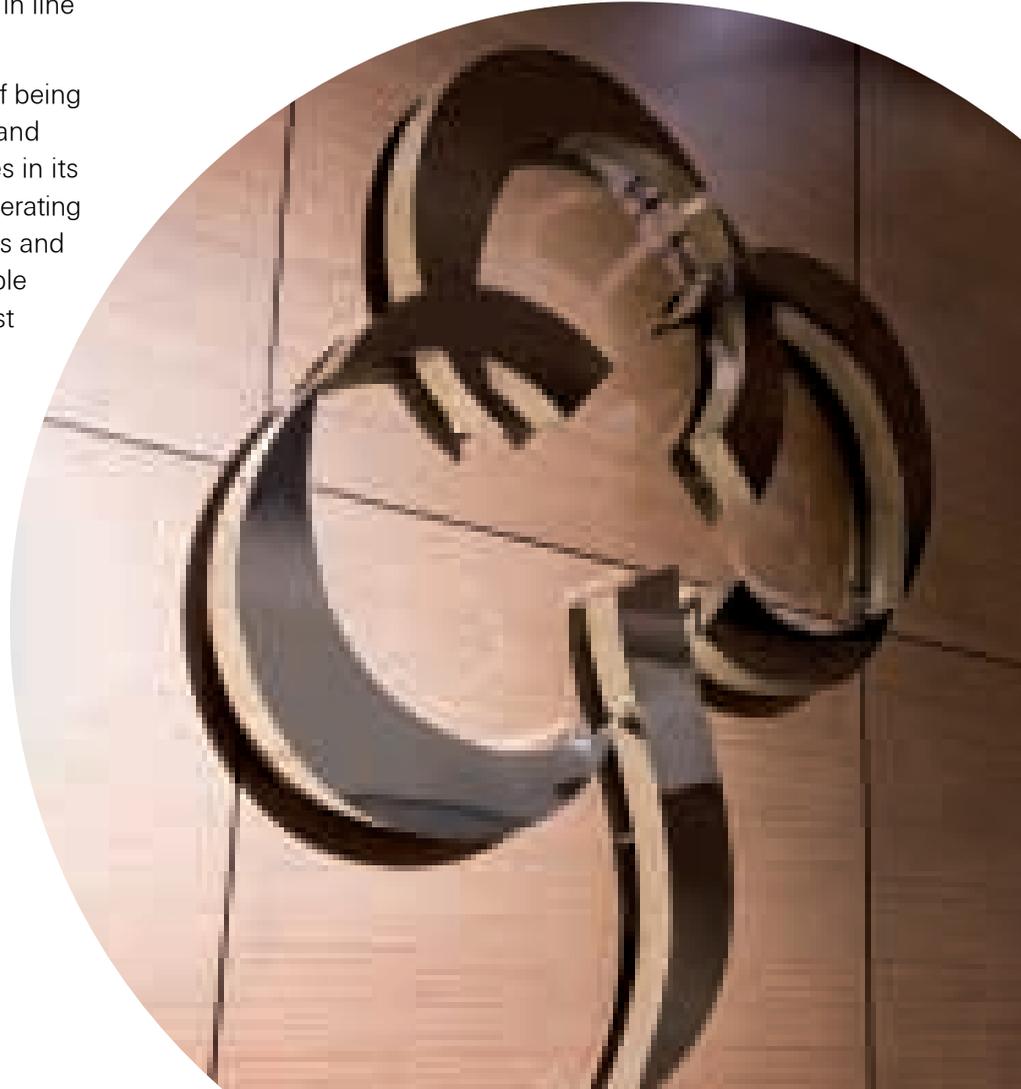
In growth process; Çalıkbank: Local, global

Çalıkbank embraces improvement and variation concepts and embodies them in its corporate culture. With the aim of providing the best solutions for its customers with the best prices, the bank consistently makes researches in its business line and keeps regenerating its structure in line with domestic and international markets.

Çalıkbank continues to grow steadily to its target of being a specialist bank that serves Turkish industrialists and entrepreneurs as much in global markets as it does in its home market. The bank's primary objectives are generating innovative solutions for its suppliers and customers and creating new marketing fields by pursuing profitable business opportunities together with being the first reference point for Çalık Holding's subsidiaries.

Having acted consonant to its growth strategy with its domestic and international financial service subsidiaries, Çalıkbank gets its strength from

- An human resource that acts in a common mind, has an enterprising spirit and believes in effectiveness,
- A corporate and commercial marketing organization that deepens in corporate banking without expanding, attracts new customer groups by creating its very own niche products and markets,
- A treasury structure that creates customer satisfaction oriented financial solutions within the context of manageable risk concept, has the ability to provide all kind of treasury products to its local and international customers and helps to increase the bank's profitability,
- A structure of financial institutions that obtains funding from international markets,
- A "Super Operation Centre" that provides flexible, highly productive and effective services to the company's all distribution and service points,
- An information network that is scalable, extendible, continuous, high performance and capable of meeting all the needs of a financial services system.



Year of new perspectives: 2007

Çalılıkbank tripled the number of its staff and management team that are consisted of the employees of the country's leading banks and gained new perspectives in addition to its existing strengths.

In line with the management and performance approach that is required by modern banking and also with its vision and strategy that aims to be a leading, rational and exceptional service organization that fulfils the needs of its environment, an important variation and restructuring process was started at Çalılıkbank in the second half of 2007 and it planned to be completed in the year 2008. The bank's 5 year strategic plans are also redefined.

In order to reach a strong information technology structure Çalılıkbank's main banking package was begun to be rewritten by using an up-to-date technology.

In line with the strategies aims to provide services in private banking, the necessary infrastructure activities were started. A new retail banking team consisted of staff who were involved in award-winning projects was organized. The bank adopted "direct banking" business model in its retail banking activities and began to generate Turkey's first direct banking model. The model takes the alternative distribution channels as the main business points. Apart from classical distribution channels such as bank branches the system ensures to be in a point where the trading takes place and provides a flexible and customer-oriented structure. The bank also concentrated on payment and cash systems.

Highly synergetic fields provided by Çalık Holding companies were defined and it is focused on gas distribution companies, construction projects and media sector which have strong connections with retail sales.

In corporate banking it is focused on companies that get product and services from Çalık Holding together with the product and service providers and created a rapid and healthy growth in this field. The growth ratio of the bank is expected to gain acceleration in this fresh economic environment that is worth around USD 15 billion.

In addition to this, through the operations of BKT, both Çalılıkbank's and the Group's financial services subsidiary in Albania and Kosovo, the company concentrated on receiving a substantial amount of share from foreign trade and payment operations executed between Turkey and the above-stated countries.



In retail banking operations, to meet the corporate banking needs of the companies that are collaborated with, is another essential issue to be focused on. A total approach system is used in this part of the business line in parallel with total service concept.

Çalıkbank also concentrates on expanding its financial operations in Turkey's neighbour regions and become the flagship of regional growth. Within this context Çalıkbank gives the utmost support to BKT, its subsidiary in Albania, and focuses on creating new financial opportunities in new countries. Çalık Holding's strong international business culture and professional relations accelerate Çalıkbank's entrance to new markets significantly.

In this way Çalıkbank will continue being an innovative, specialized and reputable element of a market that competes within the context of ethical values, grows constantly, earns and shares.

Banka Kombetare Tregtare (BKT)

In 2006, a Çalık-Şeker Consortium consisting of Çalık Holding and Şekerbank acquired a majority stake in Banka Kombetare Tregtare (BKT), an Albanian bank. BKT was established in 1993 and being privatized in 2000. The bank's shareholders are Çalık-Şeker Consortium (60 %), EBRD (20 %) and IFC (20 %).

The third largest bank of Albania, at the end-2007 BKT had USD 1,2 billion in total assets, USD 1,1 billion in deposits, USD 338 million in loans, and a net profit of USD 17 million.

BKT is a full service bank that provides banking products and services to an impressive line-up of public and private sector concerns and to retail customers with a service network consisting of 37 branches in 21 cities in Albania, and a new branch opened in Pristine, Kosovo in September 2007.

BKT involved in its activities healthfully and continuously with a stable managerial structure and as a result of this it was chosen as the best bank of Albania twice. BKT that was ranked "strong" by the Albanian Central Bank, is expected to be more profitable and grow rapidly in consequence of Çalık Holding's acquisition of Albanian telecom and operating GSM activities.

Having concentrated on retail banking, BKT will strength its presence in a considerable extent in Albanian economy and carry out extensive marketing activities of its products and services with the help of its stronger managerial structure.



Trade





Trade

Çalık Holding has been expanding the geographical scope of its customer portfolio and has successfully penetrated many new markets from the Middle East to the Far East as well as the USA and Europe. The Group's trading activities in textile business line are conducted by İstanbul based GAP Güneydoğu Tekstil, GAP Pazarlama (İstanbul), international subsidiaries (Çalık USA Inc. and Gappa Inc.), and liaison offices (Treviso-Italy, Brussels-Belgium, Moscow-Russia and Seoul-South Korea).



Trade is an important link that rounds out Çalık Holding's added value production process.

The Holding's trading and marketing companies are strong and credited players with a proven success in local and international trade.

With its experience over a quarter of a century the Group based its commercial activities upon these principles;

- Integrity,
- Transparency,
- Mutual respect
- Commitment to ethical values

Doing business in an ever-expanding region

Traditionally doing business with companies and organizations in the USA and Europe, in recent years Çalık Holding has been expanding the geographical scope of its customer portfolio and has successfully penetrated many new markets from Middle East to Central Asia and the Far East.

The Holding's trading activities in textile business line are carried out by İstanbul based GAP Güneydoğu Tekstil and GAP Pazarlama (İstanbul), international subsidiaries (Çalık USA Inc. and Gappa Inc) and liaison offices (Treviso-Italy, Brussels-Belgium, Moscow-Russia and Seoul-South Korea).

While world trade kept its dynamism in 2007, GAP Güneydoğu Tekstil continued to expand its activities in textile sector and develop new business connections; the company also reached more global customers with its effective and widespread marketing and trade network.

After penetrating into South Korean market with the textile products enthusiastically the sales figures increased in 2005 and the company decided to open a representative office in the region. In line with this target, the Group's Seoul-South Korea representative office was activated in 2007.

This success made the targets clear and increased expectations in other Far East countries especially in Japan.

Çalık USA Inc. (New York, U.S.A) carries out the foreign sales operations of products made in Turkmenbashi Jeans Complex (Turkmenistan). GAP Pazarlama and its international subsidiary Gappa Inc. make international sales of home textiles and garments made by the Turkmenbashi Textile Complex (Turkmenistan).



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Expanding portfolio with distinguished brands

Çalık Holding carries out its foreign textile sales through the agency of its distributors located in five continents alongside its marketing organization network.

GAP Güneydoğu Tekstil has begun making sales to the Far East market as well as Europe and the USA GAP Güneydoğu Tekstil's customer portfolio includes well-known international brands such as VF (Lee, Wrangler), Levi's, Diesel, Lucky Brand, Tommy, Zara, Benetton, G-Star, Replay, H&M, Next, M&S, Top Shop, CK, GAP, Banana Republic, River Island, Solvay, Esprit, Hugo Boss, Polo Ralph Lauren, Dolce&Gabbana, GAS, Lacoste, Big Star, H.I.S and Mex and Turkish labels such as Mavi and Colin's.

Ortadoğu Tekstil, one of the leading companies of worldwide textile industry, performs local and international marketing activities of the group companies' (GAP Güneydoğu Tekstil, Turkmenbashi Jeans Complex and Anateks Group) products.

GAP Pazarlama successfully carries out international operations in procuring, trade and textile sectors.

Activities of GAP Pazarlama comprise distribution of international brands in local and foreign markets and international construction materials trade.

Textile activities of GAP Pazarlama come under two headings: Home textile and ready made clothing. 80 % of total textile sales are made to the USA and the rest are made to European Union countries. IKEA, Wal-Mart, SEARS are some of the most important customers of the company.

GAP Pazarlama performed foreign trade operations with many countries such as Vietnam, China, Italy, Germany, France, Sudan, United Arab Emirates and the USA in 2007.

GAP Pazarlama takes care to achieve the most effective quality-cost balance and provide appropriate qualifications in the international trade activities of the company.

GAP Pazarlama also engaged in purchase, export and transportation services for international tender projects of GAP İnşaat and became a very important part of international supplying chain



Corporate
Governance
Approach





For Çalık Holding, corporate governance is fundamental and essential instrument for the steady growth of group companies in line with the corporate values and common synergies.

Çalık Holding develops and maintains a strong, consistent, and pervasive corporate structure so as to achieve success in all its activities and to protect its reputation as respected corporate entity. The Holding believes that the only way to achieve this is to conduct all of its activities in any sector or country it may be without ever scarifying its business principles and to act in line with systematic standards of corporate behaviour.

For Çalık Holding, corporate governance is fundamental and essential instrument for the steady growth of group companies. The success of all processes results the creation of added value and this is dependent upon the effective, timely and correct operations of Çalık Holding companies and its subsidiaries.

Çalık Holding 's corporate business principles

What continuously carries a company forward and makes it successful is a corporate culture which enables the company to see the needs of the times ahead of its competitors and creates changes and innovations.

Carrying out the developments of Çalık Holding and its subsidiaries in a sustainable growth trend is dependent on grasping the realities of the present and perceiving possible future developments so as to form dynamic structures in line with sound corporate principles.

Within the scope of this approach Çalık Holding's corporate business principles are defined as:

- An approach to business that is based on openness and transparency,
- A creative, productive and effective business management,
- An environment of effective communication and continuous training,
- An innovative and formative to doing business,
- Use of an up-to-date technology,
- A customer-oriented attitude towards work,
- A working environment based on mutual affection and respect,
- Sensitivity towards and respect for society's fundamental values and beliefs.

Çalık Holding's basic approaches to work

As the members of a team who wish to achieve the same objective with an approach based on principled and ethical behaviour, Çalık Holding employees adopt as a matter of principle that they must work in harmony and coordination with each other and act accordingly.

This action aims to maintain high-quality business relationships with customers and suppliers with a mutual benefit.

In order to accomplish this objective that is key to success the Group's basic working principles can be summarized as follows:

- Being aware of customer needs as well as the customer does, and produce and deliver effective, lasting and creative solutions for those needs at a suitable cost before any competitor does.
- Perceiving all group companies and company units as internal customers and never forget that the Group's ultimate goal is the quality of our customer service.
- Bringing forward constant and constructive offers to further improve our production, supply and service quality.
- Producing timely and enduring solutions in order to succeed.
- Not to forget that each member of the Group shares equally in the rights and responsibilities involved in value-creation process for our common success.
- Regarding to the culture of team spirit and teamwork as an indispensable element of our approach to work while never scarifying the energy inherent in individual competition.

Superior values and strong corporate culture

Çalık Holding's corporate culture is rooted in the principles of:

- Taking the satisfaction not just of customers but also of all stakeholders into consideration in everything we do.
- Giving at least as much back to a country as we take from it.
- Being a member of global world while preserving our own culture and values.

- Representing our country in the best possible way at the international level and contributing to the country's international reputation.
- Regarding every development and progress as a value to be shared by people.

Çalık Holding regards its national and international reputation as its most important constellation of values. Çalık considers that it is essential to make a contribution to Turkey's growth and development while enhancing its international reputation by recognizing that its own existence is inconceivable apart from that its own country. "Çalık" trademark is a symbol that represents Çalık Holding's convictions, objectives and promises. The values represented by this trademark are a commitment by and a source of guidance and support for every member of the Group. Çalık Holding exercises the best possible attention on the matter of preserving this trademark and the values that it represents.

A corporate communication model that is straightforward, transparent, and participatory equitable

The same corporate culture, business approach and values also shape Çalık Holding's corporate communication activities. Çalık Holding shows an approach that takes employees, customers, and all other parties into account and is mindful of their expectations and sensitivities. This is because Çalık Holding believes that every success that is achieved is yet another outcome of the chain of business partnership relationships. Involving all parties in business processes as much as possible and to the degree required and keeping everyone regularly informed about those processes is a requirement of the Group's sense of social responsibility in corporate communication.

As a group that operates not just national but also global projects as well, the international dimension of communication is always taken into consideration.

The basic principles of Çalık Holding's approach to corporate communications:

- We believe that a good reputation is something that is difficult to earn but easy to lose and therefore recognize it as the most important value.
- We believe straightforwardness and integrity are as important in communication as they are in doing business and will never allow either to be sacrificed.
- We always exhibit the same corporate stance without fail. While every group member may act independently in its own communication activities, we all abide by the basic communication strategy laid out by Çalık Holding.
- We are assertive but we never make promises unless we are sure we can fulfil them.
- Everything we say is truthful and genuine.
- We avoid exaggeration and regard modesty as a virtue.

- We are mindful of all stakeholders in all communication activities.
- We adopt with corporate governance approaches in principle and are strictly bound by rules of ethics.

Çalık Holding's corporate structure

Çalık Holding and its subsidiaries have streamlined and clearly defined corporate and organizational structures and business processes.

Çalık Holding has set up four committees to deal with corporate governance and related issues: Assets & Liabilities Committee, Audit Committee, Risk Committee, and Corporate Governance Committee.

The members of this committee are managers with responsibilities for a variety of units and functions. The basic duty of these holding company organs is to review and assess all strategic corporate decisions made by Çalık Holding so as to develop, implement, and oversee a shared corporate wisdom and to provide comprehensive strategic direction and control.

Effective, strategic management

Çalık Holding, has an unrivalled approach to strategic management that brings the three functions that are crucial to decision-making process together under the same roof:

- 1- Strategic planning
- 2- Corporate performance management
- 3- Corporate risk management

All three disciplines are integrated with holistic point of view so as to increase the Group's strategic management competencies.

The continuous and sustainable development of Çalık Holding and its subsidiaries is depended on creating dynamic structures in line with sound corporate principles by perceiving today's realities and predicting formations of the future.

Strategic planning and corporate performance management

Result-oriented strategic planning is one of the indispensable parts of decision-making mechanisms within the Group. The medium and long term targets of the group are created in a knowledge-based, dynamic and participatory process and they are updated yearly.

Strategic planning function is more than being a static process; it's a road map creation practice for the group within a proactive structure. International, national, sectoral and corporate dynamics that are considered as the basic parameters of this road map are regularly discussed in details both in the strategic planning unit and the group companies and examined through current developments and strategies that are assessed in a synchronized manner and a interactive process.

To successfully implement the strategies practice requires a healthy performance system after the target and strategy formulation process both at the Group and business line levels.

Strategic performance control system called "Balanced Scorecard" that was generated as of 2006 was activated in textile, construction, natural gas distribution, energy and marketing operations within SAP process in 2007.

In 2008, it is aimed to enhance the efficiency of Balanced Scorecards and apply them into new business lines of the Group.

Corporate risk management applications

As a corporate group active in many different sectors and distinct geographies, risk management has always been an essential element of Çalık Holding's decision-making process and for that reason; it also goes beyond just financial risks to incorporate strategic, operational, and external risks as well.

Since 2006, Enterprise Risk Management approach has been applied to the operations of the group companies in order to carry this management concept into a more corporate structure. ERM approach helps to understand risks, analyse possibilities, reduce threats, reveal opportunities and create a follow-up system integrated with strategic performance management systems. This circle called 4T is repeated periodically.

Human resources approach of the Group

In parallel with its leadership in growth and diversity Çalık Holding places big emphasis on pursuing latest developments on modern human resources applications and customizing them into the group companies.

Our main objective is to create an effective human resources management in connection with our strategies that encourage enterprising management process, focus on achieving results over our targets and regard successes on speciality businesses.

Common characteristics of the staff recruited by Çalık Holding companies are having the right education, technical knowledge and other competences and personality traits which are directly proportional to our values. Being honest, staking his/her colleagues/teams' claims, creating result oriented and creative ideas and finding innovative solutions are our first priority evaluation criteria.

The basic functions of our HR department are organizing regular personal development trainings that will strengthen our technical skills and values regarding to the sectors and job definitions, monitoring our performance improvement model based on targets and competencies through SAP system, and providing career planning practices associated with all these functions.

All HR activities of the Group are based on ERP systems and continuity principle is adapted for the documentation and processes.

According to the figures of December 2007, the number of people recruited by Çalık Holding is 15,223, the average age of the Group's staff is 31, and the percentage of the holding employees with the university degree is 77 %.

Quality, environment, and occupational health and safety approaches and policies

Çalık Holding is above all else mindful of the elements of people, the environment, and quality in all its activities and of their importance in its ability to maintain its corporate existence both economically and socially.

Group companies develop and abide by effective policies, practices, and systems on issues related to quality, the environment, and occupational health and safety.

Every effort is made to have these systems certified as required. Four group companies- Çalık Enerji, GAP İnşaat, Bursagaz and Kayserigaz- have completed the changeover to integrated management system and hold the following certifications:

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

Gap Güneydoğu Tekstil has been awarded ISO 9001 and ISO 14001 certifications and Oeko-Tex Standard 100 label.

Integrated Management System;

- Create a structure that conforms to the requirements of laws and regulations, is focused on customer satisfaction, is technologically compliant, and undergoes continuous improvement.
- Ensure that the requirements of laws and regulations and customers' wishes are correctly known and understood by employees concerned with such matters and that all of these are satisfied to the maximum degree possible.
- Ensure that the requirements of laws and regulations and customers' wishes are correctly known and understood by employees concerned with such matters and that all of these are satisfied to the maximum degree possible.
- In keeping with the rule that products and services should serve their intended purposes and fully satisfy all their requirements in order to achieve customer satisfaction, ensure that they are delivered to customers without flaws, at an acceptable price, and at the right time.
- Deploying an integrated system in which employees' duties are well defined, establish a working environment in which individuals can be happy and work together in harmony and which prevents lost time while increasing productivity.
- Ensure that the system's implementation conforms to standards and that productivity, quality, and service approaches are sustainable. To achieve this, provide training on personal development and quality issues as needed.
- In the conduct of all activities, protect both employees and the environment, reduce their environmental impact and comply with the requirements of laws and regulations on such matters insofar as is possible, and ensure that employees are aware of and comply with principles, and goals on such matters.

Within the framework of the environment and occupational health and safety policies to which they adhere, Çalık Holding companies:

- Constantly review and improve all their work processes so as to achieve the most effective and productive use of raw materials and to protect natural resources.
- Comply with the requirements of all environment-related laws and regulations and keep up to date on all such issues as necessary.
- In keeping with the principle of minimizing the environmental impact of production activities and eliminating them completely wherever possible, take pains to minimize effluents, to employ advanced technologies so as to do better than the requirements of internationally recognized standards, and to have Environmental Impact Studies (EIS) conducted for all proposed investments.
- Identify new environment-related goals and objectives every year and carry out environmental management system and its commitments.
- Keep both the public and authorities informed on the operation and practices of the Environmental Management System and its commitments.
- Take the results of risk assessments related to environmental decisions and to threats to employee health and safety into account when planning environmental and occupational health and safety systems and adapt new developments and practices on such matters to existing systems.
- Organize educational and social activities that encourage the protection of environmental and human health and enhance awareness and sensitivity about such issues.
- Take precautions as needed to eliminate or minimize the risk to which employees and people in areas near production activities are exposed and fully comply with the requirements of laws, regulations, international standards, and customer specifications on such matters.
- Organize technical programs on technical issues, first aid, and risk mitigation to ensure that environmental and occupational health and safety responsibilities and awareness are understood and shared at all levels, ensure that employees take part in these actively, and continuously improve the system through risk analyses.
- Çalık Holding gives absolute significance to the elements of quality, people, and the environment in all its activities of their importance in its ability to maintain its corporate existence both economically and socially.

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**ÇALIK HOLDİNG A.Ş.
CONSOLIDATED FINANCIAL
STATEMENTS INDEPENDENT
AUDIT REPORT FOR THE YEAR
ENDED 31 DECEMBER 2007**



Consolidated
Financial
Statements
Independent
Audit Report

INDEPENDENT AUDITOR'S REPORT

To the Shareholders and Board of Directors of Çalık Holding Anonim Şirketi

We have audited the accompanying consolidated financial statements of Çalık Holding A.Ş. (the "Company") and its subsidiaries listed under note 1, which comprise the consolidated balance sheet as at 31 December 2007, and the consolidated statements of income, changes in equity and cash flow for the year then ended and a summary of significant accounting policies and other explanatory notes.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

We did not audit the financial statements of Banka Kombetare Tregtare Sh. A “BKT”, in which the Company had an equity interest of 38,9% and alık Yatırım Bankası A.Ş. “alıkbank”, in which the Company had an equity interest of 95,4% as of 31 December 2007. The financial statements of these companies were audited by other auditors whose report have been furnished to us, and our opinion insofar as it relates to the amounts included for BKT and alıkbank is based solely on the reports of the other auditors.

Opinion

In our opinion, except for the effect on the consolidated financial statements of the matters referred to in the preceding paragraph, nothing has come to our attention that causes us to believe that the consolidated financial statements present fairly in all material respects, the consolidated financial position of the alık Holding A.Ş. as of 31 December 2007, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards.

ENGİN Bağımsız Denetim ve Serbest Muhasebecilik Mali Müşavirlik A.Ş
Member Firm of GRANT THORNTON International

Emre Halit
Partner

Istanbul, 16 May 2008

ÇALIK HOLDİNG A.Ş.
CONSOLIDATED BALANCE SHEETS
AT 31.12.2007 AND 31.12.2006

(Currency shown in thousands of US Dollars ("USD") unless otherwise indicated.)

Assets	Note	2007	2006
Current assets			
Cash and cash equivalents	4	244.141	179.296
Placements and balances with banks	5	236.381	169.698
Investments securities	6	336.089	325.599
Trade receivables	9	409.501	312.774
Loans and advances to customers	10	168.587	120.617
Construction contracts work in progress	8	229.619	269.642
Inventories	11	260.155	257.244
Other assets	12	83.906	68.831
Total current assets		1.968.379	1.703.701
Non-current assets			
Capital equivalency deposit	7	8.600	7.939
Trade receivables		3.684	23.443
Loans and advances to customers	10	222.980	187.003
Investments securities	6	135.224	120.138
Investments	13	3.664	640
Property, plant and equipment	14	832.076	649.816
Intangible assets	15	156.215	104.159
Other assets		5.443	7.288
Total non-current assets		1.367.886	1.100.426
Total assets		3.336.265	2.804.127

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

ÇALIK HOLDİNG A.Ş.
CONSOLIDATED BALANCE SHEETS
AT 31.12.2007 AND 31.12.2006

(Currency shown in thousands of US Dollars ("USD") unless otherwise indicated.)

Liabilities and equity	Note	2007	2006
Current liabilities			
Borrowings	16	332.419	263.318
Customer deposits	17	1.075.458	913.934
Due to banks	18	2.214	10.501
Trade payables	19	415.497	409.651
Deferred billings	8	20.683	36.238
Taxation on income	22	7.725	801
Provisions	20	11.121	3.247
Other liabilities	21	88.600	54.426
Total current liabilities		1.953.717	1.692.116
Non-current liabilities			
Borrowings	16	305.914	169.764
Customer deposits	17	51.089	49.722
Trade payables		49.374	25.118
Reserve for retirement pay	23	4.157	3.747
Other liabilities		43	113
Deferred tax liability	22	19.930	22.244
Total non-current liabilities		430.507	270.708
Equity			
Share capital	24	211.659	134.745
Translation reserve		(11.640)	28.103
General reserves		354.740	437.379
Minority interest		397.282	241.076
Total equity		952.041	841.303
Commitments and contingencies	25		
Total liabilities and equity		3.336.265	2.804.127

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

ÇALIK HOLDİNG A.Ş.
CONSOLIDATED INCOME STATEMENTS
FOR THE YEARS ENDED 31 DECEMBER 2007 AND 2006

(Currency shown in thousands of US Dollars ("USD") unless otherwise indicated.)

	Note	2007	2006
Revenue	26	1.261.643	1.221.048
Cost of sales		(1.022.284)	(954.199)
Gross profit		239.359	266.849
Research and development expenses		(9.446)	(4.576)
Selling expenses		(56.317)	(68.697)
General and administrative expenses		(100.755)	(68.375)
Operating profit		72.841	125.201
Other expense, net	27	(4.163)	(8.701)
Profit on sale of investment	28	67.375	--
Financing expense, net	29	(15.229)	(27.722)
Profit before taxation		120.824	88.778
Taxation charge			
Current		(19.740)	(10.729)
Deferred		2.281	10.138
Taxation on income	22	(17.459)	(591)
Net profit for the year		103.365	88.187
Net profit attributable to:			
Equity holders of the Company		67.054	83.977
Minority interest		36.311	4.210
		103.365	88.187

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

ÇALIK HOLDİNG A.Ş.
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED 31 DECEMBER 2007 AND 2006

(Currency shown in thousands of US Dollars ("USD") unless otherwise indicated.)

	Share capital	Translation reserve	General reserves	Minority interest	Total equity
Balance at 01.01.2006	107.079	39.700	399.131	189.337	735.247
Increase in share capital	27.666	--	(27.666)	--	--
Consolidated investments	--	--	(10.315)	31.590	21.275
Disposal of subsidiary	--	--	(105)	(83)	(188)
Change in minority interest	--	--	(7.643)	7.643	--
Translation differences	--	(11.597)	--	8.379	(3.218)
Net profit for the year	--	--	83.977	4.210	88.187
Balance at 31.12.2006	134.745	28.103	437.379	241.076	841.303
Adjustment to equity (note 2)	--	--	(4.045)	--	(4.045)
Increase in share capital	76.914	--	(76.914)	--	--
Dividends paid to minority interest	--	--	--	(11.782)	(11.782)
Cash increase of subsidiaries share capital	--	--	--	21.505	21.505
Translation differences	--	(39.743)	--	(35.036)	(74.779)
Consolidated subsidiaries and sale of Bursagaz shares to EWE Enerji A.Ş.	--	--	(73.633)	150.177	76.544
Disposal of subsidiaries	--	--	(70)	--	(70)
Changes in minority interest	--	--	4.969	(4.969)	--
Net profit for the year	--	--	67.054	36.311	103.365
Balance at 31.12.2007	211.659	(11.640)	354.740	397.282	952.041

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

ÇALIK HOLDİNG A.Ş.
CONSOLIDATED CASH FLOW STATEMENTS
FOR THE YEARS ENDED 31 DECEMBER 2007 AND 2006

(Currency shown in thousands of US Dollars ("USD") unless otherwise indicated.)

	Note	2007	2006
Profit before taxation		120.824	88.778
Adjustment to reconcile profit before taxation to net cash provided from operating activities:	31	51.911	102.018
Operating profit before changes in working capital		172.735	190.796
Changes in operating assets and liabilities	31	(67.369)	(14.607)
Taxes paid		(20.541)	(8.350)
Net cash provided by operating activities		84.825	167.839
Cash flows from investing activities			
Investments securities		(25.576)	(91.426)
Purchases of equity investments		(1.072)	(297)
Acquisition of subsidiaries		(169.265)	119.124
Disposal of subsidiaries		(71)	(188)
Proceeds from sale of investment		163.109	--
Purchase of property, plant and equipment		(141.435)	(41.889)
Purchase of intangible assets		(6.563)	(31.996)
Proceeds from sale of property, plant and equipment		4.971	1.182
Proceeds from sale of intangible assets		9.635	4.052
Net cash used in investing activities		(166.267)	(41.438)
Cash flows from financing activities			
Proceeds from borrowings		173.879	40.890
Interest paid - bank borrowings		(44.607)	(37.169)
Dividends paid to minority interest		(11.782)	--
Interest received - time deposits		17.740	7.486
Cash increase in subsidiaries share capital		21.505	--
Net cash provided by (used in) financing activities		156.735	11.207
Translation differences		(10.448)	(22.209)
Net increase (decrease) in cash and cash equivalents		64.845	115.399
Cash and cash equivalents at beginning of year		179.296	63.897
Cash and cash equivalents at end of year		244.141	179.296

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

ÇALIK HOLDİNG A.Ş.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2007

(Currency shown in thousands of US Dollars (“USD”) unless otherwise indicated.)

1. ORGANISATION AND NATURE OF ACTIVITIES

Çalık Holding A.S. (the “Company” or “Çalık Holding”) was established in 1997 to support and organize the activities of its subsidiaries within the sectors of textile, energy, telecommunication, construction, banking, and marketing by providing centralised services for finance, accounting, budget and internal audit, human resources and corporate communications.

The registered office address of the Company is located at Keresteciler Sitesi, Merter/İstanbul Turkey.

As of 31 December 2007, Çalık Holding and its subsidiaries (the “Group”) is made up of Çalık Holding and its 47 subsidiaries (2006: 40 subsidiaries) listed below:

1.1 Textile group

Consolidated company	Location	Direct and indirect shareholding %	
		2007	2006
Gap Güneydoğu Tekstil Sanayi ve Ticaret A.Ş.	Turkey	98,6	98,6
Türkmenbaşı Tekstil Kompleksi	Turkmenistan	32,0	32,0
Türkmenbaşı Jeans Kompleksi	Turkmenistan	34,3	30,1
Serdar Pamuk Eğriği Fabriği	Turkmenistan	10,0	10,0
Balkan Dokma YGPJ	Turkmenistan	31,0	31,0
Çalık USA	USA	98,6	98,6
Gap Guneydogu FZE Jebel Ali Free Zone	UAE – Dubai	98,6	98,6

TTK, TJK, Serdar Pamuk and Balkan with group shares of respectively 32,0% 34,3%, 10,0% and 31,0% are consolidated because they are under the effective control and management of the Group.

GAP Güneydoğu Tekstil Sanayi ve Ticaret A.Ş. (“GAP Güneydoğu”)

GAP Güneydoğu was established in 1987 in Turkey. Its facilities are located in Malatya Industrial Area. GAP Güneydoğu has an annual production capacity of 11 thousand tonnes of open-end yarns, 12 thousand tons of lycra and uneven yarns, and 40 million square meters of denim fabric. Two branches of GAP Güneydoğu, namely, GAP Güneydoğu Atatürk Hava Limanı Free Zone and GAP Güneydoğu Mersin Free Zone are engaged in the importation and exportation of textile products.

Türkmenbaşı Tekstil Kompleksi (“TTK”)

TTK was established in 1997 under the laws of Turkmenistan and commenced its operations by the end of 2000. TTK is mainly engaged in the production of knitting and woven fabric garments and shirts. The production facilities occupy 190,000 m² of grounds and consist of six factories (open-end yarns, knits, weaving, dyeing, finishing, and cutting and sewing). The annual production capacity is 2.600 tons of ring yarns, 6.200 tons of open-end yarns, 2.200 tons of knitted fabrics, and 21 million m² of woven fabrics. All goods produced are sold to the USA and Europe.

A/O Gap Türkmen (“TJK”)

TJK was established in 1995 and was incorporated under the laws of Turkmenistan. TJK is engaged in manufacturing and marketing yarn, denim and jeans. It operates in 53,000 m² of enclosed space with an annual production capacity of 16 million meters of denim fabric, 11,500 tons of open-end and ring yarns, and 3.9 million pairs of jeans. TJK sales are mainly to the USA and Europe and as well as the domestic market.

Serdar Pamuk Eğriği Fabriği (“Serdar Pamuk”)

Serdar Pamuk was established in 1995 and was incorporated under the laws of Turkmenistan. Serdar Pamuk’s facilities occupy 28.000 m² of enclosed space and mainly engaged in the production of cotton yarn with an annual production capacity of 6.000 tons, most of which are exported.

Balkan Dokma YGPJ (“Balkan”)

Balkan was established as a joint venture of Çalık Holding and MOTI in 2000 under the laws of Turkmenistan. Balkan commenced its operations in 2004 and engaged in the production of and marketing yarn.

Çalık USA ve GAP Guneydogu FZE Jebel Ali Free Zone

Çalık USA and GAP Guneydogu FZE are engaged in the trade of textile products in the USA and in United Arab Emirates (“UAE”), Dubai respectively.

ÇALIK HOLDİNG A.Ş.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2007

(Currency shown in thousands of US Dollars (“USD”) unless otherwise indicated.)

1.2 Energy group

Consolidated company	Location	Direct and indirect shareholding %	
		2007	2006
Çalık Enerji Sanayi ve Ticaret A.Ş.	Turkey	99,9	99,9
Çalık Enerji Dubai FZE	UAE – Dubai	99,9	99,9
Bursagaz Bursa Şehiriçi Doğal Gaz Dağıtım A.Ş.	Turkey	50,1	99,9
Naturel Gaz Sanayi ve Ticaret A.Ş.	Turkey	40,0	40,0
Çalık Enerji Elektrik Üretim ve Madencilik A.Ş.	Turkey	99,9	99,9
Çalık Enerji Bursagaz Dağıtım Ticaret A.Ş.	Turkey	99,9	99,9
Gap Petrol Gaz İthalat ve İhracat Pazarlama A.Ş.	Turkey	98,9	98,9
Transanadolu Petrol Boru Hattı Sanayi A.Ş.	Turkey	49,9	99,9
Gap Elektrik Dağıtım Sanayi ve Ticaret A.Ş.	Turkey	99,8	99,8
Türkmenin Altın Asrı Gaz Sanayi ve Ticaret A.Ş.	Turkey	95,9	95,9
Türkmenin Altın Asrı Elektrik Sanayi ve Ticaret A.Ş.	Turkey	96,8	96,8
Doğu Akdeniz Petrokimya ve Rafineri Sanayi A.Ş.	Turkey	98,9	98,9
Çalık NTF Elektrik Üretim ve Madencilik A.Ş.	Turkey	89,9	89,9
Kayseregaz Kayseri Doğalgaz Dağıtım Pazarlama A.Ş.	Turkey	88,9	--
Ant Enerji Sanayi ve Ticaret Limited Şirketi	Turkey	50,0	--
Vadi Elektrik Üretim Sanayi ve Ticaret Limited Şti.	Turkey	98,9	--
Ortur Elektrik Üretim ve Ticaret Limited Şirketi	Turkey	98,9	--

Bursagaz, Naturel Gaz, Transanadolu and Ant with group shares of respectively 50,1%, 40,0%,49,9% and 50,0% are consolidated because they are under the effective control and management of the Group.

Çalık Enerji Sanayi ve Ticaret A.Ş. (“Çalık Enerji”)

Çalık Enerji, was set up in 1998 to conduct the Group's activities in the energy sector and engaged in the exploitation of natural gas and petroleum resources in different parts of the world and in international shipments and sales. Çalık Enerji has a branch in Turkmenistan which was set up in Ashgabat to operate several energy projects in Turkmenistan.

Çalık Enerji Dubai FZE (“Dubai FZE”)

Çalık Enerji FZE was incorporated as a Free Zone Establishment with a limited liability in Jebel Ali Free Zone pursuant to Dubai Law no.9 of 1992 and the implementing regulations issued there under by the Jebel Ali Free Zone Authority. The principal place of business of the establishment is located at the Jebel Ali free Zone, Dubai. The principal activities as per Licence no.5517 issued by the Jebel Ali Free Zone Authority is general trading.

Bursagaz Bursa Şehiriçi Doğal Gaz Dağıtım Ticaret ve Taahhüt A.Ş. (“Bursagaz”)

BOTAS Bursa İşletme Müdürlüğü was founded in 1994 for natural gas distribution activities in Bursa under the organization of Boru Hatları ile Petrol Tasima A.S. (“BOTAŞ”). On 6 June 2002, according to the decision of Supreme Planning Council BOTAS Bursa İşletme Müdürlüğü became a subsidiary of BOTAŞ with new legal name of Bursagaz Bursa Şehiriçi Doğal Gaz Dağıtım Ticaret ve Taahhüt A.Ş.. Bursagaz was included in the privatization program with the announcement of Privatization Supreme Council in September 2002 and on 19 April 2004 Calik Enerji bought the shares of Bursagaz and obtained the right of its operations for 30 years.

Naturel Gaz Sanayi ve Ticaret A.Ş. (“Naturel Gaz”)

Naturel Gaz was established in 2004, in İstanbul. The principal activities are purchasing, compression, and delivery of natural gas as well as the fittings and installation works, and the necessary research studies made thereon.

Çalık Enerji Elektrik Üretim ve Madencilik A.Ş. (“Çalık Elektrik”)

Çalık Elektrik was established in 2004 in Merter, İstanbul in order to establish, operate and rent power generation plants.

ÇALIK HOLDİNG A.Ş.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2007

(Currency shown in thousands of US Dollars ("USD") unless otherwise indicated.)

Çalık Enerji Bursagaz Dağıtım Ticaret A.Ş. ("Bursagaz Dağıtım")

Bursagaz Dağıtım was established in 2004 in Merter, İstanbul, in order to carry out natural gas distribution operations through establishing or having established natural gas operators and other related plants.

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

Gap Petrol was established in 2005 in Merter, İstanbul in order to import, export, distribute and operate all kinds of natural gas, crude oil and derivatives of these products.

Trans Anadolu Petrol Boru Hattı Sanayi ve Ticaret A.Ş. ("Trans Anadolu")

Trans Anadolu was established in 2005 in Merter, İstanbul in order to import, export, distribute and operate all kinds of natural gas, crude oil and derivatives of these products.

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

Gap Elektrik was established in 1998. It has a 30-year authorization by the Council of Ministers resolution in March 1998, to operate electrical distribution systems in the provinces of Malatya, Elazığ, Tunceli and Bingöl. As of the balance sheet date Gap Elektrik is dormant.

Türkmenin Altın Asrı Gaz Sanayi ve Ticaret A.Ş. (Türkmen Gaz")

Türkmen Gaz was established in 1999 in İstanbul in order to operate in gas distribution and trade. As of the balance sheet date Türkmen Gaz is dormant.

Türkmenin Altın Asrı Elektrik Sanayi ve Ticaret A.Ş. ("Türkmen Elektrik")

Türkmen Elektrik was established in 2000 in İstanbul in order to operate in electricity distribution and trade. As of the balance sheet date Türkmen Elektrik is dormant.

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 by the end of 2005 in Merter, İstanbul in order to realize prospects for oil and natural gas, produce, import and export these products and to establish or let establish the related plants for their distribution.

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

Çalık NTF was established in February 2006 in İstanbul in order to establish, operate and rent power generation plants.

Kayserigaz Kayseri Doğalgaz Dağıtım Pazarlama Ticaret A.Ş. ("Kayserigaz")

Kayserigaz Kayseri Doğalgaz Dağıtım Pazarlama ve Ticaret A.Ş. was established in 2003 in Kayseri. The principal activities are purchasing, selling and distribution of natural gas as well as the fittings and installation of distribution networks.

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

Ant was established in 2006 in İstanbul for selling and distributing electricity.

Vadi Elektrik Üretim Sanayi ve Ticaret Limited Şirketi ("Vadi")

Vadi was established in February 2007 for producing and distributing electricity.

Ortur Elektrik Üretim ve Ticaret Limited Şirketi ("Ortur")

Ortur was established in December 2005 for producing and distributing electricity.

ÇALIK HOLDİNG A.Ş.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2007

(Currency shown in thousands of US Dollars (“USD”) unless otherwise indicated.)

1.3 Telecommunication group

Consolidated company	Location	Direct and indirect shareholding %	
		2007	2006
Turkuvaz Telekomünikasyon Hizmetleri A.Ş.	Turkey	82,3	64,9
Çetel Çalık Enerji Telekomünikasyon Hizmetleri A.Ş.	Turkey	99,9	99,9
Cetel Telekom İletişim Sanayi ve Ticaret A.Ş.	Turkey	79,9	79,9
Albtelecom Sh.a.	Albania	60,7	--
CT Telecom Sh.a.	Albania	79,9	--

Turkuvaz Telekomünikasyon Hizmetleri A.Ş. (“Turkuvaz Telekom”)

Turkuvaz Telekom was established in 2005 in Merter, İstanbul in order to render GSM mobile telephone services and to provide the related infrastructure. On 21 February 2008 ATV-Sabah was sold by formal public tender by Turkey’s Savings Deposit Insurance Fund to Turkuvaz for USD 1.100.000 (note 34).

Çetel Çalık Enerji Telekomünikasyon Hizmetleri A.Ş. (“Çetel Çalık”)

Çetel Çalık was established in 2004 in İstanbul in order to render various services in the fields of telecommunication, communication, press, and internet.

Cetel Telekom İletişim Sanayi ve Ticaret A.Ş. (“Cetel Telekom”)

Cetel Telekom İletişim Sanayi ve Ticaret A.Ş. was established in 2007 in İstanbul. The principal activities are telecommunication, multimedia, internet and data transportation.

Albtelecom Sh.a. (“Albtelecom”)

Albtelecom was established in January 16, 1992 as Telekom Shqiptar and transformed into a company limited by shares in 23 February 1999. Up to 28.09.2007, Government of Albania as represented by the Ministry of Economy, Trade and Energy was the sole shareholder of the Company. As of 28.09.2007 CT Telekom Sh.a, a subsidiary of Çetel Telekom İletişim Hizmetleri A.Ş. (a Çalık Group Company) acquired 76% of the Albtelecom’s share capital. Albtelecom is the unique national operator of fixed telephony.

CT Telecom Sh.a (“CT Telecom”)

CT Telecom was established in 2007. The activity of the CT Telecom is to be engaged in the field of telecommunication, communication, press and information, multimedia, internet, sound and data communication.

ÇALIK HOLDİNG A.Ş.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2007

(Currency shown in thousands of US Dollars (“USD”) unless otherwise indicated.)

1.4 Construction group

Consolidated company	Location	Direct and indirect shareholding %	
		2007	2006
GAP İnşaat Yatırım ve Dış Ticaret A.Ş.	Turkey	98,9	98,9
GAP İnşaat Dubai FZE	Dubai	98,9	98,9
GAP İnşaat Ukraine Ltd.	Ukraine	98,9	97,9
GAP İnşaat Construction and Investment Co. Ltd.	Sudan	98,9	98,9
Çalık Gayrimenkul Ticaret A.Ş.	Turkey	98,6	98,6
Soma Yapı Malzemeleri Sanayi ve Ticaret A.Ş.	Turkey	94,9	94,9

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. It also administers mining of all kinds of minerals, marble, lime, clay, coal and stone quarries both within the country and abroad provided that the necessary permits are received.

GAP İnşaat has two branches in Turkmenistan and Saudi Arabia which were set up to operate several construction projects in Turkmenistan and Saudi Arabia.

GAP İnşaat Ukraine Ltd, GAP İnşaat Dubai FZE (UAE) ve GAP İnşaat Construction and Investment Co. Ltd.

GAP İnşaat’s three subsidiaries namely, GAP İnşaat Ukraine Ltd., GAP İnşaat Dubai FZE and GAP İnşaat Construction and Investment Co. Ltd. operate construction projects in the countries they were established in.

Çalık Gayrimenkul Ticaret A.Ş. (“Çalık Gayrimenkul”)

Çalık Gayrimenkul was established in December 2005 in Merter, İstanbul in order to design and prepare projects related to all audio and data communication, and to establish and develop related systems.

Soma Yapı Malzemeleri Sanayi ve Ticaret A.Ş. (“Soma Yapı”)

Soma Yapı, was established in 21 March 2003 in Ankara in order to produce raw material for construction.

1.5 Banking group

Consolidated company	Location	Direct and indirect shareholding %	
		2007	2006
Çalık Yatırım Bankası A.Ş.	Turkey	95,4	95,4
Çalık Şeker Konsorsiyum Yatırım A.Ş.	Turkey	64,9	64,9
Banka Kombetare Tregtare Sh. A	Albania	38,9	38,9

Çalık Yatırım Bankası A.Ş. (“Çalıkbank”)

Çalıkbank was founded as an investment bank in August 1999. Çalıkbank operates as an investment bank and also involves in corporate services such as financial leasing, lending and trade finance. The majority of the transactions of Çalıkbank are realised within Çalık Group.

Çalık Şeker Konsorsiyum Yatırım A.Ş. (“Çalık Şeker”)

Çalık Şeker was established in 2003 as Çalıkbank’s cooperation with Şekerbank T.A.Ş. and Çalık Holding for their projects of investing in domestic and foreign oriented banks.

Banka Kombetare Tregtare Sh. A (“BKT”)

BKT was registered in December 1998 with the Bank of Albania to operate as a bank in the Republic of Albania. In December 2005, BKT convened an extraordinary general meeting of shareholders to transfer 60 per cent of the Bank’s shares to Çalık Şeker. The transfer was finalized and registered in the Tirana Court in June 2006, following the approvals by the Bank of Albania and the Competition Authority.

ÇALIK HOLDİNG A.Ş.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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1.6 Marketing group

Consolidated company	Country	Direct and indirect shareholding %	
		2007	2006
GAP Pazarlama A.Ş.	Turkey	95,0	95,0
GAPPA Inc.	USA	95,0	95,0
GAP Pazarlama FZE Jebel Ali Free Zone	UAE – Dubai	95,0	95,0

GAP Pazarlama A.Ş. (“GAP Pazarlama”)

GAP Pazarlama A.Ş., was established in 1994 in Merter, İstanbul. GAP Pazarlama performs the functions of a supply agent for Çalık Group. GAP Pazarlama procures goods needed by the factories managed by the Çalık group and for projects undertaken by the contractor company from Turkey or off international markets.

GAPPA Inc.

GAPPA Inc handles the international sales of the home textiles and ready-to-wear garments manufactured.

GAP Pazarlama FZE Jebel Ali Free Zone (“GAP Pazarlama FZE”)

GAP Pazarlama FZE was established by the end of 2004 in the United Arab Emirates (“UAE”) engaged in import and export of trade goods.

1.7 Other

Consolidated company	Country	Sector	2007	2006
GAP Bilgi Sistemleri Çözüm Yazılım A.Ş.	Turkey	Software	99,3	99,3
GAP Turizm A.Ş.	Turkey	Tourism	95,9	95,9
Çalık Turizm Kültür İnşaat ve Tic. A.Ş.	Turkey	Tourism	93,4	93,4
GAP Gübre ve Kimya A.Ş.	Turkey	Farming	90,0	90,0
Çalık Maden İşletmeleri A.Ş.	Turkey	Mining	86,9	86,9

Gap Bilgi Sistemleri Çözüm Yazılım A.Ş. (“Gap Bilgi”)

Gap Bilgi was established in 1984 as an AS/400 solution provider, and has developed several software applications to be used in Corporate Resource Management.

GAP Turizm A.Ş.

Gap Turizm A.Ş. was established in 2003 and performs tourism activities in Turkey.

Çalık Turizm Kültür İnşaat Sanayi ve Ticaret A.Ş. (“Çalık Turizm”)

Çalık Turizm was established in December 2004 in İstanbul in order to regard efficient utilization of immovable assets relation to establishment of mega-cities. Çalık Turizm is involved with the construction, establishment, operation and renting out of contemporary residential areas, trade and tourism centers, international and local press centers, mass housing, metres, bridges, and highways.

Gap Gübre ve Kimya A.Ş. (“Gap Gübre”)

Gap Gübre ve Kimya A.Ş. was established in 2003 in order to build and operate a fertilizer factory.

Çalık Maden İşletmeleri A.Ş. (“Çalık Maden”)

Çalık Maden was established in 2006 in Merter / İstanbul. The main operation is to prospect all kind of metal and mineral productions.

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2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS

Basis of preparation

The consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards (“IFRS”). The consolidated financial statements have been prepared under the historical cost convention, other than financial assets which are stated at fair value.

Companies established in Turkey

The Company and its subsidiaries established in Turkey maintain their books of account and prepare their statutory financial statements in New Turkish Lira (“YTL”) in accordance with the Turkish Commercial Code, tax legislation and the Uniform Chart of Accounts issued by the Ministry of Finance. The YTL financial statements prepared from the statutory records (which are maintained under the historical cost convention) are modified with certain out-of-book adjustments, reclassifications and restatements (as defined in the following paragraph) to comply with IFRS.

Accounting in hyperinflationary economies

The restatement for the changes in the general purchasing power of YTL as of 31 December 2005 is based on IAS 29 (“Financial Reporting in Hyperinflationary Economies”). IAS 29 requires that financial statements prepared in the currency of a hyperinflationary economy be stated in terms of the measuring unit current at the balance sheet date and the corresponding figures for previous periods be restated in the same terms. One characteristic (but not limited to) that necessitates the application of IAS 29 is a cumulative three year inflation rate approaching or exceeding 100%. As of 31 December 2005, the three year cumulative rate has been 36% (31 December 2004: 70% - 31 December 2003: 181%) based on the Turkish countrywide wholesale price index published by the State Institute of Statistics.

As of 1 January 2006, it has been decided to discontinue the adjustment of financial statements for inflation after taking into account that the hyperinflation period has come to an end as indicated by existing objective criteria and, that other signs indicating the continuance of hyperinflation have largely disappeared. The financial statement as of 31 December 2006 have therefore, not been subjected to any adjustment for inflation.

The effects of ending the adjustments for inflation on financial statements are summarised as follows:

The financial statements as of 31 December 2006 have not been subjected to any inflation adjustment whereas the financial statements for previous periods have been adjusted for inflation on basis of the measuring unit current at the last preceding balance sheet date namely 31 December 2005.

Together with the ending of the hyperinflationary period the balances adjusted for inflation as of the last preceding balance sheet date form the opening balances of the assets, liabilities and equity accounts as of 1 January 2006.

Companies established outside Turkey

Overseas subsidiary maintain its books of account and prepare its statutory financial statements in local currencies in accordance with the regulations of the countries in which they operate. The local currency financial statements prepared from the statutory records (which are maintained under the historical cost convention) are modified with certain out-of-book adjustments, reclassifications and translations as defined in the following paragraph to comply with IFRS.

Financial statements of the subsidiaries operating in foreign countries have been presented in US Dollars because their functional currency is US Dollars as the majority of their sales, purchases, property and equipment, debt and trade liabilities are either priced, incurred, payable or otherwise measured in US Dollars. Transactions and balances not already measured in US Dollars have been remeasured in US Dollars in accordance with IAS 21 “The Effects of Changes in Foreign Exchange Rates”.

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Translation of financial statements from functional currency to presentation currency is done as follows:

- Assets and liabilities for each balance sheet presented (including comparatives) are translated at the closing rate at the date of that balance sheet.
- Income and expenses for each income statement (including comparatives) are translated at exchange rates at the dates of the transactions;
- Equity items other than the net profit for the period and share capital are translated at the closing rate existing at the date of balance.

In the accompanying consolidated financial statements, the reported net profit of BKT for the year ended 31 December 2007 was lowered by USD 5.407 the retained earnings and reserves were lowered by USD 10.228 the balance of translation reserve was increased by USD 15.635 in order to comply with IAS 21, as explained above.

- all resulting exchange differences are recognised as a separate component in of equity.

Presentation currency

The measurement currency of the Company, which operates in Turkey, is YTL. The YTL financial statements of the Company were first adjusted for inflation accounting and they were then translated to US Dollar at the official YTL exchange rate for purchases of USD announced by the Central Bank of the Republic of Turkey on 31 December 2007 of YTL 1,1647 (full) = USD 1,00 (full).

Such translations should not be construed as a representation that the YTL and foreign subsidiaries measurement currency amounts have been or could be converted into USD at these or any other rates.

Adjustment to equity

The effects arising from changes in accounting policies and errors given below have been reflected in the accompanying consolidated statements of changes in equity as from 01 January 2007 in accordance with IFRS – 8 “Accounting Policies, Changes in Accounting Estimates and Errors”.

	Amount
Unearned interest on deposits received from Bursagaz natural gas customers net of deferred tax	3.670
Minority interest of Bursagaz shares given to Bursa Municipality (*)	(16.279)
Disposal of Goodwill	(7.715)
	(20.324)
Transfer from minority interest to general reserves of Bursagaz shares given to Bursa Municipality	16.279
	(4.045)

(*) A 10 per cent shareholding (book valued at US Dollar 11.154.224 as at 30 June 2006) in Bursagaz was granted without charge to the Bursa Municipality on 15 February 2007 pursuant to the Naturalgas Market Law and the mandate of the Turkish privatisation administration. The transfer was authorised by a resolution of the board of Çalık Enerji dated 15 February 2007 and the board of directors of Bursagaz also dated 15 February 2007.

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3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies followed in the preparation of the accompanying consolidated financial statements are summarized below:

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and the enterprises controlled by the Company. Control is achieved where the Company has the power to govern the financial and operating policies of an investee enterprise so as to obtain benefits from its activities.

The financial statements of the subsidiaries included in the consolidation have been prepared as of the date of the consolidated financial statements.

Certain companies (as detailed note 13) where Çalık Holding has a controlling interest or significant influence are not consolidated or equity accounted as they are immaterial individually and in aggregate to the results and financial position of the Group.

On acquisition, the assets and liabilities of a subsidiary are measured at their fair values at the date of acquisition. The interest of minority shareholders is stated at the minority’s proportion of their fair values of the assets and liabilities recognised.

The balance sheet and income statement of the subsidiary are consolidated on a line by line basis, and the carrying value of the investment held by the Company is eliminated against related equity and reserves accounts.

All significant inter-company transactions and balances between group enterprises are eliminated on consolidation.

The results of subsidiary acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with those used by other members of the Company.

Foreign currency transactions

Transactions in foreign currencies during the periods have been translated at the exchange rates prevailing at the dates of these transactions. Balance sheet items denominated in foreign currencies have been translated at the exchange rates prevailing at the balance sheet dates. Exchange gains or losses arising from settlement and translation of foreign currency items have been included in the financing income or expense accounts as appropriate.

As of the balance sheet dates, the major foreign exchange rates used by the Company and its subsidiaries established in Turkey against New Turkish Lira are given below:

	2007	2006
USD	1,1647	1,4056
EUR	1,7102	1,8515

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Property, plant and equipment

Property, plant and equipment held for use in the production or supply of goods or services, or for administrative purposes, are stated in the balance sheet at cost less accumulated depreciation and any impairment in value.

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets or cash-generating units are written down to their recoverable amount. The recoverable amount of property, plant and equipment is the greater of net selling price and value in use. 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. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

Property, plant and equipment in the course of construction for production, rental or administrative purposes, or for purposes not yet determined, are carried at cost, less any identified impairment loss. Cost includes professional fees and, for qualifying assets, borrowing costs capitalized in accordance with the Company’s accounting policy. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

Depreciation is charged so as to write off the cost or valuation of assets, other than land and properties under construction, over their estimated useful lives, using the straight line basis over the following years stated below:

	Year
Land improvements	5-50
Buildings	10-50
Plant	9-50
Machinery and equipment	5-20
Furniture and fixtures	3-50
Motor vehicles	4-20
Leasehold improvements	3-5

The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the consolidated income statement.

Leasing

The Group as lessee

Assets held under finance leases are recognised as assets of the Group at their fair value at the date of acquisition. The corresponding liability to the company is included in the balance sheet as a finance lease obligation. Finance costs, which represent the difference between the total leasing commitments and the fair value of the assets acquired, are charged to the consolidated income statement over the term of the relevant lease so as to produce a constant periodic rate of interest on the remaining balance of the liability for each accounting period.

All other leases are treated as operating leases. Payments on operating lease agreements are recognised as an expense on a straight-line basis. Associated costs, such as maintenance and insurance, are expensed as incurred.

Capitalized leased assets are depreciated in accordance with the depreciation policy noted above.

Goodwill

Goodwill arising on consolidation represents the excess of the cost of acquisition over the Group’s interest in the fair value of the identifiable assets and liabilities of companies acquired at the date of acquisition. Goodwill is initially recognised as an asset at cost and is subsequently measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill is allocated to each of the Group’s cash-generating units expected to benefit from the synergies of the combination. Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit.

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Goodwill arising on the acquisition of subsidiaries is presented in intangible assets in the balance sheet:

On disposal of a subsidiary the attributable amount of unamortised goodwill is included in the determination of the profit or loss on disposal.

Intangible assets

Intangible assets are capitalized and amortised on a straight-line basis over their estimated useful life, not exceeding a period of 15 years except payments to acquire hydroelectric power plant licences included in rights at 49 years.

Equity investments

Equity investments are initially recognised at cost and include acquisition charges associated with the investments less any impairment in value, being the fair value of the consideration given.

Financial instruments

Classification

Loans and receivables are created by the Banking Group providing money to a debtor. Originated loans and receivables comprise loans and advances to customers and credit institutions.

Held-to-maturity assets are financial assets with fixed or determinable payments and fixed maturity that the Banking Group has the intent and ability to hold to maturity.

Measurement

Financial instruments are measured initially at cost, including transaction costs. Subsequent to initial recognition all non-trading financial liabilities, loans and receivables and held-to-maturity assets are measured at amortised cost less impairment losses. Amortised cost is calculated on the effective interest rate method. Premiums and discounts, including initial transaction costs, are included in the carrying amount of the related instrument and amortised to income through interest income in the income statement based on the effective interest rate of the instrument, when applicable.

Specific instruments

Placements and balances with banks

Placements and balances with banks include inter-bank placements and current account balances.

Treasury bills available-for-sale

Treasury bills available-for-sale after initial recognition are re-measured at fair value. Gains and losses arising from change in the fair value of such available-for-sale investments are recognised directly in equity. The total amount of the available-for-sale portfolio is not exceeding 1% of the total held-to-maturity portfolio of Treasury Bills.

Treasury bills held-to-maturity

Treasury bills are considered to be investments held-to-maturity as the Group has the intent and ability to do so.

Investment securities available-for-sale

Investment securities available-for-sale after initial recognition are re-measured at fair value. Gains and losses arising from change in the fair value of such available-for-sale investments are recognised directly in equity.

Investment securities held-to-maturity

Investment securities held-to-maturity, are debt investments that the Group has the intent and ability to hold to maturity. As a result they are classified as held-to-maturity assets.

Loans and advances to customers

Loans and advances originated by the Banking Group are classified as loans and receivables. Loans and advances are reported net of provisions for loan losses to reflect the estimated recoverable amounts (refer to accounting policy 3.4).

Recognition and derecognition of financial instruments

The Company recognizes a financial asset or financial liability in its balance sheet when and only when it becomes a party to the contractual provisions of the instrument. The Company derecognizes a financial asset or a portion of a financial asset when and only when it loses control of the contractual rights that comprise the financial asset or a portion of a financial asset or when a financial asset or a portion of a financial asset expires. The Company derecognizes a financial liability when and only when a liability is extinguished and that is when the obligation specified in the contract is discharged, cancelled and expires.

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Trade receivables

Trade receivables are measured at initial recognition at fair value, and are subsequently measured at amortized cost using the effective interest rate method to set an allowance for unearned interest. Appropriate allowances for estimated irrecoverable amounts are recognised in profit or loss when there is objective evidence that the asset is impaired. The allowance recognised is measured as the difference between the asset’s carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

Trade payables

Trade payables are initially measured at fair value, and are subsequently measured at amortized cost, using the effective interest rate method to set an allowance for unearned interest.

Deposits received from natural gas customers

The Group receives deposits from natural gas customers according to some criteria at the contract date. If the customer terminates the agreement or finalize procedures for cultivating the natural gas, the deposit amount is given back based on terms of agreement. Payments are made based on the current price for m3 for subscription prior to May 2003, and based on a consumer price index subsequent to May 2003. Deposits received are discounted at 5,7 % (inflation adjusted interest rate as of 31 December 2007) as the restated amount at the balance sheet date does not take into consideration the time value of money. However, in line with the principle of prudence, in cases where the discounted amount is smaller than the nominal amount of received deposits, nominal amount is recognised. The past experience may change every year and accordingly the present value of the deposits received may change next year.

Deferred billings

The parts of construction projects completed by the Group and approved by the customer are billed by the Group to the Turkmenistan Government.

Loans and advances to customers

Loans and advances to customers are reported at amortized cost net of allowances to reflect the estimated recoverable amounts.

An allowance for loan impairment is established if there is objective evidence that the Banking Group will not be able to collect all amounts due according to the original contractual terms. The amount of the allowance is the difference between the carrying amount and the recoverable amount, being the present value of expected cash flows, including amounts recoverable from guarantees and collateral, discounted at the original effective interest rate of loans. Expected cash flows are estimated based on previous experience of customers’ repayment history and any late payments of interest or penalties. Changes in the allowance amount are recognised in the income statement.

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 of the allowance is reversed through the income statement.

Segment reporting

The Group operates six major business segments, the textile group, the energy group, the telecommunication group, the construction group, the banking group and the marketing group. The activities undertaken by these groups are described in note 30.

Revenue and expense*Banking group*

Interest income and expense is recognised in the income statement as it accrues, taking into account the effective yield of the asset. Interest income and expense includes the amortisation of any discount or premium or other differences between the initial carrying amount of an interest bearing instrument and its amount at maturity calculated on an effective interest rate basis.

Construction group

Revenue from customer-related long-term construction contracts is recognised by reference to the percentage of completion of the contract at the balance sheet date.

Other

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. Revenue is shown net of value added and sales taxes, discounts and returns. Revenue from the

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rendering of services is recognised by reference to the stage of completion of the transaction when the following conditions are met:

- the amount of revenue can be measured reliably,
- the flow of economic benefits to the entity is probable,
- the stage of completion at the period end can be measured reliably and
- the costs incurred to date can be measured reliably.

Revenue for services provided initially is measured at the fair value of the consideration receivable. Expenses is included in operating expenses at cost unless the expense was permitted or required to be included in the financial statements on another basis. Cost is the fair value of the consideration given for the materials or services used in the production of goods or provision of services. Cost of sales is presented as a separate line item on the face of the income statement for the functional analysis of expenditures is chosen for the format of the income statement.

Repurchase agreements

Securities purchased from the Central Bank under agreements to resell (‘reverse repos’) within a short period of time (usually 1 week) are recorded as amounts due from the Central Bank. The difference between the sale and repurchase price is treated as interest and accrued over the life of the repo agreements using the effective yield method.

Taxation

Income tax on the profit or loss for the year comprises current and deferred tax. Income tax is recognised in the statement of income and expenditures except to the extent that it relates to items recognised directly to equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantially enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Borrowing cost

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

Bank borrowings

Interest-bearing bank loans and overdrafts are recorded at the proceeds received, net of direct issue costs. Finance charges, including premiums payable on settlement or redemption, are accounted for on an accrual basis and are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise.

Inventories

Inventories are stated at the lower of cost and net realizable value. Costs comprise direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition but exclude borrowing cost. Cost is calculated by using the weighted average method. Net realizable value represents the estimated selling price less all estimated costs to completion and costs to be incurred in marketing, selling and distribution.

Impairment

The carrying amounts of the Group’s assets are reviewed at each balance sheet date to determine whether any indication of impairment exists. If any such indication exists, the asset’s recoverable amount is estimated and an impairment loss is recognised in the income statement whenever the carrying amount of the asset exceeds its recoverable amount.

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Related parties

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making the financial and operating decisions. For the purpose of these financial statements shareholders are referred to as related parties. Related parties also include individuals that are principle owners, management and members of the Company's Board of Directors and their families (note 32).

Reserve for retirement pay

Under the Turkish Labour Law, the Company and its subsidiaries established in Turkey are required to pay termination benefits to each employee who has completed one year of service and whose employment is terminated without due cause, or who retires in accordance with social insurance regulations or is called up for military service or dies. Such payments are calculated on the basis of 30 days' pay limited to a maximum of YTL 2.030,1 (2006: YTL 1.857,4) per year of employment at the rate of pay applicable at the date of retirement and discounted to present value at the balance sheet date by using average market yield, expected inflation rates and an appropriate discount rate.

The bank in Albania has created a fully employer-sponsored pension plan during 2002. The amount to be charged to this fund is decided upon at the beginning of the year as 5% of budgeted personnel expenses. During the year, the amount accrued is charged to the income statement and to the fund on a monthly basis. The amount due to employees based on the above plan will be grossed up by the interest that will accrue from the date the employees leave the Bank until their retirement.

The telecommunication company in Albania makes no provision and has no obligation for employee pensions over and above the contributions paid into the State-pension scheme.

The subsidiaries in Turkmenistan contributes to the Turkmenistan state-pension on behalf of its employees. The contributions are expensed as incurred.

Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Group expects a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain.

Use of estimates

The preparation of financial statements in conformity with IFRS requires management to make estimates and assumptions that affect reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates. These estimates are reviewed periodically, and as adjustments become necessary, they are reported in earnings in the periods in which they become known. Estimation have been used mainly for provision for possible losses due to lawsuits, provision for retirement pay, doubtful receivables and deferred tax assets. Estimations have been made on basis previous experience and other appropriate data supplied by the management.

Offsetting

Financial assets and liabilities are offset and the net amount is reported in the consolidated balance sheet when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously.

Commitments and contingencies

Transactions that may give rise to contingencies and commitments are those where the outcome and the performance of which will be ultimately confirmed only on the occurrence or non-occurrence of certain future events, unless the expected performance is not very likely. Accordingly, contingent losses are recognised in the financial statements if a reasonable estimate of the amount of the resulting loss can be made. Contingent gains are reflected only if it is probable that the gain will be realized.

Cash and cash equivalents

For the purpose of the cash flow statement, cash and cash equivalents comprise cash in hand, deposits with banks with the original maturity of three months or less.

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4. CASH AND BALANCES WITH CENTRAL BANK

	2007	2006
Cash in hand	29.395	36.829
Cash at banks		
- Demand deposit	23.805	16.600
- Time deposit	68.253	41.793
- Blocked accounts	1.417	483
	122.870	95.705
Reserve deposits at central banks		
Turkish Republic	531	358
Albania	119.336	83.233
	119.867	83.591
Other	1.404	--
	244.141	179.296

As of 31 December 2007, interest rates for time deposit vary between 3,75% and 6% (2006: 3% and 5,35%) per year for foreign currency and between 11% and 19,3% (2006: 14% and 18,5%) per year for YTL.

In accordance with the Bank of Albania’s requirement relating to the deposit reserve, BKT should maintain a minimum of 10% of customer deposits with the Bank of Albania as a statutory reserve account, which during the month can be decreased up to 80% of its level, provided that the monthly average is obtained.

5. PLACEMENT AND BALANCES WITH BANKS

Placements	232.054	161.261
Cash collaterals held by correspondent banks	1.383	928
Current accounts	2.944	7.509
	236.381	169.698

Placements are held with non-resident banks from OECD countries and have contractual maturities from 3 days to 9 months. Current accounts represent balances with correspondent banks in the OECD countries.

Cash collateral represents mostly collateral held by correspondent banks and financial institutions against letters of credit issued to the Bank’s clients by the correspondent banks and a cash deposit for the security of risks, which might rise from the issuance of credit cards by the Bank.

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6. INVESTMENT SECURITIES

	2007	2006
Current		
Treasury bills held-to-maturity	251.939	291.261
Investment securities held-for trading	433	632
Investment securities available-for-sale	21.463	171
Investment securities held-to-maturity	62.254	33.535
	336.089	325.599
Non-Current		
Investments securities available-for-sale	3.753	8.985
Investments securities held-to-maturity	131.471	111.153
	135.224	120.138
	471.313	445.737

Treasury bills bear interest at market rates ranging from 6,46% to 8,76% per year on a compound basis and are all denominated in LEK.

As of 31 December 2007, the fair value of the Treasury bills portfolio was USD 251.604 (31.12.2006: USD 290.383).

As of the balance sheet dates, investment securities held-for-trading are presented as follows:

Government bonds & Treasury bills	433	632
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As of the balance sheet dates, investment securities available-for-sale are presented as follows:

Current TRY denominated bonds		
Republic of Turkey	21.463	171
Non- current LEK denominated bonds		
Republic of Albania	3.753	8.985
	25.216	9.156

As of the balance sheet date, treasury bills held-to-maturity are presented as follows:

Treasury bills held-to-maturity		
3 months	5.450	11.633
6 months	26.601	96.420
12 months	219.888	183.208
	251.939	291.261

As of the balance sheet dates, the fair value of the bond portfolio was USD 195.010 (31.12.2006: USD 143.084).

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As of the balance sheet date, investment securities held-to-maturity are presented as follows:

	2007	2006
Current		
LEK denominated bonds		
Government of Albania	62.254	33.535
Non-current		
USD denominated bonds		
Republic of Turkey	4.985	5.982
LEK denominated bonds		
Government of Albania	126.486	105.171
	131.471	111.153

7. CAPITAL EQUIVALENCY DEPOSIT

Capital equivalency deposit represent the amount of EUR 5,8 million (USD 8.600) transferred on 15 December 2006 in favour of the Central Banking Authority of Kosovo, as a minimum required capital necessary to be blocked in order to obtain the license for Kosovo Branch to be opened in October 2007.

8. CONSTRUCTION CONTRACTS WORK IN PROGRESS

	Billed contract receivables		Advances received from construction contracts	
	2007	2006	2007	2006
Deferred contract cost	134.126	208.716	--	--
Continuing projects	95.493	60.926	20.683	36.238
	229.619	269.642	20.683	36.238

Deferred contract cost

For a number of months, Turkmenistan Government Organisations have been authorising some of the completed parts of the various construction projects much later than the actual time of completion by the Turkmenistan Branch of the Company and therefore the Company has not been able to recognise revenue relating to these projects. The Company's management is confident that they will receive these outstanding receivables that are not yet authorised and therefore they have continued to work according to planned work schedule and as a result, the Company has incurred contract costs of USD 134.126 at 31 December 2007 (31.12.2006: USD 208.716). The Company's management expects to have the remaining contract costs to be authorised by the Turkmenistan Government Organisations in 2008.

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Continuing projects	Billed contract receivables		Deferred Billings	
	2007	2006	2007	2006
Disneyland	--	--	--	2.240
Buildings for the Ministry of Energy	5.891	9.089	--	--
Ashgabat trade center	1.803	2.176	--	--
Buildings for the Ministry of Textile 3	3.339	4.396	--	--
Land Work of Petronas Project	7.684	9.437	--	--
General Works of Petronas Project	8.676	--	--	--
Buildings for the Ministry of Chemistry	3.050	3.681	--	--
Yaşlık Pulp and Paper Production Plant	2.632	3.176	--	--
Ministry of Health Office Building	968	811	--	--
Buildings for the Ministry of Textile 2	2.495	2.717	--	--
Alparslan youth theatre	--	1.215	--	--
Bayramali switch center	--	2.256	--	--
Serdar golden age textile complex	1.802	2.176	--	--
Nebitdag power plant	1.840	1.979	--	--
Kelete cement factory	1.540	1.859	--	--
Tecen fertilizer plant	1.407	1.698	--	--
Buildings for the Ministry of Textile 4	4.674	1.482	--	--
Buildings for the Ministry of Economy	655	233	--	--
Sarayonii pool project	--	241	--	--
Dashoguz diagnostic centre	628	758	--	--
Insurance buildings	442	110	--	--
Ashgabat diagnostic center	--	--	--	16
Health community road project	328	396	--	--
Mary diagnostic centre	231	279	--	--
Buildings for the Ministry of Tourism	714	224	--	--
Fanta 4 project	234	282	--	--
Neftigaz underground passage	223	269	--	--
Senagat bank building	--	1	--	--
Serdar thread factory expansion project	100	121	--	--
Palace renovation project	--	908	--	7.538
Vip residence project	--	--	14.410	17.390
Turkmenistan national library	--	--	1.954	2.358
Swimming pool project	--	--	898	1.084
Woman birth hospital	--	--	--	1.810
Food & agriculture ministry building	1.213	498	--	--
Nebitdağ diagnostic centre	--	--	--	307
Charchov diagnostic centre	--	--	--	307
Canal project	--	--	2.797	2.977
Ashgabat city hospital	2.433	--	--	211
Turkmenistan arcabil presidential resident landscape maintenance works	117	122	--	--
Residential Building-1 for Ministry of Cotton	1.302	1.571	--	--
Cotton gin factory	--	1.980	--	--
The Embassy of United Arab Emirates	750	4.785	--	--
Ministry of Defense buildings	25.000	--	--	--
Subtotal	82.171	60.926	20.059	36.238

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	Billed contract receivables		Deferred Billings	
	2007	2006	2007	2006
Balkanabad, Altın-Asrı customs office building	2.183	--	--	--
Residential Building 3				
- Central Bank of Turkmenistan	937	--	--	--
Residential Building				
1 and 2 for Central Bank of Turkmenistan	550	--	--	--
The Children Park				
“World of Turkmen Tales” Project	2.609	--	--	--
Fabrication yard tankage works	1.357	--	--	--
Residential Building 1				
- Central Bank of Turkmenistan	2.060	--	--	--
Residential Building 2				
- Central Bank of Turkmenistan	1.755	--	--	--
Other	1.871	--	624	--
Total	95.493	60.926	20.683	36.238

9. TRADE RECEIVABLES

	2007	2006
Current		
Current accounts		
- Third parties	363.701	214.258
- Related parties, note 32	57.197	91.929
Notes receivable	14.431	10.404
Others	3.518	297
	438.847	316.888
Unearned interest on receivables (-)	(1.503)	(811)
Allowance for doubtful receivables (-)	(27.843)	(3.303)
	409.501	312.774

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10. LOANS AND ADVANCES TO CUSTOMERS

	2007	2006
Loans and advances to customers, gross	396.002	309.913
Allowance for impairment on loans and advances (-)	(4.435)	(2.007)
Unearned interest on lease receivables (-)	--	(286)
	391.567	307.620
Current	168.587	120.617
Non-current	222.980	187.003
	391.567	307.620

As of the balance sheet dates the breakdown of the loan portfolio is as follows:

Private enterprises	37%	36%
Individuals	60%	64%
Public enterprises	3%	--

The loans bear interest at the following rates

Loans in USD	5,84% to 16,00%	3,60% to 16,30%
Loans in EUR	2,00% to 15,49%	2,00% to 14,80%
Loans in LEK	1,10% to 20,00%	1,50% to 19,00%
Loans in CHF	4,99% to 8,49%	4,40% to 7,90%

11. INVENTORIES

	2007	2006
Raw materials	101.994	90.895
Work in process	15.910	14.367
Finished goods	87.924	83.869
Merchandise	18.968	21.922
Other inventories	3.046	6.224
Goods in transit	36.802	40.316
	264.644	257.593
Allowance for diminution in value (-)	(4.489)	(349)
	260.155	257.244

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12. OTHER ASSETS

	2007	2006
Current		
Prepaid expenses	1.729	3.997
Due from related parties, note 32	18.547	23.743
VAT receivable	26.614	21.448
Prepaid taxes	4.648	3.592
Other	32.368	16.051
	83.906	68.831

13. EQUITY INVESTMENTS

Entity	Country	Share %		Amount	
		2007	2006	2007	2006
Unconsolidated subsidiaries					
Trans Anatolia Oil & Pipeline Trading Company	Holland	100%	100%	26	25
Sistem Yapı A.Ş.	Turkey	--	50%	--	1
Çalık Korea Inc.	Korea	100%	100%	126	147
Çalık Alexandria For Readymade Garments	Egypt	100%	100%	1.207	126
Çalık Enerji Albania	Albania	80%	80%	--	21
Çalık İnşaat A.Ş.	Turkey	99%	--	43	--
Kentsel Dönüşüm A.Ş.	Turkey	99%	--	43	--
Eagle Mobile Sh.a	Albania	100%	--	1.897	--
				3.342	320
Capital commitments (-)				--	(22)
				3.342	298
Equity investments					
Gap Middle East	Dubai	49%	49%	40	48
Dubai International Development	Dubai	49%	49%	40	48
Spectrum Çalık Investment	Dubai	49%	49%	20	24
				100	120
Other investments					
Ataks Mağazacılık A.Ş.	Turkey	2%	2%	48	48
Ataks Tekstil Dış Ticaret A.Ş.	Turkey	3%	3%	174	174
				222	222
				3.664	640

As of balance sheet dates, the above noted companies in which the Company has a controlling interest or significant influence are not consolidated or equity accounted as they are immaterial individually and in aggregate to the results and financial position of the Group.

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14. PROPERTY, PLANT AND EQUIPMENT

	01.01.2006	Additions	Disposals	Consolidated subsidiary	Translation difference	Transfers	31.12.2006	Additions	Disposals/ Impairment	Consolidated subsidiaries	Translation difference	Transfers	31.12.2007
Cost													
Land	3.057	309	--	--	--	--	3.366	26.626	--	62	--	--	30.054
Land improvements	121.645	297	--	--	664	37.225	159.831	27.497	(1.956)	40.368	(2.513)	10.459	233.686
Buildings	159.947	1.428	--	14.112	6.131	1.443	183.061	47.577	(44)	29.589	(25.979)	995	235.199
Leasehold improvements	5.016	1.407	(488)	--	--	--	5.935	484	(2)	331	(3)	406	7.151
Plant and machinery	602.121	7.873	(456)	2.139	14.595	11.050	637.322	8.015	(2.725)	250.596	(68.415)	2.658	827.451
Motor vehicles	22.423	576	(272)	--	811	404	23.942	1.360	(1.850)	3.337	(3.275)	--	23.514
Furniture and fixtures	29.697	4.874	(483)	6.190	427	82	40.787	4.936	(266)	4.660	(2.267)	1.247	49.097
Construction in progress	29.611	25.125	(352)	--	2.169	(50.204)	6.349	24.940	--	11.439	(549)	(15.765)	26.414
	973.517	41.889	(2.051)	22.441	24.797	--	1.060.593	141.435	(6.843)	340.382	(103.001)	--	1.432.566
Accumulated depreciation													
Land improvements	13.089	9.290	--	--	45	--	22.424	11.794	(15)	5.332	(500)	--	39.035
Buildings	30.699	6.172	--	4.590	1.506	--	42.967	6.764	(1)	9.078	(4.878)	--	53.930
Leasehold improvements	2.046	1.140	(488)	--	1	--	2.699	1.188	--	158	--	--	4.045
Plant and machinery	255.867	42.771	(63)	1.356	3.490	--	303.421	52.554	(1.037)	128.997	(28.978)	--	454.957
Motor vehicles	9.305	2.900	(192)	--	303	--	12.316	2.745	(1.289)	2.350	(1.527)	--	14.595
Furniture and fixtures	18.314	3.811	(126)	4.453	498	--	26.950	4.965	(178)	3.147	(956)	--	33.928
	329.320	66.084	(869)	10.399	5.843	--	410.777	80.010	(2.520)	149.062	(36.839)	--	600.490
Net book value	644.197						649.816						832.076

Leased assets included in the table above comprise plant and machinery amounting to USD 23.524 (2006: USD 26.775) net of accumulated depreciation.

The Company's buildings have been mortgaged to the extent of USD 32.727 (2006: USD 7.727) as collateral against bank loans.

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15. INTANGIBLE ASSETS

	01.01.2006	Additions	Disposals	Consolidated subsidiary	Translation difference	31.12.2006	Additions	Disposals	Consolidated subsidiary	Translation difference	Transfers	31.12.2007
Cost												
Rights and software licenses	7.259	27.774	(3.771)	--	8	31.270	4.021	(832)	2.728	124	--	37.311
Goodwill	69.433	--	--	--	--	69.433	89.033	(38.497)	--	--	--	119.969
Other intangible assets	5.444	4.220	(352)	2.288	44	11.644	2.542	(1.383)	--	(40)	--	12.763
	82.136	31.994	(4.123)	2.288	52	112.347	95.596	(40.712)	2.728	84	--	170.043
Accumulated amortization												
Rights and software licenses	2.295	1.691	(72)	--	1	3.915	3.338	(67)	989	124	--	8.299
Other intangible assets	1.277	1.560	--	1.420	16	4.273	1.500	(230)	--	(14)	--	5.529
	3.572	3.251	(72)	1.420	17	8.188	4.838	(297)	989	110	--	13.828
Net book value	78.564					104.159						156.215

During February 2007 Çalık Energy acquired 2 shares and during May 2007 acquired 175 shares totalling 177 shares (88,5% of capital) of Kayserigaz and took over its management. Goodwill arising from this acquisition amounted to USD 38.868.

In accordance with the Board of Directors decisions dated 16.02.2007 and 06.04.2007, numbered 2007/5 and 2007/6, respectively, the Company sold 35.511.000 shares (39,9% of capital) in Bursagaz to EWE Enerji A.Ş. Goodwill disposed from this sale amounted to USD 30.782.

A 10 per cent shareholding (book valued at USD 11.154 as at 30 June 2006) in Bursagaz was granted without charge to the Bursa Municipality on 15 February 2007 pursuant to the Naturalgas Market Law and the mandate of the Turkish privatisation administration. The transfer was authorised by a resolution of the board of Çalık Enerji dated 15 February 2007 and the board of directors of Bursagaz also dated 15 February 2007. Goodwill disposed arising from this transaction has been reflected in equity amounted to USD 7.715 (note 2).

The Company acquired 11.400.000 shares totalling 15.000.000 shares (76% of capital) of Altelecom Sh.a.. Goodwill arising from this acquisition amounted to USD 50.165.

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16. BORROWINGS

	2007	2006
Current		
New Turkish lira loans	22.667	5.192
Foreign currency bank loans	307.293	253.576
Finance lease liabilities, net	2.294	2.756
Other	165	1.794
	332.419	263.318
Non-current		
Foreign currency bank loans	302.031	164.726
Finance lease liabilities, net	3.883	5.038
	305.914	169.764

The maturity schedule of total borrowings is as follows:

Due in one year	332.419	263.318
Due between one to two years	46.655	72.670
Due between two to three years	21.259	52.268
Due between three to four years	8.472	37.815
Over four years	229.528	7.011
	638.333	433.082

Bank loans bear interest at the following rates per year:

Loans in YTL	20,5%- 22,9%	14,7% - 21,5%
Loans in USD	5,0%-8,5%	5,3- 8,5%
Loans in EUR	4,0%-7,8%	4,0% - 8,5%
Loans in CHF	1,7%-3,9%	1,7% - 4,1%
Loans in JPY	3,0%	3,0% - 8,5%

The Group's buildings have been mortgaged to the extent of USD 32.727 collateral against bank loans.

Gap İnşaat Dubai FZE borrowed USD 200.000 on 5 March 2007. The loan bears interest at a rate of 8.5% per annum. The interest is payable semi-annually in arrears on the interest payment dates falling on 5 March and 5 September of each year, commencing on 5 September 2007. Çalık Holding A.Ş., GAP İnşaat Yatırım ve Dış Ticaret A.Ş., and Calık Enerji Sanayi ve Ticaret A.Ş each being a joint stock company organised under the laws of the Republic of Turkey, agree to unconditionally and irrevocably guarantee the loan.

The Group borrowed a loan from a Turkish financial institution for financing acquisition of new investments amounting to EUR 90.000 thousand (USD 132.152). The loan bears interest at a rate of 6,71% per year.

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17. CUSTOMER DEPOSITS

	2007	2006
Current customer deposits	1.075.458	913.934
Non-current customer deposits	51.089	49.722
	1.126.547	963.656

The breakdown of customer deposits is as follows:

Current accounts		
Individuals	39.349	28.981
Private enterprises	90.322	76.518
State owned entities	69.097	55.185
	198.768	160.684
Deposits		
Individuals	825.377	692.251
Private enterprises	48.967	42.057
State owned entities	34.881	28.969
	909.225	763.277
Other customer accounts		
Individuals	6.430	20.292
Private enterprises	11.400	18.129
State owned entities	724	1.274
	18.554	39.695
	1.126.547	963.656

The maturity breakdown of customer deposits is as follows:

Current accounts	198.768	160.684
Deposits		
On demand	167	332
One month	84.086	80.744
Three months	143.367	137.263
Six months	177.758	165.136
Twelve months	418.572	321.379
Two years and over	69.020	47.637
Accrued interest on deposits	16.255	10.786
Total deposits	909.225	763.277
Other customer accounts	18.554	39.698
Total customer deposits	1.126.547	963.656

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18. DUE TO BANKS

	2007	2006
Deposits from resident banks	--	3.172
Current accounts of non resident banks	2.192	7.147
Obligations under repurchase agreements	--	162
Current accounts of resident banks	22	20
	2.214	10.501

19. TRADE PAYABLES

Current		
Current accounts		
- Third parties	397.264	403.905
- Related parties, note 32	8.046	229
Notes payable	8.951	7.374
Other	2.563	129
	416.824	411.637
Unearned interest on payables (-)	(1.327)	(1.986)
	415.497	409.651

20. PROVISIONS

Provision for royalty	--	1.051
Provision for legal cases	2.013	159
Other provisions	9.108	2.037
	11.121	3.247

Movement of provisions is given below:

Opening balance as of 01 January	3.247	1.905
Additions - legal cases	1.854	159
Additions - provision for expenses	7.071	1.268
Disposals - provision for royalty	(1.051)	(85)
Ending balance as of 31 December	11.121	3.247

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21. OTHER LIABILITIES

	2007	2006
Current		
Income tax and social security premiums payable	13.691	11.070
Due to related parties, note 32	169	163
Advances received	56.458	32.224
Due to personnel	17.181	3.304
Other	1.101	7.665
	88.600	54.426

22. TAXATION ON INCOME

The corporation tax rate in Turkey on the profits for the calendar year 2007 is 20% (2006: 20%). Taxable profits are calculated by modifying accounting income for certain exclusions and allowances for tax purposes from the profit disclosed in the statutory income. No other taxes are paid unless profits are distributed.

In Turkey no taxes are withheld from undistributed profits, profits added to share capital (bonus shares) and dividends paid to other resident companies. Other than those, profits distributed in dividends to individuals and non-resident companies are subject to withholding at the rate of 15%.

In Turkey, the tax legislation does not permit a parent company and its affiliates to file a consolidated tax return. Therefore, provision for taxation charge, as reflected in the accompanying consolidated financial information, has been calculated on a separate-entity basis.

The exemption period granted on profits from the sale of investment shares and immovable property by Corporation Tax Law transitory articles No. 28 and 29 expired on 31 December 2004. However this exemption was re-enacted by Law No. 5281 on permanent basis in effect from 1 January 2005 and added to Corporation Tax Law article 8.

Accordingly, profits from the sale of investments and immovable held for a minimum of two years will be tax exempt provided such profits are added to share capital under certain conditions. However the two year holding period condition will not apply in the transfer or sale of investment and immovable property to creditor banks implemented by debtors and debt guarantors.

In Turkey companies were allowed to deduct 40% of the value of fixed assets (exceeding YTL 6.000) purchased after 24 April 2003 (investment allowances) from their taxable profits as investment incentive. Such investment deduction is also not subject to income tax withholding. The investment deductions not used in any year because of insufficient profits may be carried to future periods. Investment allowances related to fixed assets purchased or to be purchased under Investment Incentive Certificates granted or applied for before 24 April 2003, may be based on up to 100% of the investment value in fixed assets, but these are subject to tax at 19,8%. Investment allowances have been cancelled as from 1 January 2006 but investment allowances earned prior to this date may be used up to 31 December 2008; any balance unused after this date may not be carried forward.

In Turkey tax losses that are reported in the Corporation Tax return can be carried forward and deducted from the corporation tax base for a maximum of five consecutive years.

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The Turkish Tax Procedural Law does not include a procedure for formally agreeing tax assessments. Tax returns must be filed within three and a half months of the year-end and may be subject to investigation, together with their underlying accounting records, by the tax authorities at any stage during the following five years.

The corporation tax rate in Albania on the profits for the calendar year 2007 is 20% (2006: 20%). Taxable profits are calculated by modifying accounting income for certain exclusions and allowances for tax purposes from the profit disclosed in the statutory income. Dividends are subject to 10% withholding tax.

The subsidiaries and the branches of Gap İnşaat and Çalık Enerji in Turkmenistan are exempt from taxes in Turkmenistan. The parent companies of these two branches are also exempt from corporate taxes as its source of income that originates from construction projects outside Turkey is not taxable in Turkey. On the other hand, the revenue that originates from the machinery and equipment exported from Turkey to the countries which are included in the construction costs in those countries, is subject to Corporation Tax in Turkey.

The subsidiaries in Sudan, Ukraine, Saudi Arabia and the USA have not produced taxable income in 2007.

The subsidiaries in UAE, Dubai are operating in the Free Trade Zone and therefore the tax rate is nil.

Provision for taxes per income statement:

	2007	2006
Deferred tax income	2.281	10.138
Corporation and income taxes - current	(19.740)	(10.729)
Income tax charge	(17.459)	(591)

The Group's prepaid income and corporation taxes are netted off against the current income tax provision on the balance sheet as stated below:

Corporation and income taxes	13.417	8.633
Prepaid taxes (-)	(5.692)	(7.832)
	7.725	801

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Deferred taxation

The Group recognizes deferred tax assets and liabilities based upon temporary differences between its financial statements as reported for IAS purposes and its statutory tax financial statements. These differences usually result in the recognition of revenue and expenses in different reporting periods for IAS and tax purposes.

The composition of cumulative temporary differences and the related deferred tax assets/liabilities in respect of items for which deferred tax has been provided at 31 December 2007 and 2006 were as follows:

	Cumulative temporary difference		Deferred tax	
	2007	2006	2007	2006
Deferred tax asset				
Retirement pay provision	3.112	2.840	631	568
Unearned interest on receivables	2.042	1.261	423	252
Finance lease liabilities	--	736	--	147
Provision for doubtful receivables	22.911	2.584	4.594	517
Investment incentive allowances carried forward	3.018	--	362	--
Taxable losses carried forward	26.771	27.239	5.354	5.448
Other	23.507	4.949	4.604	990
			15.968	7.922
Deferred tax liability				
Temporary differences arising from restating non-monetary assets	148.861	148.537	30.986	29.707
Unearned interest on payables	2.586	1.033	541	206
Other	17.292	1.259	4.371	253
			35.898	30.166
Deferred tax liability, net			19.930	22.244

Deferred tax has been provided using the expected future tax rates at 20% except 30% tax rate is used for Kayserigaz due to investment allowances earned prior to 31 December 2007 as explained above (2006: %20).

The movement of deferred tax account is as follows:

	2007	2006
Opening balance as of 01 January	22.244	31.303
Translation difference	(948)	1.079
Acquisition of subsidiaries	915	--
Deferred tax income	(2.281)	(10.138)
Ending balance as of 31 December	19.930	22.244

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23. EMPLOYEE TERMINATION BENEFITS

In accordance with existing social legislation in Turkey, the Company is required to make lump-sum termination indemnities to each employee who has completed one year of service with the Company, and whose employment is terminated due to retirement or for reasons other than resignation or misconduct. Such payments are calculated on the basis of 30 days' pay limited to a maximum of YTL 2.030,1 (2006: YTL 1.857,4 (historic)) per year of employment at the rate of pay applicable at the date of retirement.

The liability is not funded, as there is no funding requirement.

The subsidiaries in Turkey has no other obligation for employee termination other than the retirement pay above.

No provision for retirement pay is made for employees working in Dubai FZE as the amount is insignificant.

The Company's subsidiary Albtelecom in Albania makes no provision and has no obligation for employee pensions over and above the contributions paid into the State-run pension scheme.

The Company's subsidiary BKT in Albania created a specific fund in 2002, which will be paid to staff on their retirement. As of 31.12.2007 the amount was USD 1.016 (2006 : USD 727).

The Group's subsidiaries in Turkmenistan, contributes to the Turkmenistan state pension on behalf of its employees. The contributions are expensed as incurred.

24. SHARE CAPITAL

As of 31 December 2007, the issued and paid up share capital of the Company is USD 206.794 and comprised 240.852.000 shares of par value USD 0,8586 each.

As of 31 December 2006 the issued and paid up share capital of the Company is USD 129.880 and comprised 151.271.000 shares of par value USD 0,8586 each.

As of the balance sheet dates, the shareholders of the Company and their percentage shareholdings were as follows:

Shareholders	Percentage (%)		Amount	
	2007	2006	2007	2006
Ahmet Çalık	99,99	99,99	206.793	129.867
Others	0,01	0,01	1	13
			206.794	129.880
Inflation adjustment of share capital			4.865	4.865
			211.659	134.745

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25. COMMITMENTS AND CONTINGENCIES

a) At 31 December 2007 the Group other than the banking sector had contingent liabilities of USD 64.620 (2006: USD 45.518) in respect of letters of guarantee obtained from local banks and submitted to various customs, state authorities for import and financial institutions.

b) Gap İnşaat Dubai FZE borrowed USD 200.000 on 5 March 2007. Çalık Holding A.Ş, GAP İnşaat Yatırım ve Dış Ticaret A.Ş, and Calık Enerji Sanayi ve Ticaret A.Ş each being a joint stock company organised under the laws of the Republic of Turkey, agree to unconditionally and irrevocably guarantee the loan.

c) A court case was opened against EMRA on 26 November 2004 for the reduction of the upper limit of transportation unit price of natural gas and the case was finalized in favour of Bursagaz on 27 January 2007. Consequently the decisions taken by EMRA numbered 368, 415 and 616 were considered as abolished by the High Court of Appeal (Danıştay) and EMRA with its decision dated 30 October 2007 numbered 1360/4 decided to apply the provisions of its decision numbered 291 related to the upper limit of transportation unit price for the period under dispute. As a result Bursagaz invoiced to BOTAŞ USD 31.598 plus VAT (USD 37.285 in total) for the disputed period and credited this sum by offsetting against its payables to BOTAŞ. This invoiced amount was recognized as sales income under "Natural Gas Transportation Income".

Due to the same disagreement on the unit selling price an invoice was raised by Bursagaz to BOTAŞ during 2004 for USD 9.880. BOTAŞ has objected to the above invoices totalling USD 42.634 (excluding VAT) and filed two court cases against the Company in Ankara 8th Commercial Court and as of the report date the cases are pending.

d) Two court cases opened in Ankara 7th and 8th Commercial Court by BOTAŞ against Bursagaz in relation to the measurement differences and delay interest to late payment of invoices for the years 2004, 2005 and 2006 amounting USD 13.231 are pending as of the report date.

e) As of 31 December 2007, 31 lawsuits opened and pending by Albtelecom amounted USD 6.921, including the receivables from General Directory of Taxes amounted USD 6.380. The remaining balance of these lawsuits is related to agreement obligations not fulfilled by the operators and the private and state-owned companies, which has damaged the infrastructure of the Company.

f) As of 31 December 2007, other 106 court cases opened and pending against Albtelecom amounted USD 662 and USD 813, respectively, related to the employees whose agreements were cancelled and in the course of conducting its business with other companies on commercial terms.

g) As of 31.12.2007, other lawsuits pending in favour of the Group amounted USD 3.067 and against the Company amounted USD 1.213.

h) Operating lease commitments:

	2007	2006
Not later than 1 year	628	420
Later than 1 year and not later than 5 years	2.177	1.547
Later than 5 years	1.670	1.041
	4.475	3.008

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i) Commitments, contingencies and off balance sheet items of BKT:

Guarantees

Guarantees in favour of customers	15.823	26.257
Guarantees received from credit institutions	1.431	1.205
Letters of credit issued to customers	3.242	16.755

Guarantees and letters of credit issued in favour of customers mostly are counter guaranteed by other financial institutions or fully cash collateralised.

At present the BKT is operating as an agent for the Government in the administration and implementation of certain loans to state owned entities utilising credit lines received from international donors. These donors have received individual guarantees from the government of Albania to cover the reimbursement of their lines of credit.

Other

Undrawn credit commitments (credit cards and overdrafts)	13.193	9.161
Outstanding cheques of non-resident banks	165	134
Spot foreign currency contract	7.105	6.948
Collaterals for loan portfolio	762.682	500.917

Legal

In the normal course of business the BKT is presented with legal claims and litigation; the Bank's management is of the opinion that no material losses will be incurred in relation to legal claims outstanding as of December 31, 2007

Lease commitment

Such commitments for the years ended December 31, 2007 and 2006 are composed as follows:

Not later than 1 year	628	347
Later than 1 year and not later than 5 years	2.177	1.282
Later than 5 years	1.669	862

4.474	2.491
--------------	--------------

BKT has entered into lease commitments for all the branches and agencies opened during the years 2003-2007 with a maximum duration of ten years. BKT had 36 rented buildings as of December 31, 2007, in which are included the rented space dedicated to off site disaster recovery and the building of Kosova Branch opened in 2007. The Bank may cancel these leases upon giving three months' notice.

j) Commitments and contingencies of Çalikbank:

Letters of guarantee	115.774	70.956
Letters of credit	14.444	16.390
Other guarantees	3.113	3.422

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26. REVENUE

Domestic	450.388	362.879
Export	816.603	878.788
	1.266.991	1.241.667
Sales returns and discounts (-)	(5.348)	(20.619)
	1.261.643	1.221.048

As of 31 December 2007 USD 171.097 thousand, (2006: USD 226.424) out of the total exports represents the revenue from construction projects in accordance with IAS 11 using the percentage of completion method.

27. OTHER EXPENSE, NET

Commission income	5.357	3.891
Rent income	301	23
Profit on sale of property, plant and equipment	719	14
Provisions released	178	2.749
Other	10.601	8.513
Other income	17.156	15.190
Idle capacity expenses	(7.897)	(10.396)
Commission expense	(1.398)	(3.779)
Loss on sale of property, plant and equipment	(71)	(103)
Loss on insurance claims	(1.805)	(45)
Impairment of property, plant and equipment	(4.323)	--
Other	(5.825)	(9.568)
Other expense	(21.319)	(23.891)
Other expense, net	(4.163)	(8.701)

28. PROFIT ON SALE OF INVESTMENT

In accordance with the Board of Directors decisions dated 16.02.2007 and 06.04.2007, respectively numbered 2007/5 and 2007/6, the Çalık Enerji Sanayi ve Ticaret A.Ş. sold 35.511.000 shares (39,9% of capital) in Bursagaz to EWE Enerji A.Ş. And according to the Natural Gas Law numbered 4646 article 4/g, 8.900.000 shares (10% of capital) has transferred to Bursa Municipality.

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29. FINANCING EXPENSE, NET

	2007	2006
Foreign exchange gain	106.195	226.950
Interest income	17.740	7.486
Unearned interest on payables	8.851	5.356
Other	53	2.149
Financing income	132.839	241.941
Foreign exchange loss	(94.514)	(220.944)
Interest expense	(44.607)	(37.169)
Unearned interest on receivables	(4.685)	(5.428)
Bank commission expenses and other	(4.262)	(6.122)
Financing expense	(148.068)	(269.663)
Financing expense, net	(15.229)	(27.722)

30. SEGMENT REPORTING

Group is organised into five business segments. The basis on which the Group reports its segment information is as follows:

- Textile Manufacture and sale of textile goods.
- Energy Electricity production, electricity and gas distribution, and power plant construction
- Telecommunication Provide related infrastructure for GSM mobile phone services in Turkey and in operate national operator of fixed telephony in Albania.
- Construction Construction and contracting projects.
- Banking Operates a commercial bank in Albania and an investment bank in Turkey.
- Marketing This segment mainly acts as a supply agent for Çalık Group. The segment procures goods needed by the factories managed by Çalık Group and for projects undertaken by the contractor company from Turkey or off international markets.

Other group operations mainly comprise the sale of services and neither of these constitutes a separately reportable segment and therefore reported in marketing activities.

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As of the balance sheet dates, the segment assets and liabilities are as follows:

Assets	2007	2006
Textile	788.255	944.734
Energy and telecommunication	1.446.922	769.306
Construction	842.224	716.718
Banking	1.326.841	1.123.046
Marketing and other	443.485	557.229
	4.847.727	4.111.033
Less : Inter-company eliminations	(1.511.462)	(1.306.906)
Total assets	3.336.265	2.804.127
Liabilities		
Textile	379.986	479.881
Energy and telecommunication	643.020	471.677
Construction	661.825	496.662
Banking	1.176.250	984.977
Marketing and other	136.315	251.036
	2.997.396	2.684.233
Less : Inter-company eliminations	(613.172)	(721.409)
Total liabilities	2.384.224	1.962.824

As of the balance sheet dates, segmental capital expenditure is as follows:

Textile	4.748	5.566
Energy and telecommunication	193.278	62.632
Construction	33.249	244
Banking	4.278	3.557
Marketing and other	1.478	1.884
	237.031	73.883

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The segment results for the year ended 31 December 2007 are as follows:

2007	Textile	Energy	Telecommunication	Construction	Banking	Marketing and Other	Inter-company eliminations	Consolidated
External sales	491.812	394.762	66.704	171.097	81.805	55.463	--	1.261.643
Inter-segment sales		--	--	--	--	38.389	(38.389)	--
Net sales	491.812	394.762	66.704	171.097	81.805	93.852	(38.389)	1.261.643
Cost of sales	(404.450)	(363.305)	(37.490)	(169.800)	(33.365)	(52.263)	38.389	(1.022.284)
Gross profit	87.362	31.457	29.214	1.297	48.440	41.589	--	239.359
Operating expenses	(50.980)	(62.685)	(17.356)	(5.810)	(29.406)	(16.723)	16.442	(166.518)
Income from operations	36.382	(31.228)	11.858	(4.513)	19.034	24.866	16.442	72.841
Other income (expense), net	(8.228)	(1.374)	(9.697)	1.295	5.518	10.508	(2.185)	(4.163)
Profit on sale of investment		67.375	--	--	--	--	--	67.375
Financing income (expense), net	(6.280)	8.170	(5.783)	(14.693)	513	47.131	(44.287)	(15.229)
Income (loss) before taxation	21.874	42.943	(3.622)	(17.911)	25.065	82.505	(30.030)	120.824
Tax provision	(737)	(12.649)	(1.287)	--	(5.036)	(31)	--	(19.740)
Deferred tax income (charge)	1.814	(1.135)	1.337	771	(209)	(297)	--	2.281
Net income (loss) for the year	22.951	29.159	(3.572)	(17.140)	19.820	82.177	(30.030)	103.365
Minority interest	8.340	19.447	(2.331)	(88)	10.622	321	--	36.311
Depreciation expense and amortisation charge	42.321	19.143	14.027	4.675	2.779	949	954	84.848

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The segment results for the year ended 31 December 2006 are as follows:

2006	Textile	Energy and telecommunication	Construction	Banking	Marketing and other	Inter-company eliminations	Total
External sales	431.384	464.865	226.424	43.657	54.718	--	1.221.048
Inter-company sales	--	--	--	--	205.868	(205.868)	--
Net sales	431.384	464.865	226.424	43.657	260.586	(205.868)	1.221.048
Cost of sales	(340.531)	(356.452)	(211.750)	(15.306)	(191.645)	161.485	(954.199)
Gross profit	90.853	108.413	14.674	28.351	68.941	(44.383)	266.849
Operating expenses	(49.462)	(51.412)	(12.852)	(18.175)	(26.640)	16.893	(141.648)
Income from operations	41.391	57.001	1.822	10.176	42.301	(27.490)	125.201
Other income (expense), net	(16.105)	2.160	4.042	4.394	(475)	(2.717)	(8.701)
Financing income (expense), net	(13.906)	(7.179)	(5.273)	2.811	(9.039)	4.864	(27.722)
Income before taxation	11.380	51.982	591	17.381	32.787	(25.343)	88.778
Tax provision	(951)	(5.246)	--	(3.318)	(1.214)	--	(10.729)
Deferred tax income (charge)	2.428	5.054	3.505	(490)	(359)	--	10.138
Net income (loss) for the year	12.857	51.790	4.096	13.573	31.214	(25.343)	88.187
Minority share	(485)	(2.076)	(47)	6.338	480	--	4.210
Depreciation expense and amortisation charge	48.235	13.189	4.835	979	2.097	--	69.335

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31. SUPPLEMENTARY CASH FLOW INFORMATION

	2007	2006
Adjustment to reconcile profit before taxation to net cash provided from operating activities:		
Depreciation expense	80.010	66.084
Amortisation charge	4.838	3.251
Provision for retirement pay	345	1.569
Interest expense on bank loans	44.607	37.169
Interest received	(17.740)	(7.486)
Loss on sale of property, plant and equipment	71	103
Provision for expenses	7.874	1.342
Profit from sale of investment	(67.375)	--
Profit on sale of property, plant and equipment	(719)	(14)
	51.911	102.018
Changes in operating assets and liabilities:		
Trade receivables	(14.554)	(20.082)
Capital equivalency deposit	(661)	(7.939)
Inventories	5.617	(65.183)
Loans and advances to customers	(83.947)	(97.773)
Construction contracts work in progress	40.023	17.808
Placement and balances with banks	(66.683)	(59.416)
Other assets	(3.520)	16.991
Customer deposits	162.891	201.927
Trade payables	(35.264)	(15.079)
Due to banks	(8.287)	1.862
Deferred billings	(15.555)	(1.372)
Other liabilities	(47.429)	13.649
	(67.369)	(14.607)

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During 2007 the Group acquired Kayserigaz, Albtelecom, Ant, Vadi and Ortur . The fair value of net assets acquired were as follows:

	Kayserigaz	Albtelecom	Other	Total
Cash and cash equivalents	2.901	41.962	35	44.898
Trade receivables	5.706	56.708	--	62.414
Inventories	2.496	6.032	--	8.528
Other assets	2.643	7.062	5	9.710
Equity investments	--	1.952	--	1.952
Property, plant and equipment	37.608	148.098	5.614	191.320
Goodwill	38.868	50.165	--	89.033
Intangible assets	1.713	26	--	1.739
Borrowings	(15.109)	(10.629)	(5.635)	(31.373)
Trade payables	(14.344)	(46.977)	--	(61.321)
Other liabilities	(530)	(34.120)	(57)	(34.707)
Deferred tax asset (liability), net	(3.821)	4.722	14	915
Total net assets acquired	58.131	225.001	(24)	283.108
Less: Minority share	(2.082)	(66.837)	(26)	(68.945)
Total purchase price	56.049	158.164	(50)	214.163
Less: Cash and cash equivalents acquired	(2.901)	(41.962)	(35)	(44.898)
Cash outflow on acquisition net of cash acquired	53.148	116.202	(85)	169.265

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On 9 June 2006 the Group acquired BKT. The fair value of net assets acquired were as follows:

	Amount
Cash and cash equivalents	146.523
Placement and balances with banks	110.282
Treasury bills held-to-maturity	240.614
Investment securities available-for-sale	6.682
Investment securities held-to-maturity	105.267
Loans and advances to customers	196.634
Property and equipment	12.041
Intangible assets	868
Deferred tax asset	276
Other assets	5.487
Customer deposits	(761.730)
Due to banks	(7.893)
Other liabilities	(9.388)
Total net assets acquired	45.663
Less: Minority share	(18.265)
Total purchase price	27.398
Less: Cash and cash equivalents of BKT	(146.522)
Cash inflow on acquisition net of cash acquired	(119.124)

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32. RELATED PARTY DISCLOSURE

In the course of conducting its business, the Group conducted various business transactions with related parties on commercial terms. The most significant balances as of the balance sheet date is given below:

	2007		2006	
	Trade receivables	Other assets	Trade receivables	Other assets
MOTI	46.867	--	82.924	--
Anateks Anadolu Tekstil Fabrikası	2.086	--	5.314	483
Ortadoğu Tekstil Sanayi ve Ticaret A.Ş.	3.549	--	258	135
Malatya İplik Sanayi ve Ticaret A.Ş.	1.434	--	1.029	724
Aksel Goldenberg	--	--	--	772
Çalık Energie International SRL	--	53	--	154
Gap Middle East	--	140	198	151
Shareholders	--	3.445	--	--
Other	3.261	14.909	2.206	21.324
	57.197	18.547	91.929	23.743

	2007		2006	
	Trade payables	Other liabilities	Trade payables	Other liabilities
MOTI	--	--	--	--
Shareholders	1.057	81	30	163
Aina/Gap İnşaat JV	--	--	199	--
Other	6.989	88	--	--
	8.046	169	229	163

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33. FINANCIAL INSTRUMENTS

Financial risk management objectives and policies

A financial instrument is any contract that gives rise to the right to receive cash or another financial asset from another party or the obligation to deliver cash or another financial asset to another party.

Financial instruments result in certain risks to the Group. The most significant risks facing the Group are discussed below:

Credit risk

The Group’s exposure to credit risk is limited to the carrying amount of financial assets recognized at the balance sheet date.

Credit risk concerns the risk that a loss will be suffered by a party due to the reason that the other party to the transaction is unable to meet its obligations.

The Group continuously monitors defaults of customers and other counterparties, identified either individually or by group, and incorporates this information into its credit risk controls. Where available at reasonable cost, external credit ratings and/or reports on customers and other counterparties are obtained and used. The Group’s policy is to deal only with creditworthy counterparties.

In respect of trade and other receivables, the Group is not exposed to any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. The credit risk for liquid funds and other short-term financial assets is considered negligible, since the counterparties are reputable banks with high quality external credit ratings.

Request for bank loans and advances to customers are reviewed and subjected to a screening procedure by the credit committee of Çalık Yatırım and BKT prior to approval. Credit requests over certain amounts require the approval of the Board of Directors of each bank. There is a continuous focus on the quality of credits extended both at the time of approval and throughout their lives.

Bank Risk Committee is engaged with the grading of the customers and their scoring according to the proper categories. It decides the changes on grading and takes the necessary operations according to the monitoring procedures. The risk committee grades each loan according to these factors:

- Ability to Pay
- Financial Condition
- Management ability
- Collateral and Guarantors
- Loan Structure
- Industry and Economics

Both BKT and Calık Yatırım hold collateral against bank loans and advances to customers in the form of mortgage interests over property, other registered securities over assets and guarantees.

Liquidity risk

Liquidity risk comprises the risk that the Group becomes unable to find its payment requirements.

The Group manages its liquidity needs by carefully monitoring scheduled debt servicing payments for long-term financial liabilities as well as cash-outflows due in day-to-day business. Liquidity needs are monitored in various time bands, on a day-to-day and week-to-week basis, as well as on the basis of a rolling 30 day projection. Long term liquidity needs for a 180 day and 360 day lookout period are identified monthly.

Çalık Yatırım and BKT’s liquidity position are monitored and managed by the bank’s Treasury Department by daily tracking of cash availability at the branches and assuring, based on expected cash inflows and outflows, the availability of adequate liquidity maintained at branches as well as meeting its other obligations.

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Foreign currency risk

Foreign currency risk is the risk that the value of financial instruments will fluctuate due to changes in foreign exchange rates.

The Banking sector manages this risk by establishing and monitoring limits on open positions and also ensuring that these positions remain in compliance with the Bank guidelines and/or negotiations in the countries they operate. The Banking sector has in place procedures for the independent checking of open foreign currency positions.

The Group other than the banking sector operates internationally. The majority of the Group’s transactions are carried out in Euros and US Dollars. Exposure to currency exchange rates arise from the Group’s overseas sales and purchases, trade receivables, bank borrowings and trade payables which are primarily denominated in US Dollars and Euros.

Foreign exchange risk arises from future commercial transactions, recognized assets and liabilities and net investments in foreign operations.

The Group manages its currency exposure risk by organizing a balanced distribution between its foreign currency assets and commitments and by matching off the liabilities and receivables and its net currency position.

As of the balance sheet date, currency position of Group is shown below:

	USD	EUR ('000)	JPY ('000)	LEK ('000)	SDR ('000)	SR ('000)	Other ('000)	USD equivalent
2007								
Cash and balances with Central Bank	54.854	40.514	389	872	--	48	1.270	115.640
Placement and balances with banks	128.211	48.040	--	4	--	--	19.286	218.037
Trade receivables	204.514	23.225	--	3.593	20.017	1.803	1.272	272.133
Inventories	--	--	--	--	--	--	--	--
Investment securities	4.985	--	--	2	--	--	--	4.985
Loans and advances to customers	11.545	2.524	--	2	--	--	6.728	21.979
Other assets	31.816	3.145	--	--	--	--	193	36.627
Total foreign currency assets	435.925	117.448	389	4.473	20.017	1.851	28.749	669.401
Borrowings	379.102	130.851	4.050.270	--	--	--	8.682	615.666
Due to banks	867	917	--	--	--	--	--	2.213
Customer deposits	113.793	194.983	--	8	--	--	20.349	420.448
Trade payables	147.056	3.321	--	4.996	--	--	268	152.261
Other liabilities	76.098	936	--	--	--	2.416	86	78.202
Total foreign currency liabilities	716.916	331.008	4.050.270	5.004	--	2.416	29.385	1.268.790
Net foreign currency position	(280.991)	(213.560)	(4.049.881)	(531)	20.017	(565)	(636)	(599.389)

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2006	USD	EUR (‘000)	JPY (‘000)	LEK (‘000)	Other (‘000)	USD equivalent
Cash and balances with Central Bank	32.755	28.168	--	619	1.148	126.727
Placement and balances with banks	133.131	12.995	--	--	17.486	169.698
Trade receivables	224.600	15.832	2.127.612	--	1.802	268.427
Investment securities	5.982	--	--	1.472	--	128.364
Loans and advances to customers	28.869	86.988	--	1.178	6.454	260.992
Other assets	3.608	473	--	20	128	6.093
Foreign currency assets	428.945	144.456	2.127.612	3.289	27.018	960.301
Borrowings	280.404	33.327	9.866.612	--	2.075	418.492
Due to banks	6.536	839	--	26	1	9.931
Customer deposits	127.343	127.256	--	6.291	18.255	855.489
Trade payables	238.636	16.645	240	--	460	263.539
Other liabilities	11.173	631	--	14	173	13.436
Foreign currency liabilities	664.092	178.698	9.866.852	6.331	20.964	1.560.887
Foreign currency position, net	(235.147)	(34.242)	(7.739.240)	(3.042)	6.054	(600.586)

Interest rate risk

Interest rate risk arises because changes in interest rates may affect profitability as disclosed in financial statements.

The Group is subject to interest rate risk as a result of differences in balancing off the dates or timing differences related to assets and liabilities maturing or to be subjected to price revision. The Group manages its interest rate risk by applying risk management strategies whereby it strives to balance off the dates of changes in interest rates related to assets and liabilities.

An increase in the variable interest rates related to the borrowings as of 31 December 2007 is not expected to have any material effect on the financial results because the Management of the Group is able to maintain existing loans on the same terms as before or negotiate new loans on the same terms as existing ones.

The Treasury departments of the Banks manages the interest rate risk through monitoring the market conditions and taking necessary re-pricing or reallocation decisions with the approval of the Asset and Liability Committee. The sensitivity analysis has been determined based on the exposure to interest rates for both financial assets and financial liabilities assuming that their amounts outstanding at the balance sheet date were outstanding for the whole year.

Capital Management – Banks

Çalık Yatırım and BKT policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence whilst at the same time complying with capital requirements and risk and/or capital adequacy ratios established by the Banking Regulator.

Çalık Yatırım and BKT have complied with all internally and externally imposed Capital requirements throughout the period.

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Fair value of financial instruments

Fair value is the amount at which a financial instrument could be exchanged in a current transaction between willing parties, other than in a forced sale or liquidation, and is best evidenced by a quoted market price, if one exists.

The estimated fair values of financial instruments have been determined by the Group using available market information, management’s judgment and appropriate valuation methodologies. The following disclosure of the estimated fair value of financial instruments is made in accordance with the requirements of IAS 32. To the extent, relevant and reliable information is available from the financial markets in Turkey the fair value of the financial instruments of the Group is based on such market data. The fair values of the remaining financial instruments of the Group can only be estimated. The estimates presented herein are not necessarily indicative of the amounts the Group could realize in a current market exchange.

The following methods and assumptions were used to estimate the fair value of the Group’s financial instruments:

Financial assets

Monetary assets for which fair value approximates carrying value:

-Balances denominated in foreign currencies are translated at year-end exchange rates. The fair value of certain financial assets carried at cost, including cash and due from banks plus the respective accrued interest are considered to approximate their respective carrying values.

-The carrying value of the trade receivables net of provisions for uncollectible are considered to approximate their fair values.

Financial liabilities

Monetary liabilities for which fair value approximates carrying value:

-The fair values of short-term bank loans and other monetary liabilities are considered to approximate their respective carrying values due to their short-term nature.

-The fair values of long-term bank borrowings, which are denominated in foreign currencies and translated at year-end exchange rates, are considered to approximate their carrying values.

34. POST BALANCE SHEET EVENTS

a) According to Kayserigaz Board of Directors decision dated 10.01.2008, numbered 2008/1 Kayserigaz applied to EMRA for authorization of the transfer of 100 shares out of 177 owned by Çalık Enerji Sanayi ve Ticaret A.Ş. via share exchange at nominal value to Çalık Enerji Bursa Gaz Dağıtım ve Ticaret A.Ş. as capital in kind. With the decision of EMRA dated 28.02.2008 numbered 1509-4 this transfer was authorised.

b) According to Bursagaz Board of Directors decision dated 08.01.2008, numbered 2008/1 Bursagaz applied to EMRA for authorization of the transfer of 30.800.000 shares out of 44.588.990 owned by Çalık Enerji Sanayi ve Ticaret A.Ş. via share exchange at nominal value to Çalık Enerji Bursa Gaz Dağıtım ve Ticaret A.Ş. as capital in kind. As of the report date Bursagaz waits the decision of EMRA about this application .

c) According to Turkuvaz Board of Directors decision dated 02.01.2008, numbered 2008/2 Turkuvaz share capital was 9.332.000 YTL with total 9.332.000 registered share via at nominal value 1 YTL each. The increased 9.282.000 YTL capital, has come by free of collusion monetary commitments of shareholders, as their rate of shares, and fully paid.

d) On 21 February 2008 ATV-Sabah was sold by formal public tender by Turkey’s Savings Deposit Insurance Fund to the Company’s subsidiary Turkuvaz for USD 1.100.000. Two separate banks namely Vakıfbank and Halkbank provided a loan of USD 750.000 for this purpose. Al Wasaeel International Media a subsidiary of Qatar Investment Authority which has acquired 25% share in Turkuvaz, transferred USD 125.000 whilst the Company transferred USD 375.000 as capital. Hence, Turkuvaz obtained USD 500.000 in equity capital from its two shareholders. The related payment was made to Turkey’s Savings Deposit Insurance Fund during May 2008.