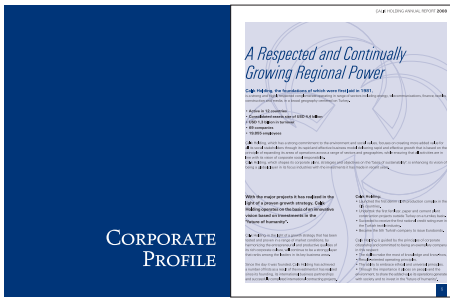




*In its 28th year, Çalık Holding continues to make rapid strides toward becoming a regional power, setting itself new targets as it undertakes new investments and builds on its record of sustainable success in the sectors in which it operates.*

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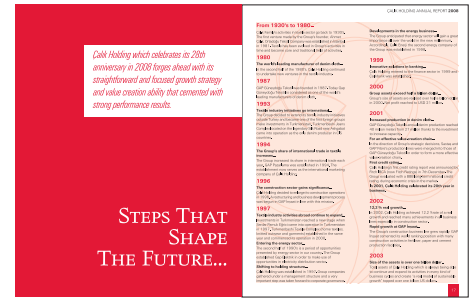




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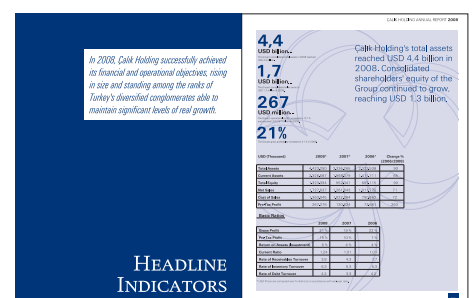
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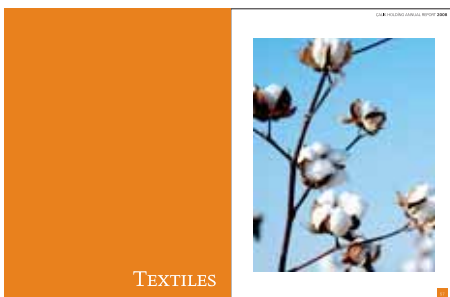
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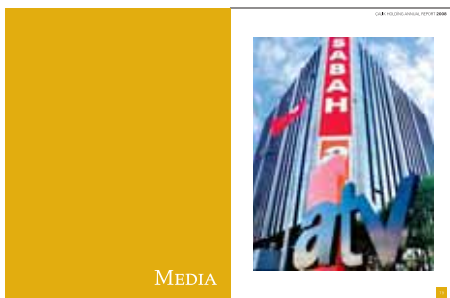
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# CORPORATE PROFILE

# *A Respected and Continually Growing Regional Power*

## **Çalık Holding, the foundations of which were first laid in 1981,**

is a strong and highly respected conglomerate operating in range of sectors including energy, telecom, finance, textiles, construction and media, in a broad geography centered in Turkey.

- **Active in 12 countries**
- **Consolidated assets size of USD 4,4 billion**
- **USD 1,7 billion in turnover**
- **69 companies**
- **19,855 employees**

Çalık Holding, which has a strong commitment to the environment and social values, focuses on creating more added value for all its social stakeholders through its rapid and effective business model delivering rapid and effective growth that is based on the principle of expanding its areas of operations across a range of sectors and geographies, while ensuring that all activities are in line with its vision of corporate social responsibility.

Çalık Holding, which shapes its corporate plans, strategies and objectives on the "sustainability basis", is enhancing its vision of being a global player in its focus industries with the investments it has made in recent years.

**With the major projects it has realized in the light of a proven growth strategy, Çalık Holding operates on the basis of an innovative vision based on investments in the "future of humanity".**

Çalık Holding, in the light of a growth strategy that has been tested and proven in a range of market conditions, by harmonizing the entrepreneurial and productive qualities of its rich corporate culture, will continue to be a strong player that ranks among the leaders in its key business areas.

Since the day it was founded, Çalık Holding has achieved a number of firsts as a result of the investments it has realized since its founding, its international business partnerships and successfully completed international contracting projects.

## **Çalık Holding:**

- Launched the first denim cloth production complex in the 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 Turkish company to issue Eurobonds.

Çalık Holding is guided by the principles of corporate citizenship and committed to being an exemplary company in this respect:

- The skill to make the most of knowledge and know-how,
- Results-oriented operating principles,
- The ability to embrace ethical and universal principles,
- Through the importance it places on people and the environment, to share the added value its operations generate with society and to invest in the "future of humanity".





## *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 it's 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*

## *A roadmap to our objectives*

### **Our focus is growth**

The sustainability of growth in Turkey is underpinned by the acceleration of the process of integration with the EU and global economies. Çalık Holding appreciates this fact and starting from this vision, in its long-term strategic plan, which was restructured in 2008 to expand its global business relations and increase the speed of its regional investments. Çalık Holding will continue to follow a growth-focused strategy.

### **At the focal point of this strategy are:**

- Implementing new energy projects by transforming the power of the rich geographical potential to power.
- New investments in the telecom arena.
- Planning a major change and development in finance.
- Emphasizing real estate development and value creating projects in the construction sector.
- Entering the media sector as a 6th area of operations.

## *The Secrets of Sustainable Success:*



*We have begun to garner praise for the new projects we successfully completed in 2008. With the confidence and motivation we gained from these accomplishments, we are resolved to continue our journey toward even more ambitious objectives.*

# CHAIRMAN'S MESSAGE





Ahmet Çalık  
Chairman

### Valued Çalık Holding Stakeholders,

In 2008, together, we achieved many notable successes. While closely monitoring developments worldwide, the initiatives we undertook allowed us to bring our group's strength to new projects.

Our confidence grows day-by-day, increasing our strength and motivating us to take on new and more ambitious initiatives.

The commitment and passion for our business that has been the hallmark of our group since the 1930s has today transformed us into a family of 19,855 and a steadily-growing, entrepreneurial, innovative and pioneering group of companies.

### Performance in 2008

Çalık Holding's performance improves with every passing year, and over the past three years our assets have increased by 90% in real terms to USD 4,4 billion. At the same time we are focused on strengthening our financial structure, with our equity increasing to USD 1,3 billion on a consolidated basis in 2008. Sales increased on both a business line and a consolidated basis over the previous year, totaling USD 1,7 billion. Group companies' exports of goods and services also rose, reaching USD 887 million, and Çalık Holding closed out the year with net profits of USD 235 million.

As you know, our objective is, as always, through new investments to continue building a stronger Çalık Holding.

### Transporting Turkey into the Future of Energy

The energy sector is one of the business lines in which we will continue to grow rapidly during 2009. We plan to forge ahead with long-term investments in this industry. In partnership with ENI, we continue working on the Samsun-Ceyhan Pipeline Project, which is of the utmost importance in terms of international security of energy supply, the health of the vital ecosystem of the Turkish straits, as well as for our group and for Turkey. While work on our Ceyhan refinery project is ongoing, our first priority is to complete our international power systems projects, which offer outstanding potential. We also remain focused on our portfolio of electric power production licenses totaling 900 MW, which we plan to bring to a successful conclusion in conjunction with an international partner.

### Growing rapidly in the Balkans telecom market

In Albania, where we are achieving rapid, steady growth, we will offer technologically superior, competitively priced telecom services as well as a range of innovations. Our investments, which began with Albtelecom, continue to expand rapidly. Albtelecom's objective for 2009 is to offer higher quality internet service with a greater level of added value. Our objective is for investments in this company to total 32 million euros in 2009.

Eagle Mobile, which entered the market in 2008 as Albania's newest GSM operator, achieved outstanding success, securing market share of 10% by the end of the year. We were very proud to earn the commendations of the mobile telecom industry for the record speed with which we completed both our investments in Eagle Mobile and the company's market launch. We plan to maintain this rapid pace of growth in the coming year by raising our market share to 20% and becoming the Albania's preferred mobile operator.

## **We look forward to new achievements in the finance sector**

Since it began operations in 1999, Çalıkbank has been a knowledgeable and reliable financial partner that provided superior service and, following a restructuring in 2008, was renamed "Aktif Bank". It is my firm belief that Aktif Bank, which is the first financial institution in Turkey to implement a "direct banking" model, will enjoy a strong record of success with its expanded staff of experienced professionals and new range of products and services.

Another of our financial sector investments, Banka Kombetare Tregtare (BKT), has a total of 62 branches, 52 Albania and another 10 branches in Kosovo, where it has operated since September, 2007. Our bank is helping to promote the development of the Albanian financial industry, launching of new products and services that are changing the market landscape. BKT conducts its operations on a risk-sensitive basis and is also noteworthy as Albania's most liquid bank.

Based on our numerous successes in this sector, I am extremely confident that we will be very successful, both in Turkey and the surrounding region, with our new business models and subsidiaries.

## **Textiles will be further strengthened with new markets and profitable production**

In the textile sector, where we got our start in the 1930s, we offer an extensive product range and, on the basis of our R&D operations, which we believe are of critical importance, are further expanding that product range with a variety of new, high-quality fabrics.

## **The construction sector achieves new successes in Turkey and regionally**

In the construction industry, where our major successes are leaving their mark on the sector, we will continue to focus on the contracting business in 2009, with our international infrastructure and industrial projects making construction an even more important part of the group's operations.

Our on-going Balat and Tarlabası Urban Transformation Projects will reclaim these unique districts of Istanbul and reintegrate them into the social fabric. Our urban transformation projects are among the most exciting investments of 2009 and will, we believe, be a source of pride for Turkey.

## **Major new initiatives in the media space as we move toward becoming a regional force**

By adding one of Turkey's largest and most important media groups to the Çalık Holding family, we included media in the list of the industries in which we operate. During 2009, we will focus our investments in this sphere on online media services and online advertising. Our other targets for the year include investing in the Turkuvaz Media Group's brands, increasing ATV's market share with new formats and programs and marketing our most successful TV serials internationally.

Expanding the reach Turkey's substantial media know-how and our group's media experience beyond the borders of Turkey offers important potential in terms of enlarging the field for investment and generating employment opportunities.

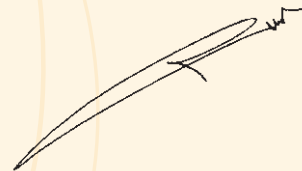
## **Looking forward to more and greater successes...**

Our foremost objective is to leverage the synergies between group companies to accelerate our growth and to give our extended family, the employees of Çalık Holding, every reason to be even more proud to be a part of this distinguished institution.

The guarantee of our future success is to be a group that is admired, respected and noteworthy for its principled stance in our established sectors as well as in those that we have newly entered.

I would like to thank all of our stakeholders for their support and contributions to our current and future successes.

Sincerely,



Ahmet Çalık  
Chairman

*In 2008, our group companies' performance developments were followed by profitability indicators. I firmly believe that these significant successes are the precursor of much better days for both our country and our group.*

# CEO'S MESSAGE





Berat Albayrak  
CEO

Çalık Holding is known for its entrepreneurial spirit and strong reputation and has set itself the goal of becoming a global company, so it is a source of pride for me to inform you that our group continued to lead the way in innovation and success during 2008. When we look back at the past year, we see that our group developed further and moved beyond the sectors where we have operated successfully for many years, pursuing new horizons and achieving important successes in these new areas.

It is a great source of satisfaction for me that our group has, today, become a "regional power" that, on the basis of its investments in Turkey and the surrounding region, is vying for leadership in the sectors in which it operates.

**Despite a volatile economy, we achieved our both revenue and growth targets!**

The economic downturn that began in the American mortgage market in the fourth quarter of 2008 then spread to the investment banks and other financial systems, becoming a global crisis. This impacted many companies negatively, large and small, that are long-term market players, forcing them to curtail their investments and causing them to experience cash flow problems.

But we, at Çalık Holding, in the face of this economic volatility, continued to make steady and secure progress, achieving our revenue and growth rate targets.

As in the past, all of our group's companies displayed strong performances in 2008. By achieving the targets we set for revenue and growth, achieving our "continuous and balanced growth" targets in all the sectors in which we operate in Turkey and worldwide, we proved that what we are accomplishing is long-term transformation and development.

Today, Çalık Holding has become a group of companies that is active in Turkey and globally in a range of sectors including energy, telecom, media, finance, construction and textiles, which is able to be both internationally competitive and respectful of people, the environment and social values.

**Through new investments, our international operations and the strong performance of our existing companies, we are accelerating our growth!**

The sources of the growth we achieved in 2008 as a result of our consistent, steady efforts can be grouped into three categories:

- Successful international investments
- New investments in Turkey
- Successful management of our existing companies

Among the most significant of Çalık Holding's international investments are those we have undertaken in Albania, which holds great strategic importance in the Balkan region. Two of our group's key investments in Albania are Albtelecom and Eagle Mobile, companies that are constantly building on their records of success. Albtelecom, which is the leading internet service provider in Albania, in just a short span of time increased its fixed line subscriber rolls to 265.100 and its ADSL subscribers to 18.010. In addition, Eagle Mobile, for which we acquired a GSM operator license, is the country's newest operator and currently ranked third in the market, with a rapidly growing base of subscribers. It is a source of great pride for me to be able to say that, as of year-end, the company had attracted a total of 257.761 subscribers. Next year our target is, through steady hard work, to expand our telecom operations to include other countries in the Balkans in addition to Albania, foremost among these being Kosovo and Macedonia.

In Albania, we also continue to grow in the banking sector. BKT has become the third largest bank in Albania and, with the 10 branches it opened in Kosovo, expanded its network to 62 branches. Focusing on retail banking, with a reinforced management team, we are actively marketing our products and services and continue to expand the role we play in the Albanian economy.

Çalık Holding also accelerated its growth with a range of new investments in Turkey.

In 2008, Çalık Holding entered the media sector, following a successful tender bid of USD 1,1 billion, incorporating ATV-Sabah, one of Turkey's leading media groups, into its media subsidiary, the Turkuvaz Media Group. The Turkuvaz Media Group, with its respected publishing, principled approach to newsgathering and publication and quality, state-of-the-art technology, is a name the public trusts in media, making its continued successful operations a source of pride for our group.

Aktif Bank, following its restructuring, will become the first financial institution in Turkey to offer direct banking services and had a successful year in 2008, increasing its capital by 146% and its loan book by 60%. With a 37% capital adequacy ratio, Aktif Bank has a very low level of leverage, making it one of the most risk-shielded banks in the Turkish market. Aktif Bank has developed its new products and services with the objective of becoming an important player not only in Turkey but also in the surrounding region, which, when combined with the global vision that informs its management structure and business procedures, positions the bank to be able to successfully take advantage of new opportunities and risks in a range of geographies. With an entrepreneurial structure, Aktif Bank develops new projects on a continuous basis driven by the goal of offering the citizens of Turkey and the region service that transcends borders.

**In 2008, Çalık Holding made significant forward progress in the sectors it considers its key strategic sectors: textiles, energy and construction.**

Emphasizing branding investments throughout 2008, GAP Güneydoğu Tekstil transformed the "Çalık Denim" brand into a major internationally recognized brand. The innovative and special-purpose fabrics our company is designing will prepare it for the decades ahead; while in the new markets it has entered, North Africa and the Far East, it is demonstrating the quality and power for innovation of the Turkish textile industry.

In the Energy sector, Çalık Enerji focused on important projects in petroleum, gas and electric power generation. Bursagaz, which provides natural gas transmission and distribution in the city of Bursa, won a very significant award given by EFQM in 2008. We are proud of being the first and only Turkish managed company that won the European Federation of Quality Management's "Excellence Award", Europe's most important award recognizing corporate excellence and outstanding quality management. This was an important honor for us and earning the commendations of world-renowned institutions like the EFQM makes us even more excited about our group's future. Çalık Enerji is making rapid progress toward realizing the Samsun-Ceyhan Oil Pipeline project in conjunction with its Italian partner, ENI, and further built on its reputation in this field with its drilling projects in Turkmenistan and the awarding of the "6th Combined Cycle Power Plant" contract to the company. When this project is completed, our company will have built a total of 1137 MW of electric power generation capacity. During this period, Çalık Enerji, which has successfully built and expanded the operations of Bursagaz and Kayserigaz, transferred a portion of its share in these companies to its German partner, the EWE Group. The completion of this share transfer, which is considered one of the most successful of 2008 by industry observers, especially given the worldwide economic crisis, is a major source of pride for us.

Gap İnşaat, which ranked 162nd in the list of the "Top 225 Global Contractors", the international construction industry's most prestigious list, continues work on the Balat and Tarlabası urban transformation project, as well as its operations in Turkmenistan. Helping to spread the best of contemporary Turkish architecture beyond the borders of our country, Gap İnşaat has built numerous important buildings in Turkmenistan, and this year completed the United Arab Emirates (UAE) Embassy Complex, which was opened for service in February 2008.

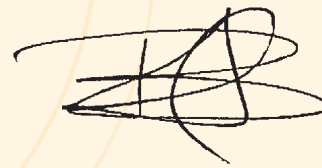
**With the investments we are undertaking in a range of geographies, we look forward to sharing even more exciting news with you in the future.**

Our objective has always been, through the value we add and the emphasis we place on our operations, to ensure that the companies that make up our group are among the leaders and innovators in their industries. On the basis of strategic decisions planned in advance and implemented in 2008, as the result of our successful efforts over the past two years, we are rightly proud to have brought approximately USD 1 billion worth of foreign direct investment (FDI) to Turkey. I believe that this is a unique success story, a special service we have been able to render, that benefits both our group and our nation.

The important successes we achieved in 2008 are gratifying for all of us. I am confident that, with your ongoing support and our unswerving dedication to the spirit of entrepreneurship and the highest ethical principles, we will continue to build on our reputation for excellence in the coming years.

Adding new accomplishments to the successes we have already achieved together is not only exciting but also further reinforces our ambition, as we and the Çalık Holding family stride confidently into the future. I would like to offer my sincerest thanks to all of our employees, who are the most important part of our group, the ones who make it possible for us to successfully leave our mark both on Turkey and a range of geographies and to all of our stakeholders.

Sincerely,



Berat Albayrak  
CEO

*Çalık Holding which celebrates its 28th anniversary in 2008 forges ahead with its straightforward and focused growth strategy and value creation ability that cemented with strong performance results.*

STEPS THAT  
SHAPE  
THE FUTURE...



## From 1930's to 1980...

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 Samsun-Ceyhan Crude Oil 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 telecom...**

Çalık Holding which successfully provides VoIP services in Turkmenistan won privatization tender of Albanian telecommunication company, Albtelecom in 2005. The Group's telecommunication company CETEL taken over 76 % of Albtelecom 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

### **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.

### **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.

### **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.

### **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.

## 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 telecom areas.

### **Samsun-Ceyhan Crude Oil Pipeline Project's foundation-laying ceremony**

Foundation-laying ceremony of Samsun-Ceyhan Crude Oil 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.

### **Albtelecom is now a Çalık Holding subsidiary**

Çalık Holding acquired 76 % shares of Albtelecom, Albanian Telecom 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.



## 2008

### **GAP İnşaat once again ranks among the world's largest international contractors**

GAP İnşaat ranked 162nd on the list of the "Top 225 Global Contractors" and, as it did last year, was again honored with the "International Contracting Services" award.

### **Çalık Enerji transferred a portion of its shares in Bursagaz and Kayserigaz to Germany's EWE Group**

Çalık Enerji, in keeping with its sector growth and restructuring strategies, transferred a portion of its shares in Bursagaz and Kayserigaz to EWE Energy, a subsidiary of its German partner, the EWE Group.

### **The ATV-Sabah Commercial and Economical Unity joined into Çalık Holding under the umbrella of Turkuvaz Media.**

Çalık Holding, which acquired this media group with an offer of USD 1,1 billion dollars in the tender held by the Turkish Savings Deposit Insurance Fund on December 5, 2007, took over the group upon completion of the official procedures in the second quarter of 2008. All rights and assets held by the ATV-Sabah Commercial and Economical Unity were transferred to Turkuvaz A.Ş.

### **Two International Finance Giants extend 100 million euros in credit to Çalık Holding's Albtelecom.**

Albtelecom, Albania's largest telecom company, which was acquired by Çalık Holding as the result of a privatization sale, received credits totaling 100 million euros from the European Bank for Reconstruction and Development (EBRD) and the Black Sea Trade and Development Bank (BTDB).

### **GAP İnşaat Announces an International Project in Turkmenistan!**

The United Arab Emirates (UAE) Embassy Complex, built by GAP İnşaat, a Çalık Group company, was officially opened at a ceremony held in the capital of Turkmenistan, Ashgabat, on February 27, 2008.

### **Bursagaz: A success story**

Bursagaz, joined to Çalık Group after privatization process and grew with the synergy of one of European multi distributional companies, EWE, succeeded many firsts, innovations and prizes in four years. Finally, Bursagaz won European Federation of Quality Management's "Excellence Award".



MACROECONOMIC  
DEVELOPMENTS  
IN 2008

## The World Economy

2008 will go down in world economic history as the year the "global crisis" began.

The crisis, which started in the American mortgage market, spread to investment banks and other countries' financial systems as a result of mortgage-based securities, becoming a global crisis.

Despite the fact that the 2008 crisis began in the financial sector, it quickly began impacting key industries like automotive, construction and retailing, particularly in Europe. In America, its real sector impact was first felt in the automotive industry, with the Big Three automotive producers; Ford, Chrysler and GM being among the companies most severely impacted by the crisis in 2008.

### The Finance System and the Crisis

The true dimensions of the crisis first became apparent in July 2008 with the government takeover of IndyMac Bank and the provision of Treasury guarantees for the obligations of Fannie Mae and Freddie Mac. The US Treasury, which provided USD 200 billion in funding for Fannie Mae and Freddie Mac, quickly took control of the lenders.

At the same time, companies like Bear Stearns, JP Morgan and Merrill Lynch were taken over by Bank of America and the crisis quickly spread to investment banks and the insurance companies that had provided guarantees to these banks. While Lehman Brothers was allowed to fail, America's largest insurance company, AIG, which had provided guarantees to European banks, was rescued. In the following phase of the crisis, Citigroup, which also operates in Turkey, had experienced severe share price losses and was rescued by the US Treasury, receiving USD 306 billion worth of government guarantees for its domestic assets and this bank.

### The Financial Structure of the Euro Zone

Starting in the second half of 2008, the crisis quickly surrounded the European financial system. The European countries, and England in particular, acted first to get their banking systems under control and within this framework numerous banks were nationalized or encouraged to undertake mergers.

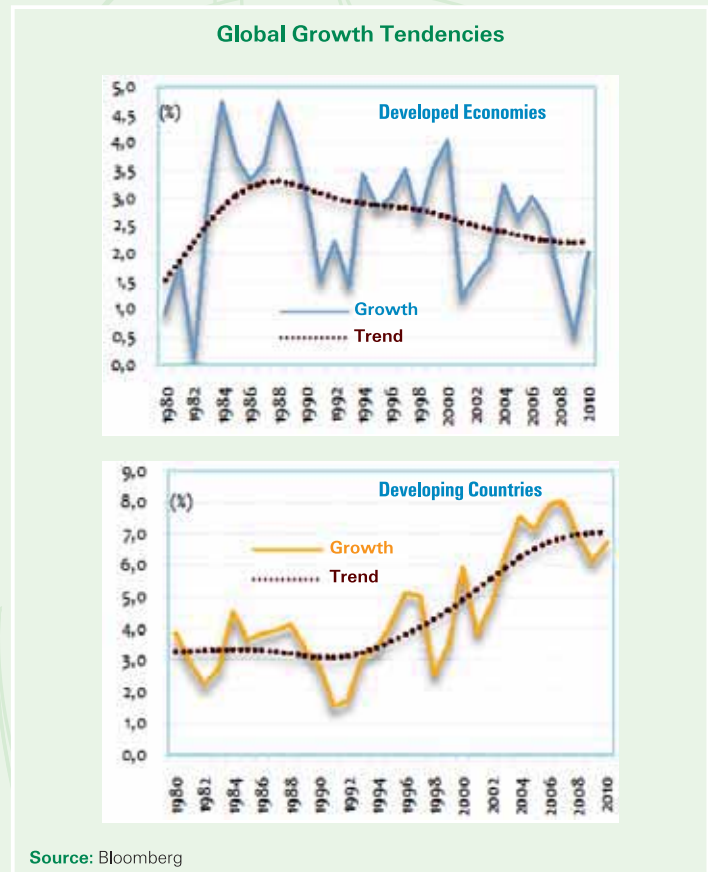
There were extensive efforts in Europe in this respect, particularly in the Benelux countries. For instance, Fortisbank, one of Europe's most important banks, following the loss of investor confidence in its financial strength, quickly began experiencing financial difficulties, with its shares losing up to 35% of their value. Whereupon, the governments of Belgium, Netherlands and Luxembourg resolved to inject 11.2 billion euros of capital into the bank. The rescue of Fortisbank demonstrated how EU countries would respond to financial institutions impaired by the crisis whose bankruptcy could trigger systemic risk.

On October 6, 2008, France's BNP Paribas acquired a majority stake in Fortis's Belgium and Luxembourg operations for 14.5 billion euros.

Following these transactions, the Belgian government became BNP Paribas's largest shareholder with an 11.6% stake and BNP Paribas became the Euro zone's largest bank in terms of deposit base.\*

These developments clearly point to the fact that the 2008 crisis led to a major inversion in the world financial system. What becomes apparent is that this inversion will lead to a centralization of financial capital and result in the appearance of new risk factors in the banking system.

Europe and America both announced major stimulus packages, but the impact of these packages was blunted by the seizing up of the debt markets and the lack of confidence in financial institutions that continued to be felt in the second half of 2008.



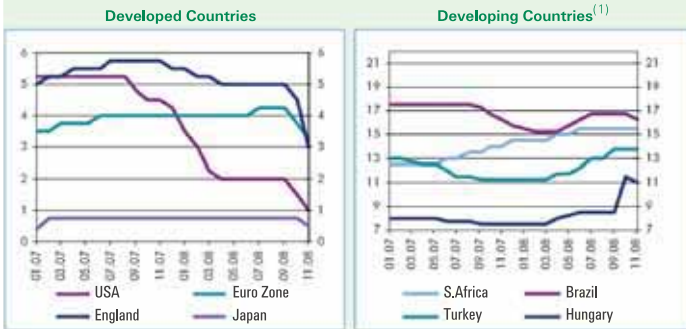
The charts above summarize the year 2008. Growth in developed countries is falling much more sharply than in developing countries. This shows us the nature and probable course of the 2008 crisis. The crisis is narrowing the gap between developed countries - the EU and the USA - and developing countries. In a possibly optimistic reading of the scenario, could mean that developing markets, including Turkey, may be in a position to catch up to the developed world in the aftermath of the crisis. In 2009, developing countries, among which Turkey numbers, will face sharp drops in growth. However, it can be said that the drops in growth in the USA and the EU will be more severe than in these countries and that developed nations will only return to positive growth some time in the middle of 2010. Whereas, under every circumstance, developing nations like Turkey still have the chance to achieve growth. In 2009, the prices of commodities, most notably petroleum, which are primary manufacturing inputs, will remain depressed. This is a positive development for nations like Turkey whose manufacturing imports consist of these products.



On the other hand, one of the distinctive characteristics of 2009 is that it is a year in which the dollar will struggle to preserve its previous strength. Because following this crisis, the USA will be forced to surrender some of its strength to firstly the EU and also to the developed nations of Asia and the rest of the world. Despite the fact that there have been important reductions in growth in the developed Asian nations, the countries in this part of the world should emerge from the crisis largely unscathed and without having changed their production profiles. However, China's double-digit growth will slow. The recession in Japan will parallel developments in the US economy, and major Japanese companies will look to mergers as a way to overcome the impacts of the crisis.

2009 will be a year in which interest rates fall further. Effectively zero in developed countries like the USA and Japan, interest rates will also be in a downward trend in developing countries.

### Political Interest Rates in Selected Countries (%)



Source: Central Banks <sup>(1)</sup> Shows the valid borrowing rates for Turkey

The chart above shows the difference in overnight interest rates between developed and developing countries. After South Africa, Turkey is the country with the highest interest rates. However, it is well known that rapid interest rate cuts are not an effective precaution against the impact of the economic crisis.

For 2009 we do not expect major drops in the stock exchange indexes of developing countries. Because the stock exchanges of these countries, including Turkey's, following the sharp drops of 2008, have been undervalued since the beginning of 2009. In the same fashion, we do not expect serious increases in the nominal exchange rates of these countries. In fact, quite the reverse, it is likely that a number of currencies, among them the YTL, will appreciate against the dollar.

### The Stock Market Indexes of Selected Countries

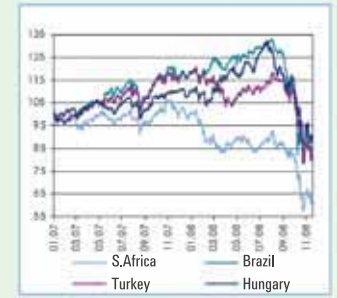
(01.01.2008=100)



Source: Bloomberg

### Nominal Change Rates of Selected Countries

(01.01.2007=100)



Source: Bloomberg

### Precautions taken against the crisis have proven insufficient

The rescue packages announced in 2008, chiefly by the USA and the EU, have not generated the desired results. The positive impact of the precautions that developed countries initially took against the crisis has been limited in part because the response was taken on an individual basis. However, since the G-8 summit, efforts to ensure that measures taken against the crisis are taken jointly, including coordinated interest rates by central banks and the provision of liquidity to the financial markets, have begun to yield results. Nevertheless, let alone returning the financial markets to their normal functioning, the continuing deepening of the crisis in the developed markets and the potential of its spread to the rest of the world raises questions about the effectiveness of the steps taken. The loans extended by the US Federal Reserve to some developing nations and the extra-budgetary funds provided by EU nations to other EU-member countries that are experiencing financial difficulties have to some extent succeeded in generating an improvement in investor outlooks but overall their impact has been limited. In order to provide a lasting solution, it is important that the coordination between the central banks of developed countries be expanded in a fashion that includes developing countries and that this coordination includes the areas of financial and structural policies. From this point of view, the Short-term Liquidity Facility (SLF) proposed by the IMF for developing countries with otherwise sound macroeconomic fundamentals that are experiencing liquidity shortages as a result of the global downturn, is an important step in this direction.\*

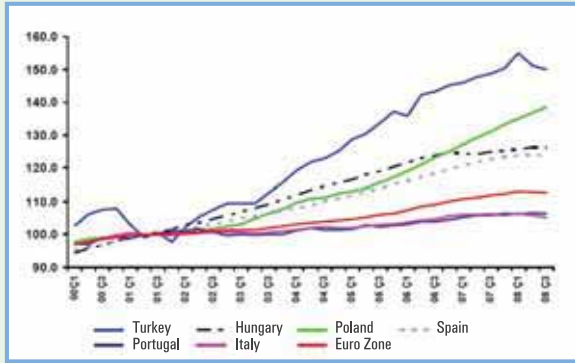
As the global economy continues on its journey, a transformation of the financial system is underway, propelled by the prominence of high-tech manufacturing, education, healthcare in the Euro zone and the USA's Silicon Valley economy and the introduction of growth models based on new human capital. This process will undoubtedly require, first and foremost, a central framework for integration.

This integration will in turn lead to new definitions both of growth and of the global affluent society.

## The Turkish Economy

The rapid tempo of growth Turkey has enjoyed since 2002 faltered as a result of the 2008 crisis. The Turkish economy grew 0.5% in the third quarter and 3% during the first nine months of the year. This rate of growth was one of the most striking drops in the rate of growth during Turkey's 27 quarter long economic expansion.\*

Comparison for Real GDP's of EU Countries and Turkey (2001=100)



Source: OECD, 2008

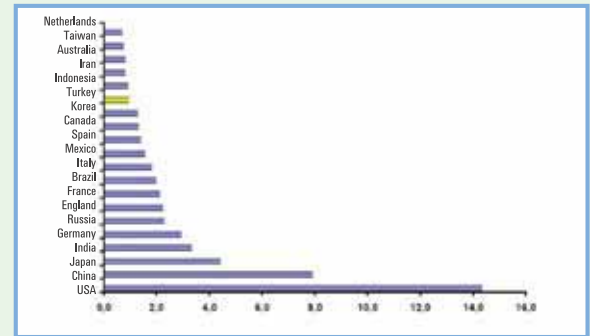
The table above provides a year-by-year comparison of Turkey's growth tempo. Following the 2001 crisis, we see that Turkey has broken away from Europe, achieving a very rapid tempo of growth. However, as of the second quarter of 2008, a precipitous drop-off occurred. Nevertheless, Turkey ranks 15th among the top 20 countries in terms of GDP adjusted for purchasing power parity. In 2009, a significant slowdown in Turkey's growth tempo appears unavoidable. Despite this, we do not believe that Turkey faces a long-lasting recession. 2009 will be the year of dwindling for Turkey, but this dwindling will be an opportunity for both real sector recovery and Turkey to continue the process of spreading to the international areas. Turkey has the dynamics and potential to rapidly make up this loss beginning in 2010.

For the Turkish economy, 2009 will be a year of regrouping prior to a rapid increase in the tempo of growth in the aftermath of the crisis.

Within this framework, Turkey can transform the crisis into an opportunity. Realizing this opportunity will allow Turkey to move from the "emerging nation" category to the "developed nation" category on both the regional and the global platforms. In this sense, the steps that Turkey will take in 2009 and 2010 are of the utmost importance. In this conjuncture, our group is committed to doing our part and ready to take on its responsibilities for Turkey's brighter future.

## The World's Largest Economies

(GDP on the Basis of Purchasing Power Parity, Trillions of Dollars, 2008)



Kaynak: IMF, World Economic Outlook Report, October 2008

## Macroeconomic Balances

### Manufacturing and Employment in 2008

The economical growth in 2008 was below the expectations and GDP noted 0,5 % increase above the market expectations which has been the smallest rate in the last 26 quarters. It was predicted 0,1% decrease in line with the closest conjecture of the State Planning Organization. And, GDP growth increased from 1,9% to 2,3% in the second quarter of 2008.

The agricultural added value experienced an increase of 2,2% which is reasonably under the expectations in the third quarter of 2008. Especially, the drought occurred in the South East Anatolia was the reason for the situation. In the same period of the year agriculture took place with 12,7% and industrial sector had 18,9% share of GDP. When industrial added value decreased 0,5%, it is observed that industrial production index decreased 2% in the same period. A proportional regression is the point at issue of industrial production compared to the same period of the previous year. The product regression was recorded in the subsectors of especially, textiles-clothing, chemistry, main metal, metal furnishings, machine equipments and radio-television communication. The increase volume of industrial added value was revised from 2,8% to 3,7% in the second quarter of 2008.

As the increasing number of the labour force eventuated 1.130 thousand of people in 2008, the number of employing people reached 20 million 736 with 293 thousand increase compared to the same period of 2007. In line with this, unemployed number reached 838 thousand. In December 2008, employment increase is observed as 202 thousand and 296 thousand in the sectors of agriculture and services (including construction) compared to the same period of the previous year. Industrial sector employment decreased 205 thousand of labours. Non-agricultural employment increased 91 thousand in said period compared to 2007. The overall unemployment in the country was realised as 13,6% with 3 points increase in December 2008. In this period, the unemployment rate in non-agriculture was as 17,3% with 4,3 points increase from the previous number and unemployment rate eventuated 25,7% with 5,1 points increase in the young population.

\*Source: CBRT Inflation Report April 2009.



## Developments in the workforce

	2007(*)	2007				
		I	II	III	IV	Aralık
<b>Employing Population</b>	<b>49.215</b>	<b>48.935</b>	<b>49.118</b>	<b>49.317</b>	<b>49.511</b>	<b>49.575</b>
<b>Workforce Participation Rate (%)</b>	<b>47,8</b>	<b>46,3</b>	<b>48,8</b>	<b>49,3</b>	<b>46,9</b>	<b>46,2</b>
Female	24,8	23,4	26,3	26,1	23,4	22,6
Male	71,3	69,6	71,8	72,9	70,9	70,2
<b>Workforce</b>	<b>23.523</b>	<b>22.646</b>	<b>23.965</b>	<b>24.292</b>	<b>23.217</b>	<b>22.879</b>
Employed	21.189	20.058	21.843	22.060	20.867	20.443
Unemployed	2.333	2.587	2.123	2.232	2.350	2.436
<b>Unemployment rate (%)</b>	<b>9,9</b>	<b>11,4</b>	<b>8,9</b>	<b>9,2</b>	<b>10,1</b>	<b>10,6</b>
Non-agricultural unemployment (%)	12,6	14,2	11,5	11,9	12,6	13,0
Youth Unemployment Rate (%)	19,6	21,7	17,5	19,2	20,0	20,6
<b>Sectoral distribution of employment</b>						
Agriculture	5.601	5.003	6.042	6.174	5.211	4.908
Industry	4.185	4.074	4.171	4.212	4.292	4.289
Services(**)	11.403	10.982	11.629	11.673	11.364	11.246
Construction	1.224	943	1.292	1.423	1.259	1.130
	2007(*)	2008				
		I	II	III	IV	Aralık
<b>Employing Population</b>	<b>49.215</b>	<b>49.672</b>	<b>49.881</b>	<b>50.087</b>	<b>50.268</b>	<b>50.339</b>
<b>Workforce Participation Rate (%)</b>	<b>47,8</b>	<b>45,9</b>	<b>49,0</b>	<b>49,8</b>	<b>48,4</b>	<b>47,7</b>
Female	24,8	22,8	26,6	27,1	25,4	24,6
Male	71,3	69,6	71,9	73,0	71,8	71,3
<b>Workforce</b>	<b>23.523</b>	<b>22.804</b>	<b>24.440</b>	<b>24.948</b>	<b>24.310</b>	<b>24.009</b>
Employed	21.189	20.162	22.277	22.509	21.315	20.736
Unemployed	2.333	2.642	2.164	2.439	2.995	3.274
<b>Unemployment rate (%)</b>	<b>9,9</b>	<b>11,6</b>	<b>8,9</b>	<b>9,8</b>	<b>12,3</b>	<b>13,6</b>
Non-agricultural unemployment (%)	12,6	14,2	11,5	12,7	15,4	17,3
Youth Unemployment Rate (%)	19,6	21,2	16,3	19,1	23,9	25,7
<b>Sectoral distribution of employment</b>						
Agriculture	5.601	4.751	6.034	6.314	5.494	5.110
Industry	4.185	4.285	4.323	4.388	4.215	4.084
Services(**)	11.403	11.126	11.920	11.807	11.606	11.542
Construction	1.224	1.020	1.359	1.334	1.245	1.126

Source: TSI

\* Results of the household labor force questionnaires are going to be published in line with the overall population obtained from Address Shared Voucher System (ADNKS) beginning from November 2006. High differences compared to the previous years result from these differences.

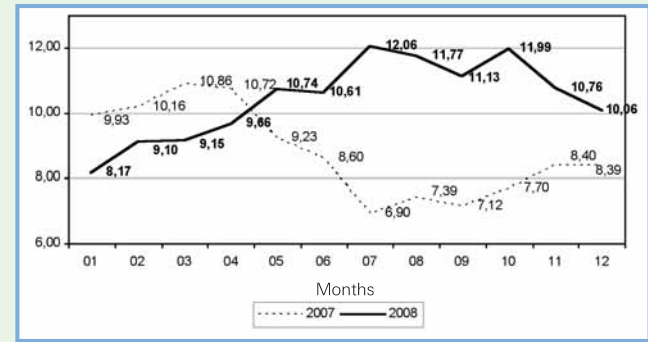
\*\* Including Construction.

In the table above, it is clearly seen that the biggest problem of Turkey is the increasing number of unemployment. In accordance with this reality and problem, our group will continue its investments that create employment and added value.

## Inflation and Exchange Rates in 2008

In 2008, price stability, which is a key element in the balances of the domestic economy, moved away from the Central Bank's targets. Following the first quarter of 2008, reflecting the increases in the cost of energy and imported intermediate goods, the increase consumer prices quickly reached double digits. However, due to the fall in petroleum and commodity prices in the second quarter as a result of the global crisis, inflation moved into a downward trend in the final quarter of the year. As a consequence, consumer prices increased by 10,6% compared to December of the previous year, 10,06% compared to the same month of 2007 and by 10,44% on the basis of a 12-month average.

## Yearly Change Rates for Consumer Price Index



Source: TSI December-2008

The same trend holds for producer prices, which closed out the year up 8.1% as a result of the fall in global energy and commodity prices during the last quarter of 2008.

When we come to the fourth quarter of 2008, we see that the New Turkish Lira (YTL), like all developing country currencies, lost significant value due to the unprecedented demand for liquidity, and US dollar liquidity in particular, resulting from the deepening of the loss of confidence in the financial markets. Against the background of these changes in exchange rates, the overall slowdown in demand and falling commodity and foodstuffs prices had a positive impact on inflation, providing maneuvering room for monetary policy. We can say that the dollar in particular appreciated against the YTL in 2008. During the first shocks of the crisis, the YTL-USD rate passed the 1,7 mark, but with the introduction of rescue packages in the USA and the FED's rapid cuts in interest rates, the dollar lost value globally, falling to 1,5 YTL. The euro followed a similar trend in 2008, gaining 24,83% against the YTL. However, in 2009, the YTL will maintain its strength against the dollar and should not lose value against other global convertible currencies to the same extent as in 2008.

## Balance of payments

### I - BALANCE OF CURRENT ACCOUNTS

In January 2009, the exportation realised as USD 7,9 billion with 25,7% decrease and importation was USD 9,3 billion with 43,3% decrease according to 2008. The compensation rate exportation to importation was 65% in January 2008, as it is 85,1% in January 2009. Foreign-trade deficit which was USD 4,6 billion in January 2008 ( except shuttle trade and freight as shown in the balance of payments), eventuated USD 78 billion with 98,3% decrease.

Manufacturing industry products importation decreased 26,8% in January 2009. Land-borne exportation is with great decrease USD 649 million in the first month of 2009 which was USD 1,6 billion in January 2008. In the same period, electrical machines and goods exportation decreased 246% and ready-goods made of woven fabric exportation experienced 25,5% decrease compared to the previous year.

The effects of slow down process in economical growth for the European Union countries appeared in the last months of 2008 and the portion of European Union in the exportation regressed to 41,8% in December 2008, which was 54,6% in the same month of the previous year. The exportation was realised as 43,1% in the first month of 2009. Switzerland was the first country as Germany, Italy and Iraq are the runners up in exportation in January, 2008.

In 2009 and the following years, Turkey will open new gates towards Asia and Africa beside European Union. This crisis made this situation come true for Turkey. It can be said that foreign-trade deficit of Turkey is going to decrease.

### Capital Movements (Million Dollars)

	Yearly		January	
	2006	2007	2008	2009
<b>Capital and Finance Accounts</b>	<b>36.622</b>	<b>37.052</b>	<b>6.214</b>	<b>-2.018</b>
1. Direct Investments (net)	19.940	15.400	983	614
-Abroad	-2.106	-2.585	-146	-478
-Domestic	22.046	17.985	1.129	1.092
2. Portfolio Investments (net)	717	-4.778	242	-841
-Stock certificates	5.138	716	-497	-104
-Debenture stocks	-2.358	-4.218	1.251	-25
3. Other Investments (net)	23.997	25.373	5.596	-2.049
Commercial credit (obligations)	-4.231	1.559	1.046	-449
Credits (obligations)	27.595	27.333	2.768	-854
- Central Bank	0	0	0	0
- General Government	-3.901	742	-211	-198
- Banks	5.608	2.808	84	-236
- Other Sectors	25.888	23.783	2.895	-420
4. Reserve assets	-8.032	1.057	-607	258
<b>Absent net mistake</b>	<b>1.597</b>	<b>4.571</b>	<b>-2.065</b>	<b>1.727</b>

Source: CBRT

### Portfolio Investments

Portfolio investments generated net capital inflow of USD 3,805 million during January - October 2007, while a net outflow of USD 3,960 million was witnessed during the same period of 2008. We predict that portfolio investment in Turkey will begin to rise again only after the second quarter of 2009.

As it is seen from the table, direct investments decreased significantly through the effects of the crisis. The downturn in the portfolio investments began in 2007 before the crisis. This situation is a consequence of the political inconsistency occurred in 2007. Central Bank's gross reserves, which were USD 71 billion at the end 2008, fell to USD 68 billion in January, 2009 according to the temporary data.

### 2009 Outlook:

Turkey will not experience a current account problem in 2009; however, it should be expected that some capital accounts categories, foremost among them direct investments, will weaken during the year. This will be compensated for, to a great extent, by privatization revenues carried over from 2008 and new privatizations (budgeted at YTL 15 billion). Furthermore, the additional resources that will be secured as a result of an IMF agreement will also play a role in making up for lower capital inflows.

Under these circumstances, the international financing requirement will not lead to developments that would fundamentally upset Turkey's macroeconomic balances, such as higher inflation, but as a consequence of lower foreign and domestic demand, there will be contraction in the economy and a general slowdown. However, as has been emphasized above, this contraction should not be viewed as a long-lasting phenomenon.

We believe that the steps the government has taken thus far to overcome the crisis, as well as efforts by the private sector and various segments of society to reduce its impacts will prove effective and that these efforts will prompt the government, in addition to those steps it has already taken, to adopt other precautions that will prove more effective and implementable.

## II - CAPITAL AND FINANCIAL ACCOUNTS

The net capital inflow to the financial accounts witnessed from January to October of 2008 rose 26.3% over the same period of the previous year to USD 38,078 million. The most important developments during this period are summarized below.

### Direct Investment

The direct investments category, which consists of all net investments undertaken in Turkey by overseas-based entities, including credits provided by their foreign partners to foreign-capital companies based in Turkey, as well as real estate investments made in Turkey by foreign domiciled entities, stood at USD 18,194 million in the last year, but decreased by 15.9% in the same period of 2008 to USD 15,299 million. An examination of the sub-categories shows that net real estate purchases by foreign domiciled entities are estimated to have increased by 5.3% over the same period of last year to USD 2,516 million, while foreign-capital companies in Turkey received loans from their overseas partners totaling USD 50 million.

Net outward investments made by domestically domiciled entities were USD 1,847 billion in the first ten months of 2007 and rose to USD 2,348 million during the same period of 2008. As a result, in the direct investment category, the net capital inflow from January to October 2008 fell by 20.8% compared to the previous year to USD 12,951 million.

*In line with its strategy of being a regional force, in 2008 Çalık Holding involved itself in new business investments and speed up its corporate citizenship activities.*

# ÇALIK HOLDING: ACHIEVEMENTS IN 2008



Çalık Holding was one of the few diversified groups of companies that, on the basis of its financial and operating results, was able to continue its growth in real terms during 2008.

In the six business lines in which it operates, Çalık Holding continued to expand and invest not only in the Turkish market but also in the Balkans, the Middle East, North Africa and the Turkic Republics of Central Asia, forging new business relationships, establishing new joint ventures and even entering a new sector.

Since its founding, Çalık Holding has been open and receptive to global business relations and enjoyed an exceptional capacity to access world markets and, in parallel with its strategy of becoming a powerful regional player, in 2008, made major and courageous corporate decisions, charting a new course on its roadmap to growth.

#### **Within this trajectory Çalık Holding:**

- Took steps to become a key player in the geography in which it has finance sector operations, and with a new corporate identity and structure, rapidly increased its impact in the Turkish market.
- Worked to take a leading role in the energy industry both by undertaking major projects and by making important new investments.
- Built on its reputation in the construction business through real estate development projects with high levels of social value-add.
- In a visionary move, entered the media sector at the end of the year.

#### **2008 highlights**

- The group had total 2008 sales of USD 1,727 million. Domestic sales accounted for USD 840 million of the total, while exports of goods and services totaled USD 887 million, meaning international sales accounted for 52% of the group's sales.
- Analyzed on the basis of business lines, as of year-end 2008, the group's textile sector sales totaled USD 321 million, energy and telecom sales were USD 528 million, construction generated USD 221 million in sales, finance industry operations produced sales of USD 113 million and the media industry had sales of USD 486 million, while the group's marketing and other operations brought in sales of USD 58 million.
- Çalık Holding's gross profits grew 65% over the past 3 years, to USD 365 million, while pretax profits rose 263% to USD 267 million.
- Çalık Holding's total assets increased 90% over the past three years, reaching USD 4.423 million.
- The group's consolidated equity also continued to rise, growing by 39% from USD 952 million in 2007 to USD 1,323 million in 2008, with the total increase in equity over the past three years reaching 90%, with average ROE for the period being 18%.
- The group's companies correctly analyzed the developments in the global arena, allowing them to design their corporate strategies and policies in the most appropriate fashion and to reflect these strategies and policies in their operations in business lines rapidly and effectively, helping them to further strengthen their competitive positions.

#### **January 2008**

- Kayserigaz, which is a group subsidiary operating in the energy business line, in 2008, began running SAP, a system of technological solutions which helps businesses improve, increasing efficiency and reducing costs. Kayserigaz began the implementation process in May and brought the system online by year-end, making it the first company in Kayseri to implement SAP, the most effective solution for management of financial resources, human resources, operations and corporate services.

#### **March 2008**

- The United Arab Emirates (UAE) Embassy Complex, built by GAP İnşaat, a Çalık Group company, was opened at an official ceremony held in the Turkmenistan capital of Ashgabat on February 28, 2008. The United Arab Emirates Embassy Complex, built by GAP İnşaat, was commissioned at an official ceremony attended by the President of Turkmenistan, Gurbanguli Berdimuhammedov, Sheikh Khalifa Bin Zayed Al Nahyan of the United Arab Emirates and the Chairman of Çalık Holding, Ahmet Çalık.

#### **April 2008**

- Çalık Holding, with a bid of USD 1,1 billion, was awarded the tender for the ATV-Sabah Commercial and Economical Unity at an auction held by the Turkish Savings Deposit Insurance Fund (TSDIF) on December 5, 2007, and completed the transaction by making payment in April 2008, after which all rights and assets pertaining to the entity passed to Turkuvaz, Inc.

#### **June 2008**

- Eagle Mobile, one of the group's telecom subsidiaries, launched its brand and new television commercial in Albania. As Albania's newest GSM network, Eagle Mobile effectively completed the infrastructure installation process and began providing nationwide coverage. Offering Albania's most attractive and reasonably priced subscriber packages, along with a range of technological innovations that add to subscribers' quality of life, after just six months of non-stop implementation Eagle Mobile had brought 95% of the population of Albania within its coverage area.

#### **October 2008**

- Çalık Enerji, within the framework of its sector growth and restructuring strategies, transferred a portion of its shares in Bursagaz and Kayserigaz to EWE Energy, a part of Germany's EWE Group.
- Bursagaz, formerly a state-owned enterprise, became a member of the Çalık Group as a result of a privatization sale and, through synergies with EWE, one of Europe's leading energy distribution companies, in the past four years has achieved a number of important firsts in Turkey, introduced a range of innovations and won numerous awards, with the most recent and important of these being the European Federation for Quality Management (EFQM) Excellence Award.

#### **December 2008**

- Eagle Mobile, Albania's third GSM operator entered the market in March 2008 and by year-end had signed up 257.761 subscribers. Eagle Mobile achieved this impressive performance in just six months of operations, thanks to the hard work and dedication of its team and the Albanian population's extremely positive response to the company's value-added services and competitive pricing, helping the company to substantially outperform its targets.
- Internationally, Çalık Holding is a well-known and highly respected group of companies with a strong reputation for reliability. In keeping with this reputation, Çalık Holding continued to build on its strong business partnerships with its leading global business partners, including ENI, IOCL, Parker Drilling, General Electric, Mitsubishi, the EBRD, the IFC, EWE and Türk Telekom.

*In 2008, Çalık Holding successfully achieved its financial and operational objectives, rising in size and standing among the ranks of Turkey's diversified conglomerates able to maintain significant levels of real growth.*

# HEADLINE INDICATORS

**4,4**  
USD billion...

The Group's consolidated total assets in 2008 reached USD 4,4 billion.

**1,7**  
USD billion...

The Group's consolidated sales came to USD 1,7 billion in 2008.

**267**  
USD million...

The Group's operational profit increased by 121 % and reached USD 267 million in 2008.

**21%**

The Group's gross profitability increased to 21 % in 2008.

Çalık Holding's total assets reached USD 4,4 billion in 2008. Consolidated shareholders' equity of the Group continued to grow, reaching USD 1,3 billion.

USD (Thousand)	2008*	2007*	2006*	Change % (2006/2008)
<b>Total Assets</b>	4.423.290	3.336.265	2.323.538	90
<b>Current Assets</b>	2.326.587	1.968.379	1.411.711	65
<b>Total Equity</b>	1.323.394	952.041	697.115	90
<b>Net Sales</b>	1.727.637	1.261.643	1.011.775	71
<b>Cost of Sales</b>	1.363.045	1.022.284	790.662	72
<b>Pre-Tax Profit</b>	267.276	120.824	73.561	263

#### Basic Ratios

	2008	2007	2006
<b>Gross Profit</b>	21 %	19 %	22 %
<b>Pre-Tax Profit</b>	15 %	10 %	7 %
<b>Return on Assets (Investment)</b>	6 %	4 %	4 %
<b>Current Ratio</b>	1,24	1,01	1,01
<b>Rate of Receivables Turnover</b>	3,8	4,3	7,7
<b>Rate of Inventory Turnover</b>	6,3	5,3	5,3
<b>Rate of Debt Turnover</b>	4,2	3,3	4,2

\* USD Prices are computed over Turkish Lira in accordance with end-year rates.

*Çalık Holding is a global group of companies operating in six primary sectors, whose superior brand value, dedicated employees and strong corporate structure have allowed it to set and achieve increasingly ambitious targets.*

# AREAS OF OPERATION

## Energy:

### **A structure that assures growth continuity...**

Çalık Enerji, which was established as a part of Çalık Holding in 1998, has achieved steady and consistent growth that has made it one of the clearest indicators of the success of the Çalık vision. The Çalık Group has ongoing international operations in electric power, oil and natural gas, with geographic focuses in Turkey and Turkmenistan. Following the Group's acquisition of natural gas distribution in Turkey's Bursa province (Bursagaz), it built on this success taking over natural gas distribution in Kayseri province (Kayserigaz). Çalık Holding, which is also the force behind the Samsun-Ceyhan Crude Oil Pipeline project, will maintain its position of leadership in the energy sector for years to come.

## Construction & Investment:

### **Çalık Holding, within the context of its construction industry operations, builds turn-key textile and industrial production complexes, residential housing, hospitals, schools, business centers, social facilities and roads and also undertakes urban transformation projects.**

The construction group ranks among Çalık Holding's fastest growing business lines and has made a name for itself both in Turkey and internationally on the basis of its record of high performance in the construction of large-scale industrial projects.

In 2007, Gap İnşaat took on Turkey's first urban transformation project and made rapid progress with this project in 2008, the first phases of which are the Tarlaabaşı and Balat Urban Transformation Projects for which the company bid successfully to become the general contractor.

With its strong track record in international projects and a growing reputation for success, Gap İnşaat undertakes large-scale projects in covering a wide geography that includes, firstly Turkey, but also Central Asia, the Arabian Peninsula and Africa. In 2008, Gap İnşaat once again proved its success, being ranked 162nd in Engineering News Record's list of the Top 225 Global Contractors.

## Textiles:

### **The world market's leading denim fabric producer...**

Çalık Holding continues to be a leader in its traditional area of operations: textiles. The Group, which has become one of the most internationally sought-after denim fabric producers, is a global player whose integrated plants in Malatya, Turkey and Turkmenistan are internationally competitive in a range of product categories from cotton yarn to ready-wear. Çalık Holding's world-class textile companies have the ability to serve markets spanning a broad global geography. In textiles, the Çalık brand's awareness is growing rapidly not only in Turkey but in countries ranging from the USA to the European Union, from Russia to the Far East and from Northern Africa to the Balkans.



## **Finance:**

### **The Çalık difference in investment banking...**

Çalık Holding has secured an innovative and respected position for itself in the investment banking business, where it is generating steady high levels of growth led by Aktif Bank, a leadership embodied in the bank's new corporate identity. Çalık Holding, in 2006 as part of its first international venture, established the Çalık-Şekerbank consortium which, in a move of great national and international importance, acquired one of Albania's most respected banks, Banka Kombetare Tregtare (BKT). In November 2008, portions of Şekerbank in the Çalık-Şeker Consortium were transferred to Çalık Holding. As of 2008, BKT had a total network of 62 branches, with 10 in Kosovo and another 52 in Albania. Çalık Holding, in order to add depth to its operations in the finance, and particularly investment banking, has developed strategies designed to enhance the effectiveness and efficiency of its finance industry operations on an on-going basis.

## **Media:**

### **Turkey's leading media group...**

On December 5, 2007, Çalık Holding entered the tender opened by the Turkish Savings Deposit Insurance Fund (SDIF) for the sale of the ATV-Sabah Commercial and Economical Unity, which had been taken over by the SDIF. In the first quarter of 2008, with the completion of the legal proceedings, the handover to the Turkuvaz Media Group was completed. Çalık Holding is committed to building on its achievements in the other sectors in which it operates with the successes it will achieve in the media industry.

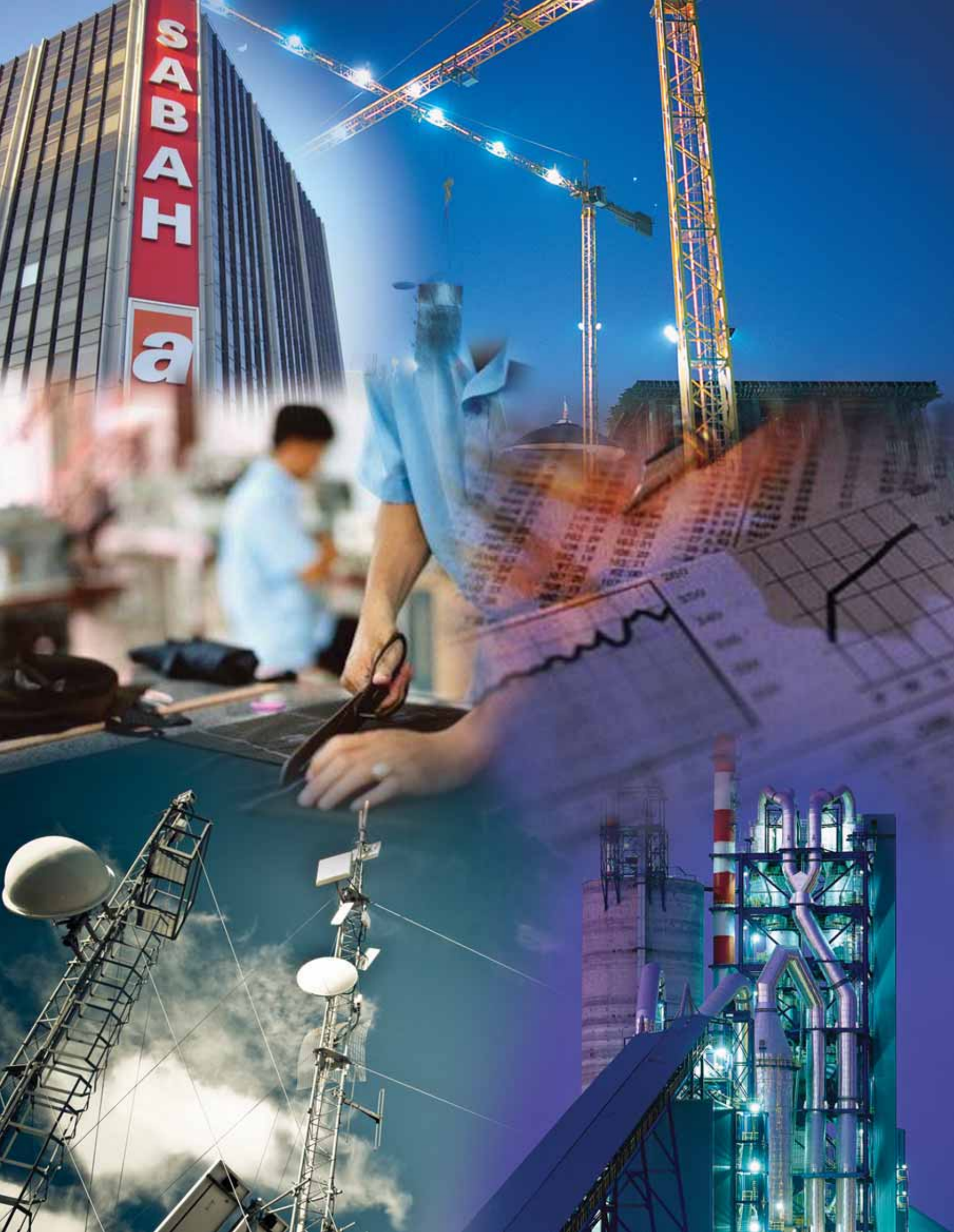
## **Telecom:**

### **An innovative and dynamic business shaped by people-centered technologies...**

Another of Çalık Holding's areas of operations is the telecom industry. Çalık Holding has consolidated all of its telecom projects under the CETEL identity and has built its strategies on being a strong player with its own infrastructure operating in Turkey and nearby markets.

At the focal point of this strategy are the acquisition of companies through privatization sales and the construction of broadband infrastructure for the provision of value-added services in suitable metropolitan areas. Acting on the basis of this strategy, in 2005, Çalık Holding entered the privatization tender for Albania's fixed line operator, Albtelecom and in September 2007, added the company to the Group. Today, Albtelecom is also the owner of Albania's third largest mobile operator, Eagle Mobile.

Committed to offering the highest quality telecom services at the most reasonable prices, both companies have a total of 540.871 subscribers.



SABAH  
a

NO	DATE	AMOUNT	REMARKS
1	2000	1000	...
2	2001	2000	...
3	2002	3000	...
4	2003	4000	...
5	2004	5000	...
6	2005	6000	...
7	2006	7000	...
8	2007	8000	...
9	2008	9000	...
10	2009	10000	...

ENERGY





## Energy

Çalık Holding, in keeping with the outstanding energy industry potential offered by Turkey and its surrounding geography, is committed to a strategy of expanding its operations in the energy arena. Çalık Holding's leading energy business company, Çalık Enerji, operates in two primary business lines: power systems and petroleum & natural gas.

## Sectoral Developments:

In 2009 and beyond, Turkey is slated to play a key role in solving the natural gas issue, which is a major source of insecurity for Europe. By doing so, it will play a crucial role in ushering in an era in which there is "borderless" access to energy and in the completion of the politico-economic and ultimately legal process necessary to make this possible.

It becomes eminently apparent that Turkey has become an indispensable actor in all east to west energy transport projects.

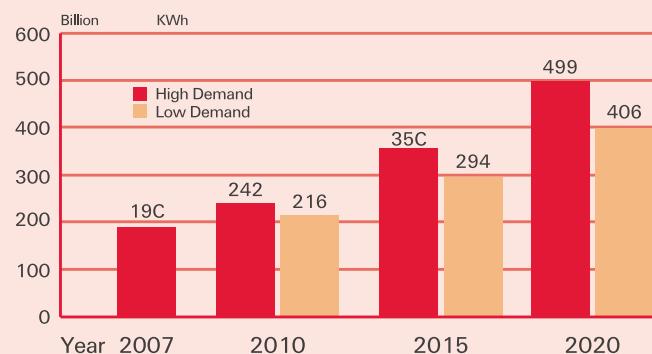
It is clear that, as of 2009, Turkey will pursue a more active foreign policy in the Middle East, which combined with the country's likely role as one of the active players in the Obama administration's efforts to restructure the Middle East, makes Turkey an even more strategic actor in terms of energy transit projects. From this point of view, during the next decade, the energy sector is one of paramount strategic importance for Turkey both in political and economic terms.

During 2008, the energy industry was one of the world's most controversial industries due both to the global crisis and political turmoil. The swift rise in petroleum prices came to an end as of the second half of 2008, as a consequence of the global slowdown and the weaker dollar that resulted from cuts in interest rates, and during the third quarter, global oil prices began a rapid retreat. Under pressure from contracting global demand, prices dropped as low as USD 35 per a barrel but are expected to recover to USD 50 per barrel levels in early 2009. The fall in petroleum prices to more reasonable levels will have a positive impact on Turkey's energy costs, but the country faces a shortfall in electric power generation and investment.

Turkey's energy policies are based on the strengthening of: resource diversification, identification of alternative sources of energy, increased regional cooperation, utilization of the energy resources in the Middle East and the Caspian and taking steps to see that these are transported via Turkey, ensuring the functioning and efficiency of the energy market within the framework of market regulations, increasing fuel flexibility, ensuring secure supply and continuity and enhancing demand management.

There has been a dramatic increase in the electricity consumption till the first half of 2008. The decrease in the last 7 months concerned private sector electricity producers. The electricity production which was 189.5 billion kW in 2007, increased only %4.2 and reached 198.1 billion kW in 2008. However, TEAŞ had estimated that the electricity production was supposed to rise %7.7 and reach 204 billion kW. Turkey's electricity consumption, in the years after 2001 crisis, experienced the least increase in 2002 with a rate of %4.5. The increase in the production was %6.5 in 2003, %6.3 in 2004, %7.2 in 2005, %8.3 in 2006 and %8.9 in 2007.

Between now and 2020, a total of USD 120 billion of investment will be made in electric power generation, transmission and distribution alone. In the fifteen years leading up to the Centennial of the Turkish Republic, the cumulative investments required by the energy sector total over USD 300 billion. Moreover, these investments must be made in a fashion that is correct, sustainable and effective. In terms of both quantity and quality, the government, as it stands today, cannot undertake these investments. Under these circumstances, rising energy prices over the next decade appears unavoidable. Allowing companies to produce their own energy within the framework of economies of scale is for reasons both of input costs and insufficient infrastructure, increasingly falling out of favor. On the basis of this point of view, in the coming years, Turkey must pursue an effective energy policy based on regional cooperation and through global energy partnerships must become a regional and global energy hub. The chart below shows that even in the low demand scenario the country's electric power requirement will multiply. According to the high-end scenario, by 2020, Turkey will have to invest in approximately 53,000 MW of capacity.



\*Source: Turkish Electricity Transmission Company





Within the framework of Turkey's energy initiatives, the Baku-Tbilisi-Ceyhan Oil Pipeline has gone into operation. In the near future, Kazakhstan's petroleum will also begin flowing into the BTC Pipeline and reach world markets by way of Turkey. This pipeline will have a capacity of 1,6 million barrels per day. Turkey will undertake other energy initiatives in 2009 and beyond. In conjunction with the problems being experienced in natural gas, work continues to make possible the transit of Iranian natural gas to Europe via Turkey.

In addition to this, one of the most important planned projects, one that will leave its mark on the energy industry in 2009 and beyond, is the single-country transit Samsun-Ceyhan Crude Oil Pipeline Project, which will transport oil from Kazakhstan's Tengiz field and also possibly from the Caspian to the Mediterranean. When the Samsun-Ceyhan Crude Oil Pipeline project is completed, efforts to create not only an east-west energy corridor but also a north-south energy corridor will have come to fruition. The realization of this ambition will make Ceyhan a "world energy hub" where energy prices are set.\*



### In conclusion:

The Turkish energy sector, in terms of both demand and supply, will continue to be at the center of the economic and political agenda for the foreseeable future. In this respect, it is of crucial importance that Turkey pursues an active foreign policy and plays a strategic role in the restructuring of the Middle East.

In conjunction with the acceleration of Turkey's EU membership candidacy, its influence in the Middle East and Caucasus will increase. The institutionalization of this influence should be one of the most important items on Turkey's agenda but will be highly controversial, because, as the recent attack by Israel has shown, Turkey will play a major role in the new Middle Eastern order. Turkey's ability to propose a road map to both Israel and Palestine and its central role in the negotiation of a ceasefire are the first indications of this growing influence.

In addition, Turkey is slated to play a key role in solving the natural gas issue which is a major source of insecurity for Europe and also in the establishment of an era in which there is "borderless" access to energy and in the completion of the politico-economic and ultimately legal process necessary to make this possible.

It becomes eminently apparent that Turkey has become an indispensable actor in all east to west energy transport projects.

It is possible to say that this year and within the coming several years, there will not be a "serious" crisis in Turkey capable of upsetting the current state of affairs.

However, within this same time frame, it is projected that there will be widespread corporate mergers and acquisitions; that Turkey will experience sectoral concentration and that the country will undergo a major transformation. We will enter a period in which regional inequalities are reduced and which investments from the Asia-Pacific region increase. It is not a forecast but rather a fact to say that, with the end of the crisis, venture capital companies and global capital will funnel their resources into investments in Eastern Europe and Turkey. For Turkey, the concepts of state and security, which are currently experiencing rapid change, will, after this transformation, be one of the most important dynamics for renewal.

\*Source: Minister of Energy and Natural Resources, Dr. Hilmi Güler's address to the Turkish Parliament during the presentation of the Ministry's budget, December 2008.





### Areas of Operation:

Çalık Enerji is the group's company operating in the energy business. Founded in 1998, Çalık Enerji has two core areas of operation:

- Power Systems
- Oil and Natural Gas

### Power Systems

The company's operations in the field of power systems fall under the main headings of: electric power generation, distribution, trading and contracting services.

The company's electric power generation activities are focused on project development and the realization of projects once they have received licenses from the Energy Market Regulatory Authority (EMRA); however, expansion of its generation portfolio with power plants acquired through the privatization of state-owned power plants is also an important objective.

Çalık Enerji's operations in electric power distribution began in 1997 with the founding of GAP EDAS and have continued in parallel with Turkey's progress in the privatization of electricity distribution. Privatization of electricity distribution began in 2006 and will continue in 2009. The privatization process has been initiated in only five out of 21 total distribution regions. In conjunction with its partners, Çalık Enerji continues its efforts to acquire two or possibly three distribution regions through the privatization process.

Turkmen's Golden Century Electric Energy Wholesaling, Inc. was established for the purpose of conducting wholesale of electric power. Due to prevailing market conditions, this company is currently focused on the import and export of electric power, and its efforts to import electricity from neighboring countries, foremost among them Georgia and Turkmenistan, continue.

The company offers an extensive portfolio of services including contracting services for power generation and transmission projects and in industrial projects engineering, logistics, construction, operation and maintenance and repair services.



## Projects:

Çalık Enerji, on the basis of the know-how, experience and superior human resources it has acquired in the course of its operations to date is making confident progress toward becoming an influential and respected regional player in the areas of electric power generation and transmission.

A license has been secured from the EMRA for the 29 MW Adacami Hydroelectric Plant (HEP) and construction of the plant is slated to begin in 2009. Additionally, licensing procedures are currently underway for other hydroelectric power projects including the Kızkayaş HEP (130 MW), the Aksu HEP (130 MW), the Düzhanlar HEP (10 MW), the Topaktaş HEP (7 MW), the Kocali HEP (60 MW), as well as the Kırıkkale combined cycle power plant (800 MW).

Çalık Enerji has purchased the nearby lignite reserves prior to the construction of a 170 MW thermal power plant in Çankırı Orta and is continuing with engineering studies for the project, which will employ environmentally friendly fluidized bed boiler technology.

A feasibility report for the operation of a coalmine with production capacity of 2.5 million tons per year and the operation of a 170 MW thermal power plant was prepared on the basis of studies conducted by the VATENFALL and PÖYRY companies at the Çankırı-Orta Coal Field. A positive Environmental Impact Assessment Report and an Electricity Production License were received in September 2007. Virtually all permits and authorizations regarding the mining operation and construction of the power plant have been obtained and tendering negotiations with producer companies are continuing.

There are also plans to construct a 160 MW thermal power plant at the Yatağan Turgut Coal Field, an exploration license for which was obtained in August 2006. To this end, work is underway for the preparation of a project for the feasibility and operation of the coal deposit and also for the securing of an Environmental Impact Assessment report.

Çalık Wind Energy Electric Power Generation Ltd. has received licenses and begun the production phase of for two projects, the Sarpıncık Wind Farm (32 MW) in the Çeşme region near Izmir and the Demircili Wind Farm (40 MW).

Regarding the Çankırı - Orta coalfield, the permit for which was received in 2005, the investment phase was begun in 2006, and virtually all permits and authorizations regarding the mining operation and construction of the power plant have been obtained and tendering negotiations with producer companies are continuing.

## To date in Turkmenistan

All electric power plants constructed in Turkmenistan since 2002 have been built by Çalık Enerji.

Within the scope of these projects, a total of five electric power plants with a combined installed capacity of 870 MW have been completed on a turn-key basis and put into operation: the Turkmenbashi Refinery Power Plant (126 MW), the Abadan Power Plant (123 MW), the Balkanabat Power Plant (126 MW), the Ashgabat Power Plant (123 MW) and the Dashoguz Power Plant (254.2 MW).

The Balkanabat 2 Power Plant (254 MW) is scheduled to be completed and brought online in 2009. In addition, under the terms of long-term Maintenance & Repair Contracts Çalık Enerji provides maintenance and repair services for the power plants it builds.





## Oil and Natural Gas

Çalık Enerji is active in oil and natural gas exploration, extraction, transportation and distribution.

### The Thracian Petroleum Region Basin and Muratlı Natural Gas Exploration Licenses;

The Thracian Basin has sediment deposits descending to nearly 10,000 meters and, on the basis of gas exploration activities conducted to date, ranks first among attractive regions for hydrocarbons exploration.

Çalık Enerji acquired a stake in the Muratlı and Basin Exploration Licenses through a transfer of 50% of the shares in Maya Petroleum on September 11, 2006. Within the scope of these two licenses, field geological studies were conducted, a total of 5,200 samples were collected and geochemical studies were conducted and evaluated and, in addition, old 2D and 3D seismic data was acquired from the General Directorate of Petroleum Affairs (GDPA) and interpreted, and, for the Muratlı license, 70 kilometers of seismic lines were laid and the results interpreted. As a result of these studies potential prospects were identified within both license areas and in 2008 one exploratory well was drilled in the Muratlı license, where natural gas was discovered. Development of the field will continue in 2009 with the drilling of new wells. Also in 2009, 3D seismic surveys will be conducted at the Basin license and an exploration well will be drilled.

### Erzurum-Ağrı Petroleum Exploration Licenses

On the basis of applications made to the GDPA in 2006, 2007 and 2008, 13 oil exploration licenses were received for exploration in the Erzurum and Ağrı petroleum region. In 2008, field geology studies in the license areas were completed and 2D seismic data for earlier studies conducted in the region were obtained from the GDPA and evaluated. On the basis of these studies and evaluations, three prospects were identified in the license area. In 2009, the company plans to drill one exploratory well. In addition, the licenses were farmed-out in 2008 and negotiations are continuing with several international companies.

### Adana Petroleum Exploration License

The region's geological literature has been reviewed and geological information regarding the region has been collected. Previous 2D seismic survey data and information regarding old wells on the license and in its vicinity were obtained from the GDPA and studies were begun. Geological studies and evaluation of the seismic data will continue in 2009.

### Gaziantep Petroleum Exploration Licenses

Four petroleum exploration licenses were acquired in 2008 for the eastern portion of the Kilis district of Gaziantep Province and the southern portion of the Birecik district of Urfa Province, both extending to the Syrian border. Previous 2D seismic survey data and information regarding old wells on the license were obtained from the GDPA and data collection and evaluation studies regarding these were begun. In 2009, the company plans to lay 250 kilometers of new seismic lines.



### **Diyarbakır-Bismil Petroleum Exploration License**

Two petroleum exploration licenses were acquired for the southern portion of the Bismil district of Diyarbakır Province in December 2008. The discovery of oil in wells in Southeast Anatolia targeting the Paleozoic strata makes our licenses extremely important from the point of view of hydrocarbon potential. The old 2D seismic data pertaining to these licenses were obtained from the GDPA and reprocessed and evaluated. In April 2009, the company plans to lay 80 kilometers of new 2D seismic lines. By evaluating the combination of old and new seismic data, the location for an exploratory well will be determined and in July the drilling of a Paleozoic targeted well approximately 2,700 meters deep will begin.

### **Tuzgölü Underground Natural Gas Storage Project**

Due to population growth and increasing industrialization, Turkey's demand for natural gas is growing on an almost daily basis. When one takes into account the fact that domestic production of natural gas accounts for just 3% of consumption and that this portion will continue to decrease as consumption rises, underground natural gas storage will take on even greater importance in the future.

Turkey has only one underground natural gas storage facility, owned by the Turkish Petroleum Corporation (TPC), which has a capacity of 1.6 billion m<sup>3</sup>, equivalent to just 4% of the country's annual consumption. In addition to this, there is another natural gas storage project, belonging to BOTAŞ, with a capacity of 1 billion m<sup>3</sup> that is expected to go into operation in 8 - 10 years. Even when this storage facility goes into operation, total storage capacity will still be equivalent to only 6% of Turkey's annual consumption.

The minimum reserve ratio required of member countries by the European Union is 10%. In some European countries like Austria, this ratio is as high as 30%.

For this reason, our company has begun work on a project for a 1.4 billion m<sup>3</sup> underground natural gas storage facility in the Tuz Gölü basin. Preliminary engineering studies for the project were undertaken by Universal EnSCO, Inc. with support from the US Trade and Development Agency (USTDA). The Environmental Impact Assessment Report and economic evaluation studies for the project are expected to be completed in 2009.

### **International Exploration/Extraction Projects**

The Oil & Gas Division of Çalık Enerji is evaluating a range of opportunities as it works to develop oil and natural gas projects in Iraq, Kazakhstan, Afghanistan, Sudan, Egypt, Russia, Syria, Uzbekistan and Turkmenistan. Within these, the focus is on projects that create added value and business development activities continue within this framework.

Another of this Division's important objectives is to be the leading company in the safe and rapid transport of hydrocarbons from the fields that it owns or in which it holds a partnership stake to international markets.

### **Turkmenistan Petroleum Field Services**

Since 2003, Çalık Enerji has undertaken IMP (Integrated Project Management) projects in Turkmenistan. The company began IMP operations with the signing of an agreement with the Turkmen Oil Ministry for the drilling of 19 high-heat, high-pressure deep wells in 2003. In 2006, when the company successfully finished the project, it had completed a total of 61,622 meters of drilling. Upon the successful conclusion of this project, in 2007 the Turkmen Oil Ministry signed a second contract with the company for 12 wells. As of year-end 2008, a total of 29,000 meters of drilling had been done and drilling for six wells had been completed, with drilling for three wells remaining in progress.

Çalık Enerji provides the following services within the scope of the IPM project:

- Drilling rig procurement and operation
- Planning and programming of wells to be drilled
- Procurement of drilling equipment
- Procurement of drilling mud chemicals and mud programming
- Provision of services related to the project
- Construction and operation of camp and materials warehouses
- Provision of advisory services to the Turkmen Oil Ministry on a range of subjects

Starting in 2009, the company plans to expand both its area of operations and the range of services it provides.



## A project of major strategic importance:

### The Samsun - Ceyhan Crude Oil Pipeline

The Samsun-Ceyhan Crude Oil Pipeline Project, which was developed by Çalık Enerji and is being undertaken in partnership with the Italian state oil company, Eni, is a project with major strategic significance for Turkey and the surrounding region. The factors that make this project of crucial strategic importance for Turkey are:

- The safe transportation of Russian and Kazakh crude from the Black Sea to Ceyhan, an important trading center on the Mediterranean coast.
- The reduction of traffic in the Turkish straits to safer and more manageable levels, minimizing the risks to which an important ecosystem is and could be exposed to.

Çalık Enerji has been working on technical and commercial studies for the project since 2003. On March 31, 2004, it applied for a license from the General Directorate of Petroleum Affairs of the Ministry of Energy and Natural Resources.

Çalık Enerji received a pipeline construction and operation license in June 2006, following which Çalık Enerji established TAPCO Petroleum Pipeline Industry and Trade, Inc. to operate the project and transferred its license to this company. On September 15, 2006, Çalık Enerji made the Italian national oil company, Eni, its partner in the project by transferring 50% of its shares in TAPCO to Eni. As of this date both companies are equal partners in the project.

Detailed feasibility and engineering studies for the project, which are being conducted by Snamprogetti, are approaching completion.

Negotiations with international financial institutions and major investors are continuing regarding the usage of the pipeline. The project consortium is expected to make final investment decision at the end of 2009 or the beginning of 2010.

Çalık Enerji is developing the project as an investor and operator, and the project is supported by both Turkish and Italian official bodies, as well as international suppliers, investors and environmental organizations.

## A New Energy Trading Hub:

### The Ceyhan Refinery and Petrochemicals Complex Project

Çalık Enerji is targeting the construction of a refinery and petrochemicals facility in the Ceyhan region that processes the petroleum transported to the region by the pipeline and supplies the domestic and Mediterranean markets.

Eastern Mediterranean Petrochemicals Refining and Industry and Trade, Inc. (EMPRIT) a subsidiary of Çalık Enerji was established to undertake this project.

### Eastern Mediterranean Petrochemicals Refining and Industry and Trade, Inc.

EMPRIT's license application was accepted by the EMRA on June 8, 2007. EMPRIT received an "Environmental Impact Assessment Certificate of Conformity" from the Ministry of Environment and Forestry on November 11, 2007, on December 6, 2007, following which the EMRA awarded the company a "Refining License".

This project, which is being closely watched by major financial institutions, has received expressions of interest from major petroleum companies from Europe, the Middle East and the Caspian region. Following the establishment of a consortium and the completion of engineering studies in 2009, the company foresees beginning construction in 2010.

### Expanding Horizons

On the basis of its reference projects, major international partnerships and ability to secure financing, Çalık Enerji is evaluating opportunities to expand its oil and natural gas operations. In this scope, projects under consideration include:

- Natural gas import, trading and storage
- Crude oil and petroleum products storage and trading
- New petroleum and natural gas transport and processing projects that, from a strategic and economic perspective, build on and complement the crude oil pipeline project

Çalık Enerji, on the basis of the know-how, experience and superior human resources it has acquired in the petroleum industry in the areas of drilling, extraction, transportation and marketing and as a result of the operations it has completed to date, is making confident progress toward becoming an influential and respected regional petroleum company.

## Trade Coordinator

The Trade Coordinator, established as part of Çalık Enerji in 2007, is responsible for handling marketing, which is the most important function in the sector. It is responsible for the sale of petroleum products owned by the Group or that have been acquired on the behalf of customers. Additionally, it conducts Research & Development activities in a range of regions as part of its efforts to identify new markets. Along with this, it constantly monitors and analyzes the world petroleum markets and sets strategies for the Group.

The Trade Coordinator operates in an extensive geography. Its primary function is to manage the sales of products sourced from refineries in Central Asia, the Balkans and the Middle East with which it has established sourcing agreements.

The countries in which the Trade coordinator operates most extensively are: Turkmenistan, Uzbekistan, Kazakhstan, Kyrgyzstan, Tajikistan, Azerbaijan and Afghanistan in Central Asia; Macedonia, Albania and Kosovo in the Balkans; Iraq, Kuwait and the UAE in the Middle East.

One of the Trade Coordinator's most important projects will be managing the sale of the petroleum and petroleum products produced by the refinery to be established in Ceyhan following the completion of the Samsun-Ceyhan Pipeline project.



## Bursagaz

The city of Bursa, with potential annual natural gas consumption of 4 billion m<sup>3</sup>, has a population of 2 million and is one of Turkey's most important manufacturing centers. Bursagaz, which provides natural gas distribution in Bursa, achieved a first in Turkey's natural gas industry, when it established a strategic partnership with the German energy company EWE, which acquired an 80% stake in the company.

Bursagaz has made a name for itself with innovative initiatives, many which have never before been implemented in Turkey. Among the groundbreaking applications Bursagaz has brought to the industry are: Bursagaz was the first private sector company in Turkey to use e-signatures; to provide online insurance; to introduce the ZetaCad project, which allows natural gas installers to receive online approval for their engineering projects; to introduce the "At Home Contract", which allows subscribers to sign their subscription contracts in the comfort of their own homes; to introduce Company Ratings, which allow new subscribers to select the most reliable natural gas installer; to offer residential subscribers the Solution Point Line; and also to introduce the Industrial Services Line for industrial subscribers, as well as to provide 24/7 Natural Gas In-home Assistance.

To contribute to Bursa's social and cultural quality of life, in 2008, Bursagaz began production and distribution of the monthly "Blue and Green Magazine", bringing a fresh new voice to the social and cultural lives of Bursa residents.

As a result of its uninterrupted investment program, natural gas availability has risen from 35% to 95% and the subscriber rolls, which stood at 288,885 when Çalık Enerji acquired the company, had grown to 649,862 as of year-end 2008.

Another of the company's achievements has been the increase in natural gas penetration, which was 36.73% in 2004 but as of 2008, rose to 74.28% with natural gas sales of 1,453,109,141 m<sup>3</sup>.

Thanks to all of these efforts, customer satisfaction, which was just 54% in 2003, reached 89% in 2008.

Bursagaz is committed to continuous change and improvement as part of its objective of being an innovative, world-class natural gas distribution company and has made great strides toward integrating quality business practices and corporate responsibility into every facet of its operations. As part of this process, the company began applying the EFQM Excellence Model and in 2006 won the Turkish Quality Association, KalDer's Bursa Quality Grand Prize, an achievement especially noteworthy since the award had not been given for eight years due to lack of qualified applicants. Building on this success, in 2008 Bursagaz proved its achievements in the international arena, winning First Prize in the **EFQM Excellence Awards**.

## Kayserigaz

Shortly after Çalık Holding took over natural gas distribution in Kayseri in April 2007, Kayserigaz rapidly completed its infrastructure projects and through effective marketing increased its subscriber rolls by 100%. Simultaneously, it implemented major IT projects, as it began operating in accordance with Çalık Holding standards, and the speed with which Kayserigaz was able to bring itself into conformity with these standards was noteworthy.

Kayserigaz is committed to being a world-class company, and its dedication to this principle transformed it into one of Turkey's best-managed private sector natural gas distribution companies. This transformation attracted the attention EWE AG, one of Germany's largest energy companies, which joined forces with Çalık Enerji, becoming a partner in Kayserigaz.

Kayserigaz, which is responsible for natural gas transmission and distribution in Kayseri Province, after its acquisition by Çalık Holding in April 2007, made infrastructure investments of USD 12.5 million that year and USD 14.2 million in 2008, keeping the promises it had made and proudly completing the investments it was required to make in five years under the terms of the EMRA tender ahead of schedule.

The investments Kayserigaz made in 2007 include 22 kilometers of steel line, 281 kilometers of PE main line and 67 kilometers of service line, bringing natural gas to 38 neighborhoods in the Kayseri city center. In 2008, the company installed 39 kilometers of steel line, 240 kilometers of PE line and 95 kilometers of service line and also installed 6,000 service boxes. As a result of these investments, the natural gas distribution network was expanded by 94% from 881.5 kilometers to 1,716 kilometers and natural gas became available in all zoned districts of Kayseri.

With the completion of these infrastructure projects, the company fulfilled its infrastructure investment plan for 2008 but, rather than rest on its laurels, it moved forward by two years investments in natural gas infrastructure in the İncesu district of Kayseri province, which were officially scheduled for 2010.





Kayserigaz, in keeping with its slogan, "At peace with Green and friends with Blue, for a cleaner Kayseri..." and its objective of ensuring that all of Kayseri has access to natural gas, launched promotional campaigns in the March - April period, with the "0 kilometer Campaign" achieving record levels of participation. 35,104 more Kayseri residents began enjoying the comfort and convenience of natural gas, and, as of June 2008, new subscriptions were up 163% over the same period in the previous year.

As part of the "System Conversion Campaign" 19,870 new subscribers converted their heating systems to natural gas and began experiencing the advantages of the most economical, comfortable and environmentally friendly fuel.

As of year-end 2008, Kayserigaz had earned the distinction of increasing its subscriber rolls by 120% from 100,058 to 220,568 in just 20 months.

In 2008, Kayserigaz achieved a total natural gas volume of 531 million m<sup>3</sup>, selling 185 million m<sup>3</sup> and transporting a further 346 million m<sup>3</sup>.

As part of Kayserigaz's SAP implementation project, the first phase, including the General Accounting, Fixed Assets, Cash Management, Cost Center Accounting, Human Resources, Material Management, Maintenance and Repair, Quality Management and Sales and Distribution modules, was brought online in January 2008.

The second phase of the SAP implementation, which has also been brought online, includes the Energy Distribution, Contract Accounting (Subscriber Management) and Internal System modules, as well as the IS-U and FI-CA modules. This is the first implementation of its kind to be completed and activated in Turkey. It is also significant because it is a SAP project that has full GIS (Geographic Information Systems) integration, another first in Turkey.

As a result of Kayserigaz's successful endeavors in 2007 and 2008, the company will continue to achieve its objectives and strengthen its corporate structure in order to be able to provide Kayseri with even better service.

## **Naturelgaz, Inc.**

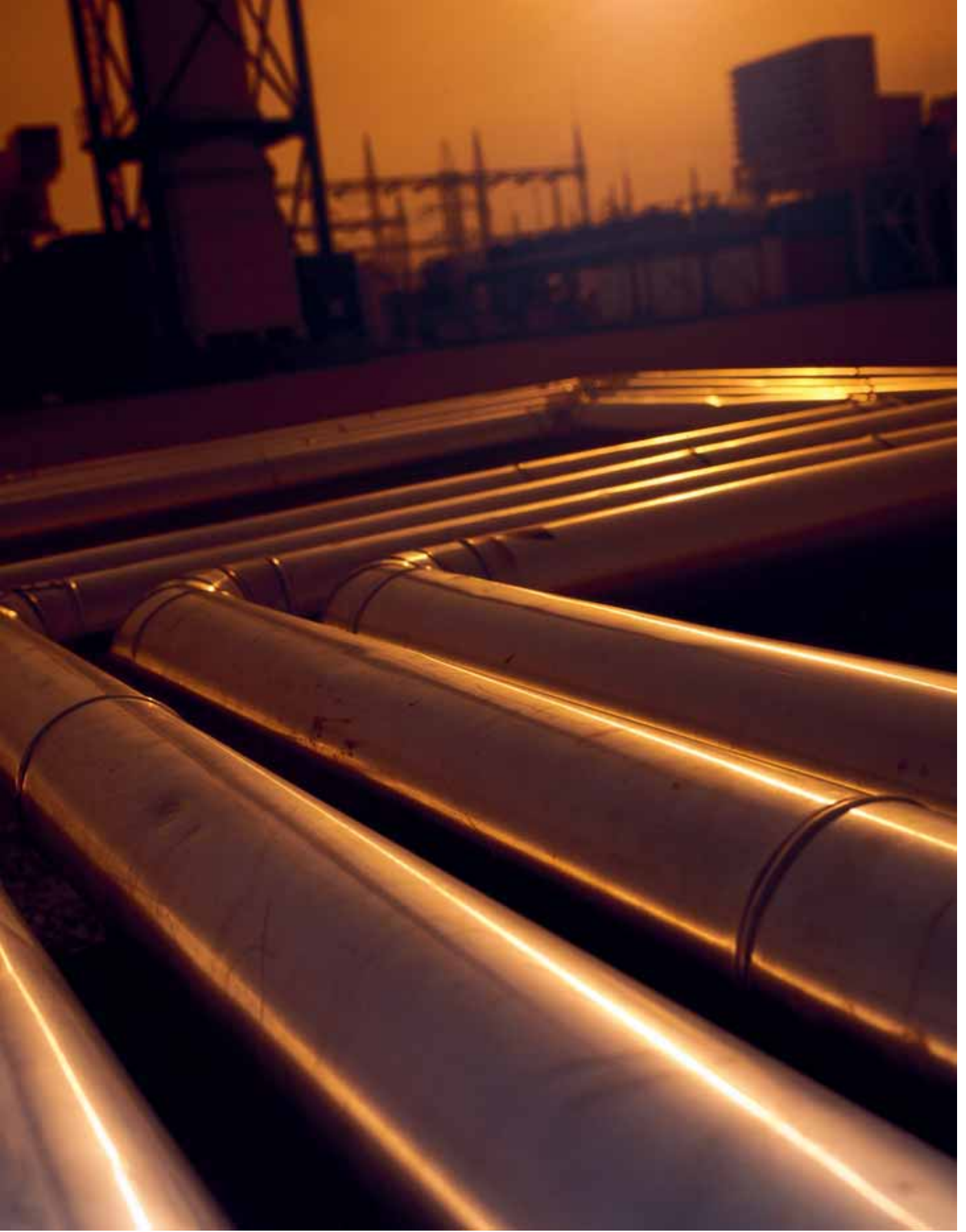
Within the framework of its natural gas distribution activities, Çalık Holding established Naturelgaz, Inc., which will operate in the CNG (Condensed Natural Gas) industry, with a 50% participation.

Naturelgaz will provide pipeless delivery of natural gas to the user's doorstep. Naturelgaz will be the first company in Turkey to offer a European-standard CNG system, providing economical, reliable, clean-burning natural gas compressed into stock units that meet TSE and European norms and have received an ATR Free Movement Document. These stock units operate on the "Swap" system employed in Europe and other developed nations, allowing natural gas to be transported by road to areas not benefiting from pipeline service. Naturelgaz's CNG system is suitable for all energy applications and meets a wide range of natural gas needs, from major manufacturing facilities to small businesses and auto gas, from housing estates to villas, from hotels to rest stops and from generators to forklifts. Naturelgaz's fleet of 20 vehicles serves 302 medium and large manufacturing companies in the provinces of Bursa, Sakarya and Izmir and their environs. The company increased its sales from 9 million m<sup>3</sup> in 2007 to 15 million m<sup>3</sup> in 2008 and will further increase its sales in parallel with the expansion of the dealer network it is building and the growth in its customer numbers.

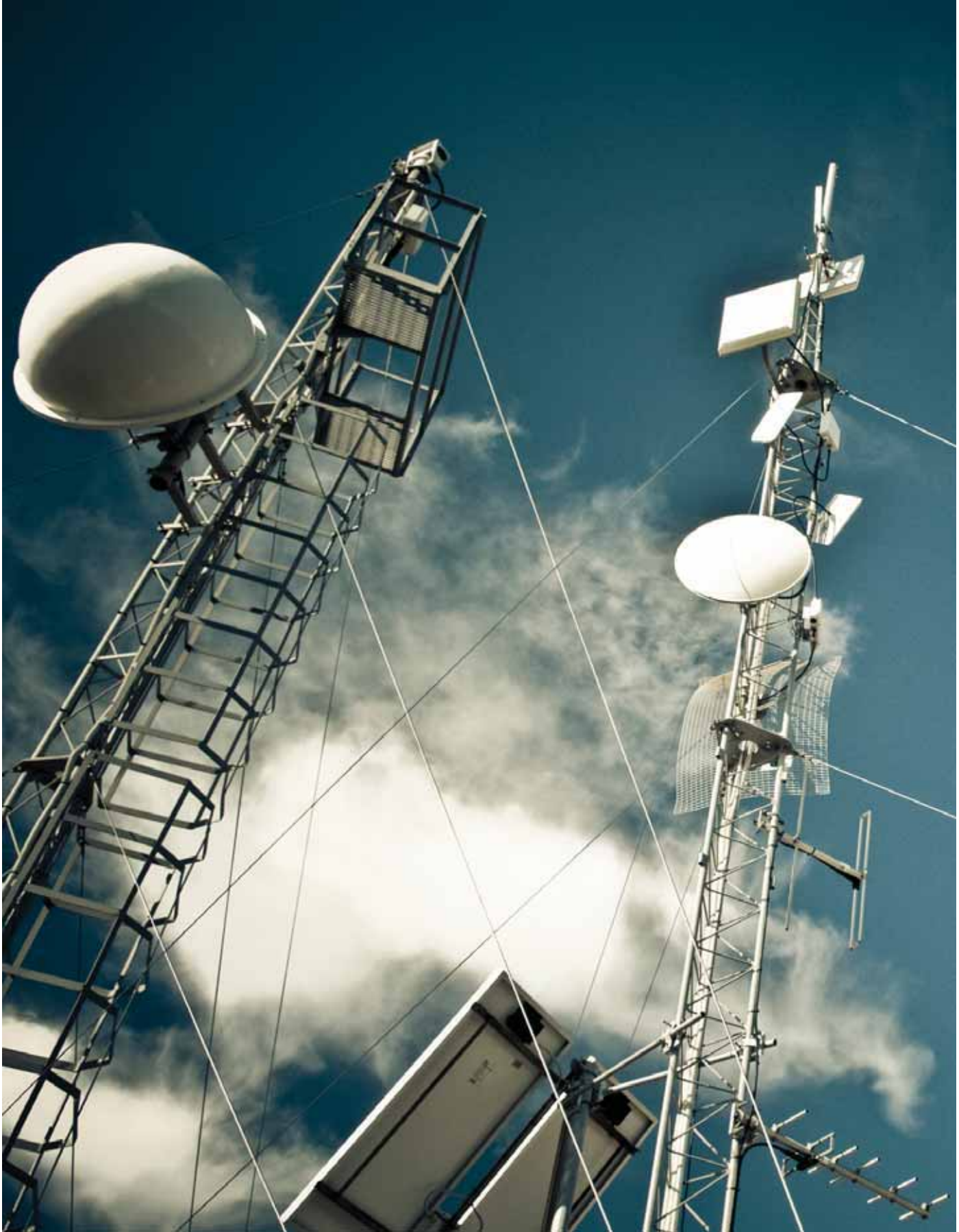
Naturelgaz, through its partnership with international companies, is bringing the latest developed-world CNG techniques and equipment to Turkey, generating a valuable know-how transfer and, by offering vehicle conversions, also expanding the market range.

Naturelgaz is the first and only company in Turkey to offer the full range of European-quality CNG services from vehicle conversion to natural gas sourcing, including installation, workshop, service, maintenance and transportation all under one roof.





TELECOM





## **Telecom**

Çalık Holding, in keeping with its vision of being a powerful regional power, will continue to strengthen its position and build its brand through new investments in Albania's promising and rapidly growing telecom market.



## Sectoral Developments

The telecom industry, despite the 2008 global economic downturn, remains a sector offering growth and strong future prospects. The rapid growth in mobile networks and access and the new opportunities available in mobile communication put niche products and services at center stage and, despite the economic crisis, user demand for these products has not declined. For this reason, our Group sees telecom as an important area for investment both in Turkey and in Europe, as well as the gradually opening markets of the Middle East and for this reason is increasing its interest and involvement in the sector.

With the privatization of the telecom industry in Turkey, emphasis has shifted to providing better quality at a more reasonable price, which has led operators to begin offering bundled services and also to increase their investment expenditures. The telecom industry, both in Turkey and regionally, is increasingly becoming intertwined with the media industry, and will in the near future offer consumers and increasingly broad range of options and solutions. For this reason, competition in the sector both in Turkey and regionally is expected to continue to intensify in the coming years.

As of year-end 2008 there were 17,5 million public switched telephone network (PSTN) access lines in Turkey, but by the end of the first quarter of 2009, this number had declined to 17.7 million, for a per capita PSTN penetration rate of 24%. Türk Telekom PSTN access lines capacity is nearly 21,2 millions of subscribers.

As a result of the privatization of Türk Telekom; local, long-distance and international calls were opened to competition. On the basis of the constructive competition in the sector, the sector's innovative structure and its dynamics, the market will grow geometrically, and we can say that this rising competition is benefiting and will continue to benefit the consumer in the form of cheaper, higher quality and more comprehensive services.

From this point of view, R&D investments and expenditures in the sector are increasing every year. One of the key factors determining countries' level of development is their international competitive position. For this reason, countries focus on increasing their competitiveness in order to acquire a greater share of the international market. According to the Global Competitiveness Report published by the World Economic Forum, one of the three fundamental factors determining competitive strength is technological readiness.

In order for a developing country like Turkey to be able to compete effectively in the global market and to join the ranks of the developed nations, it must develop its ability to produce technological innovation and, in order to do this, it must increase its investments in research and development. Countries that invest 2% or more of their Gross Domestic Product (GDP) in R&D are defined as developed nations. Turkey is committed to increasing investments in R&D in the telecom sector and, within the scope of the 9th Development Plan, has targeted increasing cumulative investments in all sectors to over 2% of GDP.

In accordance with the directive issued on November 20, 2008, it has been announced that the local telephone market will be opened up to competition, and the process of opening the market to competition is expected to be completed within the first half of 2009. In the event of such a step, it is likely that the mobile operators, who are already players in the local calling market, will be the source of even further intensified competition.

## Internet Access

Turkey, which had a broadband penetration rate of 25% in 2007, ranked behind many European countries. Along with this, personal computer penetration in Turkey was 9% in 2007, as compared to 72% in the UK and 26% in Hungary. Since increased Internet usage is dependent on increased computer usage, the rising trend in computer usage and ownership in Turkey generates opportunities for the broadband market. With the shift from dial-up and cable connections to ADSL, ADSL became the leading method of accessing the Internet in Turkey, which as of the end of their first quarter of 2009, had 6 million ADSL users.

Thanks to the young population, 18 million students potential, economic expectations are developing and changing, which is a great sign to the rapid increase of the broadband penetration. According to the DPT report, in 2013, the outstanding 6 million ADSL subscribers will reach to 11 million.

Mobile Number Portability (MNP) went into effect on November 9, 2008, and this step is expected to significantly intensify free competition in the market.

Although, in the telecom sector main source of profit or severe competition is still voice oriented, with the widely use of broadband technologies like fiber,3G,Wi-Max; the competition started to shift to voice, data and visual combined broadband services.

Until the last period, mobile and fixed operators were only competing with the ones in their own market; however, mobile operators started to enter fixed operator market and fixed operators started to enter mobile operator market. In other words, mobile operators try to enter houses and fixed operators try to reach outside of home.

Public institutions, especially due to the effects of global crisis, in order to reduce public expenditure and to give higher quality, faster and lower cost services, should accelerate their technological investments necessarily.

When the current situation about the points expressed above and the service expectations taken into account, it seems that a very long road should be gone in the content or the value-added services in telecom sector. Therefore, it is obvious that telecom sector is one of the attractive areas to invest.



## The History of Albtelecom

The founding of Albtelecom dates back to 1912, the first date at which telegraphs and telephones could be used in an organized fashion. In 1999 the company was converted into a corporation and since then has been known as Albtelecom. On October 1, 2007, upon the completion of the privatization process, 76% of the shares of Albtelecom were transferred to CETEL, Inc., a Çalık Holding subsidiary.

## Albtelecom Profile

Albtelecom is Albania's largest fixed-line operator and internet service provider. It is the leader in the fixed-line market and has an infrastructure network that allows it to provide service in all urbanized regions of the country, making it the only fixed-line service operator with effective market strength.

As of December 2008, the company had 41 branches in 13 regions, 92 points of sale, 306 buildings and 1,215 payphones and served 265,100 fixed-line, 18,010 ADSL, 20,800 dial-up and 820 dataline subscribers. At the same time, the company has a total of 773,570 network lines, consisting of 313,080 exchange lines, 356,840 trunk lines and 416,730 local subscriber lines. With 44,600 ADSL ports, Albtelecom has 620 kilometers of fiber optic lines. In addition, Albtelecom also has 17 total 155 mbps, 26 total 34 mbps and 32 total 8 mbps radio link systems.

## Albtelecom's primary strategy and objectives are:

- To increase the company's profitability and market value
- To be the regional leader and most effective operator
- To reach 60% of the population of Albania via its new telephone and internet infrastructure
- To improve the performance and service quality of its existing infrastructure
- To increase national and international traffic volumes
- To offer new value-added services
- To make its operations customer and competition-focused

### Albtelecom operations in 2008

In the ISP market, Albtelecom, which had 1.500 ADSL subscribers as of August 2008, increased its subscriber base by almost 20 times to 18.010 as of December 2008, taking the lead in this crucial market segment.

By shifting openings in its network and exchange line capacities, Albtelecom opened up 4.500 lines, of which 2.750 (61%) were issued to subscribers from December 1st - 21st. Revenue generated on every 10.000 new fixed line subscribers (based on distribution of 90% residential, 10% commercial), from monthly subscribers fees and typical monthly talk-time billing, averages 1,45 million euros annually, excluding taxes.

The Ministry of National Education opened a tender to bring internet access to 100 primary and middle schools across Albania, and Albtelecom made the best offer winning the school internet project tender. The company has participated in every telecom service tender opened by a governmental organization since August, 2008 and, thus far, has won all the tenders whose results have been announced. These include: Construction of data infrastructure for the FFZM cooperatives under the authority of the Ministry of Agriculture; provision of internet and data infrastructure services for the Ministry of Finance and all its affiliated units; provision of internet and ISDN services to the Ministry of Internal Affairs; provision of internet and data infrastructure services for the Central Bank and its affiliated units; provision of ISP services to the Albanian State News Agency; provision of ISP services to the International Organization for Migration; provision of internet and data infrastructure for the postal system and all its affiliated units.

Since August 2008 Albtelecom has also signed contracts to provide data service to Sigal, Albania's largest insurance company; with BINDI, the second largest data service operator after Albtelecom, for the provision of data infrastructure; with BKT Bank for the provision of data services to several of its branches; with Eagle Mobile for transmission infrastructure; and contracts also have been signed or will shortly be signed with a large number of small- and medium-sized enterprises or the provision of data services.

International traffic rose by 14% from 24.9 million euros in 2007 to 28,4 million euros in 2008.

Optimization and balancing initiatives allowed the company to generate 23,3% savings on its outbound international traffic.

In November 2008, the company signed international traffic agreements with Telecom Italia Wind and Deutsche Telecom, and Albtelecom and Deutsche Telecom have begun sending one another reciprocal traffic.





In November 2008, as a result of the adjustments made to the rates for international call termination in Tirana, monthly traffic doubled, generating an 18% increase in income.

In July 2008, as a result of negotiations with Telecom Italia, the company increased its total IP capacity four-fold without any change to the fees it pays for use of international internet backbone capacity. In September 2008, for the first time in its history, Albtelecom sold IP capacity, providing internet capacity to Kosovo.

In October and November 2008, respectively, Albtelecom was accepted as a member of two major international organizations: Clearcom and ETNO.

As a result of the implementation of the new electronic communication law in September 2008, the Reference Interconnect Offer (RIO), which Albtelecom must sign with other operators has been prepared and is awaiting approval by the Albanian Electronic and Postal Communications Authority (AEPC).

By reducing the number of intermediate connection points spread across Albania to two main exchange points located in Tirana and Durrës, control of traffic with alternative operators has been secured.

Following the signing of a loan agreement with the EBRD and the BSTDB, in coordination with the supervisors of the relevant departments of Çalik Holding and the parties in Albania, the loans secured from these banks were successfully tapped in June 2008.

To evaluate requests and complaints from our consumer and corporate customers and also to deal promptly with outages or possible losses, the hardware and software infrastructure of an automation system was established.

In order to take action against the black market in phone cards and prevent the accumulation of unfair profits, phone cards were distributed nationwide.

A data processing system was developed to ensure better usage of records and services as well as ensure that bills are drawn up in accordance with subscriber agreements.

In order to provide its customers with higher quality service, the projects that will be Albtelecom's priorities for 2009 are: Establishment of a Call Center and CRM (Customer Relationship Management) system, Pre-paid Card Service, Ringback Tone, Added-Value Internet, Wi-Fi Hot Spots, Points of Sale and Distribution Channels, Public Service Projects, Multimedia Telephones and Kiosks, Wireless and CLIP-CLIR telephony and Expansion of Collection Channels.

On the basis of its strategies, projects of secondary importance planned for 2009 include: E-government, E-billing, School Internet, International Traffic Maximization, SAP, Data WAN and LAN, Infrastructure and Real Estate Registration, Building Maintenance and Repair, Duplicate Number Usage, Corporate Culture and Identity Enhancement and Risk and Strategy Analysis.







### Albania's GSM operator: Eagle Mobile

The Albanian GSM operator Eagle Mobile, like fixed-line operator Albtelecom, is owned by the CT Telekom partnership, formed by Çalık Holding's communication and IT systems company, CETEL, and Türk Telekom.

Following a record-fast start up period of just six months, Eagle Mobile went into operation in March 2008 with a network of approximately 300 base stations across Albania.

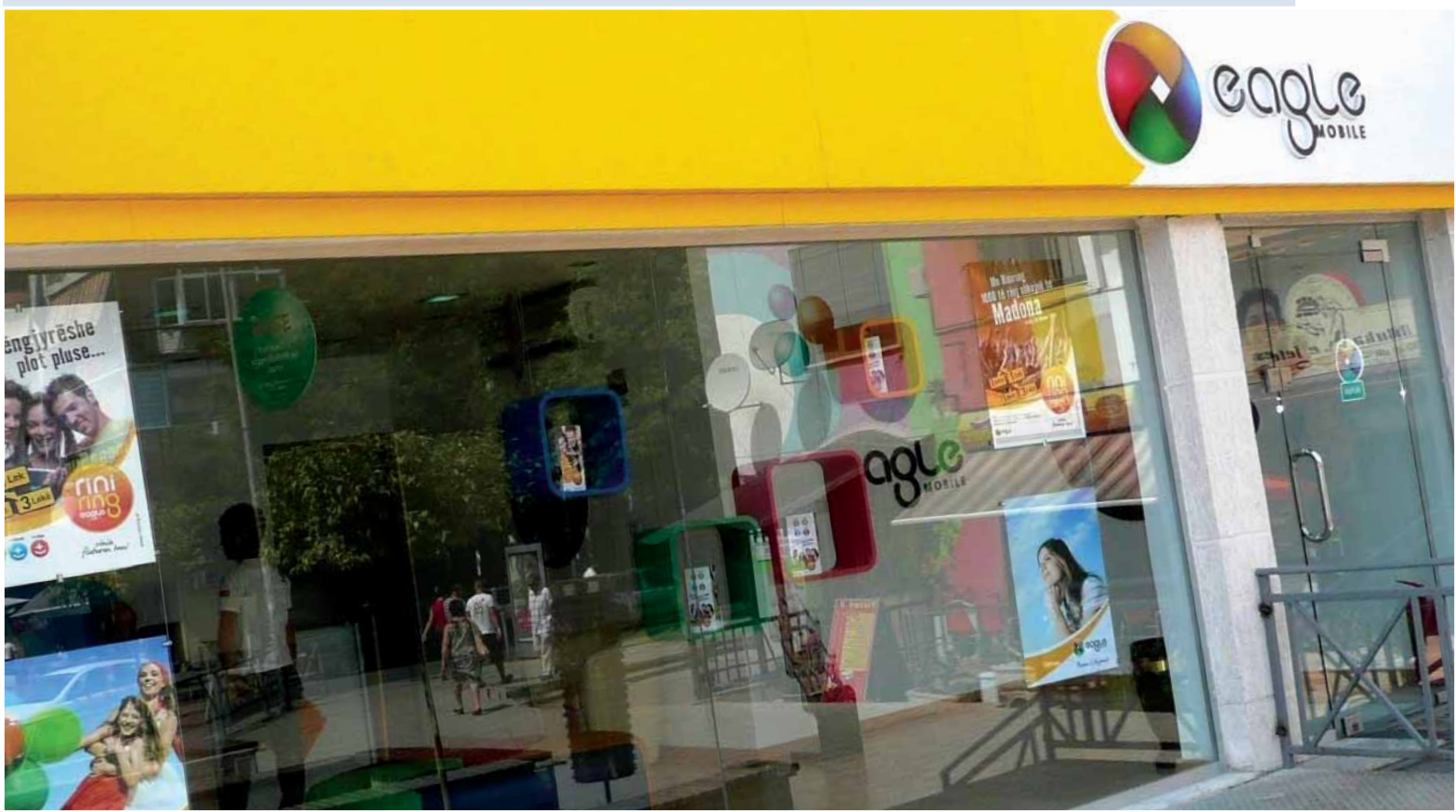
Providing coverage in 97% of Albania, Eagle Mobile, which had 257.761 subscribers by the end of 2008, offers the full range of services available to subscribers in the developed countries of Europe. This made Eagle Mobile, thanks to its nationwide 3G-ready Internet Edge system, the first operator in Albania able to offer subscribers advantages like Mobile TV and news services.

In addition, since its market launch, it has been the first operator in Albania to offer a range of high-value, flexible and attractive subscriber packages designed for every demographic group and user profile.

In 2008, the company undertook more than 10 different corporate social responsibility programs. In its first year of operations, Eagle Mobile provided financial support for the country's orphans, retirement homes, orphanages and kindergartens and also organized morale-building dinners. In 2009, the company plans to build on these activities by bringing together leading personalities and companies to establish a foundation that would assist promising orphans and disadvantaged young people.

In recognition of all these successful undertakings, Albania's most important political and economic magazine, KLAN, named Eagle Mobile "Company of the Year" and its CEO, Ali Taşkın, "Most Successful Businessman of the Year".

With these awards, Eagle Mobile confirmed its status as Albania's "youngest", "most innovative", "most high-tech", "most customer-focused" and "fastest responding and acting" GSM operator.



TEXTILES



## **Textiles**

With roots stretching back to the 1930s, textiles is the business line where the foundations of the present-day Çalık Holding were laid. Today, Çalık Holding's textile companies are highly competitive producers supplying a diverse international customer base with a broad product line ranging from denim fabric to yarn, gabardine fabric to ready-wear.



## Sectoral Developments

For many years, textile products manufacturing was Turkey's leading export industry. However, in the wake of the 1994 economic crisis and especially after the crisis in 2001, as a result of bad loans to companies in the textile industry and over-investment in the 1990s that became idle capacity in the face of intensifying global competition, the sector lost its preeminence both in output and in exports. Today, textiles are, to a great extent, intermediate goods for the ready-wear industry. Another challenge is that some chemicals and petrochemicals that are key fundamental production inputs are, of necessity, imported. It is an interesting exercise to analyze Turkey's textile exports from this perspective.

The textile sector has traditionally been one of the industries that propelled Turkey in terms both of exports and employment. However, the appearance in recent years of the "China factor", with competition based on a combination of cheap labor and low exchange rates, has resulted in setbacks for the Turkish textile industry. In response, the sector underwent rapid transformation. By adopting the latest technology, creating scale to serve leading brands and responding dynamically to global competition, the Turkish textile industry has begun to take the place it deserves in the global rankings.

Competition between Europe, and increasingly Turkey as well, and China is not on the basis of price. The challenge is no longer about the low price points dictated by China and other countries; rather, it is about producing high value-added products, branding and manufacturing products that, on the basis of their quality, have no direct competitors. But before coming to this point, there are issues that must be addressed within the framework of modern business management terms, including scale and efficiency. The rebirth of the Turkish textile industry will come through a combination of technology, originality and branding.

Another of the factors that contributes to Turkey's competitive advantage in this area is that Turkey accounts for 40% of organic cotton production. By taking maximum advantage of these opportunities, Turkey has the opportunity to achieve an objective it has long sought: Creating a truly powerful international brand. This sector has the potential not only to generate significant employment but also to turn around the falling levels of productivity in the Turkish agricultural sector.\*

Despite everything, the textile sector has the capital, experience and potential to transform its brands and technology.

Although in 2008 there were sharp drops in overall manufacturing industry capacity utilization rates, the capacity utilization ratio in the textile sector fell only slightly.

Turkey's textile exports increased 3,9% in 2008, reaching USD 6,8 billion. However, in 2008, textile's share of Turkey's total exports fell compared to the previous year, with textile's share of total exports falling from 6,2% in 2007 to 5,3% in 2008.

As a result of the crisis, the textile sector saw a sharp drop in its sales to the EU market.

The EU, which is Turkey's largest textile export market, saw retail sales drop 0,3% in October compared to September, while retail in the Euro zone was down 0,8%. And retail sales have continued to fall for the full half year. Year-on-year, it is expected November retail sales will be down by 5 - 6% as compared to the same month in 2007.

England, which is one of the most important markets of Turkey, saw retail sales contract by 2,2% in October 2008 as compared to September 2007, making this drop in sales the sharpest since the summer of 2005. Despite widespread discounting, there continue to be significant falls in sales of clothing and shoes, with estimates for November calling for even more severe drops.

Capacity Utilization Ratios in the Textile and Garment Industries

Manufacturing Sector Year	Capacity Utilization Ratio %	Year-on- Year Change X	Textile Products		Garment Manufacturing	
			Manufacturing Capacity Utilization Ratio %	Year-on- Year Change X	Capacity Utilization Ratio %	Capacity
2000	75,9		79,4		82,7	
2001	70,9	-6,6	76,2	-4,0	79,0	-4,5
2002	75,4	6,3	82,5	8,3	84,1	6,5
2003	78,3	3,8	81,0	-1,8	84,7	0,7
2004	81,2	3,7	80,4	-0,7	83,5	-1,4
2005	80,3	-1,1	80,8	0,5	81,7	-2,2
2006	81,0	0,9	80,6	-0,2	82,5	1,0
2007	81,8	1,0	81,7	1,4	83,6	1,3
2008 December	64,7	-20,2	71,4	-10,0	76,4	-8,2

Source: State Planning Organization (SPO) - Economic Developments, May 2008 / TSH-Monthly Manufacturing Tendency Survey - December 2008

\*Source: TurkStat - Monthly Manufacturing Trends Survey, December 2008

Again on the basis of recent data, it is expected that Europe-wide sales during the Christmas period, as a result of the global crisis, will be below recent norms.

EU nations account for 49,6% of Turkey's textile exports, and, due to the recession in these countries, exports by textile producers, who supply inputs for the EU garment and ready-wear industry, began to fall starting in October.

Another unavoidable effect of the crisis, stemming from the contraction in the financial markets, has been the cashflow problems many companies have experienced, which has limited their maneuvering room and had a negative impact on export performance.\*

### Çalık Holding Textile Group

With a history stretching back to the 1930s, the textile industry is the traditional core industry where Çalık Holding built its foundations. Today, with the high quality denim fabric it produces, Çalık Holding ranks among the leading producers in the global market and is a producer and marketer operating in a diverse range areas of stretching from garment production to cotton yarn.

Çalık Holding's textile production activities take place at its Malatya facility (Gap Güneydoğu Tekstil), its subsidiaries in Turkmenistan (Turkmenbashi Textile Complex, Turkmenbashi Jeans Complex, Balkan Weaving, Serdar Cotton Eğrici and Serdar Golden Century Textile Complex), the fully-integrated garment production facility it opened in Alexandria, Egypt in 2008 and at companies around the world that manufacture for the Group on a contract basis.

In terms of total sales, Çalık Holding's textile operations were not impacted by the economic slowdown experienced in Turkey and globally, because they were able to successfully replace sales lost in the domestic market with increased exports. Gap Güneydoğu Tekstil's operating profit for 2008 reached USD 10 million.

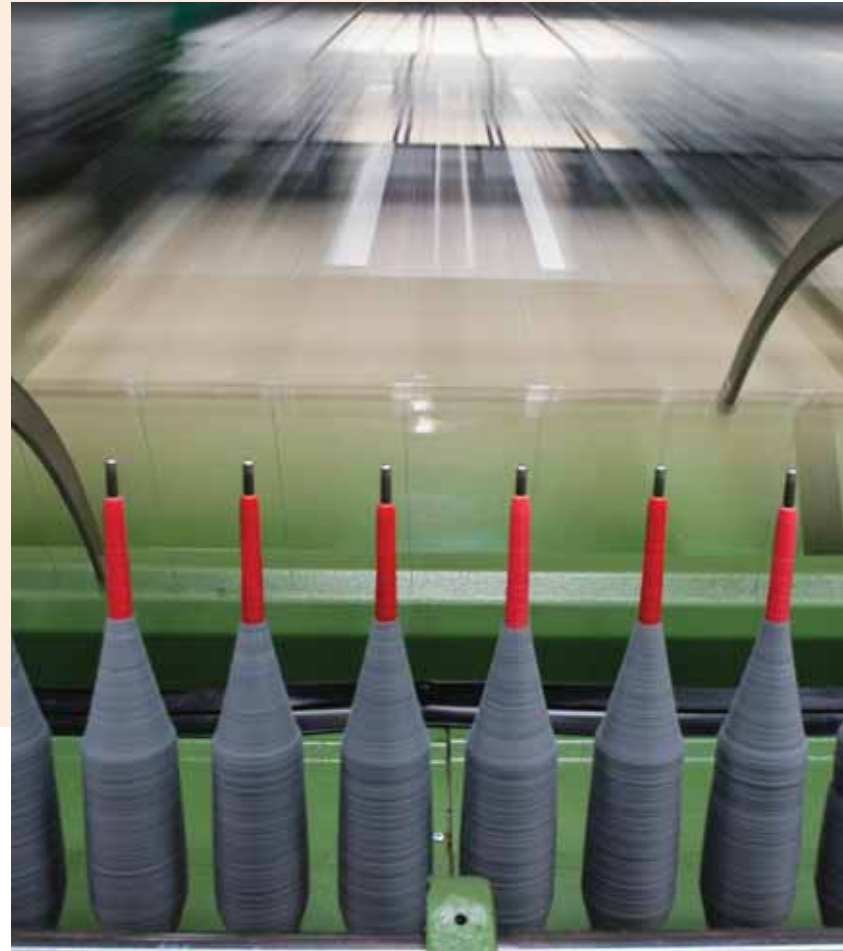
With offices in Treviso/Italy, New York/USA, Brussels/Belgium, Moscow/Russia and Seoul/South Korea and a worldwide network of agencies and distributors, Çalık Holding is a global player in the textile industry. GAP Güneydoğu Tekstil ranks among Turkey's largest fabric exporting companies. The ÇALIK DENIM brand numbers among the industry's most widely known and respected brands.

### Broad product range, strong market position...

Gap Güneydoğu Tekstil supplies a broad product line ranging from denim fabric to yarn, gabardine fabric to ready-wear to a diverse international customer base. The company closely follows world fashion trends and derives a significant competitive advantage from the diversification and balance of its product line.

In recent years, the denim sector has been negatively impacted by competition from the Far East. However, companies like Gap Güneydoğu Tekstil that manufacture high quality products have nevertheless succeed in increasing their sales volumes. Proof of this is the market share that the company has acquired, particularly from Japanese competitors, in the Far East itself, the heart of this competitive challenge, where the company has a sales office and logistics center.

Gap Güneydoğu Tekstil's carded, combed cotton, open-end yarn and twisted yarn production plants in Malatya, Turkey and Turkmenistan have an annual production capacity of 110 thousand tons, 50% of which is sold in the Turkish market and 50% of which is exported to the countries of the European Union.



\*Source: General Secretariat of Istanbul Textile and Apparel Exporters' Associations

Gap Güneydoğu Tekstil observed the rising popularity of gabardine and, with a production facility it put into operation in 2004, began producing high quality gabardine fabric. With the addition of gabardine fabric to its product line, the company significantly increased its competitiveness in the world fabric market.

Two revolutionary new concepts Çalık Denim introduced in 2008 continued to strengthen its position in the market. The RETINA concept, thanks to special treatment of the yarn, gives the denim lasting color, a clean appearance, high performance, superior breathing ability, a soft handle and high color contrast. The EARTHLY concept uses recycled and organic denim. This is a small but important step in the battle to protect the environment and help to prevent global warming, one of the most important threats facing the world today.

The company works with the world's leading textile brands, and just some of the companies represented in its customer portfolio in 2008 were: Diesel, Replay, GAP, Benetton, Lee, Wrangler, Mexx, H&M, Levi's, Calvin Klein, G-Star, Tommy Hilfiger, Salsa, River Island, Marks&Spencer, Jack&Jones, Zara and Bershka.

Following the signing of free trade agreements with countries in the North African market (Morocco, Tunisia and Egypt), Gap Güneydoğu Tekstil quickly expanded its exports and market shares in these countries, and in 2008 the company was one of the most important suppliers in the North African market.

Gap Güneydoğu Tekstil's unchanging objective is to remain true, in the coming years, to its strategy of product differentiation and continue to be a producer able to surmount the competitive environment and be "sought out and preferred for its superior quality". In addition to being one of the world's leading denim producer.



*In 2008, the Textile Group made investments totaling USD 15 million.*

### **A growth-promoting systematic investment policy**

In 2008, the companies of the Textile Group made total combined investments of USD 15 million.

Construction of the Egyptian Garment Factory, which is an important new investment offering significant geographic advantages including raw materials sourcing, workforce competitiveness and market access, was completed and the factory began operations in 2008.

Çalık Holding, in order to ensure the sustainable competitiveness of its textile operations, draws on its extensive experience and know-how to maximize new opportunities and invests in continued growth.

CONSTRUCTION







## **Construction**

Çalık Holding conducts its construction and contracting operations via its subsidiary, Gap İnşaat, and on the basis of its impressive project portfolio, ranks among the strongest Turkish groups operating in the international contracting market.

## Sectoral Developments

Construction and housing are known as drivers of economies all over the world. Rapid urbanization and the expansion of infrastructure and transportation systems mean that construction accounts for a large share of economic activity, particularly in developing countries. While the growth of housing and construction in Turkey are due to these factors, the growth is also driven by Turkish consumers' preference for real estate as an investment vehicle, which has resulted in real estate growing faster and, along with construction, accounting for a greater segment of the economy than in much of the rest of the world. The fact that the global slowdown began in the US housing sector has led to rising concern about the fate of the sector in countries, including Turkey, that have witnessed very rapid growth in the construction and housing industries.

Housing starts in the United States have dropped sharply, falling by over 50% in the past year. When housing sales followed the same trend, this led to rapid growth in the housing stock and sent US home prices down by 30% - 40%.

When the Turkish construction industry is viewed along with the housing industry and the construction materials industry, we see that it is of the utmost importance in terms of both employment and added value. The construction sector creates over USD 20 billion in value and the sector's total market size, including both the domestic market and international projects, is approximately USD 63,7 billion, of which the domestic market accounts for USD 47,7 billion, while contracts abroad total USD 16 billion. In the domestic market, housing accounts for USD 27,9 billion, non-housing construction is worth USD 9,1 billion and public infrastructure spending totals USD 10,8 billion.

When we consider the positive impact, in terms of economic growth, of construction sector projects, it becomes clear why Turkey has traditionally placed such emphasis on this industry.

On the basis of both its inputs and outputs, the sector contributes significantly to both foreign exchange earnings and to employment. In the same fashion, it generates for 12% of exports while accounting for only 3.4% of imports. In 2008, 22 of the world's top 225 construction companies were Turkish, ranking Turkey third worldwide after the USA and China, with Turkey also being home to Europe's 3rd largest construction company. In other words, Turkish contractors, who work in the 50 degree heat of Libya and the -50 degree cold of Siberia are taking confident steps toward building Turkey's first global brands.\*

This is further proof of the critical importance of the construction sector to Turkey.

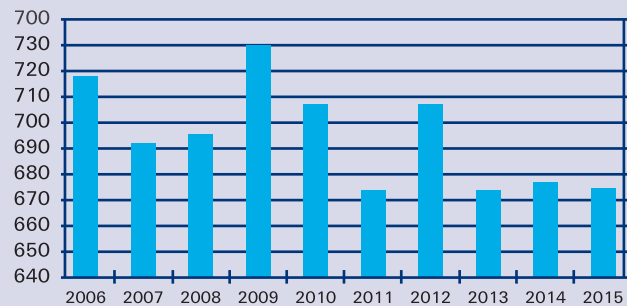
Turkey's housing demand will begin decreasing as of 2010. The chart below shows a projection of Turkey's housing requirement through the year 2015. For this reason, both during the crisis and afterwards, the construction sector will need to rapidly refocus its efforts on international markets, with both the Middle East and Near East taking on greater importance.

### Annual Housing Demand in Turkey

With the emergence of a palpable sense of economic stability in Turkey, there has been a visible change in demand for home loans. The growing rise of home loans as a portion of overall consumer credits contributed to continuing demand in the construction sector.

While home loans in Turkey account for just 4,5% of GNP, when we look at other developed countries, we see that in the EU this rate is 39%, and in the USA it rises to 53%.

### Residential Real Estate Loans (In thousands of New Turkish Lira)



Source: Turkish Yatirim

As a consequence, the construction sector remains one of the driving sectors in Turkey. However, to ensure that this continues, as we emphasized above, the sector's relations with the banking sector need to be restructured and projects and lending mechanisms appropriate to this new era need to be developed.

The case for Turkish REITs being structured on a global platform and their integration into the financial system is clear and should be supported both in the financial markets and in the real economy.

The markets of the Middle East and the Near East, which are restructuring, in the period following 2009, will take on even greater importance for the Turkish construction industry.

\*Source: IGIAD Entrepreneurship Report-2008



## Gap İnşaat: Superior skills and an expert team

Çalık Holding's construction and contracting operations are handled by its subsidiary, Gap İnşaat.

Gap İnşaat is a global company that has successfully undertaken and completed a broad variety of projects ranging from textile factories to heavy industry plants, from residential projects to road construction and from schools to museums.

Çalık Holding, on the basis of its impressive project portfolio, ranks among the strongest Turkish groups operating in the international contracting market.

Gap İnşaat is a respected contracting company committed to generating customer satisfaction and loyalty and to deriving maximum advantage from information and modern technologies. As a pioneer and innovator that respects both the environment and its employees,



Gap İnşaat is the solutions partner of choice for infrastructure, superstructure, housing and industrial facilities construction projects. To every project it undertakes, Gap İnşaat brings the highest occupational health and safety standards and commitment to protecting the environment along with the contribution of a world-class accumulation of technical know-how and experience that ensures customer satisfaction. This contribution is at the heart of Gap İnşaat's management philosophy and is backed by the Integrated Management System (ISO:9001, ISO:14001, OHSAS:18001) that is our pledge to maintain the highest standards of quality, environmental protection and safety.

The company uses the latest technologies to manage every phase of the construction process from project development to product management, from sourcing to logistics and from human resources to machine park mobilization and is able to monitor activities at jobsites and offices in different countries in real time.

The Construction Group had total 2008 revenues of USD 221 million, accounting for 13% of Çalık Holding's consolidated results for the year.

Çalık Holding has begun work on a range of new projects including both real estate development and urban transformation. These projects, will give Gap İnşaat the chance to apply the know-how and experience it has gained internationally to the Turkish market.





## An Important International Contractor

In 2008, Gap İnşaat was named "The World's 162nd Largest International Contractor" by Engineering News Record magazine.

Inline with the group's strategy, the company has established itself not only in Turkey but also in the surrounding region, with ongoing operations in Central Asia, the Arabian Peninsula and Africa.

Çalık Holding is committed to growth and undertaking important new projects by making the best possible use of its construction industry excellence and know-how and its strong international reputation. The fundamental objective of Gap İnşaat is to grow in the geographic region outlined in the Çalık Holding strategy and to transform its brand into a growing force in the construction industry.

## New Real Estate Projects

The real estate sector has been an area where the construction industry has enjoyed rapid growth in recent years and has attracted significant attention on the part of investors. Especially in the wake of Istanbul's selection as a European Capital of Culture for 2010, observers expect an increasing number of urban transformation projects, a new concept in Turkey, to be undertaken. Gap İnşaat is closely following these developments in the industry and has begun work on a number of new projects, both in urban transformation and property development. These projects will give Gap İnşaat the opportunity to put the experience it has gained in international markets to work in Turkey.

## A company specializing in water projects

Gap İnşaat remains focused on expanding its presence in environmentally beneficial projects, like the Malatya Waste Water Treatment Plant, which it completed in conjunction with its specialist partners. The company entered a number of international tenders for the construction of waste water treatment plants, drinking water and desalinization plants, developed projects for ocean structures and focused on expanding its water-related expertise.

In a world where water resources grow in importance on an almost daily basis, Gap İnşaat is committed to building on its construction industry experience and in the coming years to taking a much more sensitive and active approach to projects with highly positive environmental impact, and particularly water-related projects.



## Projects completed in 2008

In 2008, Gap İnşaat completed several important projects, including a head quarters building, two industrial projects, transmission line and three luxury residential projects.

*Çalık Holding is active in both urban transformation and real estate development projects. In these projects, Gap İnşaat takes the experience it has gained from high-profile international projects and puts it to work providing the Turkish market with the highest quality buildings.*







## BEYOĞLU BELEDİYESİ YENİLEME PROJESİ

### Urban Transformation Projects

The Beyoğlu Municipality took the lead in developing an Urban Transformation Project with the objective of making the Tarlabası district, one of the most historically significant neighborhoods in Istanbul, a safer, healthier, more livable area that is more fully integrated into the larger city fabric. Gap İnşaat has been selected as the general contractor for this project. This ambitious urban transformation project will take an area that, despite being at the heart of Istanbul, is 40% uninhabited, where the buildings do not provide the requirements of a modern lifestyle and property owners are deterred from investing by negative environmental factors, and fully revitalize it, while preserving its environmental, historical, architectural and cultural values, reclaiming this neighborhood for the city and its inhabitants.

The Tarlabası district has a rich architectural heritage and contains many important examples of civil architecture from the 19th century that are listed on the National Historic Register. The unique streetscape of the area dates back even farther.

The Tarlabası Transformation Project covers an area comprising roughly 20,000 m<sup>2</sup> and includes the transformation of all the buildings, the streets linking the buildings and their infrastructure. Within the scope of the project are 196 protected cultural sites and artifacts.

The project, which has a multi-party structure, was realized through workshops attended by experts from different disciplines, academics, leading architects and private sector and municipality representatives.

The decisions of the European Commission were followed in the determination and preservation of the aforementioned cultural artifacts. In order to create a definitive record of the monuments, buildings and building clusters to be preserved, a historic heritage inventory was drawn up. In accordance with the provisions of the Council of Europe's Convention for the Protection of the Architectural Heritage, within the framework of the identification and evaluation of places of historical and natural heritage subject to protection inventory fliers and reports were drawn up for all protected sites.

The project's design objectives were to preserve the area's architectural heritage and to support social life and included: integrating the area into its surroundings; creating safe spaces that are alive around the clock; providing living spaces that are functional and meet contemporary needs; ensuring sustainable development and quality of space; and contributing to environmental protection through attention to energy consumption.

Following the approval of the project by the relevant authorities, the most important phase of the project began: reaching the agreements necessary to secure the participation of Tarlabası property owners in the project, following which the implementation phase will begin. The coordination office opened in Tarlabası by the Beyoğlu Municipality will manage the negotiations phase, conducting one-on-one discussions with property owners and tenants.

During the legal process period, the project-based cooperation between the Beyoğlu Municipality and Gap İnşaat will be refined and enriched through the participation of property owners, area residents and non-governmental organizations in the project.

The Tarlabası Urban Transformation Project, which is Gap İnşaat's first investment project in Turkey, is, at the same time, also an important corporate social responsibility project. As one of the partners in a long-term, multi-party project, the company is not only meeting all of its responsibilities under the social plan developed for the residents of the area but is also making these contributions on a voluntary basis.





FINANCE





## **Finance**

The finance sector holds an important place among the sectors on which Çalık Holding is focused, and supported by its strong brand, the group is committed to growing its existing and potential operations in this key area.



## Sectoral Developments

While the banking and finance industries in the USA and EU found themselves in a difficult position due to the impact of the global financial crisis, Turkey's banks came through 2008 unscathed, largely due to the major restructuring the finance industry underwent following the 2001 financial crisis. The mainstay of the Turkish finance industry is the banking sector, which accounts for 88% of the industry's balance sheet value. In 2008, the financial markets had a turbulent year, with volatility increasing particularly in the fourth quarter.

The addition of political risk stemming from domestic politics to the increased risk perception in global markets and rising funding costs gave investors cause for worry. Bucking this trend, Turkey remained one of the markets offering investors attractive opportunities even in the global crisis environment.

As of year-end 2008, the asset size of the Turkish finance sector, with an increase at a rate of 23,1%, compared to the end of the previous year, reached to 947,8 billion TL. In all this period, there is a higher rapid growth trend both in the banking and in the financial sectors than the overall economic activities.

Despite the reduction in the asset size of the investment funds and investment partnerships, growth performance of banking, financial leasing, consumer finance and insurance sectors has contributed positively to overall growth.

Within the considered period, the banking sector which has increased its assets by 26 %, composes 77,3 % of the whole finance sector.

Even though the global banking sector had tough period due to worldwide economic crisis, Turkish banking sector had a better performance comparatively. In 2008, the highest proportional increase in total assets was in the banking sector.

During this period, the asset size of the security investment partnerships has decreased by 14,3 %. As of year-end 2008, the ratios of the asset size of Turkish financial sector to GDP and the asset size of banking sector to GDP has increased to 99,8% and 77,1%, respectively. In terms of total asset size, 80,4% of the financial sector is under control of BRSA.

### Investment Preferences of Domestic and Foreign Settlers

Domestic portfolio investments in 2008 increased, in comparison to 2007, at a rate of 18,7 % and reached to 543,9 billion YTL. Concerning the distribution of the portfolio, deposits and funds collected are 77,8% of total portfolio. In contrast to the decrease in investment funds, repo and investment securities, in 2008, other investment items increased. Due to the effects of financial volatility, the highest nominal decrease experienced was 35,5% decline in investment securities. Although there is an increase in other investment items in comparison to the previous quarter, the highest nominal increase experienced is 12,9% in repo investments. In comparison to the last 3 months, in the fourth quarter of 2008 the highest increase is experienced in foreign currency denominated instruments like DTHFX Time Deposit and Eurobond.

In 2008, total size of the portfolios owned by foreign settlers decreased to 66,9 billion YTL at a rate of %36,6 in comparison to 2007. Due to the ongoing global crisis environment, stock investments which are the most significant investment preferences of foreign settlers, decreased at a rate of 40,6 % in 2008. This decrease corresponds to 27 billion dollars global capital outflow. By following the same path, bond investments of foreign settlers decreased at a rate of 39,9%

(Billion TL)	2003	2004	2005	2006	2007	Mar.08	Jun.08	Sep.08	Dec.08	Distribution % Dec.08	Active/GDP % Dec.08
<b>Banks</b>	255	313,8	406,9	499,5	581,6	634,0	656,9	679,9	732,8	77,3	77,1
Financial Leasing Companies	5,0	6,7	6,1	10,0	13,7	15,3	15,2	15,4	17,2	1,8	1,8
Factoring Companies	2,9	4,1	5,3	6,3	7,4	7,9	8,7	9,2	7,8	0,8	0,8
Con. Financing Com.	0,8	1,5	2,5	3,4	3,9	4,3	4,4	4,5	4,7	0,5	0,5
Insurance Companies	7,6	9,8	14,4	17,4	22,1	22,7	23,5	25,0	25,0	2,8	2,8
Retirement Companies	3,3	4,2	5,7	7,2	9,5	11,0	10,3	11,3	11,3	1,3	1,3
Securities Brokerage Firms <sup>1</sup>	1,3	1,0	2,6	2,7	3,8	4,0	3,9	4,3	4,3	0,5	0,5
Investment partnership securities	0,2	0,3	0,5	0,5	0,7	0,6	0,6	0,6	0,6	0,1	0,1
Investment Funds Securities	19,9	24,4	29,4	22,0	26,4	26,6	24,4	24,9	24,0	2,5	2,5
Real estates investment funds	1,2	1,4	2,2	2,5	3,9	3,8	4,0	4,1	4,3	0,5	0,5
Central Bank of Republic of Turkey <sup>2</sup>	76,5	74,7	90,1	104,4	106,6	114,5	109,8	111,1	113,4	12,0	11,9
<b>Total</b>	<b>370,4</b>	<b>437,7</b>	<b>560,0</b>	<b>668,6</b>	<b>770,1</b>	<b>844,7</b>	<b>861,8</b>	<b>890,3</b>	<b>947,8</b>	<b>100,0</b>	<b>99,8</b>

\*Source: BRSA, CBRT, CMB (Capital Markets Board of Turkey), The Association of Capital Market Intermediary Institutions of Turkey, The Association of Insurance and Reinsurance Companies of Turkey

<sup>1</sup> Includes The Members of ACMIIT and is the data for September 2008

<sup>2</sup> CBRT data were gathered from CBRT analytic balance sheets

## The Banking Sector

### Market Structure Perspective:

There was not any change experienced in the number of the operating banks in 2008; however, number of the branches increased by 1.187, and number of the personnel increased by 14.907. When banking groups are considered, participation banks' increase in the numbers of the personnel and the branches has doubled the sector average. The tendency towards the increase in the numbers of ATM and POS machines, which are services given outside the branches, continued in 2008. Accordingly, active internet banking users increased by 2.1% and reached to 5.2 million. The growth performance had achieved by the sector, does not seem to proceed due to the shrinkage in the economy that started during the last quarter of 2008. Due to that shrinkage in the demand, half of the increase in the number of non-performing credit cards which is yearly 478 thousands, has been achieved in the last quarter of the year. Eventually, thanks to the shrink in the economy, unemployment rate and credit card usage will increase so as the non performing credit cards.

Banking sector overall credits diminished to 370,2 billion YTL in 2008 November. Turkish Lira credits that are in the 267,7 billion YTL level in the November 2008 decreased at a rate of 1,5% to 263,7 billion YTL. In the same period, overall dollar and other currency credits increased by 0,3% in dollar terms and reached to 49,2 billion dollars, and euro credits increased by 2% and reached 14,8 billion Euros. Within the inspected period, the ratio of the credits that are followed, in the total (gross) credits increased 20 basis points and reached to 3,4%. Housing credits (including FX-based) and personal credit cards are 39,4 billion YTL and 33,6 billion YTL respectively. In addition, followed consumer credits have become 2,1% of the overall consumer loans, and 0,5 % of the total credits. Cash credits provided to SMEs by the banking sector has become 91,1 billion YTL, non cash loans have become 32,7 billion YTL and it is seen that 4,3 billion YTL of all these are non performing loans.

### In conclusion:

Today's financial markets are developing at breakneck speed, with liberalization occurring in both domestic markets and the international market, obstacles to the free movement of capital being lifted, leading to the rapid globalization of the financial markets. In this environment, the competitiveness of the Turkish finance industry takes on a whole new importance. Increasing financial regulation, growth in the variety of financial products and services available, and the increasing competitive pressure facing banks, led customers to favor institutions offering higher levels of low- or no-risk earnings. Banks, which had generated high levels of interest income prior to the crisis, found themselves in a highly competitive environment as a result of both lower inflation and lower real interest rates. As a result, the concentration taking place in the sector since 1999 has, today, intensified, with the trend toward consolidation gaining speed. In 1999, there were 81 banks in the sector, a number which by year-end 2007 had fallen to 46 a clear demonstration of the trend toward concentration, and, viewed from another perspective, an indication of the increasing financial and competitive strength of the players in the finance sector. When banks that withdrew from the sector for reasons other than consolidation are taken into consideration, it becomes clear that the number of potential customers available to each of the remaining banks is higher; however customer acquisition and retention costs have risen across the sector.

It is safe to say that, despite the global crisis, the Turkish finance sector will continue to grow in 2009 but that the international borrowing opportunities open to the sector will be considerably more limited than they were prior to the crisis. Although the global banks operating in Turkey and the country's state banks do not face issues regarding rolling-over their international credits, it is clear that the year will be one in which there are fewer syndication credits available and when those available are both smaller and dearer.

During 2009, finance industry players, both domestically and internationally, will be closely following the steps taken by the government as part of its program to transform Istanbul into an international financial center. These steps are important for Turkey now, and it is certain that this initiative is one that will be at the center of attention when the crisis passes.\*

\*Source: BRSA



## The Çalık Group's Finance Sector Activities

The Çalık Group will continue, through its banking activities, to take best advantage of its extensive and deep-rooted commercial and industrial experience. The financial business line ranks among the Group's strategic sectors, and a strong structure has been built in this business area.

Çalık Holding, whose finance sector operations are spear-headed by its main banking subsidiary, Aktif Bank, and by Banka Kombetare Tregtare (BKT), in which it acquired a controlling stake in 2006, is committed, in a fashion that goes far beyond the legal and ethical responsibilities imposed by bank ownership, to growing its operations in this sector by giving its current and potential finance sector initiatives the full support of its strong and respected brand.

### Aktif Bank

Established in 1999, the bank that was Çalık Holding's first finance industry subsidiary, following a sweeping restructuring that began in 2007, was renamed Aktif Bank in August 2008. At the same time, Aktif Bank, which is a corporate and investment bank, also moved its growing staff of experienced banking professionals to the bank's new head office in Zincirlikuyu, at the heart of Istanbul's financial district.

Secure, thanks to the latest technology; environmentally responsible, thanks to low energy consumption; fast, thanks to superior hardware and network infrastructure; with systems that support mobile applications, Aktif Bank has technology that is accessible from anywhere and operates its own proprietary core banking package, development of which was completed in 2008.

Aktif Bank, whose corporate identity was redesigned to appeal to the target audiences it addresses, actually is comprised of more than one brand.

The bank, in conjunction with its Albanian subsidiary Banka Kombetare Tregtare (BKT), is taking important steps toward building close relationships and a strong position in the Balkans as part of its strategy of becoming a major regional player.

In May 2008, working with its subsidiary, Çalık Management Systems, Inc., established to provide innovative solutions in payment and subscriber management systems, the bank acquired E-Kent Electronic Payment Collection Systems, Inc., which successfully establishes and operates electronic payment systems for public transportation companies. This acquisition marks an important step toward achieving the bank's vision of "City Banking".

Aktif Bank is working to ensure that it remains Turkey's fastest-growing bank, opening a new main branch and renovating its Merter Branch in 2008, following the more than doubling of its staff to 160 in 2007.

In June 2008, Aktif Bank became only the 3rd bank in Turkey to receive an "investment grade" rating from JCR-Eurasia. As of year-end 2008, Aktif Bank had total assets of USD 165 million and credits totaling USD 80 million.

### Aktif Bank grows in nearby regions

One of Aktif Bank's fundamental strategies is acquiring participations in nearby regions. Its Albanian subsidiary, BKT, was named the "Best Bank of the Year" among mid-sized banks in Southern Europe by Finance Central Europe. Aktif Bank continues to seek out new banking participations in Turkey's neighboring regions that are capable of generating added value.

Aktif Bank has developed all of its systems with a view to growth through a participation-based strategy, taking into account its existing and potential participations by designing systems that are multi-lingual and multi-currency, with parameters that are easy to change, allowing for adjustment to different countries and regulatory environments.

### Establishing Turkey's first "Direct Banking" model

Aktif Bank has made the strategic decision that alternative distribution channels will be its primary distribution channel. The infrastructure for the "Direct Banking" model, which is not impacted by rising labor costs, premises costs and other constraints, was completed in 2008. The objective is to integrate the model into 3rd parties' widely distributed sales channels and access customers through these channels. In an innovative business line offering highly satisfying margins, Aktif Bank looks forward to rolling out a flexible, centrally controlled system in which each distribution channel adds its own user-interface over a set of main functions.



### **For the First Time in Turkey: "City Banking"**

Within the framework of its mission of being an extraordinary service organization, Aktif Bank places great importance on innovation and differentiation. With the "City Banking Model", which draws its strength from a commitment to increasing the satisfaction and well-being of the environs which it serves, Aktif Bank targets not only adding value to the economies of the cities where it opens branches but also of improving the daily quality of life of the residents of those cities.

Aktif Bank will open branches in Kayseri, Bursa and Gaziantep during 2009 and play an active role in the lives of these cities through its E-Kent subsidiary, which, with its public transit and payment systems, is an indispensable part of city life.

E-Kent has successfully served the provinces of Bursa and Tokat for many years, and added Kayseri and Gaziantep Transit to its operational portfolio in 2008.

In corporate banking, Aktif Bank's objective is to be the most effective bank in its areas of focus and, in order to leverage synergies with Çalık Group companies, the bank plans to concentrate its branch network on the economic regions in which Group companies operate.

The bank plans open branches in Kayseri, Bursa and Gaziantep, cities where Group companies are very active and, by drawing on these relationships and also serving the corporate banking needs of the dealers with whom relationships are established within the framework of its "City Banking Model", Aktif Bank looks forward to making important contributions to the commercial lives of these cities.

Aktif Bank wants to be the first bank that comes to mind for foreign trade and investment between Turkey, the Gulf region and the Far East. To this end the bank is deepening its concentration on foreign trade financing.

### **E-Kent Electronic Payment Collection Systems, Inc.**

E-Kent, which was first established in Bursa and began operations in 2002, was acquired by Çalık Management Systems, Inc., which is owned by Aktif Bank, in 2008, becoming part of Çalık Holding and an indirect subsidiary of Aktif Bank.

E-Kent services include:

- Electronic Payment collection services integrated with the municipal bus and light rail system
- City-wide management of payment windows and authorized points of sale
- The confidence of bank-backed collections operations
- Transit line optimization
- Planning and efficiency consulting
- Providing city residents with real-time transit information

Offering residents a full-service package that allows them to use a single card to enjoy fast, convenient payments for a range of services, making the card an indispensable key to city life, offering a wide range of solutions and services.

As of today, in the cities within Turkey where it operates (Bursa, Kayseri, Gaziantep and Tokat) and the cities abroad to which it provides support, the company's operations have expanded to cover:

- A validator system present in 3,000 municipal and privately operated city busses
  - 3,000 light rail entry-exit turnstiles
  - Entry-exit turnstiles at municipally operated cultural facilities like museums and zoos
  - 60 E-Kent Smart Card top-up and ticket sales windows backed by a staff of 210
  - 1,000 Smart Card top-up and ticket sales dealers
- These operations accounted for 800 million transactions and transit revenues of 500 million YTL in 2008.



## Banka Kombetare Tregtare

Banka Kombetare Tregtare (BKT), the founding of which dates back to 1920, began operating under its present name in 1993. Privatized in the year 2000, control of the bank passed to the Çalık Group in 2006. Following its acquisition by the Çalık Group, BKT's shareholding structure was: Çalık-Şeker Consortium (60%), EBRD (20%) and IFC (20%).

Çalık Holding acquired Şekerbank's share of the Çalık-Şeker Consortium in November 2008, and its name was changed to Çalık Financial Services, Inc., under which name it was officially entered into the commercial register on January 13, 2009.

BKT was named Albania's "Bank of the Year" by The Banker Magazine in 2006, and in 2008 it was recognized as the "Best Bank" in Albania and the "Best Mid-Sized Bank" in Southeast Europe by Finance Central Europe. During the space of five years, BKT for the third time received the highest rating note from the Albanian Central Bank, making it the only bank in the country to have earned this distinction. In 2008, BKT received an "AAA" rating for Albania from Japan Credit Rating Agency.



BKT, which is Albania's third-largest bank, had total assets of USD 1,2 billion as of December 31, 2008, earning profits for the year of USD 19,5 million. The bank has paid-up capital of USD 84 million and generated ROE of 30%. BKT's deposits total USD 1,2 billion, and it has cash credits of USD 386 million, of which USD 124 million are retail loans and USD 262 million are corporate loans.

BKT, which had 62 branches as of December 31, 2008, ranks second in Albania in terms of the size of its branch network. Of its branches, 52 are located in 29 cities across Albania, while 10 are in 8 different cities in Kosovo. Additionally, BKT has the distinction of being the first Turkish-owned bank to invest in Kosovo, beginning operations there even prior to the declaration of independence.

BKT provides official bodies, private companies and retail customers with the full range of banking products and services, and will be launching a variety of new products in 2009. With the new branches the bank will open in the coming year and its state-of-the-art internet and WAP-based distribution channels, BKT will continue to expand both its service network and the contributions it makes to the Albanian economy.

MEDIA





## Media

Çalık Holding, on the basis of a successful strategic decision, entered the media sector, one of the world's most rapidly developing industries, where its operations are notable for their commitment to honest, independent coverage.

## Sectoral Developments

On the basis of a strategic decision, the group entered the media industry as of year-end 2007 and, despite the rapidly worsening crisis of 2008, achieved positive results in this new business line. Driven by the development of digital technologies, which spread rapidly around the world and contributed to further globalization, the media industry has been one of the fastest growing sectors worldwide. The coming years will go down in history as the time when new technology-driven media took their places alongside traditional media. Around the world, broadband continues to have an increasing global impact. Mobile communication continues to spread as subscribers are added and the increasing acceptance of applications like internet access, advertising and television has reinforced the importance of mobile.

The global explosion in broadband capacity continues unabated and on the one hand propels general growth. For this reason, broadband is expected to achieve average growth of 16.4% per annum through 2012, by time which broadband subscribers will have grown more than two fold to 661 million subscribers.\* From the perspective of the next ten years, it is safe to say that digital and mobile communication tools and internet networks will account for an increasing share of the growth in the media industry, and the role that advertisers' preferences play in this dynamic is significant.

The media industry in Turkey cannot be evaluated independently of global trends. Up until the beginning of this decade, traditional media dominated the Turkish media landscape, but since then it has quickly begun adopting new media and introducing new media outlets and vehicles. This has resulted in geometric growth in both impact and the audiences reached. Despite the economic downturn, in 2008 the Turkish media once again achieved growth that outpaced GDP expansion. In the coming years, the Turkish media industry is expected to attract significant Foreign Direct Investment (FDI), and it should also not be surprising if the industry were to make new investments in the regions bordering Turkey, especially in the Middle East and Eastern Europe.

**2008 media investments in Turkey were distributed as outlined in the table below:**

	Million YTL	Share (%)
<b>TV</b>	1.687	52,06
<b>Newspaper</b>	952,08	29,37
<b>Magazine</b>	113,66	3,51
<b>Outdoor</b>	242,37	7,48
<b>Radio</b>	111,51	3,44
<b>Cinema</b>	39,43	1,22
<b>Internet</b>	94,9	2,93
<b>Total</b>	3.241	

Total media investments reached YTL 1.7 billion in the first half of 2008. Television remained the most widely used media in the first six months of 2008, but the noteworthy developments in internet signal that its importance will grow significantly in the foreseeable future.

## Basic development trends in the media sector worldwide

Today, the global media sector has grown to become a USD 2,2 trillion market. Between 2009 and 2012, digital and mobile communications income will account for just 11% of total entertainment and media expenditures. When we consider that the media industry is a USD 2,2 trillion market, that puts the value of this segment at USD 234 billion. The growth of digital media vehicles is driven in large part by the under-25 "Internet Generation". The future growth of the media sector will come from this perspective.

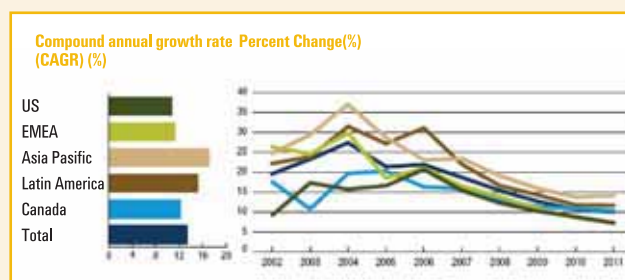
\*Source: PriceWaterhouse Media Sector Report



## Internet

The "Internet Generation", defined as the under-25 age group, is driving growth and setting the direction for the entertainment and media industries, at the same time that it is also giving birth to new business models that transform the relationship between companies and their customers. At the same time that this generation has made these technologies an integral part of their lifestyle, the Internet Generation also guides older generations' interest in technologies, serving as a bridge between older generations and the latest trends in media technology.

The table below provides an analysis of the trends in internet advertising spends over the coming years, and we can see that, despite the crisis, there will not be significant drops within the EMEA group, of which Turkey is a part.



In the BRIC countries (Brazil, Russia, India and China) and Turkey, the population under 25 accounts for at least 31% of the total population. (Brazil 43%, Russia 31%, India 50% and China 38%.) By comparison, in the USA the under-25 age group accounts for 34% of the total population.

From this vantage point, companies must expand their global scales to include these young people who will in the coming years continue to spend on internet access and digital media and entertainment. While the Internet Generation continues to drive growth in digital and mobile entertainment, a balance of a kind will be struck, as consumers in the over-50 age range continue to be primarily consumers of traditional media.

In every part of the world, with the exception of Europe, the Middle East and Africa, the over-50 demographic will exhibit double-digit growth, rising by 13,1% through 2012 from today's 1,1 billion to 1,25 billion.

Even if this generation shows growing interest in the media platforms used by their children and grandchildren, the growth in their numbers alone is enough to ensure the sustainability of traditional media formats.\* Within this framework, the Turkish media industry will maintain its viability by both continuing to use traditional media outlets and formats and adopting new technologies. However, because the country has a young and dynamic population, the sector will have to move beyond traditional media outlets and platforms, expanding its focus on "new" media and the internet in particular. On the basis of this fact, it becomes clear that the media industry will be among the key areas in Turkey for foreign direct investment. Because media investments targeting Asia and Eastern Europe will be made via Turkey. Drawing on this insight, our group will follow a strategy that calls for expanding its media operations beyond the borders of Turkey.

During the next five years, the fastest growing regions will be Asia Pacific and Latin America, with double-digit growth in internet advertising, internet access spending, TV broadcast subscriptions and license costs and video games expected in both regions. Latin America, where the market was worth USD 51 billion in 2007, will experience a compound annual growth rate (CAGR) of 10.6%, with the market reaching USD 85 billion in 2012. The 8.8% rate of growth forecast for Asia Pacific will propel the market from USD 333 billion in 2007 to USD 508 billion by 2012, making it the second largest market in the world.\*\*

The second largest market in the world EMEA (Europe, Middle East and Africa) will achieve CAGR of 6.8%, growing to USD 792 billion by 2012, with this growth being driven by Central and Eastern Europe, the Middle East and Africa, with sector analysts reporting that internet advertising, internet access expenditures and video games will enjoy double-digit CAGR during the next five years.

\*Source: Agy

\*\*Source: Agy

## TV Broadcasting

Nevertheless, advertisers in Turkey continued to favor broadcast television, with expenditures in this area accounting for 52,37% of total expenditures.

The global economic crisis began impacting Turkish television channels in the fourth quarter of 2008.

At the same time that they worked to hold onto ratings in order to attract advertisers, Turkish TV channels sought to cut costs by reducing personnel and canceling shows with high production budgets. At a time when total TV spots fell by 21%, our group's ATV maintained its status as the TV channel most favored by advertisers.

EMEA	2007-2011										CAGR
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	
Advertising	33,923	33,473	35,096	36,121	37,552	38,549	39,860	41,202	42,525	43,797	
Change%	-5.2	-1.3	4.8	2.9	4.0	2.7	3.4	3.4	3.2	3.0	3.1
Circulation	27,610	27,779	28,191	28,648	28,882	29,110	29,398	29,670	29,933	30,156	
Change%	5.7	0.6	1.5	1.6	0.8	0.8	1.0	0.9	3.2	0.7	0.9
Total	61,533	61,252	63,287	64,769	66,434	67,659	69,258	70,872	72,458	73,953	
Change%	-2.1	-0.5	3.3	2.3	2.6	1.8	2.4	2.3	2.2	2.1	2.9

Average Change Rates 2006  
Source: PricewaterhouseCoopers LLP, Wilkofsky Gruen Associates

## Newspaper Publishing

In the EMEA market, of which Turkey is a part, despite the crisis, newspaper publishing is expected to witness growth in advertising revenues during the 2009 - 2011 period. In Turkey, another factor driving this is the rapid growth in rates of education and literacy, which leads to greater public demand for current events and news. In this environment, newspapers offering high quality reporting and content that satisfies reader expectations will take the forefront, and our group, which publishes Turkey's leading newspaper brands, expects strong circulation growth in the coming years.

### In Conclusion:

In 2009 and beyond, the Turkish media sector will continue its growth and development trend. From a media point of view, the Middle East and Eurasia region is a largely virgin market offering excellent investment opportunities. Despite the current global economic crisis, we are confident that this momentum will be maintained. Because, with the cessation of conflict in the Middle East and the Caucasus, the populations of these regions will prefer their own media outlets or those that are closer to them in cultural terms, rather than those of American or European origin. Al Jazeera's success in the Middle East and Arabic-speaking markets is incontrovertible. Within this framework, our group will continue to invest in its media philosophy of independent, honest and publicly responsible publishing and broadcasting across this entire region, while remaining focused on Turkey.



## Print Media / Newspapers

### Sabah

Sabah, which was first published in Istanbul in 1985, has brought about a sea change in Turkish newspaper publishing.

Committed to the EU accession process, supportive of free market reforms, a defender of the rule of law and dedicated to diversity, Sabah's headlines and opinion pieces set the Turkish current events agenda every morning.

Sabah, which ushered in an era of diversity and open debate in the newspaper business, presenting well-known and highly-respected columnists, each representing a different point of view, has been published by Turkuvaz Broadcast and Publishing Holding since 2008. The newspaper courageously presents the most insightful and impartial news and commentary about social, economic, political and international events, giving the public the opportunity to form their own opinions based on objective coverage.

Sabah is the newspaper of choice of Turkey's most dynamic and powerful decision-makers, focusing on a core readership of young, well-educated professionals who are on average 35 years old.

### Sabah Europe

Sabah Europe has been printed in Europe since March 20, 2006 and has reporters and advertising sales offices in 20 European cities, with a strategic concentration in Germany.

Sabah Europe places special emphasis on subjects of interest to Turks living in Western Europe, with pages prepared specially for them and keeps them abreast of the latest developments in Turkey and the world with accurate, up-to-date and objective reporting. Its outstanding journalistic team is one of the key factors that have made Sabah the newspaper of choice for European Turks.

A significant portion of Sabah Europe readers received their primary education in Turkey. One thing that sets Sabah Europe apart from other Turkish newspapers published in Europe is that it appears along with the Günaydin celebrity, gossip and lifestyle supplement. Another distinguishing feature of Sabah Europe is that it has a higher percentage of female readers than any other Turkish newspaper in Germany.

The Turkish community in Europe has undergone rapid change in recent years, finding itself at the center of the society in which it lives and able to compete with that culture in a multicultural environment, a dynamism that Sabah Europe brings alive in its pages every day.

### Yeni Asır

This newspaper was first published in Salonica in 1895, under the name "Asır", or "Century". In 1908, following the proclamation of the 2nd Constitution, it added "Yeni", to its name, becoming "Yeni Asır" the name under which it is still published.

In its 114-year history, Yeni Asır has seen many revolutions in the publishing industry and today, as Turkey's largest regional newspaper, continues to be the voice of the Aegean region. Committed to quality, diverse content and a different approach to reporting, Yeni Asır is the eyes and ears of the Aegean. Following each and every one of the issues affecting the region and working to solve them has helped build an unrivalled track record of journalistic success. Yeni Asır is printed and distributed from its own printing facility in Izmir. Yeni Asır, which is a member of the Turkuvaz Media Group, is also a media group in its own right, whose media properties include: Yeni Asır TV, Izmir TV, Romantik Radio and the Yeni Asır Online Newspaper. With a circulation and advertising volume surpassing that of many nationwide Turkish newspapers, Yeni Asır is a lasting part of the lives of residents of the Aegean region.

### Takvim

Takvim, which first appeared on December 27, 1994, with the mission, "To be a newspaper that presents the events that really shape the agenda and is always on the side of the people and those in the right", a philosophy to which, in its 15th year, it still unswervingly adheres.

Takvim is one of Turkey's five top-selling newspapers and reaches 220,000 readers every day. From the point of view of both brand value and the quality of its reader profile, Takvim has raised the standard in the market in recent years and differentiated itself with supplements appealing to everyone, young and old, man or woman.

With a dynamic young team and groundbreaking news, Takvim plays a growing role in setting the media agenda, moving forward with slow, confident steps.



## Fotomaç

Fotomaç is Turkey's most respected and best-selling all-sports newspaper and also the 5th ranked Turkish newspaper overall. With its proven track record for attention-getting exclusives, number one performance in reporting transfers, striking exclusive interviews, high-quality visuals and clever, surprising match headlines, the newspaper sets itself apart from the competition.

With its 32-page "İddaalıyız" betting supplement, Fotomaç is the number one source for İddaa news and the paper İddaa fans read to win.

The 8-page "Tempocu" supplement which comes free of charge with Fotomaç every day is the best racing form that gives winners in the 6-race combo the hottest tips, making racing fans rich by finding the 30,000 YTL and 52,000 YTL 6-race combos.

With net sales of 426,400 copies as of June 21, 2008, Fotomaç set the record for highest sales every by a sports newspaper in Turkey, and with sales of 405,795 on August 29, 2008, it placed in the top three newspapers in the country, behind Posta and Hürriyet.

## Print Media / Newspapers



## Print Media / Magazines

### Monthly Magazines



### Weekly Magazines



### Bi-annual Magazines



## Print Media / Magazines

Turkuvaz Magazines is active in the full range of publishing operations, including content generation, magazine printing on its own behalf and for third parties, distribution on its own behalf and for third parties, import and export, domestic marketing and sales and the full range of promotional and advertising activities for both existing magazines and newly launched titles.

Turkuvaz Magazines publishes a total of 22 magazines including the motor sports magazines published by its German partner, Turkuvaz Motor Presse: 13 monthlies, 4 weeklies and 5 special magazines and catalogs. Of these, 11 are internationally renowned magazines Turkuvaz publishes under license.

Turkuvaz Magazines produces magazines covering a range of subjects such as news, economics, hobby, fashion, home decoration and teen titles, the majority of which are leaders in their segments.

Turkuvaz Magazines is also one of the largest companies in the Turkish magazine publishing business, accounting for 24% of all net magazine sales and 19% of total advertising income.

## Broadcast Media

### ATV

ATV, which was established to operate in the broadcast media industry, is one of the most watched national TV channels in Turkey as a result of its balanced, principled, independent and respectful broadcasting policy that offers something for every member of the family.

ATV has a record of innovative firsts in Turkish television and with its slogan of "Ratings success without sacrificing quality" and the new trends it has launched, has earned its place in Turkish broadcasting history, in part because it is the channel that has aired more top-rated serials than any other.

With a highly qualified staff, successful management, superior creativity and a modern, Westernized outlook, ATV's quality, steadfast principles, outstanding ratings and suitability for quality advertisers have made it the leader in the sector.

ATV reaches 99% of the Turkish population through terrestrial broadcast, cable TV and digital platforms and through satellite broadcast and antennas, its footprint reaches as far as Europe, North Africa, Australia, the United States and the Turkic Republics of Central Asia.

ATV operates from its media complex located in the Balmumcu district of Istanbul which houses management offices, control rooms and a total of five studios, the largest of which is 1,720 m<sup>2</sup>.

### ATV Europe

ATV Europe, which began its broadcasting career in 1997 with the mission of being a true European channel, entertains viewers in more than 40 countries.

ATV Europe works to help Turks living abroad integrate into the countries where they live and, with the success of the next generation in mind, places great emphasis on educational and informative programming. With the far-reaching changes it has made and the new programs it has launched, ATV Europe is bringing a breath of fresh air to the broadcasting world.

ATV Europe, whose slogan is "Everything You Miss", is designed to appeal to Turks living abroad, has a core team of 25 and is an important example of the dynamic, principled and independent approach to broadcasting that characterizes the Turkuvaz Media Group.

In November 2008, ATV Europe took another step toward being a truly European channel and created a special place for itself by beginning bilingual broadcasting. Starting in Germany, this will be rolled out in the other countries of Europe as well, helping to fulfill an important mission.



### Turkuvaz Television and Radio Management

Turkuvaz Television and Radio Management was established in 2005 by Turkuvaz Broadcast and Publishing Holding as a TV and radio station operator, which is 90% owned by its founder.

Turkuvaz Television and Radio Management's mission, drawing on the latest high-quality technology, is to broadcast TV and radio in Turkey and internationally, ensuring that these broadcasts reach the widest possible audience.

### Turkuvaz Advertising Production

Turkuvaz Advertising Production, part of the Turkuvaz Media Group, provides advertising and marketing services for all group companies as well as selected non-group companies.

Turkuvaz Advertising Production is a full-service advertising agency, offering services ranging from brand positioning to image making, product name and slogan generation and logo design to TV commercial production and media buying.

Turkuvaz Advertising Production handles every phase of the creative and production process in-house, including advertising strategy development, concept development and production of all materials. Advertising and promotional films and print and outdoor campaigns for all Turkuvaz Media Group companies are designed and prepared for publication or broadcast by Turkuvaz Advertising Production. Turkuvaz Advertising Production has a full creative team, account team, fully-equipped indoor and outdoor film crews, film editing and directorial staff.

Services Provided by Turkuvaz Production: Strategy, creative, copywriting, graphic design, graphic layout, customer relations, production, media planning and media buying.

### Turkuvaz Advertising Marketing and Consultancy, Inc.

Turkuvaz Advertising Marketing and Consultancy, which is part of Çalık Holding and a member of the Turkuvaz Media Group, handles advertising sales and marketing for print, broadcast and digital advertising space and time.

Turkuvaz Advertising Marketing's experienced team of advertising sales professionals are based at the company's Istanbul Head Office, 4 Regional Headquarters and Regional Representative Offices and work in full coordination with the group's print and broadcast media companies.

### Turkuvaz Advertising Marketing handles sales for:

**TV Channels:** ATV, Türkçe TV, Yeni Asır TV.

**National and regional newspapers:** Sabah, Takvim, Fotomaç, Yeni Asır and their supplements.

**Weekly and Monthly Magazines:** Yeni Aktüel, Para, Oto Haber, Auto Motor Sport, Auto Katalog, Auto Classic, Motorrad, Sinema, Forbes, Bebeğim ve Biz, Sofra, Cosmopolitan, Cosmo Bride, Cosmo Girl, House Beautiful, Transport, Home Art, Harper's Bazaar, Esquire, Şamdan and Global Enerji.

**Radio Stations:** RadioCity, Romantik Radio and Turkuvaz Digital Media.

Turkuvaz Advertising Marketing on the basis of the strengths of the properties it sells and its insightful policies and strategies, has secured a significant share of the Turkish advertising market, making it one of the largest companies of its kind in the industry.

The company's successful operations are based on a commitment to doing whatever it takes to satisfy the customer and to never settling for second best.

### Turkuvaz News Agency

Turkuvaz News Agency, which meets the needs of all of Turkuvaz Broadcast and Publishing Holding's print and broadcast media properties, has set itself high objectives backed by a full restructuring and major investments in its print media newsgathering operation. Turkuvaz News Agency's newsgathering activities serve media properties that are leading brands not only in Turkey but also in Europe and help to contribute to growing circulations and ratings, as well as to greater advertising capacity.



### **Turkuvaz Distribution and Marketing, Inc.**

Turkuvaz Distribution and Marketing, Inc. was founded by the Turkuvaz Media Group to provide sales, distribution and marketing services for its print media and non-media products.

Since its first day of operations, Turkuvaz Distribution and Marketing has provided distribution and marketing not only for Turkuvaz Media Group publications like the Sabah, Takvim, Fotomaç and Yeni Asır newspapers and for the 22 magazines published by Turkuvaz Magazines but also for other leading publications. Thanks to its network of authorized dealers across Turkey, experienced core team and the young, dynamic staff they manage, the company quickly became the distributor of choice for a significant portion of the periodicals published in Turkey. Turkuvaz Distribution and Marketing is also the Turkish leader in distribution and marketing of GSM operators' prepaid mobile phone refill cards.

Turkuvaz Distribution and Marketing conducts its operations in an optimal fashion, offering reach, speed and efficiency throughout Turkey using the most effective technology to ensure the lowest cost possible. When marketing the products it distributes to consumers, the company's philosophy is "to be in the right place at the right time."

### **Turkuvaz Book Publishing Industry and Trade, Inc.**

Turkuvaz Books, which began publishing in 2005, published 15 books in its first year of operations. The company is committed to providing a broad offering, starting with literature and also spanning philosophy, analysis and research, memoirs and biographies, history, children's books, health, mysteries, folk tales, classics and modern classics, and contemporary and popular books. Publishing the best works in these categories, Turkuvaz Books also leaves room in its catalog for different series, including comic books.

Turkuvaz Books, in addition to publishing books by distinguished authors, is also open to new and talented writers. The Turkuvaz Books stable of authors includes Nobel Prize in Literature winners like Jean-Marie Gustave Le Clezio and widely read Turkish authors like İnci Aral, Nazlı Eray and Buket Uzuner, as well as favorite Turkish poets like Haydar Ergülen and Melisa Gürpınar. The company's objective is to become one of Turkey's most respected and trusted publishing houses, to build a reputation for quality and staying-power and to develop a strong readership following. As of year-end 2008, Turkuvaz Books had published a total of 200 books and expects to add another 60 - 70 titles in 2009.

### **Turkuvaz Printing Publishing Industry and Trade, Inc.**

Turkuvaz Printing's operations include pre-press, printing, publication, distribution and the domestic marketing for newspapers, magazines and other publications, as well as the sourcing, printing, publication, sales, licensing or license issuance for films, cassettes and videos related to its main publishing operations.

As of year-end 2008, Turkuvaz Broadcast and Publishing Holding's periodicals are published by Turkuvaz Printing at its printing houses in the Samandıra district of Istanbul, Antalya, Izmir, Adana and Ankara.



### Turkuvaz Media Digital

Turkuvaz Media Digital (TMD), as the Information Systems Group Directorate, provides content, programming, hardware, archiving and technical support for the Turkuvaz Media Group's newspapers, magazines, television channels, radio stations and online brands.

Acting as a digital content provider, the company engages in process analysis, strategy development and marketing for the digital content it creates.

Information Systems is responsible for the computers, peripherals and operating systems at all of the group's locations. In addition, it manages every step of the process leading up to the point at which a written word appears on a TV screen, newspaper or magazine page, or internet website and manages IT services, internet portals, mobile operations and corporate projects.

"New Media" online publishing, available around-the-clock and the fastest growing part of the media space, summarizes TMD's vision and objectives.

### Turkuvaz Mobile Services

Turkuvaz Mobile Services handles the revenue sharing distribution of the group's broadcast media via GSM operators and mobile phones, while providing "Added Value Services" infrastructure for other broadcasting companies.

Its basic service is providing the kind of data rich services in which format, content protocol or some other element undergoes modification, is combined with a program or in some fashion provides the subscriber with additional, different or repackaged data or correlates with a data source stored by the user, in media applications such as surveys, voting, competitions, logo and ringtone sales, live broadcast call-up, messaging or chat lines.

- Interactive Voice Response (IVR) solutions
- Voice messaging
- Voice mail systems
- Instant messaging service (SIP/SIMPLE)
- Text-based messaging (SMS and EMS)
- Unified messaging
- Multimedia messaging
- Voice Portals (using ASR and TTS technologies)
- Voice and video conferencing

In addition to these services the company also develops the full range of mobile applications and designs solutions for their implementation within and outside the group.

# CORPORATE GOVERNANCE APPROACH







## **Corporate Governance Approach**

At Çalık Holding, corporate governance is a fundamental and indispensable tool for promoting the steady, sustainable growth of the companies that comprise the holding company, in line with shared corporate values and common synergies.

## Çalık Holding's corporate business principles

Since its founding, Çalık Holding has perceived the changing business climate of each period ahead of its competitors and been the first to change and innovate, a model of behavior that it has adopted as its corporate culture.

Çalık Holding is a dynamic corporation that emphasizes customer satisfaction, implements programs that will ensure competitive advantage and continuous growth, targets the highest quality in its products and services and is always a leader and pioneer in the sectors in which it operates.

Within the framework of these approaches, Çalık Holding's fundamental corporate business principles are:

- A business model based on openness and transparency
- A creative, efficient and effective business management
- An environment of effective communication and continuous training
- An innovative and development-focused business culture
- Use of an up-to-date technology
- A customer-oriented business model
- A working environment is based on mutual affection and respect
- To be known as a company that respects society's beliefs and honors and is sensitive of its fundamental values

## Çalık Holding's Basic Business Approaches

Çalık Holding employees, along with their principled and ethical behavior, are aware that they and their colleagues are working toward shared objectives, feel ownership of the company and group and are individuals who create results-oriented ideas and innovative solutions.

The business approaches that underpin the success of Çalık Holding employees and are the guarantee of the group's success can be summarized as follows:

- Know the customer's needs as well or better than the customer, design effective, lasting and creative solutions for those needs that are competitively priced and bring these to market before the competition.

- Approach group companies and units as internal customers and remember that our shared corporate efforts are directed toward providing customers with quality service.
- Develop constructive and on-going recommendations to improve the quality of production, sourcing and provision of services.
- Develop timely and lasting solutions in order to achieve success.
- Remember that, in order to be successful, every individual within the group has an equal right and responsibility to generate added value.
- Without sacrificing the energy of individual competition, to treat team spirit and a culture of teamwork as indispensable parts of the business approach.
- Appreciate that the Çalık Holding corporate culture is founded on a strong corporate culture and a high level of values.
- Consider not only the satisfaction of the target audience but also of all social stakeholders in every thing we do.
- Share the fruits of our success with the community.
- Meet the world on its own terms without losing touch with their own culture and values.
- On the international platform, to represent our country in the best fashion possible, contributing to the prestige and reputation of our nation.
- Accept that all progress and development is the common property of all of humanity.

Çalık Holding prizes the strong national and international reputation it has earned as the expression of the sum of these values. Çalık Holding's primary objectives are to build on its success, to become one of Turkey's and the world's exemplary corporations and, not satisfied with its successes thus far, to be a leading corporation that daily adds to its record of achievement. Çalık Holding knows that its successes are its country's successes and does not view its existence independently of that of its country, making increasing Turkey's international prestige one of its core missions.

The Çalık brand, a symbol representing the group's innovative and entrepreneurial skills, its objectives and commitments that is fully integrated with Çalık Holding's stance. The values embodied in this brand are fully embraced by all of the group's member companies, serving as a guide, support and an important amalgam of years of experience. Çalık Holding is firmly committed to ensuring that in all its future achievements, as has been the case with its achievements thus far, the values of the "Çalık" brand are respected and preserved.



## **A corporate communications model that is straightforward, transparent and participatory equitable**

The corporate culture that guides Çalık Holding's corporate communications is the sum of the business culture and values adopted by all group companies. Within this framework, in its corporate communications Çalık Holding takes into account all parties concerned, starting with its employees and the target audience it is addressing, following a sincere approach that is designed to address their expectations and concerns. Based on the awareness that its employees and business partners are the sources of its success, Çalık Holding includes all relevant parties in its business processes, keeps them apprised of the outcomes and, on the basis of its commitment to stakeholder relations, ensures that they receive recognition and praise for their achievements.

Çalık Holding operates and successfully undertakes projects not only in Turkey but also in the surrounding region and internationally and conducts all its activities with an awareness of the responsibility it holds as an exemplary Turkish company.

The fundamental principles of Çalık Holding's corporate communications:

- Believes that a good reputation is hard to earn but easy to lose and treats its reputation as its most important asset.
- Believes that rectitude and forthrightness are as important in communication as they are in doing business and does not swerve from these principles.
- Always takes a unified, corporate approach; all subsidiaries conduct their own communications efforts but do so within the overall strategy defined by Çalık Holding.
- Is confident but does not over-promise.
- Ensures that everything said is true and factual.
- Avoids overstatement and stresses humility.
- Communications focus on addressing all stakeholders.
- Believes in good corporate governance and is deeply committed to ethical behavior.

### **Çalık Holding's Corporate Structure**

Çalık Holding and its subsidiaries' corporate structures and business processes are a set of procedures that have been established on the basis of years of experience and are integrated into these companies' corporate and organizational structures and have been adopted by employees to the extent that they are in essence a part of their normal behavior.

Within the framework of corporate governance procedures the cornerstones of Çalık Holding's corporate structures are the Asset/Liability Committee, Audit Committee, Risk Management Committee and Corporate Governance Committee.

The fundamental duty of the boards and committees composed of executives from different units and functions within the group is to evaluate the strategic corporate decisions made at the holding level from a different perspective and ensure that these are formulated, implemented and monitored in the light of a common corporate intelligence, ensuring broad-based strategic impetus and management.

### **Strategic Management Approach**

Since 2006, Çalık Holding has unified the three fundamental functions of Strategic Management (1. Strategic Planning, 2. Corporate Performance Management, 3. Corporate Risk Management) under the roof of a single department, which implements projects to ensure that this approach is spread throughout the group.

The main goal of strategic management is to bring transparency to the decision-making and implementation process and to ensure that the group's ultimate strategic objectives are reached. These three functions, which have been institutionalized with one another in an integrated system, have the joint objective of allowing all group companies to pursue a set of strategic objectives based on analytics and shared insight, ensuring that group and company strategic targets are known by all employees, facilitating the periodic measurement and evaluation of performance criteria within a transparent framework, as well as permitting the identification and management of events and outcomes that could impact company targets.

### **Strategic Planning and Corporate Performance Management**

The Strategic Planning process, in which the group's medium- and long-term strategic objectives are set, is data-driven, dynamic and participatory, designed to support the group's innovative and entrepreneurial style.

Çalık Holding and its subsidiaries' corporate structures and business processes are a set of procedures that have been established on the basis of years of experience and are integrated into these companies' corporate and organizational structures and have been adopted by employees to the extent that they are in essence a part of their normal behavior.

To provide for monitoring and management of the strategic objectives determined as a result of this process, since 2007 Çalık Holding has used the Balanced Scorecard method. At present, the performance results of the textile, construction, marketing and energy business lines can be monitored by the relevant parties via the SAP system, and plans are in place for the creation of scorecards for Altelecom and Eagle Mobile, which joined the group in 2009, as well as for the expansion and fine-tuning of existing scorecards.

### **Corporate Risk Management Procedures**

Because it operates in a range of different geographies and sectors, risk management has always been a central part of the group's decision-making process and includes not only financial risks but also strategic, operational and external risks.

To bring a more institutionalized structure to the risk management function, since 2006 the Corporate Risk Management approach has been applied at all group companies to identify risks and analyze both their impact and probability; in this way steps to minimize threats and reveal hidden opportunities are identified.

In systems designed to put risks on a measurable basis, because risk indicators are inextricably linked to leading and trailing performance indicators and because of the two systems' similarity as applications, the Corporate Risk Management and Corporate Performance Systems were approached simultaneously and an integrated tracking system was established.

In 2008, in order to leverage the group's wholesale buying-power, improve service quality and operational efficiency, the project to consolidate all of the group's insurance policies on December 31st was successfully completed, generating price savings of 15% over 2007.

Ultimately, the objective was to make risk management not a separate process, but rather part of all processes and something implemented in conjunction with the process owners within the framework of an institutionalized structure.

### **Human Resources at Çalık Holding**

Çalık Holding's Human Resources mission is to closely track the latest human resources approaches and procedures and implement these in a fashion appropriate to the organization's rate of change, values and needs, while also sharing these approaches with other group companies.

Our candidate selection and placement practices are designed to recruit employees who are highly educated, open to change and development and able to appreciate and develop societal values. Our principle is to give each candidate an equal chance to be evaluated on the criteria for the position without favoritism or discrimination.

We further strengthen our candidate database through participation in "Career Days" at a variety of universities across Turkey.

Existing employees are evaluated for their potential on the basis of succession and substitution plans consisting of horizontal and vertical assignment changes. They are encouraged to continue their personal development through projects and training programs.

The objective of our group's training operations is to ensure the continuity of organizational growth and development through employees who can make a difference and prepares programs to ensure that employees maximize their development through support and life-long learning. The group's priority is to identify needs based on company objectives and strategies and to plan training programs that will promote continuous development.

Human Resources, bearing in mind training needs, works to identify the benefits expected from training programs or cooperates with other departments to design training programs for specific or specialized needs. Training for individuals is provided on the basis of needs identified as a result of employees' positions within the organization and their competencies, drawing on either in-house or external resources. Training management is provided in a classroom setting and using original content as required.

Employees' development and potential is continuously monitored through the Performance Development System, which is implemented in cooperation with their division managers.

#### **As of year end 2008:**

Personnel employed by the Çalık Group: 19.855

Average age of Çalık Group employees: 38

Percentage of managerial staff who are university graduates: % 52,80

Training provided per employee in 2008:  
2 days/16 hours

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

Çalık Holding, in order to ensure its corporate sustainability in both economic and social terms, gives primary consideration to quality, people and the environment in all of its operations.

Not only do group companies develop and implement quality, environmental and occupational health and safety policies but they also are committed to ensuring that these systems are fully certified.

Çalık Enerji, Gap İnşaat, Bursagaz and Kayserigaz have made the transition to the Integrated Management System and possess the following certifications:

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

Gap Güneydoğu Tekstil continues to operate with ISO 9001, ISO 14001 and Oeko-Tex Standard 100 certifications.

### The Integrated Management System:

- Establishes a structure that is in conformity with legal requirements and regulations, focused on customer satisfaction, technologically enabled and capable of continuous improvement.
- Ensures that all employees are aware of the company's policies, aims and objectives.
- Ensures that legal and other requirements and customer expectations are known and properly understood by the relevant employees and sees that these are met to the maximum degree possible.
- Secures customer satisfaction by providing products are fit for their purpose and meet the full range of user needs and within this framework offers these goods at a price appealing to the consumer in a defect-free state and delivers in a timely fashion
- In an integrated system in which all employees have well-defined job descriptions, provides an environment that promotes individual happiness as well as effective teamwork, preventing time loss and enhancing efficiency.
- Uniformly applies the standards of the system; assuring the sustainability of the efficiency, quality production and service approach; and to this end to provides the requisite personal development and quality-related training.
- Based on these fundamental principles protects the environment and employee health and safety in all operations, reduces environmental impact and abides by all laws and other relevant requirements and to ensuring that employees adopt these principles and objectives and increases awareness in these areas.

## Within the framework of the environmental and occupational health and safety policies they apply Çalık Holding companies:

- Seek continuous improvement in all business processes via ongoing reviews and evaluation that are designed to preserve the environment by ensuring effective and efficient utilization of natural resources.
- Abide by all laws and regulations concerning the environment and make any upgrades necessary in this respect.
- Act on the principle of minimizing and where possible eliminating environmental impact, reduce waste products and output to levels at or below international standards by adopting the latest technologies and procedures and ensure that Environmental Impact Reports are prepared for all investments.
- Continue evaluations of environmental performance by setting new targets and objectives every year.
- Inform the public and relevant parties of the company's commitments within the scope of the Environmental Management System and of any projects or programs to be implemented in this regard.
- In system planning for environmental and occupational health and safety, take into account the results of any risk evaluations regarding occupational health and safety threats and adopt the latest developments and procedures in this field to their system.
- Organize educational and social events that raise environmental awareness and sensitivity and promote preserving health and the environment.
- Take the necessary precautions to ensure the minimization or elimination of risks to which employees or those living in the vicinity of our operations are exposed and abide by all relevant legislation, regulations, international standards and customer specifications.
- To ensure that awareness of and responsibility for the environment and occupational health and safety are understood and accepted at all levels of the organization by providing the requisite technical, first aid and risk avoidance training programs with active participation by employees and to use risk analysis techniques to assure the continuous improvement of the system.
- The Çalık Group, in order to ensure its corporate sustainability in both economic and social terms, gives primary consideration to quality, people and the environment in all of its operations.



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