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***A Leading Company Which
Generates Added Value For
The Countries It Operates In;***



ÇALIK HOLDİNG

ÇALIK HOLDİNG VISION

To be the most valuable Turkish enterprise in three aspects: employees, management practices and business portfolio.

Our Group derives its strength through its business perception shaped by courage, innovation ve prudence. Our vision consists of three main components:

1. To be the most preferred workplace employing the best.
2. To be an exemplary Group with its management understanding and systems.
3. To own a superior and high return business portfolio.

ÇALIK HOLDİNG MISSION

To enrich all stakeholders in Turkey and in other countries we do business in, through our innovative, courageous and prudent business understanding. Çalık Group exists to enrich its stakeholders. The Group undertakes all its operations in line with this goal, with an innovative, courageous and prudent spirit. Çalık is a family internalizing its countries' high values and paying respect to all colours of the geographies it has a presence in.

ÇALIK HOLDİNG CORE VALUES;

Fairness - We act with a sense of justice and fairness.

Ethics - We have high moral standards.

Reputation - We keep our reputation above all else.

Respect - We see our differences as richness and reject all form of discrimination

Solidarity - We always support each other

Human Focus - We believe success is possible and meaningful with people.

ÇALIK HOLDİNG BUSINESS PRINCIPLES;

Determination - We work hard for what we promise.

Competence - We work with competent people.

Courage - We believe in ourselves and can be assertive

Consultation - We value different ideas.

Customer Focus - We strive to better understand our customer's need and expectations

Sense of Responsibility - We feel responsible to uphold values of humanity, our society and company.

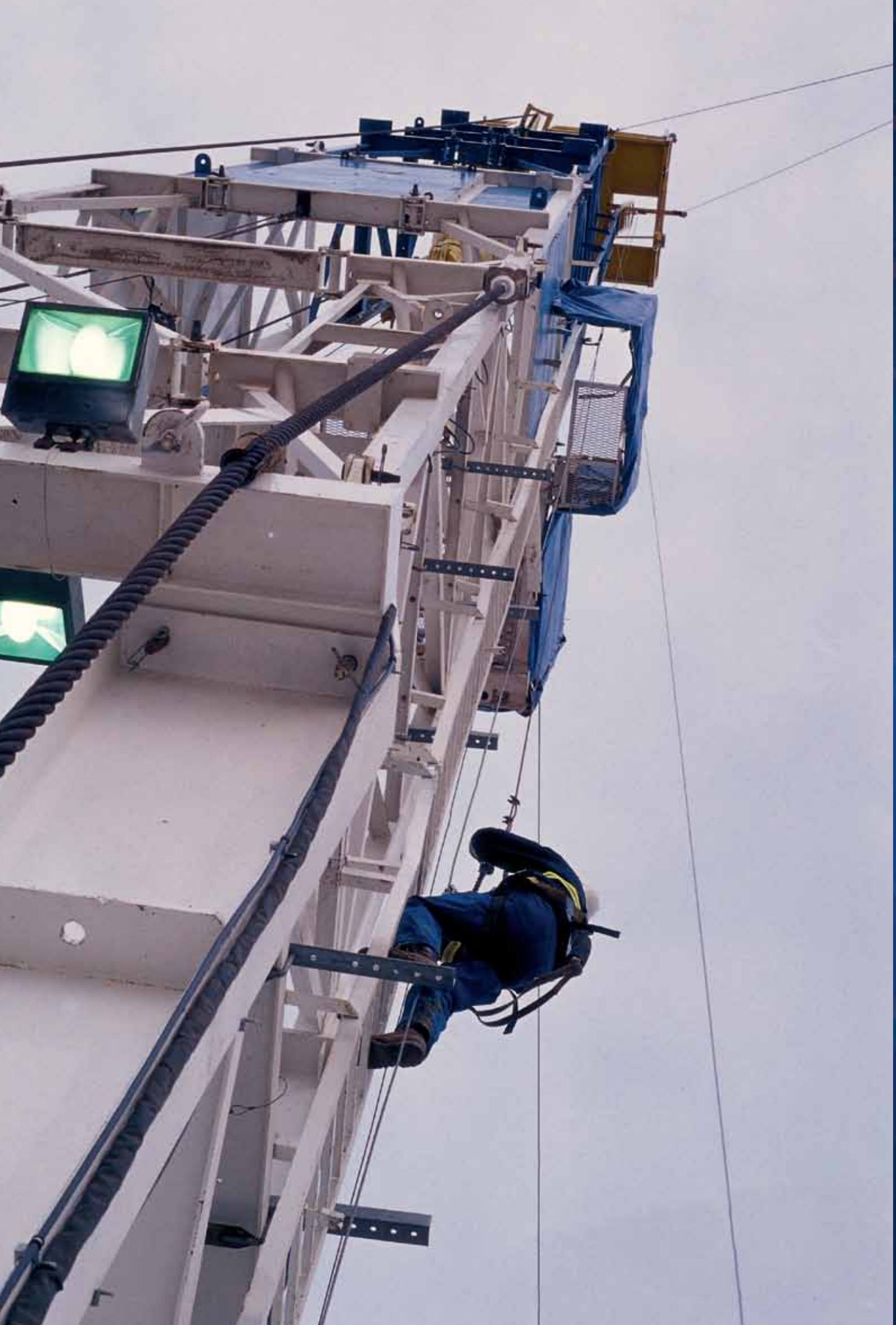
All Çalık Group Members faithfully embrace to these core values and business principles.

Çalık Holding's Key Financial Indicators

| Key Financial Indicators | | | |
|---------------------------------|-----------|-----------|-----------|
| (USD Thousands) | 2011 | 2010 | 2009 |
| Total Assets | 6,404,566 | 5,816,908 | 4,500,252 |
| Total Equity | 944,851 | 1,113,662 | 1,136,558 |
| Net Sales* | 2,929,166 | 2,056,830 | 1,510,786 |
| Gross Profit | 715,265 | 474,686 | 386,830 |
| EBITDA* | 449,219 | 256,479 | 197,367 |
| Net Profit | 72,327 | 20,315 | -6,224 |

| Basic Ratios | | | |
|-------------------------|------|------|------|
| | 2011 | 2010 | 2009 |
| Gross Profit Margin (%) | 24% | 23% | 26% |
| EBITDA Margin (%) | 15% | 12% | 13% |
| Return on Equity (%) | 7% | 2% | -1% |
| Net Debt/EBITDA | 3.15 | 5.47 | 6.23 |

* The amortisation of the investments, arising from Transfer of Operating Rights owned by YEDAS, is excluded (IFRIC 12 effect).



ÇALIK HOLDING

Çalık Holding's foundation was laid by Mr. Ahmet Çalık in 1981, a member of Çalık Family whose commercial activities date back to 1930s. Today, Group employs more than 20,000 people by virtue of its business enterprises in 15 countries within the sectors of energy, telecom, textile, construction, finance, media, and mining.

Çalık Holding, operating in a region extending from Central Asia to North Africa and from Middle East to the Balkans, has approximately 3 billion USD annual turnover. The Group's, consolidated asset size is approximately 6.5 billion USD and is currently working on 20 Billion USD worth project portfolio.

As a result of its active involvement in the domestic and foreign tenders, Çalık Group has incorporated Albtelecom, the land line operator and internet supplier of Albania in 2007, the Turkuvaz Media Group, one of two largest media enterprises of Turkey in 2008, and Yeşilirmak Electricity Distribution Inc. (YEDAŞ), which is accountable for the electric distribution in 5 major cities of Turkey in 2010.

Initially aiming to create added value and making investments beneficial for the people of every country it operates in, Çalık Holding has begun to construct two power plants with totally 2,000 MW capacity in Iraq, started the broadcast of two new thematic channels A Haber (A News) and Minika and recently started Infusion Solution Project with a capacity of 10 million bottles and turn-key delivery Dental Hospital Projects, right after completing Eye Hospital Project with a capacity of 120 beds in Turkmenistan.

Çalık Holding has become one of the leading Turkish investors in Central Asia and the Balkans as well as one of the largest employers in Turkey. Çalık Holding has established international collaborations with many global and prestigious companies such as Rosneft, Initec Energia, Eni, Mitsubishi, EBRD, EWE, General Electric, Alacer Gold, Qatar Holding and Türk Telekom.

Çalık Holding has undertaken two energy projects which are regarded as global scaled milestones of Turkey - Samsun-Adana/Ceyhan Crude Oil Pipeline Project and Adana (Ceyhan) Oil Refinery Project, the first green-area refinery project to be established in the heart of East Mediterranean. Holding signed JV agreements with Alacer Gold, Çalık Holding's partner in the Çöpler Gold Mine in İliç, Erzincan, for 16 properties located in different cities in Turkey. Holding owns 50% of the three companies established for this purpose. Total gold production in Erzincan's currently operating Çöpler Gold Mine, exceeded 185 thousand of ounces in 2011.

Çalık Holding, known for its reputation and reliability in the sectors it operates, with its powerful financial structure, has shaped its corporate plans, strategies and objectives on the basis of sustainability. Çalık Holding boasts an innovative and corporate structure that renders it a trail blazer. In the light of its proven growth strategies Çalık Holding has initiated outstanding projects and generated value added investments in the countries it operates. The Group makes the best of combining the entrepreneurial and productive qualities of its rich corporate culture to remain among the leading and prevailing actors in its primary business fields.





MILESTONES

Ever since its inception, Çalık Holding has realized successful projects and seized a sustainable growth trend thanks to reasonable strategies it adopted.

From 1930's to 1980's...

■ Çalık Family's involvement in textile industry goes back to the 1930s. However, Ortadoğu Tekstil, established in 1981 by the Group's founder, Ahmet Çalık marked the first corporate venture.

1980's

■ Mr. Ahmet Çalık continued to undertake new ventures in the textile industry through the second half of 1980's. In 1987, Gap Güneydoğu Tekstil, regarded as one of world's leading manufacturers of denim fabric was founded.

1994

■ Gap Pazarlama was established to boost the share of the Group in the international textile trade.

1995

■ The Group set out to establish the first denim factory in CIS countries, and became one of the first foreign investors in Ashgabat, Turkmenistan.

1996

■ Initially established to construct the textile factories for the Group, Gap İnşaat was restructured and launched with the mission of business development.

1997

■ All the subsidiaries of the Group were reorganized under a unified management and Çalık Holding was established.

■ Serdar Spinning Factory and Turkmenbashi Jeans Complex were put into service in Turkmenistan.

1998

■ Çalık Enerji was established.

1999

■ The Group entered the finance sector with the establishment of Çalıkbank.

2000

■ Türkmenbashi Textile Complex started its production in Turkmenistan.

2001

■ Turkmenbashi Open-End Yarn Factory started to operate.

■ Fitch IBCA (Fitch Ratings) announced the first credit rating report for Çalık Holding; Group was assigned a BBB (Tur) long-term national credit rating.

2002

■ Gap İnşaat underpinned its position with global construction projects for fertilizer, paper and cement production facilities.

2003

■ Total assets of Çalık Holding exceeded 1 billion USD.

■ In line with the agreement signed with EBRD, production capacity of Turkmenbashi Jeans Complex was expanded.

■ Çalık Enerji, in cooperation with General Electric realized Turkmenbashi, Abadan and Balkanabad Power Plant Projects with total 376 megawatt.

2004

■ Bursagaz, the natural gas distribution company serving Turkey's fourth biggest city Bursa, was acquired by Çalık Enerji at the privatization tender.

■ Gap İnşaat realized Yaslik Paper Factory project on turnkey delivery basis.

2005

■ Italian energy company ENI became partner to TAPCO, which was established to realize the Samsun-Adana/Ceyhan Crude Oil Pipeline Project by Çalık Enerji.

■ Çalık Holding started wide-scoped SAP application in its body; a first in Turkey.

■ Group, in cooperation with Etisalat offered the second best prize in Türk Telekom tender with 6.5 billion USD; and in cooperation with IOCL offered the second best prize in Tüpraş tender with 4,120 billion USD.

■ Gap İnşaat completed the Tedjen Ammonium Factory and Kelete Cement Factory Projects on turnkey delivery basis.

2006

■ Construction Licensee of Samsun-Adana/Ceyhan Oil Pipeline Project by TAPCO was approved by National Security Council and President Mr. Ahmet Necdet Sezer.

■ Çalık Holding acquired 60% shares of Banka Kombetare Tregtare (BKT), the second biggest bank of Albania.

■ Gap Güneydoğu Tekstil loaned usury credit worth 50 million USD from the consortium led by Kuwait Finance House and Kuveyt Türk Katılım Bankası with the longest redemption date of 4.5 years ever obtained.

■ Çalık Enerji completed Ashgabat Power Plant with 254 megawatt capacity in association with General Electric.

2007

■ Çalık Holding realized 200 million USD Eurobond issue with five-year term loan. International investing corporations showed a tremendous interest in the issue and Holding received approximately one billion USD demand; five times more than the supply ratio. This was a first in Turkish Republic history.

■ Çalık Holding acquired Albtelecom, Albania's largest fixed line telephone operator and internet provider, by privatization.

■ Banka Kombetare Tregtare's (BKT) first branch in Kosovo was opened.

- Çalık Enerji acquired Kayserigaz, a natural gas distribution and operating company in Kayseri.
- Çalık Enerji agreed to sell 39.9% share of Bursagaz to the German-based international energy firm EWE.
- Energy Market Regulatory Authority (EMRA) approved the license application of Çalık Enerji for an integrated refinery and petrochemicals facility with a 15 million ton annual capacity
- Çalık Enerji completed Dashoguz Power Plant with 254 megawatt of power in association with General Electric.

2008

- Bursagaz was awarded with EFQM European Quality Award's Grand Prize that was given only to seven companies in Turkey.
- In line with its growth and restructuring strategies Çalık Enerji after transforming Bursagaz and Kayserigaz to the best managed private sector gas distribution companies, sold part of its shares valued over 35X EBITDA to its German partner, EWE. Group has realized one of the most beneficial sales of shares to the foreigners in Turkey.
- Çalık Holding completed the legal procedures for the takeover of the media group ATV-Sabah Commercial and Economical Entity, acquired with an offer of USD 1.1 billion at the tender held by the Turkish Savings Deposit Insurance Fund (SDIF) in 2007.
- 25% shares of ATV-Sabah Media Group were sold to the Qatar Investment Authority.
- Çalık Holding became one of the corporations that provided the highest Foreign Direct Investment (FDI) to Turkey with approximately 1 billion USD in last two years.
- Çalıkbank was restructured and renamed as Aktif Bank.

- In line Çalık Holding's production strategy in different geographic areas, Çalık Holding commenced production in Egypt Confection Factory.
- Eagle Mobile, the youngest operator in the Albanian GSM market, commenced its operations March by completing its preparations within six months.

2009

- Çalık Holding established a partnership with Canadian based Anatolia Minerals of which shares are traded at Toronto Stock Exchange and entered mining sector.
- Turkuvaz Media Group formed a partnership with The New York Times, one of the most prestigious newspapers around the world, to offer the newspaper to readers in Turkey every Sunday.
- Çalık Holding became 100% owner of Banka Kombetare Tregtare (BKT) by purchasing share of total 40% from EBRD and IFC.
- Çalık Enerji won the tender for Yeşilirmak Elektrik Dağıtım company who undertook electric distribution to Samsun, Amasya, Çorum, Ordu and Sinop Provinces against tender price of 441.5 USD in electricity distribution privatization realized in November.

2010

- Turkuvaz Media Group, comprising 20% shares of Turkish television and newspaper advertising market with its in-field leading 1 TV channel, 4 newspapers and 26 magazines, signed a content exchange agreement with Maeil Business, the largest media group in South Korea.
- Eagle Mobile increased its market share 15%, in customer base.

- Eastern Mediterranean Petro Chemistry and Refinery Industry and Trade I.C., signed an agreement with Shaw Group to receive Project Management Consulting (PMC) services regarding Adana East Mediterranean Refinery Project.
- Çalık Maden was restructured and received the name Lidya Madencilik.
- Çalık Enerji won the tender for construction of El Khairat Natural Gas Cycle Power Plant with 1,250 Megawatts capacity for 445.5 USD contract price.
- On 22 December, the first gold was produced in Çöppler Gold Mine operated by Anagold Madencilik for which Lidya Madencilik has partnership with Canadian centered Alacer Gold.
- Gap İnşaat undertook the project consisting of reclamation of 19 km highway connecting Baghdad International Airport to the city center and establishing landscape area of 1,600 thousands square meters in Iraq.
- Çalık Holding and the Russian national oil company Rosneft agreed to form a partnership for international oil trade and cooperation in the Turkish market.
- Handover procedure of Yeşilirmak Electric Distribution Company (YEDAŞ) was completed and the company participated in the body of Çalık Enerji.
- Turkuvaz Media Group's EBITDA reached 85 Million USD, the highest number ever in its history.

2011

- Turkuvaz Medya launched two new thematic channels: A Haber and Minika.
- Çalık Enerji, began the construction of a 750-MW power plant in Mosul, Iraq after winning the tender.
- Gap İnşaat completed 5 months ahead of schedule a 120-bed Eye Hospital in Ashgabad, a turnkey project commissioned by the Ministry of Health of Turkmenistan. Two other turnkey projects in Ashgabad; construction of Infusion Solution Plant with an annual capacity of 10 million bottles and construction of Dental Hospital, commissioned both by Turkmenistan Ministry of Health, have started.
- Under the aid campaign for Somalia initiated by Turkuvaz Medya in collaboration with TİKA and the Red Crescent of Turkey about 100 million TL has been collected.
- Gap Güneydoğu Tekstil established its own R&D department.
- Lidya Madencilik concluded partnership agreements for 16 new mining areas located in various provinces of Turkey with its associate Alacer Gold, acquiring a 50% share in each of the three companies founded for that purpose.

THE FUTURE IS WRITTEN WITH PAST...



Our Venerable Friends,

We have been facing rapid changes in the world in many areas ranging from economics to politics, from global power balances to individual lives since the beginning of the 21st century. The year 2011 we have left behind also witnessed important developments.

Even though world economy has entered a period of recovery after the global crisis, mounting risks have continued to present a threat to the economy in 2011. Despite this negative atmosphere, Turkey has strengthened and improved its position with a higher grade at a time when the grades of leading countries were lowered by international rating corporations. Meanwhile, Turkey's economical achievements maintained in 2011 were not confined to these. The accomplishments of our country that is gradually becoming more influential are followed by countries ranging from Middle Asia to North Africa, Europe to the Middle East and their people. The rise in the growth rate in economy and industry attained by Turkey brings important responsibilities to Çalık Group that has realised various projects with the investments it has made. The fact that our Group with a history of 30 years has had different experiences both in Turkey and in many important countries in the world plays an important role in this. By this means, we regard and make use of this this troubled period that the world has suffered from as an opportunity to improve our activities. Besides, being one of Turkey's long established groups in the international arena, we are able to adjust ourselves to the differing conditions of each one of the 15 countries that we furnish services and continue to grow with our long standing period of experience of 30 years.



Investing In The Future In Energy

Energy comes first among the sectors that our group focuses on in parallel with the growth strategy of our group. Estimations on the possibility that world energy consumption will rise by approximately 40% in 20 years reveals the rectitude of the sectors we have chosen for economical growth. It should not be forgotten that the great majority of this demand is expected to be supplied from the region our country is located in. An important part of the world's oil and natural gas reserves is found in the Hazar basin, the Middle East and Russian Federation that surrounds Turkey. In other words, in today's World, when the demand for energy is increasing, Turkey is going to continue to play an important role in projects aiming to diversify the energy sources and transportation.

Therefore, we are conscious of the fact that the projects our group undertook in 2011 in the energy sector have strategic significance. Similarly, the commendations we have received as a result of the projects we have realized is a source of pride for us. For instance, Yeşilirmak Electricity Distribution Corp. (YEDAŞ) that joined our family by the end of 2010 has been successful in winning the appreciation of their subscribers with the renovations and practices it has realized within the scope of our group's vision and strategies.

Our targets in this field are not restricted to Turkey. Besides the natural gas transformation station Project in Uzbekistan, Çalık Enerji has made an advancement in the same sector in Iraq. Natural gas transformation stations with an overall power of 2,000 MW that we have started the constructions of near Karbala and Mosul are to be operated soon with an 860 million USD investment. With these projects, we not only supply the electricity need of the population of our fraternal neighbor, Iraq, but also endeavor to raise the quality of life for the people in the region by means of providing employment to approximately 2,000 people with our social responsibility projects that we implement in the region.

We Redound Gold Reserves To The Economy

Another issue that has left its mark on the agenda of 2011 as much as energy was the rise in gold prices worldwide. In this respect, we are pleased to have made significant achievements as Çalık Group. In such a period as this, the gold mine we have established in the town of İliç in Erzincan has gained big significance. In the Çöppler Gold Mine that succeeded in enlivening the economy and employment in Erzincan 185 thousand ounces of gold was produced last year, which exceeded the limits we had set in the beginning of the year.

Undertaking Important Projects In İstanbul

It is for certain that construction has been one of the leading sectors in our Company for 30 years. We sustained the projects that would add value to İstanbul, the rising star of the estate agency market. Amongst these, Metropol İstanbul, whose construction is continuing within the scope of the International Finance Center in East Ataşehir is one of the most exciting projects in the world. What we have brought in İstanbul is not confined to this. As Çalık Group, we are conducting "Şehrizar Konakları" project in one of the most valuable lands of İstanbul. This project, established in Altunizade with an investment of 450 million TL, is planned to have been finished by the end of 2012.

We also continue to actively partake in the urban transformation of İstanbul, regarded as one of the most beautiful cities in the world. With this purpose, our construction process at "Tarlabaşı Urban

Renovation Project”, in which Gap İnşaat is the contractor and is operated by the Beyoğlu Municipality is in process of construction.

It must be stated once again that Gap İnşaat is unrivalled when it comes to ‘speed’. Gap İnşaat that realized over 110 projects in a vast landscape finished the construction and delivery of a hospital ahead of time in Turkmenistan. Furthermore, our company laid the foundation of 3 institutions in Turkmenistan. Also, the reconstruction of the 19 km highway that links the airport to the city centre with a project of 1.6 million square meter landscaping surrounding the area is currently in its last stage.

An Award For Our R&D Performance In Textile

In our country that is designated as ‘the country of textile’ we are continuing to have presence in this sector as Çalık Group. We are using technology more in order to strengthen our position in this sector.

As you all follow, our government has implemented very important reforms with the purpose of the improvement of R&D activities in 2008. Gap Güneydoğu Tekstil, the most influential denim exporter in our country that has taken this into account, has made many achievements with the help of its R&D studies. In the Textiles and Confection sector in Turkey, we were rewarded for our achievements in the “IV. International R&D Project Market Summit”. Besides the importance we attach to innovation, we received the “R&D” and “R&D Pioneers” awards due to the accomplishments of our R&D centre.

Çalık Denim, which has become a leader producer worldwide with its high quality denim fabric, has started an innovatory practice in Turkey, the “green event”.

I would also like to emphasize the fact that in our group, both of our companies that actively operate in the textiles sector are to continue their operations with the environmental production techniques they have developed and will set examples in the sense of social responsibility.

We Are At The Pinnacle Of The Banking Sector

The striking improvement in the banking sector in recent years is viewed attentively by the whole world. Leading banking groups in the world are trying to process every opportunity in order to make an investment in our country. Our group attained a high performance in the banking sector last year. Aktif Bank’s asset size rose to 2 billion 553 million TL by the end of 2011. Besides financial achievements, Aktif Bank, which has adopted the business style called “new generation banking” has been found worthy of 8 international rewards in the domains of payment systems, quality, distribution channels and communication.

The year 2011 was not only a bright year for Aktif Bank but also for our bank BKT that operates in Albania. BKT, which furnishes services in Albania and Kosovo with 82 branches, has increased its market share in Albania. BKT was also chosen “the Best Bank in Albania” by the Banker magazine of Financial Times once again.

Our Rise Continues In Telekom Sector Continues

We are establishing a similar achievement to the one in the financial sector in Albania in the telecom sector. One of our participants, Eagle Mobile that furnishes service in the telecom sector in this country has become the most preferred operator in the number transfer service. As for Albtelcom, the biggest landline telephone

operator and internet provider, it has been experiencing the pride of being worthy of the “2011 Broadband Business Excellence” award by Infocom Albania.

The Symbol Of Innovation In The Media

2011 was also a year in which important advances were made for the strong representative of independent press, Turkuvaz Media Group. While our new channel A Haber has become the representative of objective newsreporting, it also brought a new perspective to television reporting. Sabah newspaper, whose first pages are now printed with enamel paper, continues to be the symbol of entrepreneurship and innovation in the media.

Minika, which started its publications last year, has succeeded in winning childrens’ and adults’ admiration. Minika is continuing to improve its quality in order for it to be able to contribute to the development of our children.

Turkuvaz Media Group that upholds innovation in reporting, has also realized the first special media practice in Turkey, utilizing SAP solutions. Çalık Holding was entitled to the “Golden Award” with SAP’s IS-Media solutions in the SAP EMEA 2011 Quality Awards.

We Worked From Somali To Van For Aid

Undertaking it as a duty to enrich the sectors it is involved in, Çalık Group did not also forget about its social responsibilities in 2011. Its principle of “Creating added value for the society” continues to be the foundation of the institutional responsibility perspective of our Group. Our Group that sees its social responsibilities as one of the most important indicators of the respect shown to the society and its working people continues to run for the aid of disaster victims in all landscapes.

As Çalık Holding, we took the lead role in the aid campaign from Turkey for Somali that was struggling with hunger and draught in 2011. Aid collected by the organizations of Sabah, Turkish Red Crescent and TİKA lead the way for more help from the world.

The earthquake we had on 23 October 2011 in Van with the magnitude of 7.2 set in motion our nation’s spirit of collaboration once again. The aid that was transported by the collaboration of Sabah and Kızılay demonstrated the fact that everyone in Turkey had united for this purpose. The success of these campaigns gave us strength for new practices. It is our greatest wish that our public and the whole humanity may never encounter similar disasters.

Finally, I would like to thank our employees and their families, the most important investments in our Group, for their devotion. We are all a family. This family possesses very important experiences and achievements in its structure. As Çalık Family, we are determined to succeed in 2012, too, and continue to create added value in economies in all countries we work in.

Kind regards,



Ahmet ÇALIK
Chairman

Our Valuable Associates,

Our Group, thanks to its vision to become the most meritorious representative of Turkish entrepreneurship with its administration and business portfolio, is one of the biggest investors of Turkey abroad. As our Group receives its strength from a business percept shaped by courage, innovation and common sense, it continues its operations with the objective to enrich our country and the geography it is located upon. I am pleased to see that this stance has helped carry Çalık Holding forward to this day. Our Group has the power to adjust itself to all kinds of market conditions as it assimilates the lofty values of our country, respecting varying traits of the regions it is founded upon. This skill of ours brings success along with it. As a matter of fact, we have become one of the Groups that have conducted the last global crisis in the best manner; reaching the highest rate in its history in EBITDA with 450 billion USD. Our Group's turnover rose by 50% with respect to the year 2010, reaching approximately 3 billion USD. In 2010, our consolidated asset size that was 5.8 billion USD in 2010 rose to 6.4 billion USD by the end of 2011. Last year, we made investments worth 700 billion USD in order to strengthen our presence in our business domains.

Turkey, A Model Country, Is Monitored Carefully

Tremors caused by the global crisis and especially problems encountered in the Euro Region threaten leading economies of the World. As for our country, it came into prominence with its economical performance and stability in a vast geography dealing with political and social problems. Turkey, shown as a model country in the recent years has become a centre of attraction due to its success story that is viewed with admiration. Our country's performance in 2011 demonstrated this fact once again to the world. Economical precautions taken in advance of time have turned difficulties into opportunities. As the economy grew, production and exportation increased while unemployment decreased.

Turkey's growth sustains us in our activities that we pursue with more than 20,000 employees in 15 countries, including a vast geography from Central Asia to Northern Africa, and from Europe to the Middle East. Thanks to our government's active and dynamic foreign policies directed towards the Middle East, Africa and Balkan States, we are observing the fact that a broad range of employment opportunities is emerging.

The Energy Demand Of Our Country Is Increasing Fast Among OECD countries, Turkey has been the country in which the demand for energy increased the most in the last 10 years. Our country has taken the second place in the world among countries in which the demand for natural gas and electricity was the highest since 2002.

Our Group concentrated on the oil and natural gas search operations in the year 2011. At the present, we are one of the two most active companies in oil and natural gas exploration in Turkey. These days, we are expecting the Çalıktepe-2 probing in Diyarbakır, Bismil to end up with oil discovery. On the other hand, our subsidiary Çalık Enerji is currently proceeding with Rize Adacami HES construction and has reached the contract stage in the wind plant and dam projects in Çeşme, İzmir.

As a Group we also carry out important projects in energy sector abroad. The construction of 2,000 MW in total natural gas conversion plants near Karbala and Mosul, in Iraq, are in process; our target is to launch the power plants partially in 2012 summer as planned. Moreover, the 478 MW power plant being built in Navoi, Uzbekistan, will be completed by 2012.

Projects That Add Value To Istanbul

Within the context of the International Finance Centre, Gap İnşaat is realizing a new project in Ataşehir Istanbul, with the collaboration of Varyap; Metropol Istanbul, with a construction site of 730 thousand square meters, will stand out in terms of size, technology and the life style it offers.

Şehrizar Konakları, being built in Altunizade, will be completed as of the end of 2012 and the sales of Tarla başı Urban Renovation Project, in which Gap İnşaat is the subcontractor, will start by 2012.

In 2011, Gap İnşaat has completed the Eye Hospital with 120 bed capacity, built in Ashgabat, the capital of Turkmenistan, 5 months ahead of schedule and handed it over to the Ministry of Health. The Company has also started the construction of the Infusion Solution Factory with a capacity of 10 million bottles and Hospital Dentistry in Ashgabat .

The Steady Growth Of Aktif Bank And BKT

Aktif Bank's asset size exceeded 2 billion 553 million TL in 2011. Therefore, the active profitability of our Bank that rose 13 sequences in the growth ranking in the last 4 years reached 2.48, which is above the average in the sector. Realizing Turkey's first Securitized Asset export in 2011, our Bank manufactured products such as "two step usury", which would create a new category in funding.

The asset size of our bank BKT that operates in Albania and Kosovo has reached approximately 2 billion USD, making a real increase of approximately 31% compared to the year 2010. Moreover, the total bank deposit of our Bank reached the level of 2 billion USD, attaining a real annual increase of approximately 25%. The yearly profit of BKT became about 30 billion US Dollars, while recovered equity capital profit came to pass at 30 percent.

185 Thousand Ounces Of Gold Produced In Iliç

Soon after Çöpler Gold Mine, with 4.6 million ounces of gold reserve in Iliç, Erzincan, put into operation by Anagold Company, an affiliate of Lidya Madencilik, with an investment of 250 million USD, displayed a striking performance. In 2011, over 185 thousand ounces of gold was produced in this mine; this year the production is aimed to reach 200 thousand ounces. Three new companies established in collaboration with our associate Alacer Gold, will start operating 16 new mine areas this year. We are expecting positive developments in these new domains soon.

Our Telecom Companies Under The Same Roof

The decision to unite the managements of Albtelecom and Eagle Mobile was taken in order to strengthen the presence of our telecom companies. This reconstruction is planned to be completed in 2012. Last year, our GSM operator Eagle Mobile was the most preferred operator regarding number transfer services and its subscribers reached a figure of 1 million. Albtelecom in collaboration with Telecom Italia Sparkle increased the capacity of the Adriatic link between Bari-Durres, providing faster internet service. Albtelecom, doubling its internet capacity, also completed the optical fiber connection between Albania and Kosovo. As wireless stable internet network was installed with the purpose to provide internet service in rural regions, the project that would supply 2 thousand schools with rapid internet service was also completed.

R&D Investment From Gap Güneydoğu Tekstil

Gap Güneydoğu Tekstil, one of the leader companies in the denim world market, implemented its R&D Centre in the Malatya facilities in 2011. Last year, our environment friendly Company, focused on producing technological fabric, manufactured Blue&White denim cloth using “recycled paper”.

The First Channels In HD Broadcasting; A Haber And Atv Turkuvaz Media Group has been the symbol of novelty and development in media since the day it was established. In this context, projects realized by Sabah and ATV set examples in the sector. After the completion of restructure and renewing the advertising operation system, Turkuvaz Media Group witnessed an immense acceleration in advertising activities.

A Haber, which started broadcasting with the purpose of compensating for an important deficiency, and ATV, one of Turkey's first private television channels, became the first channels to broadcast in HD. On the other hand, Minika channel that started broadcasting last year was favored by children and their parents. In order to serve better and fulfill the need Minika, broadcasting under pedagogical supervision, now continues to broadcast in two different channels, targeting 3-8, 7-14 age groups.



Leaving 2011 behind successfully, our Group valuing different ideas and common sense set new goals for 2012. With the aim to be a model Group with its business principles and values as much as its success, we will continue to focus on our operations in 7 sectors. It would only be possible to reach our goals and complete another year with pride through our family members working in cooperation. As a Group we have faith in the fact that success is possible and meaningful with others.

I would hereby like to thank our employees who place importance to moral values, justice in business and relationships, as much as give priority to the reputation of our Company, and our valuable associates as well as all our supportive friends.

Kind Regards,

Dr. Berat Albayrak
CEO

EXECUTIVE COMMITTEE

Ahmet Çalık
Chairman of Çalık Holding

Born in Malatya in 1958, Ahmet Çalık began his professional venture by establishing Ortadoğu Tekstil Ticaret ve Sanayi A.Ş. in 1981. Coming from a family engaged in textile sector since 1930s, he made the first large-scale industrial investment of East Anatolia by establishing Gap Güneydoğu Tekstil San. ve Tic. Inc. In the same period, he commenced his first overseas investments in Central Asian countries in line with his operation and investment targets. Putting the vast commercial experience he built up over the years in Turkey since 1992 to good use abroad, Çalık has



spearheaded major investments in various business lines such as energy, telecom, finance, construction, media, textiles, and mining in several countries. He established Çalık Holding in 1997 with the intention of bringing all Group companies together under the same roof. He was declared worthy of the Turkish Republic Distinguished Service Medal in 1999, the Turkish Republic Ministry of Foreign Affairs Distinguished Service Medal in June 2002 and the Turkish Grand National Assembly's (TBMM) Distinguished Service Prize in 2006. Being appointed as the Honorary Consul of the Republic of Kazakhstan for Bursa, Ahmet Çalık is the Chairman of Çalık Holding.

Dr. Berat Albayrak
CEO

Berat Albayrak began his professional life in 1996. Following his graduation from Istanbul University School of Business Administration, he joined Çalık Holding in 1999. He was appointed as Çalık Holding's US Office Financial Director in 2002 while he enrolled in MBA Program at Lubin School of Business, Pace University in New York. In 2004, he was appointed



as the Country Manager. Upon his return to Turkey in 2006, Mr. Albayrak first served as Assistant General Manager of Financial Affairs. In 2007 he was appointed as CEO of Çalık Holding. Berat Albayrak earned his Ph.D. in finance and banking after completing his doctorate thesis in financing renewable energy resources field.

Abidin Sungur
Board Member

Born in 1939, Abidin Sungur graduated from The Faculty of Law, Istanbul University in 1964. After working in senior managerial position in governmental institutions for several years, he retired as



Chief Inspector from Prime Ministry in 1988. Abidin Sungur joined Çalık Holding as Legal Counselor in 1998. He has been serving as Member of Board in Çalık Enerji primarily and other Holding subsidiary companies since 2010.

Mehmet Ertuğrul Gürler
Board Member

Mehmet Ertuğrul Gürler was born in 1958. He graduated from Marmara University, School of Business Administration. He has got 33 years experience in business. Mr. Gürler served in several position as Financial Director and Board Member from 1987 to 1994 for Dow Türkiye



A.Ş. He served for Total Oil Türkiye A.Ş. as Deputy General Manager and General Secretary and joined Çalık Holding A.Ş. as General Manager in 1998. At present, Mr. Gürler serves as a Board Member of Çalık Holding, Aktif Bank and also serves as Vice Chairman of Banka Kombetare Tregtare (BKT).

Dr. Serhat Albayrak
Vice Chairman

After receiving his BA from Boğaziçi University, Department of Political Science and International Relations, Serhat Albayrak worked at Wall Street from 1998 until 2000. He earned his MBA at Pace University in New York and worked in managerial position at Vestel, General Manager at Çalık Holding and Chairman at



Star Medya Yayıncılık. Mr. Albayrak was appointed to the Executive Board of Çalık Holding in 2007. He has completed his doctorate degree in banking and finance. At present he serves as Vice Chairman in Çalık Holding and Vice Chairman, General Manager in Turkuvaz Media Group.



1- Ahmet Çalık
Chairman

2- Dr. Berat Albayrak
CEO

3- Abidin Sungur
Board Member

4- Mehmet Ertuğrul Gürler
Board Member

5- Dr. Serhat Albayrak
Vice Chairman

6- Şafak Karaaslan
Foreign Affairs Director

7- Serhat Demir
Legal Affairs Director

8- Özlem Özün
Project Finance Director

9- İrfan Başak
Strategy Management Director

10- Fatih Kazdal
Finance and Treasury Director

11- İzzetiye Keçeci
Human Resources Director

12- Hilmi Hülür
Financial Affairs Director

13- Gaye Somuncu
Corporate Communication Manager

14- Tahsin Yazar
Energy Legal Affairs Director

15- Ebubekir Şimşek
Information Technologies Director



ENERGY

ENERGY REQUIRES 300 BILLION USD WORTH OF INVESTMENT

ENERGY SECTOR OVERVIEW IN 2011

While the world energy sector went through a difficult period during the 2011 economic crisis, the Turkish economy achieved a record growth, which manifested itself in energy consumption figures as well. Consumption rose by 9% from 191 billion kWh in 2010 to 229 billion in 2011. Daily consumption broke a record with 730 million kWh. In the ranking of rates of increase in energy consumption, Turkey came second after China. To meet these new requirements, an additional installed capacity of 3,600 MW was created spending 5 billion USD.

In 2012, electricity consumption is expected to amount to 244 billion kWh. If the upward trend continues, 5 billion USD worth of additional production capacity will be needed every year to meet the 10-20 billion kWh annual increase in requirements. The installed capacity expected to be put into operation in 2012 amounts to 3,600 MW.

In 2011, natural gas consumption reached its highest point with 43 billion cubic meters. An important step was made towards the target of liberalization when it was decided that the 6 billion-m³ Western Line agreement that expired in 2011 should be renewed with private companies. According to EPDK (Energy Market Regulatory Authority) estimates, the target natural gas consumption for 2012 amounts to 48 billion cubic meters.

The rate of import-dependency is around 95% in oil and natural gas. In 2011, Turkey's total energy importation amounted to 53.1 billion USD. The principal factor that caused the increase in importations was the oil prices rising to nearly 120 dollars during the year. The rise in oil prices triggered by the Arab Spring had an adverse effect on Turkey and increased the cost of energy importation.

An analysis of the Arab Spring countries shows that a number of such countries increased their public expenditure by up to 48%. This explains the high energy prices despite the manifest downward adjustment of the expectations for the global economy.

The increase in oil prices in Turkey and the need to reduce import-dependency in energy led to large-scale oil prospecting activities in Turkey, abroad and in deep seas in 2011.

Installed Capacity Amounts To 53,000 MW

In 2012, Turkey's installed capacity reached 53,211 MW. The breakdown of this figure by methods of production is as follows: Natural gas-LNG – 16,304 MW (30%); imported coal-lignite – 12,355 MW (23.2%), hydro-electric dams – 17,000 MW (32%); and wind power plants – 1,728 MW (3.2%). In 2011, the same breakdown was as follows: Natural gas-LNG 47%, imported coal-lignite 31.1%, hydro-electric dams 15.2%, hydraulic rivers 2.3% and wind power plants 1.8%.

Consumption Will Rise To 500 Billion KWh

Electricity consumption is expected to reach 500 billion kWh in 2023. According to EPDK projections, 300 billion USD worth of investments in the production, distribution and transmission of electricity will be required by 2030. The Ministry of Energy and EPDK prioritise the achievement of these investments as a strategic target. The investments will take the form of hydro-electric and nuclear power plants and power plants using local coal.

The first agreement regarding collaboration with Russia in the field of nuclear power plants was signed in 2011 for the 4,800 MW nuclear power plant to be built in Mersin Akkuyu. Negotiations with Japan are underway for another one in Sinop. Plans for 2023 include the completion of the two nuclear power plants and the kick-off of the construction of a third one. As for solar power plants, tender processes are planned to be completed as soon as possible so that construction starts for a 600-MW installed capacity in 2012.

Local Coal Target

Turkey is planning to overcome her dependence on natural gas in the production of electricity by organizing local coal tender processes starting from 2012. The Turkish Coal Mines Exploitation Agency is planning to award contracts to private companies for the exploitation of 2.8 billion tons of reserve through a process of competitive bidding as of this year. These fields of coal to be exploited by private companies, which are located mainly in Afşin-Elbistan, Konya-Karapınar, Adana-Tufanbeyli, will feed new power plants to be constructed with an installed capacity of a total of about 18,000 MW.

European Electricity Trade

Turkey was connected to Greece and Bulgaria for a testing period under the European Electricity System ENTSO-E on 18 September 2010 and these were completed last year. Once the testing period is over, a 5,000 MW line with Europe will be installed to start trade with whole Europe.

Privatisations

The global financial bottleneck of 2011 caused by the economic crisis had an adverse effect on energy privatisations. Regarding the planned giant privatisations that would take place in 2010, the tenders for the distribution companies Başkent Doğalgaz, Boğaziçi, Gediz and Antalya were cancelled. The Toroslar tender became an impasse. The 40-billion USD tender for electricity production that started with Hamitabad was cancelled when only one bid was received. But, in 2011, Çalık Enerji was awarded with the contract for the takeover of the Yeşilirmak Electricity Distribution Area with a tender price of 441,5 million USD thus achieving one of the most successful privatisations in the field of electricity distribution. The IC-İçtaş Group took over the electricity distribution areas of Trakya, Aksa Fırat.

ÇALIK ENERJİ SANAYİ VE TİCARET A.Ş.

TAPCO PETROL BORU HATTI SANAYİ VE TİCARET A.Ş.

ADACAMI ENERJİ ELEKTRİK ÜRETİM SAN. VE TİC. A.Ş.

AKTİF DOĞAL GAZ TİCARET A.Ş.

TÜRKMEN'İN ALTIN ASRI ELEKTRİK ENERJİSİ TOPTAN SATIŞ A.Ş.

GAP ELEKTRİK DAĞITIM SANAYİ VE TİCARET A.Ş.

ÇALIK ENERJİ ELEKTRİK ÜRETİM VE MADENCİLİK A.Ş.

KIZILIRMAK ELEKTRİK ÜRETİM A.Ş.

DOĞU AKDENİZ PETROKİMYA VE RAFİNERİ SAN. VE TİC. A.Ş.

ÇALIK NTF ELEKTRİK ÜRETİM VE MADENCİLİK A.Ş.

YEŞİLÇAY ENERJİ ELEKTRİK ÜRETİM SANAYİ VE TİCARET A.Ş.

ATLAS PETROL GAZ İTHALAT İHRACAT VE PAZARLAMA TİC. A.Ş.

MOMENTUM ENERJİ ELEKTRİK ÜRETİM SANAYİ VE TİCARET A.Ş.

İKİDENİZ PETROL VE GAZ SANAYİ VE TİCARET A.Ş.

ÇEP PETROL DAĞITIM SANAYİ VE TİCARET A.Ş.

SEMBOL ENERJİ A.Ş.

AKÇAY ENERJİ A.Ş.

ÇALIK ELEKTRİK DAĞITIM A.Ş.

YEŞİLIRMAK ELEKTRİK DAĞITIM A.Ş.

ORTUR ELEKTRİK ÜRETİM VE TİCARET LİMİTED ŞİRKETİ

VADİ ELEKTRİK ÜRETİM SANAYİ VE TİCARET LİMİTED ŞİRKETİ

ANT ENERJİ SANAYİ VE TİCARET LİMİTED ŞİRKETİ

ÇALIK RÜZGAR ENERJİSİ ELEKTRİK ÜRETİM LİMİTED ŞİRKETİ

BURSAGAZ BURSA ŞEHİRİÇİ DOĞALGAZ DAĞITIM TİC VE TAAHÜT A.Ş.

KAYSERİGAZ KAYSERİ DOĞALGAZ DAĞITIM VE TİC A.Ş.

ATAYURT İNŞAAT A.Ş.

JAPAN INTERNATIONAL ENERJİ NETWORK A.Ş.



ÇALIK ENERJİ SIGNS IMPORTANT ENERGY PROJECTS IN A LARGE GEOGRAPHY

Çalık Enerji, founded in 1987, was restructured in 1998 and renamed Çalık Enerji Sanayi ve Ticaret A.Ş. With the investments it has made in Turkey and abroad, the Company has become a major component in the sector. It conducts business in three main domains: power systems, oil&gas, refineries and pipelines.

In the field of power systems, Çalık Enerji renders services in hydroelectric power plants, wind power plants and thermal power plants, electricity distribution and turnkey delivery of energy construction projects. In the domain of oil and natural gas, it conducts operations of oil prospecting, production, ground services and trade of oil and oil products. In the domain of refineries and pipelines, the operations of the company consist of Samsun-Adana/Ceyhan pipeline, the refinery planned to be erected in Adana/Yumurtalık and petrochemical projects. In addition to all these operations, Çalık Enerji has decided to start operations in two more fields: solar energy investments and turnkey construction projects for aboveground oil installations.

An Energy Company That Realizes Region-Wide Projects

The global economic crisis of 2011 affected contractor's business in the field of power plant construction, but the same crisis provided Çalık Enerji with opportunities in the Commonwealth of Independent States and in Iraq.

Despite the economic crisis which affected the whole world, but particularly Europe, Çalık Enerji started in 2011 the construction of two power plants in Iraq; with 1,250 MW and 750 MW capacities, worth a total of 860 million USD. In 2011, the Company had over 1000 employees working on its construction sites. It plans to increase this figure to 2,000 in the spring of 2012. The two above-mentioned investments in Iraq, where power supply is on only 5 hours a day, will increase the electricity production capacity of this country by 40%. Çalık Enerji is closely following large scale future projects in Iraq. In line with this, Company has concluded an international partnership and started to work on a 1600-MW power plant project.

Çalık Enerji, building Uzbekistan's first natural gas turbine combined conversion power plant with a capacity of 500 MW, currently employs 1,100 employees in Navoi. Test operations for Navoi combined cycle power plant has started at the end of 2011. In addition, negotiations are underway for two more power plants one with a capacity of 1,000 MW and the other 500 MW.

Renewable Energy Investments in Turkey

The construction of the Adacami Hydroelectric Power Plant in Rize has reached its final stage. The contract for one of the wind and hydraulic power plant projects in Çeşme/İzmir is ready for signing. All permits, licenses have been obtained and engineering works are completed for wind power plant projects in Demircili, Sarpıncık, and Hydroelectric Power Plant Projects in Kızılkayası, Aksu. The constructions of these four projects are due to commence in 2012. In addition to these, for 1,200 MW Kırıkkale combined conversion power plant, the land plot and licence have already been acquired.

For the solar energy investment, Çalık Enerji concluded a partnership with the Japanese Mitsubishi Corporation. It has also concluded a partnership with the Japan International Enerji Network A.Ş. to develop solar energy, wind energy and other renewable energy solutions.

ÇALIK ENERJİ CONCLUDES INTERNATIONAL PARTNERSHIPS WITH MAJOR COMPANIES

Investments To Set The Route For The Sector Of Oil And Natural Gas

With a view to ensuring domestic and international growth in EPC field, Çalık Enerji concluded a strategic partnership in 2011 with the Canadian company Anatolia Energy under 8 exploration licenses to prospect petroleum and natural gas. In addition to these, the Company concluded 2 PSC (Petroleum Sharing Contract) licences for petroleum and natural gas prospecting with Anatolia Energy. In 2011, intensive operations of two-dimensional and three-dimensional seismic oil prospecting operations were conducted in Turkey and abroad. Çalık Enerji, accelerating its petroleum prospecting efforts in Turkey, has conducted the most seismic prospecting operations in the private sector. The following seismic prospecting operations were conducted in Turkey: in Gaziantep 2D 400 km², in Besni 2D 100 km², in Bismil 2D 116 km² and 3D 206 km². The Company is expected to discover a petroleum reserve soon, at Çalıktepe-2 drilling site in Bismil, Diyarbakır. Çalık Enerji signed 2 PSCs licences for prospecting and producing petroleum, natural gas abroad with which it expects to make a great progress in the energy sector.

The Samsun-Adana/Ceyhan Project Will Reinforce Turkey's Position On The North-South Axis

Crude oil and oil products passing through the Straits and distributed to world markets from Black Sea ports are a threat to the Bosphorus and Dardanelles straits, which are important parts of Turkey's natural and cultural heritage. The amount of crude oil exported from the Black Sea is expected to increase due to the new production sites in Central Asia and the Hazar basin. To reduce the transit load and to eliminate the risks threatening the Straits, Çalık Enerji is implementing the Samsun-Adana/Ceyhan Crude Oil Pipeline Project. This project will ensure the transportation of crude oil from the Black Sea coast to Ceyhan. It is of great importance for Turkey and for the region as a whole. Thanks to this project, the social and environmental risks in the Straits will be reduced and the amount of crude oil shipped from Ceyhan to global markets will rise to 220 million tons making Ceyhan the most important crude oil terminal in the East Mediterranean. Çalık Enerji has been working on this project technically and commercially since 2003. The company has applied to the Ministry of Energy and Natural Resources, General Directorate of Petroleum Affairs, on 31 March 2004 and obtained the license for building and operating a pipeline in June 2006. For this project, that will also serve to diversify petroleum routes, Çalık Enerji has concluded a partnership with the Italian company ENI. Negotiations are underway with the Russian petroleum companies Transneft and Rosneft. The project will require an investment of 2.5 billion USD and make Turkey one of the major players in the world energy sector and constitute a significant step on the path to become a regional power. Under this project, a loading terminal in Samsun and petroleum storage facilities in Ceyhan will be built and a 550-km pipeline will be installed. When the project is finished, the daily capacity of the pipeline is expected to reach 1.5 million barrels.

With the East Mediterranean Petrochemical And Refinery Project Daily Oil Production Will Exceed 200,000 Barrels

The existing BTC and Kirkuk-Yumurtalık Oil Pipelines in Adana/Yumurtalık-Ceyhan area supply to world markets 100-120 million tons of crude oil annually on average. The East Mediterranean Petrochemical and Refinery Project developed by Çalık Enerji, the refinery to be built in Yumurtalık, will process a part of the crude oil coming to the region through pipelines. The estimated capacity of the facilities is 212s,000 barrels. The facilities will also process petroleum from other sources such as Iraq, Russia and the Hazar region.

Work Safety, Environment And Quality Come First

Çalık Enerji possesses an ISO 9001 Quality Management System Certificate, an ISO 14001 Environmental Management Certificate and an OHSAS 18001 Occupational Health and Safety System Certificate issued and audited by an international certification institution.

Çalık Enerji produces projects in Turkey and abroad in the energy and communication sectors using its creativity and quality based on respect for the environment and people and greatly contributes to the national economy. The Company continuously improves its services and creates added value for its customers and for the countries where it is present. Çalık Enerji continues to produce equitable, profitable and efficient projects.









A BREATH OF FRESH AIR TO THE ENERGY DISTRIBUTION SECTOR: ÇALIK YEDAŞ

Yeşilirmak Elektrik Dağıtım Anonim Şirketi was incorporated into the Holding on 29 December 2010 after a privatisation process and came to be known as Çalık YEDAŞ. It operates in the Black Sea region and serves as a model for privatised companies in the energy sector.

Çalık YEDAŞ, conducting operations of distribution and retail sale of electricity, operates in 5 provinces, namely Samsun, Ordu, Çorum, Amasya and Sinop. The Companies operations cover an area of 40,344 km² rendering service to 3,021,282 people.

Investments Continue

Given the fact that the sector is a regulated one and taking into account the changes expected to occur in the market in the near future, Çalık YEDAŞ has been focusing on preparations in terms of strategy and operations. The re-structuring process of the Company is about to be completed. In addition, Çalık YEDAŞ is planning to make investments worth 500 million USD between 2011 and 2015.

In line with its object of achieving sustainable growth, Çalık YEDAŞ is systematically establishing the EFQM Perfection model as a permanent part of its corporate culture. Çalık YEDAŞ aims to acquire new electricity distribution companies in Turkey and abroad with a view to raising its number of customers from 1.5 million to 5 million and its annual amount of power purchases from 5 billion KWH to 20 billion KWH.

The Company Improves Its Quality

In line with its object of rendering perfect customer services, Çalık YEDAŞ has a call centre (444 55 23) operating on a 7/24 basis. It answered 1,607,604 calls in 2011 and thus enabled the Company's customers to communicate their suggestions, wishes and complaints, to notify power failures, to report illegal consumers and to file contract requests through phone connection. In 2011, Çalık YEDAŞ received 97,638 written requests and e-mail messages that were answered within the legal time limit, which was another manifestation of the company's high quality service.

Çalık YEDAŞ attaches great importance to training its employees to ensure the proper application of its policies based on customer satisfaction. A total of 1,272 hours of training has been dispensed in the form of hands-on training, professional-technical training, personal improvement training, management skills training and quality-occupational health and safety training. Çalık YEDAŞ put into practice in only one year different SAP applications in real life environments as part of its efforts to render correct and timely service.

WORLDWIDE TELECOM

DEVELOPING COUNTRIES GAINED MOMENTUM IN TELECOM

TELECOM SECTOR OVERVIEW IN 2011

In the Telecom sector, we are entering a time in which the internet encompasses all kinds of services and products. Although the usage of stationary telephone is increasing in some of the developing markets, developments in mobile communication and internet technology are becoming more impressive.

Statistics about the global sector of information technologies and telecommunication show that the use of fixed phones falls while the use of mobile phones and internet rises. According to the estimates of the International Telecommunication Union – ITU for 2011, the use of mobile phones per household in the developed countries exceeded 100% (117.8%) while the world average was only 86.7%. This rate is 76% for developing countries. According to the data of the same institution, use of internet per household also increases. It is estimated that internet is available in one out of every three households in the world (34.7%). In developed countries, this rate is 73.8%. According to a survey conducted by the International Telecommunication Union, the use of fixed phones falls in developed countries and in the world too on average but continues to rise in underdeveloped countries, particularly in Africa.

Sim Card For All Devices

Nowadays, SIM cards used in cell phones can be found in all smart devices. Logistics, in which measurement and follow up systems are used, as well as agriculture and manufacturing sectors will continue using the SIM card to establish communication between machines. The employment of smart devices in developing markets is also keeping increasing. It is expected that internet from one device to the other (M2M) will improve the mobility in the corporate market.

Use Of Internet To Increase

The increase in the use of internet urges the sector to follow the movements of internet companies as well because internet is not simply a service of providing access anymore and the sector has gone beyond mere numbers of users and chargeable time. A new telecommunication system emerges based on information, advertising and interaction delivered through the 4 screens of social networks such as Facebook and Twitter. Facebook has over 800 million active users and its market value is nearly 100 billion USD. It is a company that is at the centre of the transformation with information, internet and 4 screens. Twitter has 350 million users. The number of those using Twitter through mobile phones exceeded the number of those who use it through the Internet. In 2012, the use of internet is expected to increase as well as the number of devices connecting to the internet.

The Growth Potential is High

Internet usage rate in Europe is about 58% on average. In Albania where the Group directs its telecom investments the usage rate is still 43%. It is obvious that this country has an important potential with its 1 million 300 thousand internet users. The utilization of social networks is increasing along with the internet usage in Albania. The number of Facebook users was 981 thousand by the end of 2011. In the country in which campaigns are organized in order to compensate for the digital gap, the rate of internet utilization is above that of European countries. While internet usage is 30% worldwide, it reaches 58% in Europe. With its 476 million subscribers, Europe is the region in which internet utilization is the highest. The application of social networks increases even faster in the mobile medium, which increases data consumption on mobile phones.

The Market Grows in Albania

According to the data of the Telecommunication Regulation Institution in Albania (TRIA), there was an increase in the utilization of stationary lines and internet in 2011. The number of people who owned a stationary line reached 339 thousand, with an increase of 7 thousand users with respect to previous year. The rate of access in the country in general increased by 2%, reaching the level of 12%. The number of families and commercial subscribers in the country who use the internet through the utilization of broadband and 3G technology has reached 174 thousand. Access number to broadband, which was at a level of 3.7 last year became approximately 6,2% in 100 people. The number of GSM users increased by 15% by the end of 2011, reaching a figure of 5,2 million. Only 12% of families possess stationary internet lines. Mobile phone users spend approximately 70 euros annually. The access norm is around 185% in 100 citizens while the EU rate is around the level of 24%. Prepaid subscribers still constitute 90% of general users. The number of those who changed their operators was 41 thousand in 2011.



ALBTELECOM SH.A

EAGLE MOBILE SH.A

CETEL TELEKOM İLETİŞİM SANAYİ VE TİCARET A.Ş.

YENİKOM TELEKOMÜNİKASYON HİZMETLERİ A.Ş.

TELEMED TELEKOM A.Ş.

CETEL ÇALIK ENERJİ TELEKOMÜNİKASYON HİZMETLERİ A.Ş.



ALBTELECOM; THE STATIONARY TELECOM OPERATOR OF THE BALKAN PENINSULA

Altelecom, the major stationary telephone operator and internet provider of the Republic of Albania, continues to introduce its customers with technological innovations in order to speed up and ease communication.

Altelecom, founded in 1912, is the first choice of Albanian people as it meets expectations of its customers on the modern and digital platform with its widespread network, technological infrastructure, high quality service it offers.

Altelecom, the largest stationary telephone operator and internet provider in Albania, joined Çalık Holding in 2007 and employs 1,500 people.

Altelecom continues its superior accomplishments regarding voice transmission in the international network platform via its services in ADSL, Dial-up, Intranet, ISDN, LAN, readymade cards and internet access. Bringing social life and technology together, the Company facilitates its customers' lives and is currently the leader company in the sector with its successful investments.

Collaborating with Telecom Italia Sparkle in 2011, the Company has enhanced the capacity of the Adriatic domain between Bari-Durres (Albania-Italy) by 20 times as much. Altelecom, which has completed its fiber optic connection line between Albania and Kosovo, has begun providing high speed connection facilities for the Kosovan community via Albania.

Altelecom, which has begun its studies on refurbishing its technological infrastructure in 2011 with the NGN/IMS project, has completed the inlay of 1,000 km fiber optic cables. The Company has already completed twice as many cables of the 500 cables that were inlaid since its establishment.

The company has also enhanced its stationary telecom access cable capacity by 100.000 while doubling ADSL port number attaining a number of 150,000. The Company also aims at providing high speed internet connection in rural areas and has enabled internet access in remote places as well. Following this achievement the Company has provided high quality internet service for 200 schools all over the Country.

Altelecom, which has been esteemed worthy of 'The Company of the Year in Internet Services' by INFOCOM Albania, has become one of the Data Processing Innovation Center consultants that is to be established by the Albanian Government.

**INFOCOM ALBANIA
ESTEEMED ALBTELECOM
WORTHY OF 'THE COMPANY
OF THE YEAR IN INTERNET
SERVICES'**

AN INNOVATIVE, COMPETITIVE AND DYNAMIC TELECOM ACTOR: EAGLE MOBILE

Eagle Mobile brings a breath of fresh air to the world of communication in Albania enabling the people of this country to receive “perfect service” at home, office and wherever they need.

Eagle Mobile was created under the roof of Çalık Holding in 2008. Today, it is the most popular GSM operator in Albania. It is preparing to become the leader of the sector, thanks to its high quality services and unique solutions.

Eagle Mobile has 400 base stations throughout the country providing mobile Internet service for 98% of the population. In this context, Eagle Mobile has recently started to conduct joint operations with BKT, another Çalık Holding affiliate, to render mobile Internet services and solutions to BKT’s corporate customer.

Despite the economic crisis, Eagle Mobile is the only operator in Albanian GSM market to increase customer numbers. Currently, the number of its customers has exceeded 1 million.

The Company has increased its total international connection to 20 GB. In the field of added value services, it has introduced a number of innovative services such as Bill Check, SMS Health Package, Cell Broadcasting and Mobile Portfolio, thus reinforcing its already strong position in the market.

In 2011, Albtelecom and Eagle Mobile, decided to merge under the same management, were awarded by Dr. Liri Berisha, wife of the Albanian Prime Minister Sali Berisha and also the President of the “Foundation for Albanian Children”, the “Social Responsibility Prize” for the importance they attach to education in the context of their social responsibility activities.





TEXTILES

TURKEY: SHINING STAR OF WORLD TEXTILES

TEXTILES SECTOR OVERVIEW IN 2011

The Turkish textile sector, already the largest textile manufacturer in Europe, aims to become the largest textile exporter of Europe as well within a few years. In 2011, the world textiles trade reached 247 billion USD, ready-made garments 423 billion and house textiles 74 billion. Despite the crisis in Europe, there was no fall in Turkey's textile and ready-made garment exports. The exportation of ready-made garments of Turkey rose by 10.7% in 2011 to reach 16.2 billion USD. The sector's share in total exports was 12%. 80.4% of the exports were to the 27 EU countries. The textile exports grew by 22% reaching 8 billion USD as of the end of 2011.

Despite the difficulties caused by high indebtedness, the 27.8% increase in the textile exports to EU countries is above the total increase in the textile exports. Thanks to the good performance of the sector in 2011, the share of textiles in the overall exports of Turkey rose to 6% and its share in industrial exports to 7.2%. As a result of these high rates of increase, the share of exports to EU countries in total textile exports rose from 46.3% to 47.6%. In 2012, the textile sector aims to increase its exports to 10 billion USD. The 2023 exports target of the sector is about 25 billion USD. The sector had achieved an increase of 18.4% in its exports in 2010. On the other hand, despite the shrinkage in EU countries, the ready-made garment exports are expected to grow by 6% in 2012 exceeding 17 billion USD. The sector is planning to recruit 50,000 new employees in 2012.

Additional Tax Benefits The Market

The additional tax introduced as of 2011 in textiles, knitwear and ready-made garments of certain categories did cause difficulties in the ready-made garment sector but finally turned out to benefit the textile industry. According to Euratex data, textiles investments with incentive certificates grew by 100% in 2011 after the decision for the additional tax was passed. In those fabric products on which the additional tax was imposed, monthly importations fell from 200 million meters to under 100 million meters. With this decision, the current deficit decreased by 670 million USD. This figure reached 2.5 billion USD at the end of 12 months. The number of people employed in the textile sector rose by 9% annually to reach 375,810. The number of people employed in the ready-made garments sector rose by 6% in one year reaching 398,709. Additional taxes also led to more enterprises. The number of companies rose by 9% from 14,273 to 15,579 in the textiles industry and by 7% from 27,955 to 29,782 in the ready-made garment sector. According to the data of the Union of Istanbul Exporters of Textiles and Textiles Raw Materials (İTHİB), orders for machinery significantly increased after the introduction of the additional tax on imports. Nearly a thousand pieces of machinery have been imported since the New Year.

Orders Replaced By Turkey

Particularly western brands started to channel their purchases to Turkey. Due to the economic crisis in Europe, western brands are unwilling to place large orders with China because of the letters of credits with large amounts that they entail and place their orders instead with Turkey and they do so willingly thanks to the high quality and efficient work of the Turkish labour.

Sector In Difficulty In Europe

More than half of Turkey's exportations go to the European Union. Naturally, the crisis in Europe has had its adverse effects on the Turkish textiles sector too. EU countries have to import at high costs because of the rising raw material prices and European companies see a solution in channelling their purchases to developing countries. For investors who feel the adverse effects of the high rates of growth in Asia and particularly in China, Turkey is the new rising star. Turkey's low-cost but high-quality labour, young population, stability and fast growing entrepreneurs of the provinces renders this country strategically important for foreign investors, including her textiles industry, which is one of the locomotives of the economy. European countries, which saw many of their companies go bankrupt or be put out for sale, look for solutions to the problem of their increasing imports and falling exports. In the USA, although the situation is not as bad as in Europe, the market is going through one of the worst periods of its history and the American textiles industry is stagnating.

Strengths Of The Turkish Textile Industry

The Turkish textile industry is a driving force for the national economy in terms of manufacturing and exports and also the second largest supplier of the European Union after China. Turkey's close geographical location to her export outlets is another factor in favour of the industry. The yarn technology used in Turkey is among the most advanced in the world, which has a favourable effect on the industry in the form of high quality input. Due to the young and dynamic population of the country, the sector enjoys an efficient workforce.

GAP GÜNEYDOĞU TEKSTİL SAN. VE TİC. A.Ş.

GAP PAZARLAMA A.Ş.

ÇALIK PAMUK DOĞAL VE SENTETİK ELYAF TİC. A.Ş.

GAPPA TEXTILES, INC.

ÇALIK USA, INC.

ÇALIK ALEXANDRIA FOR READY MADE GARMENTS PFZ

A/O GAP TÜRKMEN (TÜRKMENBAŞI JEAN KOMPLEKSİ)

TÜRKMENBAŞI TEKSTİL KOMPLEKSİ

BALKAN DOKMA YGPJ

SERDAR PAMUK EĞRİCİ FABRİĞİ ÇJB



GAP GÜNEYDOĞU TEKSTİL CONTINUES TO BE PREFERRED BY PRESTIGIOUS BRANDS

Gap Güneydoğu Tekstil is one of the largest fabric exporters of Turkey. As a brand, it enjoys a global awareness that grows continuously.

Gap Güneydoğu Tekstil, founded in 1987, stands among the leading denim manufacturers in the world. It is one of the most reliable trademarks in a number of fields of activity including the manufacturing of denim, ready-made garments, high quality yarn and raw cotton trade. The Company is one of the largest denim exporters of Turkey.

A Trademark That Closely Follows World Trends

Gap Güneydoğu Tekstil conducts manufacturing operations in its facilities located in Malatya in an environment-friendly manner. The Company with high quality production is among the leading companies of the sector. In an industry where competition is fierce, the Company closely follows world trends in terms of individual products as well as collections and collaborates with prestigious brands. Gap Güneydoğu Tekstil has offices in Treviso/Italy, New York/USA, Seoul/Korea and Hong Kong/China.

With its customer-oriented and innovative approach, Gap Güneydoğu Tekstil is one of the most distinguished companies in the sector. It has long standing values and a vision of being a “solution partner” for its customers. The Company closely follows technological developments, including nanotechnology, and adapts them to its manufacturing operations to improve the quality of its products.

Environment-Friendly Manufacturing

In order to promote environment-friendly manufacturing, Gap Güneydoğu Tekstil adopted the motto “Denim is the only savior” under the “Çalık Denim” brand, in 2011. The Company organized the first “Green Event” in the textile sector.

Gap Güneydoğu Tekstil, already possessing a high-capacity machinery park, is planning to spend 22 million USD in efficiency and quality improvement by 2013. Currently, Gap Güneydoğu Tekstil provides employment for 1,500 people in Malatya. It operates with 284 looms over an area of 364,803 square meters.

Gap Güneydoğu Tekstil collaborates with Gstar and Kici, a foundation company of the European Union, in the reuse of recycled fibre in fabric manufacturing. In that context, having extended the scope of its research and development activities, the Company created its own research and development centre. It has 16 projects that are already completed and 2 projects in progress, supported by TÜBİTAK-TEYDEB (Directorate of Support Programs for Technology and Innovation). A number of other projects are at the stage of preparations.

The company that has achieved sustainable growth is among the top 10 denim manufacturers in the world and is one of the top 5 Company that are able to deliver high-quality products.

An Innovative Company

Gap Güneydoğu Tekstil created a new high fashion fine gabardine collection titled “Fleur de Luxe” in 2011 thus offering a totally different concept to American and European markets. At the same time, the Company introduced the manufacturing of “Paper Denim” in Turkey, using paper in the weft; giving denim a Japanese Vintage appearance.

Gap Güneydoğu Tekstil Manufacturing Capacities

| | |
|-------------------------------------|------------------------|
| Finished Fabric (Denim + Gabardine) | 31.000.000 Metres/Year |
| OE Yarn Manufacturing | 3.200.000 Kg/Year |
| Entwined Yarn Manufacturing | 2.100.000 Kg/Year |
| Ring Yarn Manufacturing | 6.700.00 Kg/Year |
| Denim Products | 720.000 Units/Year |
| Total Area | 364.803 m ² |
| Indoor Area | 125.600 m ² |

GAP PAZARLAMA, WITH ITS SUCCESSFUL FOREIGN AND DOMESTIC OPERATIONS, CONTINUES TO PROGRESS IN THE SECTOR.

In addition to manufacturing the best products from cotton to ready-made garments, Gap Pazarlama works with world-famous brands and increases its share in the international textile trade thanks to its strong corporate structure.

Gap Pazarlama, founded in 1994 under Çalık Holding, is globally one of the strongest companies in the textile sector. As the Company continuously increases its share in the international textile trade, employs more than 10,000 people and enjoys a strong corporate structure.

The Türkmenbaşı Textile Complex and the Türkmenbaşı Jean Complex in Turkmenistan, the Balkan Textile and Serdar Cotton Spinning Works, Çalık USA and Gappa Textile in New York are Gap Pazarlama units manufacturing high quality products and conducting successful business operations.

A Rising Brand In The International Textile Sector

Gap Pazarlama, in addition to manufacturing fabrics in its Turkmenistan facilities, also imports fabrics from various countries. The company has enlarged its range of products and continues to increase its domestic and international export volume.

The Company, manufacturing high quality products from cotton to ready-made garments, particularly increased its denim sales, in 2011. As the Company loom large with its exports to European markets, it also has significantly increased its share in both foreign and domestic markets.

Gap Marketing is one of the largest and most important manufacturers of the Inditex Group thanks to its high value added range of products. Its principal competitive advantages result from its integrated facilities and expertise in high quality manufacturing. Its reasonable prices, the quality of its finished products and its fast service largely compensate for its disadvantages with respect to North African and East European competitors caused by the longer distances that separate it from its outlets.

Leading World Brands Prefer Gap Pazarlama

The Company has undertaken important changes in its product groups with a view to improving its profit margin. Its flannel bed linen sets are very popular with foreign consumers; the Company provides 1.5 million sets for the USA market.

The Türkmenbaşı Textile Complex, with an indoor area of 110,000 m² and a 100% integrated structure, manufactures 60,000,000 m² of fabric per year on 165 Air-Jet looms and has an annual print and painting capacity of 20,000,000 meters. The Company has been working with leading firms of the sector such as IKEA, JCPENNEY, BB&B, COSTCO, SEARS and KMART since over 10 years. Its customer portfolio also includes big brands such as Bershka, Zara, Pull&Bear, Tesco, River Island and La Redoute. Gap Pazarlama continues to perform outstandingly despite rising raw material prices and fierce competition caused by the economic crisis.

Home Textiles Manufacturing Capacity

Türkmenbaşı Textile Complex

| | |
|-----------------|--|
| Annual capacity | 2 million bed linen sets |
| Production | 7,500 tons of oe. + 3,000 tons of ring |

Yarn Production Capacity

Balkan Weaving

| | |
|-----------------|---------------------------------|
| Annual capacity | 36,864 spindles |
| Production | 11,000 tons of ring carded yarn |

Serdar Cotton Spinning

| | |
|-----------------|---|
| Annual capacity | 60,480 spindles |
| Production | 5,014 tons of Ring Combed Cotton + Ring Carded Yarn |

Türkmenbaşı Jean Complex

| | |
|-----------------|--|
| Annual capacity | 1,680 Rotors + 5,040 spindles |
| Production | 9,000 tons of OE yarns + 2,808 tons of Ring carded yarns |

Türkmenbaşı Jean Complex Denim Ready-made Garment Manufacturing Capacity

| | |
|-----------------|-----------------------|
| Annual capacity | 10,000 units / day |
| Production | 300,000 units / month |

Türkmenbaşı Jean Complex Denim Fabric Manufacturing Capacity

| | |
|-----------------|---------------|
| Annual capacity | 14,053,058 mt |
| Production | 8,250 tons |



ÇALIK COTTON USHERS IN A NEW ERA IN COTTON

Çalık Cotton was founded in 2011 with the object of conducting international cotton trade activities. In addition to cotton and yarn trade, it started to render counselling services in all matters related to cotton.

Çalık Cotton's primary targets in the cotton sector, a keystone for the Turkish economy, are domestic and foreign yarn manufacturers, denim manufacturers, cotton purchasers and commission agents.

Çalık Cotton delivers cottons from various origins including India, USA, Central Asia, Africa, Greece and south-eastern Turkey to such customers. It now renders services to textile operators using cotton in domestic and foreign markets.

Çalık Holding progresses continuously thanks to its dynamic approach and entrepreneurship skills, delivering high quality products and exhibiting a customer-oriented approach.

CONSTRUCTION

CONSTRUCTION SECTOR TO BE A LOCOMOTIVE OF THE ECONOMY IN 2012

CONSTRUCTION SECTOR OVERVIEW IN 2012

The construction sector grew faster than the Turkish economy in 2011. While the Turkish economy grew by 8.3%, the construction sector did so by 10% and thus proved that it was one of driving forces of the national economy. In 2011, the number of people employed in the construction sector rose to 1.9 million and the share of the sector in total employment to 7.7%. An indicator of the growth of the sector was the increase in the number of construction permits issued. In 2011, the number of construction permits issued by municipalities rose to 580,000 and the number of houses sold through title register offices to 450,000.

Given that Turkey's average annual housing requirement amounts to 650,000 houses, the sector will certainly remain a driving force for the economy in the coming years and continue to grow.

A source of stimulus for the sector in 2011 was the rates of interest applied to the housing loans. No fall was observed in the amount of housing loans even when these rates reached 1.30% in the last quarter of the year. In 2011, the banking sector extended 75 billion TL worth of housing loans. A slight fall is expected in housing loan rates of interest in 2012 and an increase in the housing loans as a result of which an increase is expected in house purchases.

The Sector To Grow By 7%

In 2012, the construction sector will be a driving force for the economy. The economy is expected to grow by 4% while the construction sector is expected to grow by 7%. The greatest stimulus for the construction sector will be the expected passing of a law lifting the restrictions on house sales to foreigners (law of reciprocity) in 2012, the arrangements concerning the 2B domains and urban transformation projects. Arrangements to be carried out in these fields are expected to trigger an increase in the house sales. House sales to foreigners, which remain at the level of 2 billion USD due to restrictions, are expected to reach 5 billion USD within 5 years when the new law is passed. Mr. Erdoğan Bayraktar, Minister of Environment and Urban Planning, declared that urban transformation projects would create an economic value of 200 billion USD. In addition, the 2B domains will create a value of 26 billion TL.

Volume Of Loans Expected To Amount To 85 Billion TL

In 2012, the housing loans market is expected to grow by 15% and the volume of loans to reach 85 billion TL. The average monthly rate of interest on housing loans is expected to be around 1.2%. Another important factor in 2012 will be the continuation of campaigns organized by construction companies addressing consumers. These campaigns will follow new models designed to increase the sales. The rate of increase in house prices and rents are expected to be limited to the rate of inflation. Commercial real property investments are expected to grow by 8-10% and commercial real property rents to remain stable. A 5-10% increase in house construction permits is expected.

Global Market To Reach 12 Trillion USD

According to the Global Construction 2020 report issued in March 2012 by The Global Construction Perspectives and Oxford Economics, the size of the construction sector was 7.2 trillion USD in 2010 and will reach 12 trillion by 2020. China and India will account for the largest part in this increase. A limited growth is expected in the USA. The principal factor behind this development will be the growth of the construction sector in these countries in response to their population and economic growth. China has one of the largest construction sectors in the world and is expected to reach 2,5 trillion USD in 2020. In the USA, the uncertainty continues in the construction sector since the beginning of the crisis. According to the October 2011 figures, a 9.5% fall was observed in new house constructions and a 5.6% fall in completed house constructions. These figures give an idea of what the 2012 performance of the sector might be. In the current period, when the world economy is going through a recession and a relative shrinkage, the Turkish construction sector is expected to grow both in the domestic and foreign markets.



GAP İNŞAAT YATIRIM VE DIŞ TİCARET A.Ş.

ÇALIK GAYRİMENKUL TİCARET A.Ş.

ÇALIK İNŞAAT A.Ş.

KENTSEL DÖNÜŞÜM İNŞAAT A.Ş.

VARYAP - GAP ORTAK GİRİŞİMİ

ATAYURT İNŞAAT A.Ş.

A HIGHLY RESPECTED INSTITUTION WITH INTERNATIONAL EXPERIENCE IN THE CONSTRUCTION SECTOR: GAP İNŞAAT

Gap İnşaat, founded with the specific purpose of building Çalık Holding's textile factories, became one of the Holding's largest affiliates in less than 15 years. In 1996, it was re-structured and started to conduct business development operations. Having completed large-scale construction projects in a number of countries round the world, Gap İnşaat is progressing in line with its object of growing in the oil & gas sector in the medium term thanks to its qualified workforce and know-how. The innovative and successful works it conducted for many years paid off in 2011. It focuses on oil & gas, hospital and infrastructure projects, particularly in Turkmenistan, Iraq and Qatar.

The construction sector is one of the main operation fields of Çalık Holding and its subsidiary Gap İnşaat has completed a large number of projects in Turkey as well as abroad since 1996. The fast growing construction Company has successfully completed over 110 projects up to the present. The total value of the projects it has undertaken amounts to nearly 4.5 billion USD. Its main fields of operation are: industrial facilities, energy projects, hospitals and health service buildings, urban renovation and urban transformation projects, infrastructure projects, multi-purpose housing and commercial area projects, public and military construction projects, works of art and landscaping.

In line with its strategic motto "the right region, the right project, fast growth and geographical expansion", Gap İnşaat has branch offices in Iraq, Turkmenistan, Sudan, United Arab Emirates, Ukraine, Saudi Arabia, Qatar and Kazakhstan beside Turkey.

Highly Experienced In International Arena Gap İnşaat Undertakes Real Estate Development Projects In Turkey

Gap İnşaat, proud of being the first Turkish contractor to have completed turnkey industrial projects abroad, has figured since 2006 in the "the Top 225 International Contractors" list, published every year by Engineering News Record (ENR). In addition to its achievements abroad, the Company is the author of many successfully ongoing operations in Turkey as well. The real estate development projects carried out by the Company has contributed greatly to its domestic growth. Two renovation projects, Tarlabası Urban Renovation Project and Fener-Balat-Ayvansaray Renovation Project, undertaken by Gap İnşaat are the first to be carried out by a public-private sector partnership in Turkey. In 2007, Gap İnşaat undertook the construction of the Şehrizar Konakları in Burhaniye, Üsküdar. Finally, in 2010, it was awarded the contract for the Metropol Istanbul Project under a Varyap – Gap İnşaat Joint Venture. It continues to operate with the aim of implementing all of the projects it has undertaken in Turkey up to the stage of cash generation.

Gap İnşaat's Quality Certified

Gap İnşaat, developing customer-oriented solutions, aims to generate added value and deliver the best possible service in the countries where it is present. In line with this, the Company has the certificates of ISO 9001 Quality Management, ISO 14001 Environmental Management and ISO 18001 Occupational Health and Safety. Now, the new target of Gap İnşaat is to obtain the LEED certificate, a symbol of energy and environmental design leadership, for its projects.

Traditional Neighbourhood And Modern Life-Style Combined In Şehrizar Konakları

Şehrizar Konakları Project, a perfect combination of neighbourhood traditions with modern life styles, has been undertaken by Gap İnşaat in collaboration with the TOKİ subsidiary Emlak Konut GYO in the form of a revenue partnership. Briefly after the Project came out, the demand shown to it has been greater than expected. The project, located in Altunizade, Üsküdar, was designed by the famous architect Han Tümer Tekin, architect Nevzat Sayın and architect İhsan Bilgin, who managed to incorporate poetically treated traditional elements into modern residences. An important feature of the project is its position that allows easy access to the Bosphorus Bridge and its connection roads. The total cost of the project, including the cost of the land plot, amounts to 460 million TL. Of its 108,000 m² construction area, 7,000 m² consist of social facilities. The Şehrizar Konakları contains 38 blocks, each with a 300-m² base area, corresponding to 208 luxurious apartments. It has 5 car parks with a total of 600 parking spaces. The layout is designed to create old-style quarters where a few blocks constitute a self-sufficient unit. The apartments have 3 to 8 rooms and gross areas varying from 180 m² to 626 m², ideal sizes for large families. The project is planned to receive its first occupants in 2012.

First Project In Istanbul's Finance Centre: "Metropol Istanbul"

Gap İnşaat started the construction of "Metropol Istanbul" project, located in East Ataşehir, in partnership with Varyap. With its original and ambitious urban design, architectural-technical features and central position in the city, the project will satisfy world standards. Metropol İstanbul, one of the largest projects in Turkey, will cost 1.5 billion TL and is planned to be completed in 2014.

The Project was designed by architects from RMJM, a world-famous international architecture company. Engineering counselling to the Project was provided by the Austria-based engineering company Hyder, a 150-year-old institution. Metropol İstanbul will add value to its environment in terms of architecture and engineering, be a permanent asset for the city and an illustration of the fast development of Turkey. With its height of 250 m (antennas not included), it is likely to be the tallest building in Turkey. It will consist of three tall buildings with over 1,500 independent units. With residences, offices, a shopping mall and recreation areas, Metropol İstanbul will be one of the largest mixed projects in Turkey. With its undivided construction area of 730,000 m², it will be an outstanding project. The shopping mall, one of the most spectacular designs of the project, will consist of a 400 m-long Shopping Avenue and about 100,000 m² of leasable area. Thanks to the natural lighting system created at the ground level, the Shopping Mall will benefit from sunlight at an optimum level.

4 Projects In Turkmenistan From Gap İnşaat

In 2011, Gap İnşaat completed a 120-bed Eye Hospital, commissioned by the Ministry of Health of Turkmenistan, in the Turkmen capital Ashgabad, 5 months ahead of schedule. The Company has also been granted by Ministry of Health of Turkmenistan, the constructions of an Infusion Solution Plant with an annual capacity of 10 million bottles as well as of a Dental Hospital and of a multi-storey car park with 270 parking spaces to meet the parking requirements of two hospitals in Ashgabad.









ÇALIK GAYRİMENKUL; ADDING VALUE TO ISTANBUL WITH URBAN RENOVATION PROJECTS:

Çalık Gayrimenkul ve Tic. A.Ş., a company operating under the roof of Gap İnşaat, started its operations in 2010. It is a land development, investment and marketing company developing projects in the fields of urban renovation, office spaces, housing and commerce. The Company undertakes the management of the development, investment and marketing aspects of domestic real estate projects, taking great care to ensure that the operations are of a sustainable nature and respect the environment and the character of the city.

Tarlabası Urban Renovation Project

Gap İnşaat participates as contractor in the “Tarlabası Urban Renovation Project”, the first renovation project to be undertaken by a public-private partnership in Turkey. The project, conducted under the leadership of the Beyoğlu Municipality, is aimed to make Tarlabası a high quality living area as a historic quarter of Istanbul should be.

An important quarter of Istanbul in terms of cultural heritage, Tarlabası is rich in 19th century civil architectures. Its original street plan dates back to very old times. However, although it is located in the very centre of the city, 40% of the buildings are abandoned, which accounts for the urgency of a renovation in this part of the city. Home Owners are not willing to spend money on their properties due to the predominantly insecure environment. This is why this urban renovation project is of great importance since it will recuperate a quarter of outstanding historic, architectural and cultural value.

The Tarlabası Renovation Project consists of the renovation of all buildings spread over an area of about 24,000 m², including the improvement of the streets and of the infrastructure. The project concerns 196 cultural real estate assets that should be preserved. The Renovation Project was designed through a workshop process with joint efforts of experts from various disciplines, scholars, avant-garde architects and representatives of the private sector and of the municipality.

This project with long-term goals is guided by the decisions of the European Commission on the identification and preservation of Tarlabası’s cultural assets. In this context, inventories of historic assets have been drawn up for the identification of the monuments, buildings and building groups to be preserved. The operations conducted to identify and examine the immovable cultural and natural assets that need to be preserved comply with the Convention for the Protection of the Architectural Heritage of Europe and, accordingly, inventory leaves and reports have been prepared for each building.

Following the official approval of the project, owners’ consent to the project was sought through amicable negotiations regarding the most critical stages of the Tarlabası Renovation Project and, subsequently, the implementation of the project started. Thanks to a successful negotiation process, the Municipality of Beyoğlu managed to convince owners and tenants through one-to-one dialogues. Preparations for the sale of the office group located in the 360th block, chosen to be the first stage of the project, are complete and sales will start in early 2012.



The legal process for the collaboration between the Municipality of Beyoğlu and Gap İnşaat for this specific project matured and developed as owners, current inhabitants and the related non-governmental organisations became involved. Gap İnşaat considers the Tarlabası Renovation Project, the first investment project it undertook in Turkey, to be an important social responsibility action for the interests of the country. As a solution partner in this long-term and multi-partite project, Gap İnşaat fulfils its role with great pleasure in the social scheme applied for the benefit of the current inhabitants.

Fener-Balat-Ayvansaray Renovation Project

The second renovation project undertaken by a public-private sector partnership in Turkey concerns the 79,335 m² area consisting of the quarters of Fener- Ayvansaray situated along the Golden Horn on the northern side of the historic peninsula. The project is being carried out under the leadership of the Municipality of Fatih and includes the renovation of the buildings and the improvement of the environmental conditions in order to preserve this part of the heritage of the city so that future generations will also be able to enjoy it. Gap İnşaat participates in this project as contractor. The aim is to integrate these quarters with the greater city, taking into account their cultural potential and preserving their original character, and to recuperate them as high quality living spaces.

The renovation of the area consisting of the quarters of Fener, Balat and Ayvansaray presents a number of problems in physical as well as socio-economic terms. The historic building stock of the area is in a seriously bad condition and vulnerable to earthquakes. 19.4% of the buildings have lost their structural qualities. 61.9% require large-scale repairs. Considering the fact that Istanbul is situated on an earthquakezone , these buildings, 85% of which are occupied, require urgent action. At the design stage of the project, officials from the Municipality of Fatih collaborated with leading experts from universities and with companies specializing in the subject. The collaboration resulted in the identification and a classification of the structural problems of the registered old buildings. At later stages, for those registered buildings for which surveys and restitutions are ready, application projects will be prepared in the light of the static analysis reports to be prepared under the guidance of universities.

With this urban transformation project, valuable original buildings contributing to the characteristic silhouette of the city will be restored so that future generations will be able to enjoy them. As for the buildings that have fallen in serious disrepair due to bad physical conditions or become ineligible for preservation having lost their original character as a result of incorrect repairs, a reinterpretation will take place if sufficient information and documentation are available.

Of the renovation project, 69% is planned to consist of residences, 12% of shops, 8% of offices and 2% of cultural buildings. One of the main objects is to improve the economic and social conditions of the current inhabitants. This is why the value to be generated by this project is meant to benefit first of all the owners. As a basic principle of the agreement between the parties, all of the current owners in the area will continue to be owners after the project. Once the process of negotiation is completed and the survey-restitution projects are approved for all of the registered building stock, the application of the project will start for individual blocks.



FINANCE

THE FINANCE SECTOR REMAINS PROFITABLE

FINANCE SECTOR OVERVIEW IN 2011

Unaffected by the economic crisis in Europe, the Turkish finance sector continued to progress in 2011. It is expected to reinforce its position in 2012 both in the region and in the world. The size of its assets reached 1 trillion 218 billion TL and it broke a record in profits last year when giants of the European banking sector declared loss one after another. The total profits of the Turkish banking sector reached 20 billion TL in 2011. The sector provides employment for 195,292 people and operates 10,518 branches throughout Turkey. Last year, the sector stuck to its policy of opening more branches abroad with 11 new branches opened in foreign countries. In 2011, the number of employees increased by 4,112 and the number of branches by 452 with respect to previous year.

Loans Increased

Loans remain the most important investment item in the sector. Share of loans in the total assets increased by 3.8 points with respect to the end of 2010 reaching 56.1%. As of December 2011, the loans amounted to 682.9 billion TL, which means an increase of 157.1 billion TL with respect to the end of 2010. The annual rate of increase realised as 29.9%, lower than in 2010. The actual increase in the loans was 14.6%. The rate of increase adjusted for rate of exchange effect was 21.6%. Of the increase in the volume of loans, 68.3 billion TL consist of corporate/commercial loans, 51.3 billion of personal loans and 37.5 billion of loans extended to Small and Medium Sized Enterprises. Delinquent loans fell by 5,2% with respect to the end of 2010 to 19 billion TL as at December 2011.

Priorities For 2012

The banking sector will prioritise this year launching new products, issuing securities, creating alternative distribution channels and, in particular, improving Internet and mobile banking, investing in foreign banking operations, conducting strong risk management and supporting venture capitals in order to strengthen its financial structure so that it can continue to support the non-financial sector.

Successful Year For Insurance

The Turkish insurance sector exhibited a good level of performance in 2011. The sector grew by 21.5% generating a total of 17.2 billion TL worth of premium. In 2011, the non-life (elementary) branch grew by 21.25 percent generating 14,487,376,423 TL worth of premium. In the life branch, premium generation grew by 23.13 reaching 2,685,686,964 TL. The other branches of the sector performed as follows: the “engine” branch, consisting of the land vehicles insurance (own insurance) and land vehicles liability insurance (‘traffic’), enjoyed the largest share in the non-life branch. According to 2011 data, own insurance grew by 21.54% and ‘traffic’ by 16.88%. Considering that the two branches have a 40% share in the total insurance volume, one better understands the effect of the growth of premium generation achieved in these branches on the overall growth of the insurance sector. The “sickness – health”, that accounts for 12% of the total premium generation for 2011, grew by 17,24% and fire and natural disaster insurance, that accounts for another 12%, by 16,69%. The sector is expected to grow as fast in 2012.

Factoring Benefits From Growth

The growth achieved by the Turkish economy over the last few years and the prevailing environment of stability has had direct favourable effects on the volume of factoring transactions. The factoring sector grew by 44% with respect to 1996. This year the sector is expected to grow by 10 – 20%. Consolidation operations are expected for companies that suffer from a shortage of capital.

2011 Was An Excellent Year For Gold

2011 was a good year for those who had invested in gold or foreign currency. The selling price of 24-carat gold-bullion rose by 35.96% in 2011 and that of the ‘Cumhuriyet’ gold by 36.23%. The annual revaluation of USD with respect to TL was 22.45% and that of Euro 18.97%. Those who had invested in stocks traded in the stock exchange suffered a loss of 22.33% in 2011. The İMKB 100 Index, which had closed 2010 with 66.004 points, fell to 51.266 points as at the end of 2011. As for other countries, the stock exchange indexes of Greece, Portugal, Spain and Ireland but also those of France and Italy saw abrupt falls in their performances. Particularly after June 2011, there were falls in all USD-based stock exchange indexes with the sole exception of Mexico. As for indexes based on national currencies, those of developing countries such as Turkey, Mexico and Brazil, showed a relatively horizontal development in the second half of the year. Developed economies fell below their 2009 levels while developing countries are still over that level.

Foreign Investments Increase By 84%

During the first 10 months of 2011, the amount of direct international investment in Turkey rose by 84% with respect to the same period of the last year reaching 11.5 billion USD. About 50 venture capital funds funded about 150 companies in Turkey. To mention the most important measures taken in 2011: The Banking Regulation and Supervision Agency raised in practice the capital adequacy ratio from 8% to 12%; banks were allowed to issue TL securities in the domestic market; and limitations were put on the volume of loans.



ÇALIK FİNANSAL HİZMETLERİ A.Ş.

AKTİF YATIRIM BANKASI A.Ş.

BANKA KOMBETARE TREGTARE SH.A

E-KENT TEKNOLOJİ VE ÖDEME SİSTEMLERİ SAN. TİC. A.Ş.

EPOST ELEKTRONİK PERAKENDE OTOMASYON SATIŞ TİCARET A.Ş.

ÇALIK YÖNETİM SİSTEMLERİ A.Ş.



THE BANK THAT HAS ATTAINED “AKTİF” SUCCESS WITH THE RIGHT STRATEGY

Employing the right strategies in its development, Aktif Bank has accomplished remarkable achievements each day. Çalık Group that has been carrying out business in the financial sector since 1999, restructured Çalıkbank in 2007 after which it started to furnish services by the name Aktif Bank.

Aktif Bank comprises its products and services with respect to 3 fundamental strategies named as direct banking, regional banking and urban banking.

Aktif Bank, that has brought Turkey’s first and only direct banking strategy to life, provides widespread and grand scale banking services with low costs by employing electronic channels and various institutions as transfer channels. In this context, credits supplied through PTT business centers and contracted dealers and money transfers constitute examples to the direct banking services of Aktif Bank.

The bank appraises Turkey’s big cities according to their different economical conditions and develops special strategies and products for them with urban banking strategies it employs. Within this framework, Aktif Bank aims to work as a mediator in financial negotiations and provide financial solutions nationwide.

As for regional banking strategies, the bank improves its relations with MENA countries, primarily with Albania, Kosovo and Iraq by expanding Turkey’s activities in neighboring lands. Aktif Bank, which develops products and services designed for Turkish entrepreneurs who carry on commerce in these lands, also takes part in the financing of activities of businessmen in neighboring countries who are engaged in business in our country.

Aktif Bank Continues To Pioneer In The Finance Sector Through Considerable Advances

Aktif Bank realized Turkey’s first nationwide export in Asset-backed Securities (ABS). The ABS that amounted to 187 million TL exported by Turkey’s first Property Financing Fund that was established by the bank was sold out in the first two hours due to high demand without having to stay on sale for the allotted time of 7 days. The processing of the securitization at issue that was rated with the highest credit note, AAA, in Turkey and founded on Aktif Bank’s personal credit portfolio is the first ABS off-balance-sheet export realized in Turkey.

Foreign money transfers have been started since 2011 in the system of UPT (Cheap Money Transfer) that has enabled everyone, whether a customer of Aktif Bank or not, to send money inexpensively, fast, easily and instantly from almost 4,200 PTT offices within national borders. Also, a short, medium and long term financing model has been created for 'credit insured' money to be taken on discount and the mentioned model has been demonstrated as an example application by Türk Eximbank. Furthermore, Aktif Bank has been ranked among the top 5 banks that has made an agreement with Trade Finance Program (TFP).

Aktif Bank Has Risen By 15 Orders All At Once In Active Growth Ranking

Rising by 15 orders in the active growth ranking in the last 4 years, Aktif Bank exceeded 2,550 million TL in active growth in December 2011. Aktif Bank, which is among the most successful banks in the sector with respect to active profit and Return on equity (ROE) has come about above the average active profit rate in the sector by %2.48.

The Bank Facilitates Life With The Opportunities It Offers Besides Its Outstanding Services

Aktif Bank that introduced new ancillary activities in 2011 began national and overseas money transfers as from 2011 and a fast growth trend has been attained by the Bank through the application of the most economical remittance of funds program UPT (Cheap Money Transfer) in Turkey, started by in 2010, with a sum of 446,000 operations in UPT® and YP UPT® services together with overall transactions in 2011. Once again, in this context, Aktif Bank has put into service Global Transfer Services as part of fast money order agreement realized with overseas banks, fast money transfer corporations and other financial corporations having money transfer license.

Aktif Bank has become a primary performer in the consumer loan domain in the sector by granting credits of hundreds of millions of liras with Paranthesis Credit System that provides a credit loan in a matter of minutes for everyone getting their salaries from PTT. Aktif Bank has also matched up larger groups of people with credits with respect to their needs at points of sale through an expansive credit network of dealers. Personal credit items granted through PTT offices and Branches have reached 140,000 whereas credit balance has amounted to 844 million TL.

Aktif Bank that realized its first bank bonds securities export in 2009 has continued to have more presence in the export market in 2011. Adopting a more proactive sales strategy in 2011 the Bank targeted all distinguished investors in the country as well as its own customers, reaching a sales figure of 3.5 billion TL in total by means of correspondences and visits it has undertaken.

Turkey's Fastest Growing Bank In The Last 4 Years

New banks have been added to the international banking network of Aktif Bank by providing attendance to important international meetings and seminars such as IFC, EBRD, IMF, IIF, SIBOS made in Turkey and in other countries as well in 2011. Exceeding the figures of 2010 by 1.16 times, resources from outside Turkey has reached 373 million TL. Furthermore, it has become a provider of foreign trade service throughout 86 countries worldwide with its number of correspondents reaching as high as 450.

The number of bank accounts opened by international banks within Aktif Bank has increased by four times, reaching a total number of 100 with its more powerful network. In parallel with this, the Bank's overseas accounts has doubled, reaching a figure of 72 altogether. Trade volume that used to be 940 million TL in 2010 has reached 3.8 billion TL in parallel with new limits and job opportunities created.

Besides all this financial success Aktif Bank has been rewarded with 8 international rewards in all in domains of payment systems, quality, distribution channels and communication and all of the organizations in which these rewards were presented were important organizations in which Aktif Bank got free of competition with international trademarked corporations.

| Indicators (Thousand USD) | Aktif Bank |
|---|---|
| Total Actives | 1.339.003 |
| Credits (Cash Credits) | 880.035 |
| Funds (Borrower Funds) | 266.174 |
| Bank Bonds | 439.258 |
| Other Foreign Sources | 225.467 |
| Equity Capital (Liquidated Capital Stock) | 120.640 |
| Capital Efficiency Ratio | 13,94 |
| Net Profit | 26.241 |
| Number of Customers | 142.068 (natural and legal entity in total) |
| Number of Staff | 373 |
| Number of Branch Offices | 7 |

2011 Rate of exchange: 1,9065



Kredi për shtëpi

Shtëpia,
investimi më i rëndësishëm!

0 7

BANKOMAT 24

1 800 888 8888

The advertisement is a vertical poster with a white background and a red border. It features a central image of a house with a red outline. Below the house, there are two small icons: a house with the number '0' and a house with the number '7'. The text 'Shtëpia, investimi më i rëndësishëm!' is written in a bold, sans-serif font. At the bottom, the BKT logo is visible, along with the phone number '1 800 888 8888'.



A STRONG BANK, ACHIEVING SUSTAINABLE GROWTH IN ITS REGION: BKT

BKT, continues to provide high quality services to its customers through its branches in Albania and in Kosovo with its objective to contribute to the economy of the region. Banka Kombetare Tregtare (BKT), a Çalık Holding subsidiary, is one of the two largest banks in Albania with branches in Albania and Kosovo. The size of its assets has reached 1.9 billion USD with an actual growth rate of over 27% with respect to the end of the previous year. Likewise, the total of the deposits held in the bank reached 1.6 billion USD with an actual increase of over 24%. The annual profit of BKT is about 29.4 billion USD and its adjusted return on equity is 26%.

As of the end of 2011, BKT's market share in terms of assets and deposits has increased significantly with record growth rates: 17.7% and 18.4% respectively. It was the only bank among the four largest in the sector to increase its market share. BKT has exhibited success in terms of loans portfolio as well. The portfolio grew by 45% annually and the bank increased its market share in terms of loans to over 14.8% becoming one of the two largest banks in the ranking of market shares. In a context where in Albanian banking sector the ratio of the total of the problem loans to the balance of loans (NPL 90) was over 18.7%, this rate was much lower for BKT as it was only 5,64%.at the end of 2011. A performance that is considerably better than its competitors and that makes BKT the most successful bank in Albania.

BKT Continues To Grow By Bringing Innovations To Albania

BKT introduced the Corporate and Commercial Internet Banking (???) to Albania in 2011 and added the functions of Bill Settlement, Credit Loading on SIM Cards and Digital TV Package Purchase to Personal Internet Banking. Bank introduced to Kosovo the system of contracting loan through SMS. At the same time, Bank has enlarged its service network in Albania by sending personal consumer loan offers to potential loan customers through SMS. BKT became the first Albanian bank to be directly admitted to the International Chamber of Commerce (ICC), based in Paris. Works are underway to create an Albanian Committee reporting to the International Chamber of Commerce. BKT is the first and only Albanian bank to render correspondent visits to various countries. It has also organized a "Foreign Trade Seminar" for private companies. In addition, BKT and the Kuwait-based Liquidity Management House have started a joint operation to issue Islamic bonds with the support of the Albanian Government.

BKT Continues To Render Solutions That Make A Difference In Service Quality

BKT renders service with over 1,000 employees and a total 80 branches, of which 57 are in Albania and 23 in Kosovo. The total number of financial transactions carried out by the bank through its network of branches in 2011 was 7.5 million. The number of transactions carried out through the Bank's 115 ATMs was 1.7 million. The market share of BKT in terms of number of ATM transactions rose from 14% to 16%. BKT has carried out 94,000 financial transactions through its POS network with a total of 2,171 POS terminals. Its market share in Albania in terms of numbers of POS transactions rose from 3% to 8%. The bank has carried out about 18,000 financial transactions through Personal Internet Banking in 2011. BKT started to receive dynamic reports through the Business Intelligence system regarding products and service channels such as credit cards, debit cards, e-banking, mobile banking, ATM and POS. The bank continues to work on loan and deposit products. In 2011, BKT started to use the products and programs named "EFSE Loan", "Flexible Business Loan" and "Accounts Receivable Loan" in the domain of Commercial Banking. In addition, the Bank continues to work on the implementation of the 2011 version (version 11.2) of its master banking software updated in 2005 (version 6.2). It continues to work on the integration of SAP "Active Asset Management" and "Procurement" modules with the master banking system. The Internet Banking software has been completed under a project conducted with Aktif Bank and OBSS for the customers of Corporate and Commercial Banking; which is due to be commissioned in the second quarter of 2012.

Good Work Confirmed By Awards

BKT was placed in the category of highest investable by JCR-Eurasia on 13 April 2011 and its long term national rating was determined as "AAA(Alb)" and its outlook as "stable". On 27 January 2011, Moody's determined BKT's rating as "B1" with outlook as "stable"; in comparison to Albanian country rating, it is considered to be the highest ranking possible at this level. BKT was honoured with a number of awards in 2011 for its high quality service and good performance. EMEA Finance Magazine awarded the Bank with the title of the "Best Bank in Albania". Deutsche Bank honoured BKT with the award of "Outstanding Quality in Payment Systems". The Banker Magazine awarded BKT with the title of the "Best Bank in Albania" for the second consecutive time.



E-KENT: A COMPANY THAT OFFERS INNOVATIVE SOLUTIONS FOR CITIES

E-Kent works with the vision of “building urban technologies”. The Company introduces new products and services in the field and renders service to more and more cities. E-Kent was incorporated into Çalık Holding in 2008. It uses the high technology that modern urbanism requires and offers the possibility of benefiting from a number of services with a single card. The Company produces solutions destined to be indispensable aspects of urban life, ensuring fast and problem-free payment. The services it renders include: management of the organisation of selling points and authorized sellers throughout the city, electronic fee collection service integrated with the public transport buses and light rail-transport system (EÜTS), operation of fee collection boxes under bank guarantee, optimisation of transport lines, planning and efficiency counselling and instant communication of transport service information to citizens. With the transport turnover under its management and its technological products and operational staff, E-Kent is the leader of its sector. It is the only company to provide, in a single device, solutions where in all of the public transportation system payment by cash is replaced with smart transportation cards or magnetic paper tickets throughout Turkey. The Company produces reliable solutions for new requirements using advanced and continuously updated technology. In 2011, it started an intense process of research and development to offer its customers new generation hardware and software products developed exclusively by local engineering.

Enhancing Successful Operations With Its Innovative Structure

The first phase of the SAP project, intended to combine in cities where electronic fee collection systems are installed, systems in a single platform in order to improve their control, to create a decision support system in harmony with developments and changes, to improve the competitive power and to ensure standardization of business processes in the area, was completed only in 9 months. The second phase of the SAP integration, a first in the Turkish Electronic Fee Collection Systems sector, is planned to be completed in 2012. The “New generation validator” and back office system developments were designed and their software prepared exclusively by E-Kent engineers taking into account the current and expected requirements of the market. They operate in conjunction with the integrated vehicle tracking system and the accompanying smart stop system and support telephones equipped with the features of bank card and NFC as well as magnetic paper tickets and non-contact smart cards.

“Smart” Key Of Transportation

E-Kent, the founder of a number of innovations in Turkey, developed and put into operation in Kütahya a “system of by-the-road car park fee collection through a hand terminal” where “Kütahya Kart43”, used as a public transportation pass, is now able to be used to pay car park fees, which is another novelty in this field. In addition, the “Ride Advance” method, started for the first time in Kütahya, enables passengers who have run out of credits to have two more rides. E-Kent started the system that allows payment by “BUKART Kart16” at barrier car parks in Bursa Kültürpark. In Sakarya Intercity Bus Terminal, it has installed “Kart54” payment system that allows access to and exit from the car park area. As for the by-the-road parkomat systems installed in Sakarya, the hardware and software operations have been completed and the system has been commissioned for “Kart54”, already used in public transportation, to be used as a means of payment. The public transportation card “Kart38”, supported by the metropolitan Municipality of Kayseri, is now used to rent bikes under KAYBİS project, which is another first in Turkey. “Aktif81”, the second “City Card” introduced in Turkey, is now operating in Düzce. In addition, a “Reduced-Price City Card”, “UniPasso38”, closely related to this project, has been introduced in Kayseri. “UniPasso81”, a similar card, was introduced in Düzce. A web-based reporting and remuneration calculation system has been installed for transportation authorities and municipalities who receive service from E-Kent. The system will be used with personal user names and passwords to secure access. The system enables users at different levels of authority to obtain remuneration calculation and passenger reports through the Internet without installing any software program in personal computers. In addition to the installation of the Fee Collection System, E-Kent also started to incorporate on-board passenger information and public announce systems and on-board security cameras in its service network, and has started their installation. E-Kent renders services in Bursa, Kayseri, Gaziantep, Sakarya, Tokat, Kütahya, Düzce, Konuralp, Akçakoca, Çankırı, Anamur and Simav with its 350 employees. It has a fee collection system installed at 2,700 turnstiles of public transportation buses and light rail-transport vehicles. It has sold 3 million smart transportation cards, of which 500,000 were in use in 2011, and 35 million magnetic card tickets. The Company has reached a transaction figure of 1 billion with over 300 million rides. With the NFC technology, conducted in TÜBİTAK and receiving Technological Innovation Support, E-Kent continues to work on the “Urban Card Applications Development Project” and “the Project of Entry-Exit System with HF&UHF Cards”.



MEDIA

MEDIA SECTOR TO REACH 11.4 BILLION USD IN 2015

MEDIA SECTOR OVERVIEW IN 2011

The crisis in Europe hit most seriously the media sector. Newspapers and radios owned by the largest media groups in the world had to struggle hard to overcome their difficulties. Even the British giant BBC had to make cuts in its traditional radio broadcasts in world languages. La Tribune, a major French newspaper founded in 1985, had to say farewell to its readers. 2011 was a disastrous year for many media organs throughout the world from Hungary to Cuba, from Greece to Chile.

According to the report 'Global Entertaining and Media Outlook for 2011 – 2015' issued by the counselling unit of PwC, the entertaining and media sector is focusing on collaboration after the global recession. The report says that as demand for digital experiences increases and this becomes the norm, those consumers who have obtained digital power triumph. In a number of markets, the entertainment and media sector underwent a deep transformation after the global crisis. The shifting of consumers to digital media was boosted by the revolution in mobile devices. The entertainment and media sector regressed in 2009, recovered in 2010 and started progressing in 2011. In 2010, the sector reached 1.4 trillion USD. With a global annual growth rate of 5.7%, it is expected to reach 1.87 trillion USD in 2015. In Turkey, the sector underwent a regression in 2009, recovered in 2010 and reached 6.1 billion USD. With an annual rate of growth of 13.2%, it is expected to reach 11.4 billion in 2015. The entertainment and media sector will grow mainly in digital channels. Spending shifts fast from conventional platforms to digital platforms and spending in digital platforms accounts for 26% of total spending. The share of digital platforms is expected to reach 33,9% by 2015.

Advertising Investments Will Grow By 15% This Year

According to the advertising investment reports prepared with the data of media agencies belonging to the membership of the Association of Advertising Agencies, advertising expenditures that amounted to 4.3 billion TL totally has increased 20% compared to the year 2010. Advertising investments are expected to increase by 15% this year. In 2011, 56.66% of the investments constituted those on television, 24.25% on the press, 7.97% on the internet, 7.09% on open air, 2.80% on radio, 1.23% on cinema advertising. Whereas the sectors that encouraged growth in the TV domain were communication, food, cosmetics and personal care, home cleaning products, retail, construction-decoration, publishing, automotive and finance sectors came into prominence in the sector of press. As the marketing communication sector gains depth, it is expected that new brands will begin advertising investments. In the report of The consultancy company of the world's communications giant WPP, GroupM, titled "This Year, Next Year", covering 70 countries, it is maintained that the Turkish advertising market will continue its growth. The advertising market that was 3.817 million TL in 2010 exceeded 4 billion TL in 2011. When the figures of 2011 are taken into account, it is seen that TV and newspapers continued to receive the highest share in the advertising market. While TVs took the first place with 2 billion 398 million liras, newspapers came the second with 942 million liras, open air commercials the third with 302 million liras, and internet the fourth with 270 million liras. The radio has reached a figure of 114 million TL. In the 2012 section of the report, it is stated that, the global advertising market could be influenced positively by the US Presidency elections and the Olympics in London while the continuation of the economic growth in Turkey will go on expanding the market with consistency. According to this report, it is expected that the market will reach 5 billion 84 million for the year 2012 in Turkey.

TURKUVAZ RADYO TELEVİZYON HABERLEŞME VE YAYINCILIK A.Ş.

TURKUVAZ YAYIN HİZMETLERİ VE TİCARET A.Ş.

TURKUVAZ FİLMCİLİK PRODÜKSİYON SANAYİ VE TİCARET A.Ş.

TURKUVAZ HABER AJANSI A.Ş.

TURKUVAZ TELEVİZYON VE RADYO İŞLETMECİLİĞİ A.Ş.

TURKUVAZ ATV TELEVİZYON PRODÜKSİYON A.Ş.

TURKUVAZ REKLAM PAZARLAMA DANIŞMANLIK A.Ş.

TURKUVAZ TEKNİK HİZMETLER SANAYİ VE TİCARET A.Ş.

TURKUVAZ KİTAPÇILIK YAYINCILIK A.Ş.

TURKUVAZ GAZETE DERGİ BASIM A.Ş.

TURKUVAZ DAĞITIM PAZARLAMA A.Ş.

TURKUVAZ MATBAACILIK YAYINCILIK A.Ş.

TURKUVAZ MOBİL HİZMETLER A.Ş.

TURKUVAZ İZMİR GAZETE DERGİ BASIM YAYIN A.Ş.

TURKUVAZ İZMİR TELEVİZYON PRODÜKSİYON VE RADYOCULUK A.Ş.

TURKUVAZ AKTİF TELEVİZYON PRODÜKSİYON A.Ş.

TURKUVAZ YENİ ASIR TELEVİZYON PRODÜKSİYON A.Ş.

TURKUVAZ MEDYA YAYIN HİZMETLERİ A.Ş.

TURKUVAZ TV HİZMETLERİ A.Ş.

TURKUVAZ GÖRSEL VE İŞİTSEL İLETİŞİM A.Ş.

TURKUVAZ MOTOR PRESSE DERGİ YAYINCILIK LİMİTED ŞİRKETİ

TURKUVAZ ATV SABAH GMBH





TURKUVAZ MEDIA GROUP; WITH NEW CHANNELS, NEW FACE, NEW TECHNOLOGIES

Turkuvaz Media Group, incorporated into alık Holding three years ago, provides reliable, impartial and timely print and visual media services for its readers and viewers through a wide range of communication channels.

Turkuvaz Media Group, one of the most influential media organs in Turkey, started its thematic broadcasting operations in 2011 with the inauguration of the channels A Haber and Minika. These two new channels enabled the Group to increase further its existing influence, thanks to the technological superiority and visions put forward. Thus, Turkuvaz Media is confidently progressing towards achieving its strategic targets. The Group believes that sustainable growth in the media sector is possible only through new investments and accordingly, as of 2011 started to distribute its newspaper Sabah in first quality art paper throughout Turkey.

In addition to radio, TV and press media operations and book, periodicals publishing, Turkuvaz Media Group is also active in a wide range of activities including Internet publishing, sales of non-media products, newspaper and periodical distribution throughout Turkey.

Wider Service Network, Larger Audience

With its 22 companies, Turkuvaz Media Group is one of the two largest media organs in Turkey; in terms of market size and advertising share. It has a wide and diversified media network in Turkey and a large audience of readers and viewers in Europe. Its TV series and programs are very popular in Near East Countries. Thanks to the synergy created by its various brands, Turkuvaz enjoys high efficiency with a 360° field of operations.

The TV channels ATV, A Haber, Minika, ATV Avrupa, Yeni Asır TV and Izmir TV enable the Group to reach audiences from different segments of the society at regional, national and international level. Radio Turkuvaz operates on a national basis and Romantik Radyo on a local basis. Turkuvaz Media Group is the owner of the national newspapers Sabah, Takvim and Fotomaç and, at a local level, it is the leader of the sector of regional press with the newspaper Yeni Asır, the oldest newspaper in Turkey. In the periodicals segment, Turkuvaz Media Group is, in addition to its own brands, the authorized publisher in Turkey of the periodicals of the world-famous groups Hearst and AMS.

In the online segment, the Group provides the public with information with a different and rich content covering various fields of interest. Turkuvaz Publications has obtained a respected position in the sector by publishing selected books. In the fields of printing and distribution, Turkuvaz Media Group is stationed in 5 strategic points throughout Turkey so that it can reach the remotest parts of the Country rendering service to not only Group customers but also non Group customers. The Group closely follows the technological transformation in the sector. It keeps investing in human resources as well as in digital technology in accordance with its principle of continuous improvement and innovation.



minika2





Thematic Channels Are Already On, New Ones Coming Soon

Turkuvaz Media Group is the author of many firsts. Its operations are based on the principles of accurate, ethic and impartial broadcasting. In addition to the channels Atv and Atv Avrupa, in 2011 Group launched A Haber, Turkey's first HD channel, and a children's channel, Minika. At the same time, the Group moved to its new visual media headquarters in Ihlamur. The new headquarters is equipped with new studios, including the largest barco video wall in Europe, and equipment that is able to broadcast fully in HD. As Turkuvaz Media continues to attach great importance to its visual media operations, its children channel Minika is planning to broadcast as two different channel, targeting 3-8 and 7-14 age groups, in the first months of 2012.



Printed In High Quality Art Paper, Sabah Is Now Even Better

Turkuvaz Media Group is aware that development and innovation in the sector is possible only through new investments. This is why it has started to print its Sabah newspaper in art paper. Group invests continuously in printing technology in order to improve the quality of its copies. Now, all Sabah copies are printed in art paper throughout Turkey. Group is planning to start a Turkuvaz printing house in Trabzon in 2012.



New Internet Brand Teknokulis Is Launched

Similar to its success' in media sector, Turkuvaz continued its innovations in the field of Internet and launched new Internet brand: TeknoKulis, in 2011. Accessible through the address <http://www.teknokulis.com>, Teknokulis provides surfers with a wide range of technological contents including news from the technology sector, product analyses, and feedbacks by experts regarding programs that are easily and securely downloadable.

A First In The Media Sector

Turkuvaz Media Group has launched the SAP IS-Media system in collaboration with SAP, a world leader in the field of corporate applications and software. This was another first in the Turkish media industry which enables the Group to manage all of its business processes through a single system. Thanks to this system, the Group now conducts all operations regarding newspaper, periodical and Internet advertising reservation, prices and accounting through SAP. In addition to the SAP IS-Media system, the SAP BW&BI System has also been launched. This system is used to prepare all data collected through the SAP system in the form of Financial Reports and to meet in a more reliable and expedient way the administrative and operational reporting requirements of the senior management and of the units in charge of advertising marketing and financial affairs.



Newspaper And Periodicals Subscription System Improved

Turkuvaz Media Group, the owner of one of the largest media distribution companies in Turkey, has regional headquarters in Istanbul, Ankara, Izmir, Adana, Antalya and representation offices in Trabzon and Erzurum. The distribution system, restructured on a national basis, was developed according to the business processes of the Subscription and Distribution Unit of the older Sabah, Takvim, Fotomaç, Yeni Asır newspapers and the periodicals. With the new system, financial and operational data management is ensured between subscribers, subscription agents, regional agents, parcel services and Turkuvaz Media. The Group currently renders service to 85,000 newspaper and 130,000 periodical subscribers.



Turkuvaz Media Keeps Investing In Infrastructure

Turkuvaz Media Group, connected to regions throughout Turkey via high-speed fibre metro Ethernet circuits, has started to use a low speed G.SHDL system through copper cables, to make sure its connection is not interrupted even in extraordinary situations. The Group uses 3G-connection infrastructure in order to be able to maintain printing operations even in emergency situations in its Istanbul, Ankara, Adana, Antalya and Izmir printing houses. Turkuvaz has also installed dark fibre laser connections with Gigabyte speed in order to ensure high speed data communication with its main service buildings in Istanbul.



Turkuvaz Media Group has ISO-9001:2008 Quality Management System Certification in the field of printing activities. Turkuvaz Dağıtım Pazarlama A.Ş., rendering service at internationally recognized standards to the main headquarters and to 5 regional headquarters, has ISO-9001:2008 Certification.



TURKUVAZ NEWSPAPER

Sabah

Sabah, founded in Istanbul, 1985, renewed its outlook in 2011; as the daily newspaper continuously improves its printing quality and technology, the art paper cover print version has started to be distributed throughout Turkey the same year. The newspaper, part of Turkuvaz Media Group since 2008, is a pro-European Union, supporter of free market economy and believer in the rule of law. It is a defender of pluralism and of an impartial media. Its audience includes the strongest and most dynamic section of the society. As of 2009, Sabah began to publish The New York Times in Turkish for its readers. The Turkish version of The New York Times news and comments is published weekly. In 2011, Sabah's rate of newspaper reader access was 15.10 percent. The general access for the Turkish population as a whole was 1 million 603 thousand according to the cumulative results of the Turkish Press Readership Survey 4.-7.

Sabah Avrupa

Sabah Avrupa has been published since 2006 in 20 European cities, particularly in Germany, to enable Turkish expatriates to follow the developments in Turkey and in the world in a fast and reliable manner. Sabah Avrupa's average monthly number of printed copies was 464,220 in 2011. Unlike other Turkish newspapers, Sabah Avrupa includes the supplement Günaydın. It has become an indispensable source of information for Turkish expatriates. A significant part of the audience of Sabah Avrupa consists of people who have received their basic education in Turkey.

Yeni Asır

The Newspaper was founded in 1895 in Thessalonica under the name "Asır" and was published under this title for 13 years. It is the Newspaper that announced the proclamation of the Constitutionalist rule in 1908 and same year added the word 'Yeni' (New) to Asır (Century) in its title; since then the name Yeni Asır has been used. Its 114-year past is full of revolutions in the press sector; besides being the largest regional newspaper in Turkey, it was the first Turkish newspaper to be printed in Turkish Latin alphabet.

Yeni Asır, with its high quality, rich content and different style of news reporting, is the main source of news for the Aegean region. It closely follows the regional issues and proposes solutions for all. It has been the author of an unprecedented performance in the field of news reporting. The Newspaper is printed in Turkuvaz Media Group's facilities in Izmir. Under the structure of Yeni Asır, there are TV channels; Yeni Asır TV and Izmir TV, a radio channel; Romantik Radyo, and the Yeni Asır Internet Newspaper. Its daily net sales have been 29,486 copies on the average and its reader access in general has been as high as 351,000 people, in 2011.

Takvim

Takvim Newspaper, founded in 1994, maintained its position among the best selling newspapers in Turkey, in 2011. Thanks to its young staff and courageous style of news reporting, it has acquired the deserved reputation of being a defender of the people and justice. It has been improving its brand value as well as reader profile. In 2011, it maintained its position in the sector with a 2.35% market share and reached a total of 560,000 readers in Turkey.

Fotomaç

Fotomaç, founded in 2000, is the best selling and most read sports daily newspaper in Turkey. Fotomaç, a leader in transfers of footballers' news, is distinguished with its exclusive interviews and visual quality. In 2011, its audience consisted of 1,313,000 readers in Turkey, which proved once more the success of the newspaper in sports news field.

TURKUVAZ PERIODICAL

Turkuvaz Periodical publishes a large number of magazines in a wide range of fields of interest such as news, economics, hobbies, fashion, youth and decoration. In addition to its own brands, Turkuvaz Periodicals is the publisher of the world famous magazine groups Hearst and AMS in Turkey. Turkuvaz Periodical is in charge of the preparation of the content, printing and distribution processes of these magazines as well as their importation and exportation. The Company conducts commercial and marketing activities for these magazines including domestic promotion, announcement and advertising operations. In 2011, Turkuvaz Periodical had a share of 31% in the net sales of magazines in the sector and of 21.3% in advertising revenues. The average monthly sales of the magazines of the Group amounted to 263,938 copies in 2011.

VISUAL MEDIA

Turkuvaz Televizyon ve Radyo İşletmeciliği Sanayi ve Ticaret A.Ş.

Turkuvaz TV and Radio was founded in 2005 by Turkuvaz Yayın Holding A.Ş. with the object of conducting TV and radio broadcasting operations. Turkuvaz TV and Radio aims to reach large audiences in Turkey and abroad by producing and broadcasting radio and TV programs using state-of-the-art technology.

ATV

One of the first private TV channels in Turkey, ATV, founded in 1993, is one of the most popular national TV channels; thanks to its policy of impartial broadcasting, respect to social values and its programs addressing all family members. ATV broadcasts through land transmitters, cable TV and digital platforms in Turkey. It also covers the whole Europe, the USA, North Africa, Australia and Turkic Republics via satellite broadcasting and antennas. ATV is a trend-setter in the Turkish TV world and the author of a large number of firsts. Its highly qualified staff, modern and pro-western attitude, high quality and stable policies, high ratings and large advertising capacity make it a leader in the sector. Thanks to its correct analysis of the popular series trends in Turkey, ATV achieved an increase in its audience share in 2011. Its prime time audience share was 11.3 percent and off prime time audience share 10.5 percent in 2011. ATV achieved a 5% growth compared to 2010.

ATV Avrupa

Launched in 1997 with the object of being a European channel ATV Avrupa broadcasts to over 40 countries, including Germany, in two languages. Information and education occupy a privileged place in the programs of ATV Avrupa and the Channel addresses Turkish expatriates with the consciousness of fulfilling a mission.

A Haber

A Haber, news channel of Turkuvaz Media, was founded in 2011 with the object of providing its viewers with round the clock live news broadcasts. It started with the motto “the Channel of the News”. It is the first news channel to provide HD broadcasting in Turkey. It has already acquired a significant position among Turkish news channels thanks to its principle of providing accurate live news broadcasts round the clock from every single part of Turkey.



Minika TV

Minika TV is Turkuvaz Media's first thematic channel for children. After a period of intense preparations, it was inaugurated on 28 January 2011. Minika TV aims to broadcast educational programs without neglecting children's right to have a good time according to the tastes of children and in accordance with the approval of pedagogues.

Minika is a channel that parents can put their trust in when it comes to the education of their children. It provides pre-school and school children with the best cartoons, exciting TV series, entertaining family films and stimulating educational programs and documentaries.

PUBLISHING AND DISTRIBUTION

Turkuvaz Distribution and Marketing

This establishment is in charge of the distribution operations of Turkuvaz Media Group. Turkuvaz Distribution is one of the two print media distribution companies of the Country. Its market share is 38.3 percent (Zaman and Yeni Şafak, which have a subscription system, are not included). Currently, it distributes 26 national, 5 regional newspapers and 361 periodicals to 195 main distribution points and 25,540 detail distributors using 1,662 vehicles.

Turkuvaz Book

Turkuvaz Book, founded in 2005, provides readers with the works of selected writers in line with its principle of publishing only high quality books in a reliable manner. Turkuvaz Book publications cover a wide range of fields of interest including literature, biographies, memoirs, history, philosophy, investigation and research, children's books, health, detective stories, popular tales, classics, modern classics and popular books.

ADVERTISING MARKETING COUNSELLING AND NEWS AGENCY

Turkuvaz Advertising Marketing Counselling

Turkuvaz Advertising conducts operations of digital media advertising and sales marketing through its printed and visual products. It consists of a head office, four regional headquarters and regional representation offices. It enjoys a large share in the advertising market and figures among the leading companies of the sector thanks to its experienced staff.

Turkuvaz News Agency

It was founded with the object of rendering news services to the printed and visual media brands of Turkuvaz Yayın Holding. It renders services to a number of leading media organs in Turkey and Europe.

Turkuvaz Printing

Turkuvaz Matbaacılık Yayıncılık A.Ş. owns one of the largest printing facilities in Turkey. It conducts operations of printing and distribution for newspapers, periodicals and other publications. In line with its philosophy of continuous improvement, it has attached great importance to improving the quality of its printing services regarding various products such as newspapers, inserts, brochures, catalogues, periodicals, books, posters and fliers since 1985.

Another innovation led by Turkuvaz Media Group effectuated when the Group installed the first insert system in Turkey in 1996-97 in its Istanbul printing facilities. Its printing facilities for newspapers are located in Istanbul, Ankara, Izmir, Antalya and Adana and its printing facilities for periodicals and inserts are in Istanbul. In 2012, the Trabzon printing house will start its operations.

TECHNICAL SERVICES

ATV Technic

ATV Technic is the unit that provides technical support for the TV Group. It has studios in three different locations, namely Yenibosna studio complex, Yıldız Visual Media Centre and Ankara office. All of the studios are equipped with state-of-the-art technology. Yenibosna complex has 3 studios supported by 2 stage managements. Stage Management 1 is equipped with a Full HD MVS8000G 3ME picture table and Stage Management 2 with a MVS6000 2,5ME full HD picture table. There are a total of 11 Sony HSC300 studio cameras. Turkuvaz Visual Media Centre in Yıldız is equipped with 13 Sony HSC 300 and 4 Sony HSC100 cameras, a total of 17 HD studio cameras. It has 7 studios controlled by 3 Stage Managements.

ATV Technic is fully equipped with HD system equipment and infrastructure. It is capable of doing both HD and SD broadcasting. It is able to broadcast 5-channel SD and 2-channel HD using Cinegy Broadcasting Automation with 150 users. The Turkuvaz Visual Media Centre has 3 Final Cut, 2 Cinegy and 2 Avid edition sets. The Yenibosna Studios are equipped with 1 Avid edition set. The Ankara office is equipped with 5 HXC 100 LD studio cameras and 6 XDCAM PDW150 handheld cameras. The total light capacity provided by ATV Technic amounts to 1050 KW (robot, 2500 colouring, cold light). There are 30 LED screens and 5 processors for shooting operations. In Istanbul there are 4 uplink vehicles and 2 generator vehicles (200KVA, 40 KVA). In Ankara, there are 2 uplink vehicles. And in Izmir, there is 1 uplink vehicle. So, ATV Technic has a total of 7 uplink vehicles and 2 generator vehicles. It has a total of 25 XDCAM PDW-700 handheld cameras.

Turkuvaz Media Group has completely renewed the infrastructure of ATV and its thematic channels. It has a total of 33 HD studio cameras and 25 XDCAM handheld cameras.



MINING

TURKEY IS AMONG TOP 10 IN MINING

MINING SECTOR OVERVIEW IN 2011

2011 was marked by rising commodity prices in the world. Oil prices rose significantly and so did mining prices. Oil prices rose from 22 USD per barrel to 120 USD at the present. In 2002, the price of gold was 309 USD per ounce compared to 1900 USD in 2011. The price of copper, an industrial input, rose from 1.670 USD per ton to 9,515 USD today.

The most important factor in this process in the mining sector was the emergence of China. The inexorable rise of China made this country the largest producer and consumer of mining in the world. Having managed to attract 1 trillion USD worth of direct foreign investment capital, China is currently the leading industrializing country. The world's mineral production failed to meet the Chinese demand for minerals that increased suddenly as of 2003. The gap between the demand and the offer led to abrupt rises in energy and metal prices. China's annual coal production doubled over the last 5 years exceeding 3 billion tons. China is said to inaugurate a new thermal power plant every week.

Turkey is also confidently progressing in order to achieve her industrialization targets in line with her 2023 vision, which means a significant increase in her importation of intermediate goods. Figures show the urgency of filling the gap: Turkey's per capita annual mineral consumption amounts to 6 tons compared to 21 tons in the USA and 16 in Europe.

World mineral prices are expected to increase sharply. The most important factors that justify such expectations are: the fact that 350 million people in China are expected to migrate from rural areas to cities by 2025; the fast industrialization of China and India leading to a fast increase in the world demand for energy and mining; and the fact that it does not seem to be possible to meet the increasing world demand for metal in the short run due to the fast industrialization of China. This is why the rising trend in metal prices is expected to persist over the coming years.

12 billion USD was spent in 2008 in the world in non-ferrous metal mining explorations. This figure fell to 8 billion in 2009 due to the crisis. In 2010, 10 billion USD was spent in the form of venture capital. Out of this figure, about 5 billion USD was spent in gold exploration activities while in Turkey only 50 million USD was spent in gold exploration activities in 2010. The gold production of Turkey rose from practically nil in 2002 to 25 tons last year.

As for the mining resources available in our country including the newly discovered reserves, Turkey is now among the top 10 in the world. Thanks to her complex geological situation and tectonic structure, Turkey possesses a wide variety of mineral resources. Of the 90 kinds of minerals in the world, 60 are produced in our country.

With the amendments made in 2010 to Law no. 3213 on Mining, the sector became more active and the sector's share in exportations and national income increased significantly. In 2011,

3,297 applications had been filed as at the end of October and a total of 2611 permits issued, of which 1,138 were for exploration and 1,473 for exploitation. Before the promulgation of Law no. 5995, the total number of permits was 43,166, which fell, after the promulgation of the Law, to a total of 33,122 permits, of which 20,078 were for exploration and 13,044 for exploitation. This shows that the problem of permit trading, the most serious problem in the mining sector, has been solved to a great extent.

With the increase in drilling exploration activities as of 2003, the amount of public-private mining exploration drilling operations rose from 100,000 meters in 2002 to 1,300,000 meters at the present.

Mining exportations rose from 700 million USD in 2002 to 3 billion 665 million in 2010. The exportation figure for 2011 had already reached 1 billion 451 million USD as at September 2011.

The GNP value of the mining sector rose from 1 billion 900 million USD in 2002 to 10 billion 510 million USD in 2010. Thanks to the efforts of ETİ General Directorate of Mining Operations, important progresses were achieved in the production, sales and exportation of boron, a mineral 72% of the world reserves of which are located in our country. The production of Boron chemicals and equivalent products rose from 436,000 tons in 2002 to 1.4 million tons in 2011. For 2011, the planned amount of production of boron chemicals and equivalent products amounts to 1.9 million tons and 1,445,000 tons of this had already been achieved as of the end of October. Thanks to the exploration operations conducted in 2011, important zinc-lead reserves were discovered in Turkey in Divriği-Akdağ and an important iron ore reserve in Kuluncak, Malatya. In the Adıyaman region, copper deposits were found in Sincik, Koçali and Tut. In western Anatolia, Çanakkale-Gökçeada explorations have been completed and a large porphyry copper-gold and lead-zinc reserve with low content was discovered. Signs of important gold-copper-nickel reserves were observed in Divriği-Sivas and Oğuzlar, Çorum and more work is underway. Explorations for resources of industrial minerals and raw materials led to the discovery of important resources of sodium sulphate and rock salt in Niğde, Konya Ereğli, Çankırı and Çorum-Bayat. The works still underway conducted by MTA (the Mineral Research and Exploration Institute) under the project of reserve improvement and boron exploration in exploitation and permit fields owned by ETİ General Directorate of Mining Operations led to an increase in our country's boron reserves from 2 billion tons to over 3 billion tons as visible + probable + possible and our reserves became visible to a great extent.



LİDYA MADENCİLİK SAN. VE TİC. A.Ş.

TURA MADENCİLİK A.Ş.

DORE ALTIN VE MADEN A.Ş.

KARTALTEPE MADENCİLİK SANAYİ VE TİCARET A.Ş.

TUNÇPINAR MADENCİLİK SANAYİ VE TİCARET A.Ş.

LİDYA MADENCİLİK: THE NEW AND DYNAMIC PARTICIPATOR IN THE TURKISH MINING SECTOR

First founded in 2006 as a Çalık Holding subsidiary under the name Çalık Maden İşletmeleri A.Ş., Lidya Madencilik San. ve Tic. A.Ş. was renamed, in 2010 and since then its business volume grew fast. Lidya Madencilik, operating in the field of metals and precious metals in Turkey, is focused on gold, copper, silver and molybdenum.

Anagold, affiliate of Alacer Gold and Lidya Madencilik, started its gold production in Çöpler Gold Mine, located in İliç, Erzincan, on 22 December 2011. The Company, in which Lidya Madencilik has 20% share, produced 185,417 ounces of gold in 2011; the production in Çöpler area exceeded the expectations, corresponding to a quarter of Turkey's gold production. Providing employment for 700 people in Çöpler Gold Mine, including locals from İliç and the villages in the vicinity, Anagold achieved 267 million USD turnover at the end of 2011.

In Çöpler gold mine, the second largest gold reserve in Turkey with a capacity of 4.6 million ounces of gold, Anagold targets to produce 200,000 ounces of gold in 2012.

Fifty Fifty Partnership In 16 New Fields

Lidya Madencilik concluded a half and half partnership with Alacer Gold for 16 new fields, in 2011. The exploration operations have already begun on the first field.

In line with the new partnership both Companies agreed on; Kurudere Madencilik, a subsidiary of Alacer Gold, to be the operator for Tunçpınar Madencilik, owner of copper fields in Tunceli, and for Kartaltepe Mining, owner of copper/gold fields in the Erzincan area, while, Lidya Madencilik to be the operator of Polimetal Madencilik that owns the other 12 fields issued under fifty fifty partnership. With this, Lidya will become involved as an operator as well as an investor in the Turkish mining industry. These sites of different metals in different provinces of Turkey are expected to play a major role in Lidya Madencilik's investment and growth plans in the near future.

WITH ITS 250 MILLION USD INVESTMENT PRICE, ÇÖPLER GOLD MINE IS ONE OF THE LARGEST INVESTMENTS IN THE REGION.

The principle “creating added value for the society” underlies the basis of alık Holding’s corporate social responsibility understanding.

SOCIAL RESPONSIBILITY

Aware of its environmental and social responsibilities, Çalık Holding and its affiliates conduct all of their operations in accordance with the conception of sustainable development and social responsibility. Çalık Holding continuously generates added value for the national economy through its products and services but also through the jobs it creates directly or indirectly, its investments and the taxes it pays as well as through the social responsibility projects it undertakes.

Çalık Holding continues to make contributions for the future of the countries where it is present. "Generating added value for the society" is the basis of Çalık Holding's corporate conception of responsibility. This is also an aspect of Çalık Holding's corporate culture. The Holding supports social activities in the fields of art, sports, education and health, directly or through collaboration with non-governmental organizations. Çalık Holding's social responsibility efforts are an illustration of its respect for the society and for its employees.

"United for Van!"

Right after the 7.2 magnitude earthquake in Van, 140 tons aid loaded on 7 trucks were sent under a campaign organized by the newspaper Sabah and the Turkish Red Crescent. 61 million TL were collected in the aid campaign to which ATV and A Haber contributed through live coverage.

The Campaign "Hand By Hand; From House To House"

Çalık Holding employees gave start to a new social responsibility campaign planned to be carried out every year in the spring. Under the campaign "Hand By Hand; From House To House", clothes and house items were collected for families in need, living in Istanbul or in its vicinity for the first time in 2011. Household appliances, furniture, clothes, toys and stationery collected by Çalık Holding employees were classified and packaged by Holding employees themselves before being distributed to the pre-selected 100 families in need.

Circumcision Festival For Iraqi Children

In the context of the post-war difficulties that the Iraq is going through, one of the most serious problems is that of health services. Çalık Enerji, a Çalık Holding affiliate, organized a circumcision festival for Iraqi children in its El Khairat Power Plant construction site located near Kerbela. 80 Iraqi boys were circumcised by Turkish and Iraqi surgeons.



Somalia Campaign

The newspaper Sabah brought aid to the people of Somalia, a Country hit by the most serious drought of the last 60 years where 11 million people are facing starvation, under the aid campaign organized together with Turkish Red Crescent and TİKA. In addition to the 100 million TL worth of monetary aid collected, thousands of tons of food and other materials were sent to Somalia by ships and aircraft.

Çalık Well

Çalık Group employees started a campaign to support the people of Niger, one of the poorest Countries in the world located in north-western Africa that is going through serious difficulties due to drought. The people of the Maradi region of Niger have to walk for 3 to 4 hours to find clean water. The Çalık Well meets a major part of the water requirement of the inhabitants of this area.

“Çalık Village” Project In Pakistan

Çalık Holding and its employees started a social responsibility project for the Pakistani people who have suffered from floods that affected millions of people and killed thousands. The project consists of the creation of a Çalık Village in order to provide shelter and food and clothes for 175 families. The Çalık Family was the leader of the efforts to create 175 Mevlana Houses in the Akura Khatak Village, Nowshera City, Khyber Pakhtunkhwa province (KPK) under an operation of humanitarian aid organized by the Turkish Red Crescent.

Support To the Albanian Youth And Society

The FASTIP Banking Program, jointly organized by the Aleksander Moisiu University in the city of Durres and by Banka Kombetare Tregtare (BKT), provides university students with practical business knowledge to complement their theoretical knowledge. In addition to the 70 students benefiting from this program, 15 students who graduated in 2011 were employed by BKT. The Bank gives high importance to education and provides financial support for students in Albania. In this respect; BKT grants scholarships to successful students of the Tirana University.

Education Overcomes Every Hurdle

Turkuvaz Media Group is the media sponsor to the project “Education for all” organized by the Beyazay Derneği (White Crescent Association). The project aims to enable disabled people in Turkey to attend school. Among its objects are to increase the number of schools, to improve the conditions of existing schools, to conduct consciousness-raising activities among educators and parents and to improve the rate of disabled people attending school. The project is implemented with the support and collaboration of the local offices of the Ministry of National Education. Under the project, pre-school and formal education is dispensed to the disabled. Education for adults is also provided. Sabah and ATV supported the project from the very beginning by publicizing it in order to improve its efficiency through media coverage and public information spots. They also collaborate with the White Crescent Association for the improvement of their project strategies.

Malatya Foundation For Education

Çalık Holding and its affiliates provide scholarships and student grants, for successful university students who are in need, through the Malatya Foundation for Education. All of the Çalık affiliates regularly make donations to the Foundation every year. Applications for scholarship are evaluated by the Foundation.

Mahmut Çalık Educational Complex

The Mahmut Çalık Educational Complex, installed on a 40,000-m² area in Malatya, will be completed in 3 stages. The complex will consist of a pre-school, a primary school and a high school. There will also be dormitories for girls and boys, indoor sports facilities, a canteen, houses for teachers, auxiliary social facilities and a multi-purpose hall.

Support for Umut Evi (House of Hope)

The Hacettepe Umut Evi (Hacettepe House of Hope), designed by the Oncology Hospital of the Hacettepe University according to a model developed by the Union for International Cancer Control (UICC), is intended to provide clean, safe and proper accommodation for patients and their relatives who are in need during their treatment. Çalık Holding provided financial support for the Hacettepe Umut Evi in 2006 in the form of contribution to the restoration of a demolished house in Ankara into a new one maintaining its original character..

Restoration of Atatürk's Yalova Chalet (Walking Chalet)

Atatürk once had had the Yalova Chalet slid on rails so that it would not damage a plane tree. This Chalet was restored with the support of Çalık Holding and inaugurated on 18 August 2006 with a ceremony held in the garden of the Chalet. Atatürk had said: "No branch to be cut; but the chalet to be moved" and the chalet was moved 4.8 meters and came to be known as the "Walking Chalet". It served Atatürk for many years as a resting and working place. It was restored, including landscaping, with everything it contains, respecting the original character of the building and of its contents.

Hasan Çalık Hospital

Hasan Çalık Hospital was completed in Malatya in 1992. It consists of 4,000 m² of indoor and 8,000 m² of outdoor areas, a total of 12,000 m². The 70-bed hospital has services of internal diseases, external diseases, urology, obstetrics, radiology, otolaryngology, paediatrics and infectious diseases. It was transferred to the Ministry of Health in 1994 through a protocol and inaugurated in 1997. All construction expenses were covered by Çalık Holding.

CORPORATE MANAGEMENT

The shared corporate values created by the affiliates united under Çalık Holding roof and the synergies they achieve are the basis of the stable growth of the Group. Çalık Holding aims to create value in a continuous manner for its customers, employees and shareholders and for the community, takes great care to conduct all of its operations in line with the principles of openness, transparency and accountability. The development of the Holding is guided by its awareness of the great importance of the adoption and implementation of corporate management for a sustainable growth.

Corporate Principles Of Çalık Holding

Since its foundation, the corporate culture of Çalık Holding has been based on the principle of foreseeing the requirements of each particular period before its competitors to have the initiative in changes and innovations. Çalık Holding is a dynamic organization that attaches great importance to customer satisfaction, conducts research with a view to ensuring continuous competitive advantage, always aims for top quality in its products and services and is a leading company in every sector where it is present.

Within the framework of these approaches, the basic corporate business principles of Çalık Holding are the following:

- A business model based on openness and transparency
- Creative, efficient and active business management
- Efficient communication and an environment of continuous training
- An innovative and challenging style of doing business
- Use of state-of-the-art technology
- Customer oriented work model
- A working environment attaching great importance to affection, respect and solidarity
- Sensitivity to and respect for the beliefs and values of the society

Basic Business Approaches Of Çalık Holding

Çalık Holding employees do business respecting ethic values and moral principles. They are conscious of being a team with their workmates and commit themselves to the success of the company and of the group as a whole while also being individuals generating result-oriented ideas and innovative solutions.

The success of Çalık Holding and its employees are assured by the following principles:

- Grasping the needs of the customers as well as the customer to generate and introduce to the market effective, lasting, creative and competitively priced solutions ahead of competition,
- Regarding subsidiaries of the Group and internal departments as internal customers and bearing in mind that the ultimate goal of the common corporate effort is quality service for customers,
- Developing constructive propositions continuously to improve the quality of production, sourcing and provision of services,
- Generating timely and lasting solutions in order to achieve success,
- Bearing in mind that every individual within the Group has equal rights and responsibilities to generate added value for success,
- Fostering team spirit and teamwork as indispensable elements of the business model without sacrificing the dynamics of individual competition,
- Appreciating that the strength of Çalık Holding corporate culture derives from noble values,
- Aspiring for the satisfaction of not only the target audience but also all social stakeholders in every effort,
- Restoring what was taken from this country to be utilized, Integrating with the world without compromising its own culture and values, integrating with the world while protecting its own culture and values
- Representing Turkey on the international platform in the best possible way and contributing to the prestige of the nation,
- Embracing progress and development as the commonwealth of humanity

Çalık Holding regards the reputation it earned on the national and international platforms as the embodiment of the highest set of values. Building on its success, becoming an exemplary corporation in Turkey and around the world, as well as adding to its record of achievements daily without resting on its laurels are the primary objectives for Çalık Holding. Never dissociating its existence from that of its country, Çalık Group acts in recognition that the achievements of the Group belong to the country and identifies enhancing Turkey's credibility in the international arena as its principal duty.

“Çalık” as a brand symbolizes the innovative and entrepreneurial skills, as well as the objectives and commitments of Çalık Holding as an integral part of its stance. The values embodied by the brand are fully embraced by all the subsidiaries of the Group, serving as a compass, an underpinning and an important amalgam of years of experience. Çalık Holding is firmly committed to ensuring that all its future achievements, just like those in the past, will uphold and preserve the values epitomized by the “Çalık” brand.

ORGANISATIONAL STRUCTURE

Organizational structures of Çalık Holding and its subsidiaries have been molded by an efficient and coordinated systematization of accumulating knowledge and experience, consciousness of institutionalization and effective human resource within the Group in line with the strategic goals.

Boards and committees supporting organizational structure and providing strategic functions to be up-to-date, rational and methodologically in line with the corporate culture, are fundamental practices that give direction to corporate management.

Asset/Liability Committee and Risk Management Committee established to examine, implement and monitor strategic functions in an holistic and comprehensive way, are cornerstones for evaluation of strategic corporate decisions and their implementation on the basis of a “collective wisdom”.

HUMAN RESOURCES

Çalık Holding's primary goal in Human Resources Policy is to achieve maximum success in its business fields by investing in human resource to constantly improve its employees, personal and vocational qualifications and to create committed workforce.

Human Resources play a strategic role in corporate success, accordingly, the Holding attaches great importance to this matter. It aims to possess a solution-oriented and high value added employee profile equipped with up-to-date knowledge and technology and with the skills to use them efficiently. The Holding supports the professional development of its employees and aims to continuously improve their motivation and professional satisfaction.

The Directorate of Human Resources works in coordination with all units to help the Group attain its goals by ensuring that the corporate culture is adopted by the employees and by reinforcing their loyalty towards the group.

The Directorate follows the developments and innovations in the field of human resources and adapts state-of-the-art practices to the Holding. It adopts a strategic conception of management.

The purpose is to equip the Holding with a workforce that is able to develop a multi-dimensional outlook and possesses an analytic and positive approach. Systems are set up for the selection and employment of a highly qualified workforce that is able to associate its personal career goals with the objects of the company and committed to achieving the long term goals of the group. Find below the basic practices adopted regarding Human Resources:

- Supporting the creation of a structure based on “continuous improvement” to enable employees to improve their skills and competencies and to realize their full potential.
- Developing systems designed to encourage creativity and contributing to the creation of an efficient organization
- Privileging internal applications for vacant positions in the Group
- Encouraging employees to improve themselves and to train their juniors for succession
- Continuously reviewing the human resources organisation and restructuring it according to the requirements
- Being aware of the advantage of being an international company and working towards building a strong consciousness of corporate identity.

Çalık Holding conducts a “Team Members Program” to benefit from the great potential of new graduates and of young people in general and to recruit highly-skilled, creative and competent new graduates and to train them for leadership positions in the Group inculcating the corporate culture. The Career Days Activities conducted with this goal in mind ensure the recruitment of new graduates from different universities and improves the reputation of the holding among university students.

Performance Evaluation And Improvement System

The Çalık Holding Performance Evaluation System redefines strategic corporate targets as specific targets for each individual department and determines annual personal targets and business plans so that the organization, the management and the employees at various levels of the hierarchy can work in perfect harmony.

Weighted rates of concrete and measurable targets and business plans are fixed and updated in the course of the year according to the position of each employee in the hierarchy. The system follows the performance of the employees by means of a performance module based on targets. The level of achievement of targets and business plans are followed the whole year round and the performance of each employee is evaluated at the end of the year.

All departments attach great importance to the Performance Evaluation System. In the process of its application, all managers act as leaders by providing personal motivation for their employees in order to help them attain their targets.

The Çalık Holding Performance Evaluation System ensures that improvement areas are detected for each employee and gaps are filled through training. Likewise, a career process is followed on the basis of performance so that a consistent and efficient career planning can be prepared and implemented.

Career Development And Back-Up:

The Career Development and Back-up practices are designed according to the competencies of the employees and the requirements of the organization. They aim to keep the motivation of the employees at a maximum level and to ensure that the company's strategic targets are attained. Career Development and Back-up Practices are implemented in connection with Performance System data so that the development of the professional knowledge and skills and the personal development of the employees are followed and highly skilled employees with a potential are supported to enable them to realize their full potential.

Thanks to the Career Development and Back-up practices based on the principles of impartiality and equal opportunity, employees with a high potential become candidates for promotion to senior positions.

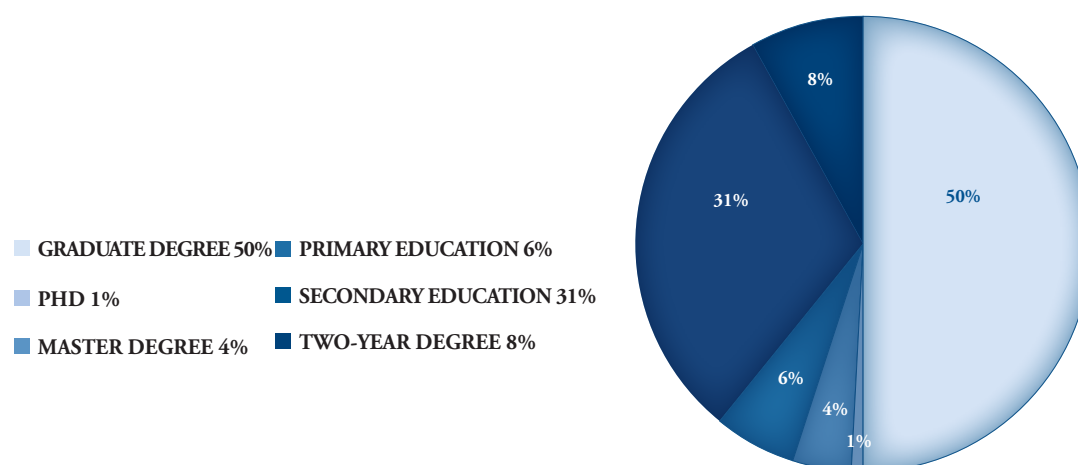
Training Management:

Training requirements are determined on the basis of Performance Evaluation and Career Planning data and improvement training sessions are planned for the corporate and professional competencies of the employees.

The Orientation Training includes a process of familiarization with the Holding and the companies of the Group, corporate culture, internal functioning and Human Resources practices for the newly-recruited personnel and intends to shorten their period of adaptation.

The Training System is designed to ensure that the Holding is a "learning organization" and to improve the awareness, efficiency and motivation of its employees and to make them attain a high performance level.

Educational Attainment – White Collars



NUMBER OF EMPLOYEES AS AT DECEMBER 2011;

| SECTORS | WHITE COLLAR | BLUE COLLAR | TOTAL |
|----------------------|--------------|---------------|---------------|
| HOLDING TOTAL | 145 | 0 | 145 |
| TEXTILES TOTAL | 738 | 9,553 | 10,291 |
| CONSTRUCTION TOTAL | 366 | 1,727 | 2,032 |
| ENERGY TOTAL | 1,156 | 472 | 1,628 |
| MINING TOTAL | 6 | 0 | 6 |
| TELECOM TOTAL | 1,868 | 0 | 1,868 |
| FINANCE TOTAL | 1,324 | 102 | 1,426 |
| MEDIA TOTAL | 2,561 | 494 | 3,055 |
| OVERALL TOTAL | 8,164 | 12,348 | 20,451 |

OCCUPATIONAL SAFETY, ENVIRONMENT AND QUALITY POLICY

To ensure corporate sustainability in both economic and social terms, Çalık Holding, in all of its operations, gives the utmost consideration to people, quality and the environment. In the execution of its projects, the Group is attentive to take all necessary measures to preserve natural resources, minimize industrial waste and prevent soil, air and water pollution. Furthermore, occupational health and safety procedures are revised to mitigate risk with the active cooperation of all employees. Not only do Group companies draw up and implement effective quality, environment and occupational health and safety policies but they are also committed to ensuring that these systems are fully certified.

Çalık Enerji and Gap İnşaat, have ISO 9001, ISO 14001 and OHSAS 18001 certificates. Gap Güneydoğu Tekstil has ISO 9001, ISO 14001 and Oeko-Tex Standard 100, Akreditei Tests Laboratory and Organic Products Manufacturing CU Certificates.

Turkuvaz Printing House, a Turkuvaz Media institution, has ISO 9001:2008 quality certificate. Turkuvaz Distribution and Marketing has ISO 9001: 2008 certificate. It operates in the head office area and in 5 regions in conformity with internationally recognized standards.

STRATEGY MANAGEMENT

Çalık Holding and its affiliates are run with a strategy-based conception of management. Çalık Holding is an institutionalised Group and its strategy management consists of two principal stages: development and execution. In the development stage, the existing situation is analysed in detail and strategies determined, which are then redefined in the form of operational targets. This results in the production of a 3-year strategic concept document for the Group as well as of a strategy map and a corporate performance sheet. At the stage of execution, quarterly operational and strategic review meetings are held in order to ensure a dynamic execution and management discipline. Execution is closely followed through performance sheets and amendments are made to strategies according to the results noted in performance sheets.

Strategy Management Standards And Basic Policies

Çalık Holding believes in the importance of conducting strategy management with the discipline of a continuous process. This is why it attaches equal importance to the correct formulation of strategies on one part and to their proper implementation on the other.

A corporate performance sheet SAP Strategy Management (SSM) practice has been implemented in the Group in order to correctly and clearly define the strategy and to monitor its execution using pertinent criteria. Çalık Holding is the first company to implement in Turkey a strategy management approach with data automation. Fully supported by the senior management of the Holding, this practice is planned to be a standard for all affiliates. Thanks to the opportunities provided by the SAP ERP infrastructure, the Holding aims to implement data automation in strategy management at a high level. As a basic policy, the strategy map and the targets that figure in the corporate performance sheet are the essential parameters of the performance system.

In 2011, “Çalık Holding Strategy Management Principles” and a “Çalık Holding Strategy Management Implementation Guide” were prepared. The systems installed and the contents mentioned above (principles and guide) are put into practice in Alb Telecom and Eagle Mobile, our affiliates in the sector of telecommunication, in Gap Güneydoğu Tekstil in the textiles sector and in YEDAŞ in the energy sector. In the short and medium term, the management efficiency of the Group is planned to be further improved thanks to an integrated strategic management system.

INTERNAL AUDIT

Established in 2000, the Directorate of Internal Audit is an independent entity within the organizational structure of Çalık Holding. The Directorate was founded to examine the entire operational, financial and managerial activities within the Group's operations, to rectify the deliberate or involuntary errors in the internal control systems, to ensure the accuracy and reliability of the data supplied to information requesters and to continuously improve the internal control mechanism.

The Directorate of Internal Audit at Çalık Holding has been structured in accordance with the Principles and Standards of the Corporate Governance. Reporting directly to the Chairman of the Board and his Deputy, the Directorate performs its duties in coordination with the members of Board assigned by the Chairman.

The main priority of the Directorate throughout the internal audit procedures is to preserve the assets and resources of Çalık Holding and its subsidiaries. Embracing the "Hybrid Control Approach" which was widely-popular in the 1980s and is still relevant, the Directorate implements "In-Depth Examination" in cases where the Internal Audit System fails.

Çalık Holding Internal Audit Policy Is Based On Three Pillars:

Support: Internal Audit helps the Group's senior managers and executives, various business units and managers of the subsidiaries as well as the entire Group personnel to carry out their duties successfully.

Control: Internal Audit examines and evaluates the managerial, operational and financial activities of all the employees and makes suggestions to rectify deliberate or involuntary errors and to further improve the existing operational systems.

Protection and Surveillance: Internal Audit preserves the assets of the Çalık Holding subsidiaries and works to ensure that the resources are used economically and efficiently in line with the corporate objectives and plans.

The Directorate of Internal Audit of Çalık Holding performs the audits in the following fields:

- Compliance of activities with legislation as well as corporate policies, plans and regulations
- Accuracy and reliability of all sorts of information supplied,
- Operational Quality in all activities
- Adequacy and efficacy of Internal Audit Systems,
- Efficient use of assets,
- Efficient use of resources as planned,
- With regard to all acquisition and merger procedures;
 - Company valuation and feasibility surveys,
 - Relevant verification/evaluation work.

Furthermore, motivated by the principle of sourcing the qualified personnel requirements of the Group from within the Group, the Directorate embraces the notion of offering human resources developed within the scope of the Internal Audit to the benefit of the subsidiaries and thus primes the Internal Audit team as all-rounders.

2011 REFLECTIONS IN PRESS

ASSETS OF ISTANBUL ALL COMBINED IN A SINGLE LOCATION: ŞEHRİZAR KONAKLARI

Emlak Konut GYO, a TOKİ subsidiary, and Gap İnşaat, a Çalık Holding subsidiary, combine Istanbul's nature, character and values in one place; at Şehirzâr Konakları. The project, implemented in Altunizade, Üsküdar in collaboration with Emlak Konut GYO, will be an ideal home to those aspiring to lead a peaceful life in full security in the neighbourhood of their beloved.

Emlak Konut GYO and Gap İnşaat are implementing a project in Altunizade, Üsküdar that will add value to Istanbul. Şehirzâr Konakları located next to Çamlıca Hill, benefiting profoundly from the air and view of the Bosphorus, offer the advantage of being close to both Bosphorus Bridge and to intersecting highways.. The project, located in a very central position in the city, also provides the opportunity of a life in nature.

BKT, THE BEST BANK IN ALBANIA

BKT was awarded the title of 'the Best Bank in Albania' in 2011 by "The Banker", the banking sector magazine of Financial Times. The "Best Bank of the Year" awards were delivered in a ceremony organized at The Intercontinental Park Lane Hotel – London on November 30. Banka Kombetare Tregtare, a Çalık Group subsidiary, was awarded the title of the best bank in Albania for the second consecutive time by the magazine "The Banker", the leading banking sector magazine of Financial Times.

GREEN EVENT BY ÇALIK DENIM FOR WORLD BRANDS

Çalık Denim, an affiliate of Çalık Holding and a leading high quality denim manufacturer worldwide, is once again the leader in another enterprise.. Operating in line with its mission of being a world class brand, Çalık Denim organized a "Green Event" in the Philoxenus Byzantine Water Reservoir in Sultanahmet on November 19, Saturday evening. This was the first event to be organized in Turkey with that concept in the textile industry. Çalık Denim exhibited fabrics representing its 3 different groups of products to the representatives from world-famous denim companies from Italy, the USA, France, Belgium, the Netherlands, Germany, Spain, Tunisia, Morocco, Finland, China, Portugal and Switzerland and to designers of renowned brands.

CIRCUMCISION FESTIVAL FOR IRAQI CHILDREN BY ÇALIK ENERJİ

Çalık Enerji, a Çalık Holding affiliate, organized a circumcision festival for Iraqi children in its El Khairat Power Plant construction site located near Kerbela. 80 Iraqi boys were circumcised by surgeons who had been employed by the Turkish and Iraqi surgeons.

ÇALIK FAMILY MET AT RAMADAN FEAST

Çalık Holding executives, employees and business partners from the sectors of media, energy, finance, construction, telecom, textiles and mining came together at a traditional fast-breaking dinner. Over 900 guests were present, including Mr. Ahmet Çalık, Chairman of Çalık Holding, Dr. Berat Albayrak, CEO of Çalık Holding, and Dr. Serhat Albayrak, Deputy Chairman of Turkuvaz Media Group.

Mr. Ahmet Çalık delivered a speech during which he said: "Çalık Holding has progressed every passing year since its foundation. This dinner is an occasion to share the enthusiasm of this success with you, my dear friends and colleagues, and to reaffirm our strong and confident march towards an even brighter future. The dynamism and confidence that your valuable collaboration creates constitute, together with sincere, committed and disciplined work, the main driving force behind the growth of Çalık Holding since its very foundation in the 1980s."

A FRIENDLY VISIT TO ÇALIK HOLDING BY JAPANESE CHILDREN

A 40-strong group of Japanese students, victims of the earthquake and tsunami that hit a significant part of Japan, including the area where the Fukushima Nuclear Power Plant is located, paid a visit to Mr. Ahmet Çalık, Chairman of Çalık Holding. Mr. Çalık told them that the previous year had been the Year of Japan in Turkey and that Turks became acquainted with the Japanese. He said: "I sincerely sympathize with you regarding the latest tsunami disaster. We had a unfortunate experience during the 1999 earthquake. Back then, our Japanese friends gave us a hand. Our friendship is for good and bad days." "Long ago, sufferings of the past became an impetus for the Japanese people to achieve their well-known impressive successes of the present. I believe that, likewise, the sufferings of the recent disaster will be an impetus for new achievements by the Japanese youth." Mr. Çalık added that Turkish people admired the solidarity and discipline Japanese people exhibited during these difficult days.

ÇALIK HOLDING KEEPS INVESTING ON ÇALIK YEDAŞ

The new head office building for Çalık YEDAŞ, a Çalık Holding affiliate, was inaugurated in Atakum district of Samsun on 29 July 2011 with a ceremony attended by Mr. Hüseyin Aksoy, Governor of Samsun, Mr. Halil İbrahim Daşöz, Governor of Amasya, MPs of the area, Mr. Yusuf Ziya Yılmaz, Mayor of Samsun, Mr. Ahmet Çalık, Chairman of Çalık Holding, Mr. Osman Saim Dinç, CEO of Çalık Enerji, and Mr. Nurettin Türkoğlu, General Manager of YEDAŞ. Mr. Ahmet Çalık said on this occasion that Çalık Holding will keep on investing in infrastructure and technology with a view to make it the best electricity distribution company in Europe. The services of Çalık YEDAŞ cover the provinces of Samsun, Amasya, Çorum, Ordu and Sinop. The Company distributes electricity to about 1,6 million bill-payers, corresponding to 3 million consumers living in the area. The firm will conduct its operations from its new headquarters in Atakum, Samsun.

4 PROJECTS IN TURKMENISTAN FROM GAP İNŞAAT

Gap İnşaat, a Çalık Holding affiliate, completed the Eye Hospital in Ashgabat, the Turkmen Capital, 5 months ahead of the schedule and inaugurated it on 21 July 2011 with a ceremony. The inauguration ceremony was attended by Mr. Gurbanguli Berdimuhammedov, President of Turkmenistan, Mr. Şevki Mütevellioğlu, Ambassador of Turkey in Ashgabat, Mr. Ahmet Çalık, Chairman of Çalık Holding, Mr. Ahmet Taçyıldız, Deputy Chairman of Gap İnşaat, and Dr. Saim Dinç, CEO of Çalık Enerji. After this inauguration, ceremonies were held for 3 other projects undertaken by Gap İnşaat.

CHILDREN'S DAY GIFT TO ALBANIAN CHILDREN

Albtelecom and Eagle Mobile, both Çalık Holding affiliates, entertained 10 successful Albanian school children from low-income families under a social responsibility project in Istanbul. The trip was a gift to these children on the occasion of Children's Day celebrated every year on June 1 in Albania. During their 3-day stay in Istanbul, the children first visited Mr. Ahmet Çalık, Chairman of Çalık Holding.



ÇALIK ENERJİ STARTS THE CONSTRUCTION OF THE SECOND POWER PLANT IN IRAQ

The construction of the Ninova Natural Gas Cycle Power Plant 60 km south of Mosul, Iraq by Çalık Holding was launched in a ceremony on 22 May 2011 in the presence of Mr. Esil Nuceyfi, Governor of Mosul, Mr. Ahmet Yıldız, Consulate General of Turkey in Mosul, high rank officials from the Iraqi Minister of Electricity, notables from the city of Mosul, Mr. Ahmet Çalık, Chairman of Çalık Holding, and Dr. Saim Dinç, CEO of Çalık Enerji. Electricity shortage is a serious problem in Iraq. The Iraqi Government aims to reduce this problem considerably by the end of 2012. Electricity shortage is a great source of distress for the Iraqi people, especially in the hot days of summer. Çalık Holding, keeping an eye on electricity, oil and gas sectors in Iraq, is preparing to take a major role in the solution of electricity shortage. The Ninova Natural Gas Conversion Power Plant, with a cost of 388.5 million USD, will use 6 gas turbines, each with a power of 125 MW, purchased from General Electric (GE) by the Iraqi Government. This 750-MW power plant will be able to operate using fuel oil and diesel in addition to natural gas.



ÇALIK ENERJİ SIGNATURE ON IRAQ ELECTRICITY

Çalık Enerji has laid the foundation of Karbala El-Khairat Power Plant, to be one of the largest in Iraq, where power supply is on only for 5 – 10 hours a day. The power plant, with a capacity of 1,250 megawatt, is the largest power investment in Iraq. The country has an installed power capacity of 4,500 megawatt at present. The very first plaster used for the foundation of the power plant to be built by Çalık Enerji was laid by the Iraqi Deputy Prime Minister Mr. Hüseyin Şehrıstani, accompanied by Mr. Ahmet Çalık, Chairman of Çalık Holding, and Dr. Osman Saim Dinç, CEO of Çalık Enerji. The power plant, located in El Khairat district of Keabala, will cost 445.5 USD. The first unit is planned to be commissioned next year and the whole power plant will be completed in 2 years.

GAP GÜNEYDOĞU TEKSTİL HONoured WITH İTKİB PLAQUES

The General Secretariat of Istanbul Textile & Apparel Exporters' Associations (İTKİB) organized an award ceremony under the title "All members of the İTKİB family around the same table" to honour Turkish Companies that have achieved in 2010 outstanding export figures and thus contributed to the national economy. Successful exporters received plaques according to their respective export figures: platinum for 25 million USD and over; golden for 10 to 25 million USD; silver for 5 to 10 million USD and bronze for 1 to 5 million USD. Gap Güneydoğu Tekstil received a platinum plaque thanks to its 175 million USD turnover and 108 million USD exports figure for 2010. In the category of ready-made garments, Gap Güneydoğu Tekstil received a bronze plaque. The awards were delivered to Mr. Önder Öksüz, CEO of Gap Güneydoğu Tekstil, by Minister of State Mr. Zafer Çağlayan.



ALBANIAN PRESIDENT MR. TOPI'S VISIT TO ÇALIK HOLDING

Mr. Bamir Topi, President of Albania, visited Çalık Holding, one of the largest foreign investors in his country. He was in Istanbul on the occasion of the 14th Eurasian Economic Summit. Mr. Bamir Topi met, Mr. Ahmet Çalık, Chairman of Çalık Holding, board members and Dr. Berat Albayrak, CEO of Çalık Holding at the Çalık Holding headquarters in Zincirlikuyu. Mr. Topi thanked Mr. Ahmet Çalık for the Holding's investments that are of vital importance to Albania and its contribution to the development of the relations between the two countries. Mr. Çalık said that they felt at home in Albania and were confident of the future of this country. Mr. Çalık said they would continue to invest in Albania in order to accelerate the growth of this country and to contribute to the development of friendly relations between the two countries.



JCR-EURASIA CONFIRMS BKT'S SUCCESS

International rating institution JCR-Eurasia confirms the outstanding performance of Banka Kombetare Tregtare (BKT), which joined Çalık Holding family about 6 years ago.

JCR-Eurasia placed BKT in the highest level investable category. It confirmed the bank's long term national rating as "AAA (Alb)" and its outlook as "stable". BKT's JCR-Eurasia Long Term International Foreign Currency Rating is "BB+" and Long Term International Local Currency Rating "BB". A statement issued by JCR-Eurasia says that BKT, the second largest bank in Albania, has exceeded the growth performance in the sector in terms of volume and profitability with respect to indicators of assets, loans, deposits and equities.

388.5 MILLION USD POWER PLANT INVESTMENT IN MOSUL FROM ÇALIK ENERJİ

After the 1,250 MW El Khairat Natural Gas Cycle Power Plant near Karbala in Iraq, Çalık Enerji, an affiliate of Çalık Holding, undertakes the construction of Ninova Natural Gas Cycle Power Plant to be erected 60 km south of Mosul in the same country. The contract for the mentioned power plant, which will cost 388.5 million USD, was signed in Baghdad on 28 March 2011 in a ceremony attended by Dr. Husain al-Shahristani, Iraqi Deputy Prime Minister in charge of Energy, Mr. Raad Shallal Saeed, Iraqi Minister of Electricity, Mr. Salam Kazaz, Iraqi Deputy Minister of Electricity, Mr. Ahmet Çalık, Chairman of Çalık Holding, and Mr. Osman Saim Dinç, CEO of Çalık Enerji.



445.5 MILLION USD POWER PLANT INVESTMENT IN IRAQ BY ÇALIK ENERJİ

A contract signing ceremony was held on 13 January 2011 at the Iraqi Ministry of Electricity for the construction of El Khairat Natural Gas Cycle Power Plant. The ceremony was attended by Mr. Hüseyin Şehrıstani, Iraqi Deputy Prime Minister, Mr. Murat Özçelik, Ambassador of Turkey to Iraq, Messrs. Selam Kazzaz and Raad Al Haris, Iraqi Deputy Ministers of Electricity, Mr. Adel Hameed Mahdi, Iraqi Undersecretary of the Minister of Electricity, Mr. Sabeh Kado, General Director of Natural Gas Power Plant Projects, Mr. Ahmet Çalık, Chairman of Çalık Holding, and Mr. Osman Saim Dinç, CEO of Çalık Enerji.

The contract was signed by Mr. Selam Kazzaz, representing the Iraqi Government, and by Mr. Ahmet Çalık, representing Çalık Holding. 10 gas turbines will be installed in the power plant, each with a capacity of 125 MW, purchased from General Electric (GE) by the Iraqi Government. The power plant, which will have a total installed capacity of 1,250 MW, will be able to use fuel oil and diesel fuel in addition to natural gas. The 445.5 USD power plant is of vital importance to the post-war recovery of the country. It is planned to be built 20 km south of the city of Kerkela. It will increase the power production capacity of the country by 20%.

500 MILLION TL INVESTMENT FROM YEŞİLİRMak EDAS

Yeşilirmak Elektrik Dağıtım A.Ş. will invest 500 million TL spread over 5 years in a region consisting of Samsun, Amasya, Çorum, Ordu and Sinop in order to provide high standard services for the 3 million inhabitants of the area.

Yeşilirmak Elektrik Dağıtım A.Ş. (Yeşilirmak EDAS) joined Çalık Holding on 29 December 2010 after a process of privatisation. Now it is proceeding to implement its projects one by one focusing on customer satisfaction with the motto "We receive our energy from you!". Mr. Nurettin Türkoğlu, CEO of Yeşilirmak Elektrik Dağıtım A.Ş., met executives from the local press at a breakfast. He said there were 1.5 million bill-payers consuming 5 billion kilowatt hours and gave detailed information about the services they would render to facilitate the lives of the 3 million inhabitants in the region.



INDEPENDENT AUDITOR'S REPORT

ÇALIK HOLDİNG A.Ş.

Consolidated

Financial Statements

At 01.01.2011 - 31.12.2011

Together With Auditor's Report

INDEPENDENT AUDITOR'S REPORT

**To the Shareholders and Board of Directors of
Çalık Holding Anonim Şirketi
Istanbul –Turkey**

We have audited accompanying statement of consolidated financial position of Çalık Holding A.Ş (the “Company”) and its subsidiaries listed under note 1 (the “Group”), as at 31 December 2011, and the statements of consolidated income, comprehensive income, changes in equity and cash flows for the year then ended and a summary of significant accounting policies and other explanatory notes..

Management's responsibility for the financial statements

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

Auditor's responsibility

conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Conclusion

In our opinion, the consolidated financial statements present fairly in all material respects, the financial position of Çalık Holding A.Ş. as at 31 December 2011, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards.

EREN Bağımsız Denetim ve Yeminli Mali Müşavirlik A.Ş.
Member Firm of GRANT THORNTON International


Nazım Hikmet
Partner

Istanbul, 15 February 2012

ÇALIK HOLDİNG A.Ş.
STATEMENTS OF CONSOLIDATED FINANCIAL POSITION
AT 31 DECEMBER 2011 AND 2010

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

| Assets | Note | 2011 | 2010 |
|---|-------------|------------------|------------------|
| Current assets | | | |
| Cash and cash equivalents | 7 | 455.039 | 340.080 |
| Placements and balances with banks | 8 | 125.065 | 231.989 |
| Investments securities | 9 | 1.128.296 | 813.914 |
| Due from services concession agreements | 10 | 30.203 | 32.742 |
| Trade receivables | 13 | 821.240 | 760.658 |
| Loans and advances to customers | 14 | 1.302.852 | 811.559 |
| Construction contracts work in progress | 12 | 124.814 | 68.780 |
| Inventories | 15 | 283.303 | 231.072 |
| Other assets | 16 | 299.908 | 353.104 |
| Total current assets | | 4.570.720 | 3.643.898 |
| Non-current assets | | | |
| Capital equivalency deposit | 11 | 11.759 | 12.348 |
| Trade receivables | | 5.159 | 6.203 |
| Loans and advances to customers | 14 | 15.390 | 71.273 |
| Due from services concession agreements | 10 | 88.343 | 110.928 |
| Equity investments | 17 | 44.703 | 126.398 |
| Property, plant and equipment | 18 | 593.334 | 666.438 |
| Investment property | 20 | 184.636 | 64.296 |
| Intangible assets | 19 | 885.345 | 1.068.346 |
| Other assets | | 5.177 | 6.150 |
| Deferred tax assets | 27 | -- | 38.281 |
| Total non-current assets | | 1.833.846 | 2.170.661 |
| Total assets | | 6.404.566 | 5.814.559 |

ÇALIK HOLDİNG A.Ş.
STATEMENTS OF CONSOLIDATED FINANCIAL POSITION
AT 31 DECEMBER 2011 AND 2010

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

| Liabilities and equity | Note | 2011 | 2010 |
|--|-------------|------------------|------------------|
| Current liabilities | | | |
| Borrowings | 21 | 1.118.043 | 736.097 |
| Customer deposits | 22 | 1.481.994 | 1.223.360 |
| Due to banks | 23 | 544.539 | 283.953 |
| Trade payables | 24 | 839.646 | 854.694 |
| Deferred billings | 12 | 29.978 | 28.266 |
| Taxation on income | 27 | 7.070 | 1.575 |
| Provisions | 25 | 25.991 | 20.557 |
| Other liabilities | 26 | 213.536 | 184.034 |
| Total current liabilities | | 4.260.797 | 3.332.536 |
| Non-current liabilities | | | |
| Borrowings | 21 | 750.629 | 1.006.843 |
| Customer deposits | 22 | 98.383 | 78.503 |
| Trade payables | 24 | 1.011 | 1.244 |
| Employee termination benefits | 28 | 23.056 | 27.997 |
| Provisions | 25 | 22.612 | 9.252 |
| Other liabilities | 26 | 290.954 | 244.522 |
| Deferred tax liability | 27 | 12.273 | -- |
| Total non-current liabilities | | 1.198.918 | 1.368.361 |
| Equity | | | |
| Share capital | 29 | 130.509 | 159.456 |
| Translation reserve | | 22.597 | (17.859) |
| Fair value reserve | | (11.090) | 185 |
| Revaluation reserve | | 166.204 | 85.473 |
| General reserves | | 468.169 | 553.215 |
| Equity attributable to owners of the parent | | 776.389 | 780.470 |
| Non-controlling interest | | 168.462 | 333.192 |
| Total equity | | 944.851 | 1.113.662 |
| Commitments and contingencies | 30 | -- | -- |
| Total liabilities and equity | | 6.404.566 | 5.814.559 |

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

ÇALIK HOLDİNG A.Ş.
STATEMENTS OF CONSOLIDATED INCOME
FOR THE YEARS ENDED 31 DECEMBER 2011 AND 2010

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

| | Note | 2011 | 2010 |
|---|------|----------------|----------------|
| Revenue | 31 | 2.893.487 | 2.123.676 |
| Cost of sales | | (2.178.222) | (1.640.288) |
| Gross profit | | 715.265 | 483.388 |
| Research and development expenses | | (6.510) | (6.050) |
| Selling expenses | | (166.397) | (117.121) |
| General and administrative expenses | | (218.041) | (173.065) |
| Operating profit | | 324.317 | 187.152 |
| Loss from investment in associate | | (5.454) | (14.213) |
| Other income | 33 | 12.876 | 12.424 |
| Other expense | 33 | (18.205) | (55.184) |
| Profit on sale of financial assets available for sale | | 5.975 | -- |
| Fair value gain on financial assets | 9 | 251.457 | -- |
| Financing income | 34 | 459.070 | 228.321 |
| Financing expense | 34 | (896.589) | (331.269) |
| Profit before taxation | | 133.447 | 27.231 |
| Taxation on income | 27 | (61.337) | (7.137) |
| Profit for the year from continuing operations | | 72.110 | 20.094 |
| Discontinued operations | | | |
| Profit for the period from discontinued operations | 37 | 217 | 840 |
| Net profit for the year | | 72.327 | 20.934 |
| Net profit (loss) attributable to: | | | |
| Owners of the parent | | 148.007 | (7.679) |
| Non-controlling interest | | (75.680) | 28.613 |

ÇALIK HOLDİNG A.Ş.

STATEMENTS OF CONSOLIDATED COMPREHENSIVE INCOME FOR THE YEARS ENDED 31 DECEMBER 2011 AND 2010

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

| | 2011 | 2010 |
|--|-----------------|-----------------|
| Profit for the year | 72.327 | 20.934 |
| Fair value reserve for available-for-sale securities | (11.241) | 287 |
| Translation differences | (165.678) | (45.079) |
| Revaluation of investment properties | 96.247 | -- |
| Other comprehensive income (loss) | (80.672) | (44.792) |
| Total comprehensive income for the year | (8.345) | (23.858) |
| Attributable to: | | |
| Owners of the parent | 111.390 | (40.022) |
| Non-controlling interest | (119.735) | 16.164 |

ÇALIK HOLDING A.Ş.

STATEMENTS OF CONSOLIDATED CHANGES IN EQUITY FOR THE YEARS ENDED 31 DECEMBER 2011 AND 2010

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

| | Share capital | Translation reserve | value reserve | Revaluation reserve | General reserves | to owners of parent | controlling interest | Total equity |
|---|-----------------|---------------------|-----------------|---------------------|------------------|---------------------|----------------------|----------------|
| Balance at 01.01.201 | 159.456 | (17.859) | 185 | 85.473 | 553.215 | 780.470 | 333.192 | 1.113.662 |
| Unconsolidated subsidiary | -- | -- | -- | -- | -- | -- | (2.387) | (2.387) |
| Dividends paid | -- | -- | -- | -- | (44.476) | (44.476) | (632) | (45.108) |
| Cash increase in subsidiaries share capital | -- | -- | -- | -- | -- | -- | 8.591 | 8.591 |
| Consolidated subsidiaries as from 01 January 2011 | -- | -- | -- | -- | (34.150) | (34.150) | (87.412) | (121.562) |
| Changes in minority interest | -- | -- | -- | -- | (36.845) | (36.845) | 36.845 | -- |
| Transaction with owners | 159.456 | (17.859) | 185 | 85.473 | 437.744 | 664.999 | 288.197 | 953.196 |
| Net profit (loss) for the year | -- | -- | -- | -- | 148.007 | 148.007 | (75.680) | 72.327 |
| Other comprehensive income (loss): | | | | | | | | |
| Fair value gain for available-for-sale securities | -- | -- | (11.241) | -- | -- | (11.241) | -- | (11.241) |
| Translation differences | (28.947) | 40.456 | (34) | (15.516) | (117.582) | (121.623) | (44.055) | (165.678) |
| Revaluation of investment properties | -- | -- | -- | 96.247 | -- | 96.247 | -- | 96.247 |
| Total comprehensive income (loss) for the year | (28.947) | 40.456 | (11.275) | 80.731 | 30.425 | 111.390 | (119.735) | (8.345) |
| Balance at 31.12.2011 | 130.509 | 22.597 | (11.090) | 166.204 | 468.169 | 776.389 | 168.462 | 944.851 |

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

ÇALIK HOLDİNG A.Ş.

STATEMENTS OF CONSOLIDATED CHANGES IN EQUITY FOR THE YEARS ENDED 31 DECEMBER 2011 AND 2010

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

| | Share capital | Translation reserve | value reserve | Revaluation reserve | General reserves | to owners of parent | controlling interest | Total equity |
|---|---------------|---------------------|---------------|---------------------|------------------|---------------------|----------------------|--------------|
| Balance at 01.01.2010 | 163.724 | (7.394) | (105) | 88.604 | 575.157 | 819.986 | 316.572 | 1.136.558 |
| Dividends paid to non-controlling interest | -- | -- | -- | -- | -- | -- | (407) | (407) |
| Cash increase in subsidiaries share capital | -- | -- | -- | -- | -- | -- | 970 | 970 |
| Acquisition of non-controlling shares of Motor Presse | -- | -- | -- | -- | -- | -- | 471 | 471 |
| Consolidated subsidiaries as from 01 January 2010 | -- | -- | -- | -- | (181) | (181) | 109 | (72) |
| Changes in non-controlling interest | -- | -- | -- | -- | 687 | 687 | (687) | -- |
| Transaction with owners | 163.724 | (7.394) | (105) | 88.604 | 575.663 | 820.492 | 317.028 | 1.137.520 |
| Net profit (loss) for the year | -- | -- | -- | -- | (7.679) | (7.679) | 28.613 | 20.934 |
| Other comprehensive income (loss): | | | | | | | | |
| Fair value gain for available-for-sale securities | -- | -- | 287 | -- | -- | 287 | -- | 287 |
| Translation differences | (4.268) | (10.465) | 3 | (3.131) | (14.769) | (32.630) | (12.449) | (45.079) |
| Total comprehensive income (loss) for the year | (4.268) | (10.465) | 290 | (3.131) | (22.448) | (40.022) | 16.164 | (23.858) |
| Balance at 31.12.2010 | 159.456 | (17.859) | 185 | 85.473 | 553.215 | 780.470 | 333.192 | 1.113.662 |

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



ÇALIK HOLDİNG A.Ş.
STATEMENTS OF CONSOLIDATED CASH FLOW
FOR THE YEARS ENDED 31 DECEMBER 2011 AND 2010

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

| | Note | 2011 | 2010 |
|--|------|------------------|------------------|
| Profit before taxation from continuing operations | | 133.447 | 27.231 |
| Profit before taxation from discontinued operations | 37 | 209 | 801 |
| Adjustment to reconcile profit before taxation to net cash provided from operating activities: | 35 | (52.137) | 151.960 |
| Operating profit before changes in working capital | | 81.519 | 179.992 |
| Changes in operating assets and liabilities | 35 | 127.802 | 380.442 |
| Taxes paid | | (33.445) | (6.505) |
| Net cash provided by operating activities | | 175.876 | 553.929 |
| Cash flows from investing activities | | | |
| Investments securities | | (74.166) | (274.889) |
| Concession financial assets | | 25.124 | -- |
| Proceeds (purchases) of equity investments | | 30.341 | (1.866) |
| Acquisition of subsidiaries | | -- | (416.498) |
| Proceeds from sale of subsidiaries, net of cash | | 7.478 | -- |
| Purchases of property, plant and equipment | 18 | (113.530) | (68.507) |
| Purchases of intangible assets | 19 | (16.573) | (10.116) |
| Purchases of investment properties | 20 | (8.635) | (12.888) |
| Proceeds from sale of property, plant and equipments | | 2.924 | 1.016 |
| Proceeds from sale of intangible assets | | 8.135 | 212 |
| Proceeds from sale of investment properties | | 19.468 | 59.021 |
| Petroleum drilling expenses | | -- | 1.724 |
| Net cash used in investing activities | | (119.434) | (722.791) |
| Cash flows from financing activities | | | |
| Proceeds from borrowings | | 355.599 | 543.661 |
| Repayments of borrowings | | (267.330) | (191.440) |
| Interest paid | | (116.876) | (87.821) |
| Interest received | | 16.577 | 24.885 |
| Dividends paid | | (45.108) | (407) |
| Cash increase in subsidiaries share capital | | 8.591 | 970 |
| Net cash provided by financing activities | | (48.547) | 289.848 |
| Translation differences | | 107.064 | (326) |
| Net increase in cash and cash equivalents | | 114.959 | 120.660 |
| Cash and cash equivalents at beginning of year | | 340.080 | 219.420 |
| Cash and cash equivalents at end of year | 7 | 455.039 | 340.080 |

ÇALIK HOLDİNG A.Ş.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2011

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

1. ORGANISATION AND NATURE OF ACTIVITIES

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

The registered office address of the Company is located at Büyükdere Caddesi, Şişli/Istanbul Turkey.

As of 31 December 2011, the average number of personnel employed was 8.901 (2010: 12.335)

As of 31 December 2011, Çalık Holding, its subsidiaries (the “Group”) are made up of Çalık Holding, its 85 subsidiaries and a joint venture (2010: 81 subsidiaries) listed below:

The Group is organised into 7 major business segments given below:

1.1 Textile group

| Consolidated company | Location |
|--|-----------------|
| Gap Güneydoğu Tekstil Sanayi ve Ticaret A.Ş. | Turkey |
| Çalık Korea Inc. | Korea |
| Çalık USA | USA |
| Gap Güneydoğu FZE Jebel Ali Free Zone | UAE – Dubai |
| Çalık Alexandria For Readymade Garments | Egypt |

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

GAP Güneydoğu was established in 1987 in Turkey. Its facilities are located in Malatya Industrial Area. GAP Güneydoğu has an annual production capacity of 11 thousand tonnes of open-end yarns, 8 thousand tons of ring and uneven yarns, and 40 million square meters of denim fabric. One branch of GAP Güneydoğu, namely, GAP Güneydoğu Mersin Free Zone is engaged in the importation and exportation of textile products.

Çalık Korea Inc.

Çalık Korea Inc. was established in 2007 in order to import and export trade of textile and clothing, service industry related to distribution, forwarding and transportation.

Çalık USA and GAP Güneydoğu FZE Jebel Ali Free Zone

Çalık USA and GAP Güneydoğu FZE are engaged in the trade of textile products in the USA and Dubai respectively.

Çalık Alexandria For Readymade Garments “Çalık Aleksandria”

Çalık Alexandria For Readymade Garments was established in 2006 in Egypt. Çalık Alexandria is engaged in the business of manufacturing and marketing ready wear, yarn and textures.

ÇALIK HOLDİNG A.Ş.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2011

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

1.2 Energy group

| <u>Consolidated company</u> | <u>Location</u> |
|--|-----------------|
| Çalık Enerji Sanayi ve Ticaret A.Ş. | Turkey |
| Çalık Enerji Dubai FZE | UAE – Dubai |
| Aktif Doğalgaz Ticaret A.Ş. | Turkey |
| Türkmen’in Altın Asrı Elektrik Enerjisi Toptan Satış A.Ş. | Turkey |
| Çalık Enerji Elektrik Üretim ve Madencilik A.Ş. | Turkey |
| TAPCO Petrol Boru Hattı Sanayi ve Ticaret A.Ş. | Turkey |
| Kızılırmak Enerji Elektrik A.Ş. | Turkey |
| Doğu Akdeniz Petrokimya ve Rafineri Sanayi ve Ticaret A.Ş. | Turkey |
| Çalık NTF Elektrik Üretim ve Madencilik A.Ş. | Turkey |
| Ant Enerji Sanayi ve Ticaret Limited Şirketi | Turkey |
| Vadi Elektrik Üretim Sanayi ve Ticaret Limited Şirketi | Turkey |
| Ortur Elektrik Üretim ve Ticaret Limited Şirketi | Turkey |
| Atlas Petrol Gaz İthalat İhracat ve Pazarlama Ticaret A.Ş. | Turkey |
| Başak Enerji Elektrik Üretim Sanayi ve Ticaret A.Ş. | Turkey |
| Çalık Rüzgar Enerjisi Elektrik Üretim Limited Şirketi | Turkey |
| Momentum Enerji Elektrik Üretim Sanayi ve Ticaret A.Ş. | Turkey |
| Irmak Enerji Elektrik Üretim Madencilik Sanayi ve Ticaret A.Ş. | Turkey |
| Yenikom Telekomünikasyon Hizmetleri A.Ş. | Turkey |
| Yeşilçay Enerji Elektrik Üretim Sanayi ve Ticaret A.Ş. | Turkey |
| İkideniz Petrol ve Gaz Sanayi ve Ticaret A.Ş. | Turkey |
| Çep Petrol Dağıtım Sanayi ve Ticaret A.Ş. | Turkey |
| Gap Elektrik Dağıtım Sanayi ve Ticaret A.Ş. | Turkey |
| Sembol Enerji A.Ş. | Turkey |
| Atayurt İnşaat A.Ş. | Turkey |
| Adacami Enerji Elektrik Üretim Sanayi Ve Ticaret A.Ş. | Turkey |
| Akçay Enerji A.Ş. | Turkey |
| Ayas Rafineri ve Petrokimya Sanayi ve Ticaret A.Ş. | Turkey |
| Petrotrans Enerji A.Ş. | Turkey |
| Yeşilirmak Elektrik Dağıtım A.Ş. | Turkey |
| Çalık Elektrik Dağıtım A.Ş. | Turkey |
| Çalık Energy Construction LLC | Uzbekistan |
| Japan International Enerji Network A.Ş. | Turkey |

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

Çalık Enerji was set up in 1998 to conduct the Group's activities in the energy sector and engaged in the exploitation of natural gas and petroleum resources in different parts of the world and in international shipments and sales. Çalık Enerji has four branches namely Çalık Enerji Turkmenistan, Çalık Enerji Atatürk Hava Limanı Free Zone, Çalık Enerji Uzbekistan and Çalık Enerji Iraq.

Çalık Enerji Dubai FZE (“Çalık Enerji FZE”)

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

ÇALIK HOLDİNG A.Ş.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2011

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

Aktif Doğalgaz Ticaret A.Ş. (“Aktif Doğalgaz”)

Aktif Doğalgaz was established in 1999 in Istanbul in order to operate in gas distribution and trade. As of the financial position date, Aktif Doğalgaz is dormant.

Türkmen’in Altın Asrı Elektrik Enerjisi Toptan Satış A.Ş. (“Türkmen Elektrik”)

Türkmen Elektrik was established in 2000 in Istanbul in order to operate in electricity distribution and trade. As of the financial position date, Türkmen Elektrik is dormant.

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

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

TAPCO Petrol Boru Hattı Sanayi ve Ticaret A.Ş. (“TAPCO”)

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

Kızılırmak Enerji Elektrik A.Ş. (“Kızılırmak”)

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

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

Doğu Akdeniz Petrokimya (formerly known as Enerji Petrol Gaz İthalat Pazarlama Sanayi ve Ticaret A.Ş.) was established by the end of 2005 in Merter, Istanbul in order to realize prospects for oil and natural gas, produce, import and export these products and to establish or let establish the related plants for their distribution.

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

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

Ant Enerji Sanayi ve Ticaret Limited Şirketi (“Ant Enerji”)

Ant Enerji was established in 2006 in Istanbul in order to marketing, selling and distribution of electricity.

Vadi Elektrik Üretim Sanayi ve Ticaret Limited Şirketi (“Vadi Elektrik”)

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

Ortur Elektrik Üretim ve Ticaret Limited Şirketi (“Ortur Elektrik”)

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

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

Atlas Petrol was established in 2008 in order to import, export, distribute and operate all kinds of crude oil and to build necessary facility for the production.

Başak Enerji Elektrik Üretim Sanayi ve Ticaret A.Ş. (“Başak Enerji”)

Başak Enerji was established in 2008 for building and operating of electricity facility, producing, selling and marketing of electricity.

Çalık Rüzgar Enerjisi Elektrik Üretim Limited Şirketi (“Çalık Rüzgar”)

Çalık Rüzgar was established for building and operating of electricity facility, producing, selling and marketing of electricity.

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

Momentum Enerji was established in 2008 for building and operating of electricity facility, producing, selling and marketing of electricity. Momentum Enerji also possesses another principal activity about engaging in exploration and production of mineral ore.

ÇALIK HOLDİNG A.Ş.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2011

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

Irmak Enerji Elektrik Üretim Madencilik Sanayi ve Ticaret A.Ş. (“Irmak Enerji”)

Irmak Enerji was established in 2008 for building and operating of electricity facility, producing, selling and marketing of electricity.

Yenikom Telekomünikasyon Hizmetleri A.Ş. (“Yenikom”)

Yenikom was established in 2008 for building and managing electronic communication network.

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

Yeşilçay Enerji was established in 2008 for building and operating of electricity facility, producing, selling and marketing of electricity. Yeşilçay Enerji also possesses another principal activity about engaging in exploration and production of mineral ore.

İkideniz Petrol ve Gaz Sanayi ve Ticaret A.Ş. (“İkideniz”)

İkideniz Petrol was established in 2008 in order to import, export, distribute and operate all kinds of crude oil and to build necessary facility for the production.

Çep Petrol Dağıtım Sanayi ve Ticaret A.Ş. (“Çep Petrol”)

Çep Petrol was established in 2008 in order to import, export, distribute and operate all kinds of crude oil and to build necessary facility for the production.

Gap Elektrik Dağıtım Sanayi ve Ticaret A.Ş. (“Gap Elektrik”)

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

Sembol Enerji A.Ş. (“Sembol”)

Sembol was established in 2010 and is engaged in installing of electrical energy production facility, being commenced operations, being rented, production of electrical energy and selling of produced electrical energy and/or electrical capacity to the consumers.

Atayurt İnşaat A.Ş. (“Atayurt”)

Atayurt was established in 2009 for the purpose of building and operating energy power plants and providing operational and maintenance services to power plants.

Adacami Enerji Elektrik Üretim Sanayi Ve Ticaret A.Ş. (“Adacami Enerji”)

Adacami Enerji was established in December 2009, in order to build, rent, operate of electricity facility and selling generated electricity, which is generated by Adacami Enerji.

Akçay Enerji A.Ş. (“Akçay”)

Akçay was established in 2010. Akçay is engaged in installing of electrical energy production facility, being commenced operations, being rented, production of electrical energy and selling of produced electrical energy and/or electrical capacity to the consumers.

Ayas Rafineri ve Petrokimya Sanayi ve Ticaret A.Ş. (“Ayas Rafineri”)

Ayas Rafineri was established in 2010 to install petroleum refinery, petrochemical facilities, additional facilities and every kind of assistant and complementary facilities, to have these installed, buy and sell them, to acquire an interest in these facilities, operate and when necessary, to expand, etc.

Petrotrans Enerji A.Ş. (“Petrotrans Enerji”)

Petrotrans Enerji was established in 2010 to construct every kind of pipeline (warehousing & loading and unloading & others), have these constructed, take over and hand over. In order to service as transportation and warehousing, it can operate in these facilities, have these facilities operated, rent and lease. It has been founded to import, export and merchandise every kind of natural gas, crude oil and products of these, operate by installing necessary facilities, having these facilities installed or taking over existing facilities, to transmit and distribute crude oil, oil products and every kind of gas and regarding these operations to buy and sell every kind of natural gas, crude oil and products of natural gas and oil.

ÇALIK HOLDİNG A.Ş.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2011

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

Yeşilirmak Elektrik Dağıtım A.Ş. (“Yeşilirmak”)

Yeşilirmak Electricity Distribution Inc., 29.12.2010 While the State Agency on Public Company as a result of privatization to the transfer Çalık Group is made, has been operating in the field of energy distribution.

Çalık Elektrik Dağıtım A.Ş. (“Çalık Elektrik Dağıtım”)

Çalık Elektrik Dağıtım A.Ş. was established in 04.11.2010 and is engaged in distribution and sale of electricity and/or capacity as well as incorporating or participating in companies involved and operating within the energy sector according to legislations of Energy Market Regulatory Authority.

Çalık Energy Construction LLC (“Çalık Enerji Construction”)

Çalık Energy Construction LLC was founded for trading operations on June 06, 2010 with the decree , numbered 4420 as a limited liability company. Çalık Energy Construction LLC, which is registered with the license numbered 007024, aims basically general trading.

Japan International Energy Network A. Ş. (“Japan International”)

Japan International was established in 2010 for exploring and operating of solar power, wind power, geothermal power and other renewable energy resources selling and marketing of electricity. Japan International also possesses another principal activity about engaging in exploration and selling of mineral ore.

1.3 Telecommunication group

| Consolidated company | Location |
|---|-----------------|
| Cetel Çalık Enerji Telekomünikasyon Hizmetleri A.Ş. | Turkey |
| Cetel Telekom İletişim Sanayi ve Ticaret A.Ş. | Turkey |
| Albtelecom Sh.a. | Albania |
| Eagle Mobile Sh.a. | Albania |
| Telemed Telekom A.Ş. | Turkey |

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

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

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

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

Albtelecom Sh.a. (“Albtelecom”)

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

Eagle Mobile Sh.a. (“Eagle Mobile”)

Eagle Mobile was established on 24 October 2003 in Tirana, Albania. The Company provides public, mobile, terrestrial service 900/1800MHz, GSM standard, in compliance with the First Class License No. 253/03/04, dated 01.03.2004.

Telemed Telekom A.Ş. (“Telemed”)

Telemed was established in year 2010 to furnish every kind of services in the field of telecommunication, communication, press-information, internet, voice and data communication, etc.

ÇALIK HOLDİNG A.Ş.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2011

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

1.4 Construction group

| Consolidated company | Location |
|---|-----------------|
| GAP İnşaat Yatırım ve Dış Ticaret A.Ş. | Turkey |
| GAP İnşaat Dubai FZE | Dubai |
| GAP İnşaat Ukraine Ltd. | Ukraine |
| GAP İnşaat Construction and Investment Co. Ltd. | Sudan |
| Çalık Gayrimenkul Ticaret A.Ş. | Turkey |
| Soma Yapı Malzemeleri Sanayi ve Ticaret A.Ş. | Turkey |
| Aina - Gap İnşaat Joint Venture | Sudan |

Gap İnşaat Yatırım ve Dış Ticaret A.Ş. (“Gap İnşaat”)

Gap İnşaat was established in 1996 in Istanbul, Turkey in order to provide construction, contracting and decoration businesses both within Turkey and abroad. It also administers mining of all kinds of minerals, marble, lime, clay, coal and stone quarries both within the country and abroad provided that the necessary permits are received.

Gap İnşaat has four branches in Turkmenistan, Saudi Arabia, Abu Dhabi, Iraq which were set up to operate several construction projects in Turkmenistan, Saudi Arabia, Abu Dhabi and Iraq.

Gap İnşaat Ukraine Ltd, Gap İnşaat Dubai FZE (UAE), Gap İnşaat Construction and Investment Co. Ltd. and Aina - Gap İnşaat Joint Venture

Gap İnşaat’s three subsidiaries and one joint venture namely, Gap İnşaat Ukraine Ltd., Gap İnşaat Dubai FZE and Gap İnşaat Construction and Investment Co. Ltd. and Aina - Gap İnşaat Joint Venture operate construction projects in the countries they were established in.

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

Çalık Gayrimenkul was founded in Merter , Istanbul in 2005 to buy and sell every kind of real estate, to build, divide, rent, have them rented and merchandise every kind of real estate, to found and buy companies and to create a partnership.

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

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

1.5 Banking group

| Consolidated company | Location |
|-------------------------------|-----------------|
| Aktif Yatırım Bankası A.Ş. | Turkey |
| Çalık Finansal Hizmetler A.Ş. | Turkey |
| Banka Kombetare Tregtare Sh.a | Albania |

Aktif Yatırım Bankası A.Ş. (“Aktifbank”)

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

Çalık Finansal Hizmetler A.Ş. (“Çalık Finansal”)

Çalık Finansal was established in 2003 as Aktifbank’s cooperation with Şekerbank T.A.Ş. and Çalık Holding for their projects of investing in domestic and foreign oriented banks. In year 2008, Çalık Holding had acquired Şekerbank T.A.Ş.’s shares.

ÇALIK HOLDİNG A.Ş.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2011

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

Banka Kombetare Tregtare Sh.a. (“BKT”)

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

1.6 Marketing group

| Consolidated company | Location |
|---------------------------------------|-----------------|
| GAP Pazarlama A.Ş. | Turkey |
| GAPPA Inc. | USA |
| GAP Pazarlama FZE Jebel Ali Free Zone | UAE – Dubai |

GAP Pazarlama A.Ş. (“GAP Pazarlama”)

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

Gap Pazarlama has one branch in Mersin Free Zone, which was set up to, operate import and export textile products.

GAPPA Inc.

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

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

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

ÇALIK HOLDİNG A.Ş.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2011

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

1.7 Media group

| <u>Consolidated company</u> | <u>Location</u> |
|--|-----------------|
| Turkuvaz Radyo Televizyon Haberleşme ve Yayıncılık A.Ş. | Turkey |
| Turkuvaz Kitapçılık Yayıncılık A.Ş. | Turkey |
| Turkuvaz Gazete Dergi Basım A.Ş. | Turkey |
| Turkuvaz Haber Ajansı A.Ş. | Turkey |
| Turkuvaz Dağıtım Pazarlama A.Ş. | Turkey |
| Turkuvaz Yayın Hizmetleri ve Ticaret A.Ş. | Turkey |
| Turkuvaz Filmcilik Prodüksiyon Sanayi ve Ticaret A.Ş. | Turkey |
| Turkuvaz Televizyon ve Radyo İşletmeciliği A.Ş. | Turkey |
| Turkuvaz Teknik Hizmetler Sanayi ve Ticaret A.Ş. | Turkey |
| Turkuvaz Mobil Hizmetler A.Ş. | Turkey |
| Turkuvaz ATV Televizyon Prodüksiyon A.Ş. | Turkey |
| Turkuvaz Aktif Televizyon Prodüksiyon A.Ş. | Turkey |
| Turkuvaz Reklam Pazarlama Danışmanlık A.Ş. | Turkey |
| Turkuvaz Matbaacılık Yayıncılık A.Ş. | Turkey |
| Turkuvaz İzmir Gazete Dergi Basım Yayın A.Ş. | Turkey |
| Turkuvaz Yeni Asır Televizyon Prodüksiyon A.Ş. | Turkey |
| Turkuvaz İzmir Televizyon Prodüksiyon ve Radyoculuk A.Ş. | Turkey |
| Turkuvaz ATV Sabah GmbH | Germany |
| Turkuvaz Motor Presse Dergi Yayıncılık Limited Şirketi | Turkey |
| Turkuvaz Görsel ve İşitsel İletişim A.Ş. | Turkey |
| Turkuvaz Medya Yayın Hizmetleri A.Ş. | Turkey |
| Turkuvaz Televizyon Hizmetleri A.Ş. | Turkey |

Turkuvaz Radyo Televizyon Haberleşme ve Yayıncılık A.Ş. (“Turkuvaz Radyo”)

Turkuvaz Radyo, formerly known as Turkuvaz Radyo Televizyon Gazetecilik ve Yayıncılık A.Ş. was established in 2005 in Merter, Istanbul. Turkuvaz Radyo is mainly engaged in television and radio broadcasting in Turkey and abroad. The sale of ATV-Sabah to Turkuvaz Radyo which was performed under a formal public tender was approved on 21 February 2008 by Turkey’s Savings Deposit Insurance Fund.

Turkuvaz Kitapçılık Yayıncılık A.Ş. (“Turkuvaz Kitapçılık”)

Turkuvaz Kitapçılık was founded in January 2008 in Istanbul. The principal activities are selling, editing and producing books.

Turkuvaz Gazete Dergi Basım A.Ş. (“Turkuvaz Gazete”)

Turkuvaz Gazete was established in January 2008 in Istanbul. The principal activity of Turkuvaz Gazete is publishing newspapers such as “Sabah”, “Fotomaç”, “Takvim” and magazines such as “Türkiye Forbes”, “Şamdan”, “Bebeğim ve Biz”.

Turkuvaz Haber Ajansı A.Ş. (“Turkuvaz Haber”)

Turkuvaz Haber was founded in January 2008 in Istanbul. As of the financial position date, it is inactive.

Turkuvaz Dağıtım Pazarlama A.Ş. (“Turkuvaz Dağıtım”)

Turkuvaz Dağıtım was established in January 2008 in Istanbul. Turkuvaz Dağıtım distributes newspapers and magazines to retailers, gross markets and publishers.

Turkuvaz Yayın Hizmetleri ve Ticaret A.Ş. (“Turkuvaz Yayın”)

Turkuvaz Yayın was founded in January 2008, in Istanbul in order to provide administrative services to the Group. As of the balance sheet date Turkuvaz Yayın is inactive.

Turkuvaz Filmcilik Prodüksiyon Sanayi Ticaret A.Ş. (“Turkuvaz Filmcilik”)

Turkuvaz Filmcilik was set up in January 2008 in Istanbul. As of the financial position date, it is inactive.

ÇALIK HOLDİNG A.Ş.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2011

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

Turkuvaz Televizyon ve Radyo İşletmeciliği A.Ş. (“Turkuvaz TV”)

It was established in January 2008, in Istanbul. The company is active since June 2008 and its main activity is broadcasting.

Turkuvaz Teknik Hizmetler Sanayi ve Ticaret A.Ş. (“Turkuvaz Teknik”)

Turkuvaz Teknik was established in January 2008 in Istanbul. As of the financial position date, it is inactive.

Turkuvaz Mobil Hizmetler A.Ş. (“Turkuvaz Mobil”)

Turkuvaz Mobil was founded in January 2008 in Istanbul. As of the financial position date, it is inactive.

Turkuvaz ATV Televizyon Prodüksiyon A.Ş. (“Turkuvaz ATV”)

Turkuvaz ATV was brought into existence in Istanbul, in January 2008. As of the financial position date, it is inactive.

Turkuvaz Aktif Televizyon Prodüksiyon A.Ş. (“Turkuvaz Aktif”)

Turkuvaz Aktif was founded in March 2008 in Istanbul. As of the financial position date, it is inactive.

Turkuvaz Reklam Pazarlama Danışmanlık A.Ş. (“Turkuvaz Reklam”)

Turkuvaz Reklam was established in January 2008 in Istanbul. Its main activities are marketing and sales of television and newspaper advertising.

Turkuvaz Matbaacılık Yayıncılık A.Ş. (“Turkuvaz Matbaacılık”)

Turkuvaz Matbaacılık was founded in Istanbul, in January 2008 to print newspapers and magazines.

Turkuvaz İzmir Gazete Dergi Basım Yayın A.Ş. (“Turkuvaz İzmir Gazete”)

Turkuvaz İzmir Gazete was established in January 2008 in İzmir. The main activity is publishing of “Yeniasır” newspaper.

Turkuvaz Yeni Asır Televizyon Prodüksiyon A.Ş. (“Turkuvaz Yeni Asır”)

It was established in March 2008 in İzmir. The company is active since July 2008 and its main activity is broadcasting.

Turkuvaz İzmir Televizyon Prodüksiyon ve Radyoculuk A.Ş. (“Turkuvaz İzmir TV”)

It was set up in March 2008 in İzmir. The company is active since July 2008 and its main activity is broadcasting.

Turkuvaz ATV Sabah GmbH (“Turkuvaz Sabah GmbH”)

Turkuvaz Sabah GmbH was established in Germany and 100% of its shares owned by Turkuvaz Gazete. Turkuvaz Sabah GmbH purchased Merkez ATV GmbH’s assets on 23 July 2008. The main activity is publishing newspapers and operating TV.

Turkuvaz Motor Presse Dergi Yayıncılık Limited Şirketi (“Turkuvaz Motor”)

It was established in 2006 in Istanbul and is mainly engaged in publishing magazines in Turkey. Turkuvaz Gazete has been a partner of Turkuvaz Motor with buying 50% share that belongs to Merkez Yayın Holding A.Ş. on 02 December 2008. As of 11.01.2010, Motor Presse International Verlagsgesellschaft Holding GmbH sold its 750.000 (50% of its share capital) Turkuvaz Motor shares to Turkuvaz Gazete Dergi Basım A.Ş. (735.000 shares, 49% of its share capital) and Turkuvaz Matbaacılık Yayıncılık A.Ş. (15.000 shares, 1% of its share capital).

Turkuvaz Görsel ve İşitsel İletişim A.Ş. (“Turkuvaz Görsel”)

Turkuvaz Görsel was set up in October 2009, in Istanbul. The company is active since July 2010 and its main activity is broadcasting.

Turkuvaz Medya Yayın Hizmetleri A.Ş. (“Turkuvaz Medya”)

Turkuvaz Medya was founded in October 2009, in Istanbul. The company is active since July 2010 and its main activity is broadcasting.

Turkuvaz Televizyon Hizmetleri A.Ş. (“Turkuvaz Hizmet”)

Turkuvaz Hizmet was set up in October 2009 in Istanbul. As of the financial position date, it is inactive.

ÇALIK HOLDİNG A.Ş.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2011

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

1.8 Other

| <u>Consolidated company</u> | <u>Location</u> |
|---|-----------------|
| E-Kent Elektronik Ücret Toplama Sistemleri A.Ş. | Turkey |
| Çalık Yönetim Sistemleri A.Ş. | Turkey |
| E-Post Elektronik Perakende Otomasyon Satış ve Ticaret A.Ş. | Turkey |
| Lidya Madencilik Sanayi ve Ticaret A.Ş. | Turkey |
| Çalık Hava Taşımacılık Turizm Sanayi ve Ticaret A.Ş. | Turkey |
| Tura Madencilik A.Ş. | Turkey |
| Dore Altın ve Madencilik A.Ş. | Turkey |
| Çalık Turizm Kültür İnşaat Sanayi ve Ticaret A.Ş. | Turkey |

E-Kent Elektronik Ücret Toplama Sistemleri A.Ş. (“E-Kent”)

E-Kent was established in 2002. The main activity is modernization of public transportation and suggesting new electronic solution about electronic ticket and prosecution system.

Çalık Yönetim Sistemleri A.Ş. (“Çalık Yönetim”)

Çalık Yönetim was established in 2008 in Istanbul. The main operation is to give consulting services about all kind of project, efficiency, organization, financing, sales and marketing ,etc.

E-Post Elektronik Perakende Otomasyon Satış ve Ticaret A.Ş. (“E-Post”)

E-Post was established in September 2009, Istanbul in order to mine out, rent, operate and selling mine.

Lidya Madencilik Sanayi ve Ticaret A.Ş. (“Lidya Maden”)

Lidya Maden was established in 2006 in Merter , Istanbul. The main operation is to prospect all kind of metal and mineral productions.

Çalık Hava Taşımacılık Turizm Sanayi ve Ticaret A.Ş. (“Çalık Hava”)

Çalık Hava was established in 2010 in Istanbul to make every kind of air transport instruments, to make scheduled or unscheduled air transport at home or abroad, to make passenger transportation, transportation of freight cargo from one place to another at home and abroad, to operate in every kind of transportation related to aviation, etc.

Tura Madencilik A.Ş. (“Tura”)

Tura was established in 2010 in Istanbul to mine, operate, buy and rent underground & surface mine and natural resources in accordance with existing codes, to have prospecting licence, to mine, to demand operating right, to have lease and operating concession, to take over mine rights which can be taken over, etc.

Dore Altın ve Madencilik A.Ş. (“Dore Altın”)

Dore Altın was established in 2010 in Istanbul to mine, operate, sell and rent underground & surface mine and natural resources in accordance with existing codes, to have prospecting licence, to mine, to demand operating right, to have lease and operating concession, to take over mine rights which can be taken over, etc.

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

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

ÇALIK HOLDİNG A.Ş.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2011

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

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS

Basis of preparation

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

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

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

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

Presentation currency and functional currency

These consolidated financial statements are presented in USD. Turkish Lira (“TL”) is the Company’ s functional currency.

Translation of financial statements from functional currency to presentation currency

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

- Assets and liabilities for each financial position presented are translated at the closing rate at the date of that reporting date (2011 TL 1,8889 (full) = USD 1,00 (full)), (2010 TL 1,5460 (full) = USD 1,00 (full)).
- Income and expenses for each income statement are translated at exchange rates at the dates of the transactions; 2011 TL 1,67 (full) = USD 1,00 (full)), (2010 TL 1,5004 (full) = USD 1,00 (full)).
- Equity items other than the net profit for the year and share capital and other comprehensive income are translated at the closing rate existing at the reporting date (2011 TL 1,8889 (full) = USD 1,00 (full)) , (2010 TL 1,5460 (full) = USD 1,00 (full)).
- All resulting exchange differences are recognised as a separate component in of equity in the “Translation reserve” account.

Offsetting

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

ÇALIK HOLDİNG A.Ş.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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Standards, amendments and interpretations to existing standards that are not yet effective and have not been adopted early by the Company

At the date of authorisation of these financial statements, certain new standards, amendments and interpretations to existing standards have been published but are not yet effective, and have not been adopted early by the Group.

a) Standards, amendments and interpretations effective in 2011:

- IFRIC 19 “Extinguishing financial liabilities with equity instruments”
- IFRIC 14 “IAS 19 The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction”
- IAS 32 (Amendment) “Classification of right issues”
- IAS 24 (Revised) “Related party disclosure”
- Annual Amendments to IFRS in May 2010

b) Standards, amendments and interpretations effective after 31 December 2011 but not early adopted by the Company:

- IFRS 9 “Financial Instruments- Phase I Classification and measurement”
- IAS 12 (Amendment) “Income Taxes- Deferred tax: recovery of underlying assets”
- IFRS 7 (Amendment) “Financial Instruments-Disclosures”
- IFRS 10 “Consolidated Financial Statements”
- IFRS 11 “Joint arrangements”
- IFRS 12 “Disclosure of Interest in Other Entities”
- IFRS 13 “Fair Value Measurement”
- IAS 27 (Revised) “Separate Financial Statements”
- IAS 28 (Revised) “Investments in Associates and Joint Ventures”
- IAS 19 (Revised) “Employee Benefits”
- IAS 1 (Revised) “Presentation of Financial Statements”

Management of the Group anticipates that all of the pronouncements detailed in (b) above will be adopted in the Group’s accounting policy for the first period beginning after the effective date of the pronouncement. Management of the Group has decided that these new standards and interpretations have been issued but are not expected to have a material impact on the Group’s financial statements.

Comparable financial information and reclassification of prior period financial statements

The financial positions with the accompanying notes as of 31.12.2011 and 31.12.2010 and statement of income, cash flow and changes in equity with the accompanying notes for the year ended 31.12.2011 and 31.12.2010 are presented as comparatively.

For the comparability of the current financial statements, these financial statements are reclassified if necessary.

As of 31.12.2011, Group’s statement of income and its related notes are restated for the accounting and presentation of IFRS 5 “Non-current Assets Held for Sale and Discontinued Operations”.

As of 31.12.2010, advances received 22.918 USD which were accounted under “Other liabilities” were reclassified to “Deferred billings”.

As of 31.12.2010, “Customer deposits” amounting to USD 78.503, which were accounted under current liabilities, were reclassified to non-current liabilities.

As of 31.12.2010, “Impairment of loans” amounting to USD 1.692 which were accounted under “Other expense” was reclassified to “Financing expenses”.

As of 31.12.2010, “Investment properties” amounting to USD 64.143 which were accounted under “Investment property” was reclassified to “Inventories”.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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As of 31.12.2010, “Deposits and guaranties given” amounting to USD 2.723 and USD 479 which were respectively accounted under current and non-current “Trade receivables” were reclassified to current and non-current “Other assets”.

As of 31.12.2010, “Deposits and guaranties received” amounting to USD 1.496 and USD 27.888 which were respectively accounted under current and non-current “Trade payables” were reclassified to current and non-current “Other liabilities”.

As of 31.12.2010, “Provision for expenses” amounting to USD 9.252 which were accounted under non-current “Other liabilities” were reclassified tonon-current “Provisions”

The prior years’ financial statements have been restated in order to conform to the presentation of the current period consolidated financial statement within the framework of IFRS 3 “Business Combinations”. In accordance with IFRS 3, the Company retrospectively adjust the provisional amounts recognised at the acquisition date to reflect new information obtained about facts and circumstances that existed as of the acquisition date of Yeşilirmak, a subsidiary acquired by Çalık Elektrik Dağıtım on 30.11.2010.

Changes in accounting policy

The effects arising from the changes in the Company’s subsidiary Yeşilirmak accounting policy on service concession agreements, recognition and measurement of revenue under financial asset model rather than intangible asset model, described in note 3 (“Services concession agreements”) have been reflected in the accompanying statements in accordance with IAS-8 “Accounting Policies, Change in Accounting Estimates and Errors”. To the extent that those changes had not an impact on the results reported for 2010, however for the comparability of the financial statements necessary reclassifications have been reflected in the accompanying financial statements as follows:

| | 31.12.2010 |
|--|-------------------|
| Reclassification on financial position: | |
| - Due from services concession agreements | 80.426 |
| - Intangible assets | (80.426) |
| | -- |
| Reclassification on statements of income: | |
| - Revenue | 14.474 |
| - Cost of sales | (14.709) |
| - Financing income | 5.325 |
| - Financing expense | (5.090) |
| | -- |
| Effect on income statement | -- |

Critical accounting estimates, assumptions and judgments

The preparation of financial statements in conformity with IFRS requires management to make estimates and assumptions that affect reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates. These estimates are reviewed periodically, and as adjustments become necessary, they are reported in earnings in the periods in which they become known.

The key assumption concerning the future and other key sources of estimation uncertainty at the financial position date and the significant judgments are set out below:

ÇALIK HOLDİNG A.Ş.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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- Allowance for doubtful debts reflect the amount set aside for the losses in the future related to receivables which exist the financial position date but which, in the opinion of the management carry the risk of collection due to current economic conditions. When evaluating whether receivables has suffered a loss in value the past performance of the debtors, they are credibility in the market and their performance between the financial position date and report date together with changed circumstances are taken in the considerations. In addition, the collaterals existing as financial position date together with new collaterals obtained between the balance date and report date are also taken in the consideration. The allowance for doubtful receivables as of the financial position dates are explained under note 13.

-When setting aside the provision for legal claims the probability of loosing the related case and the results to expect to be suffered in the event that the legal counsel of the Group and management of the Group make their best estimates to calculate the provision required.

- Property, plant and equipment and intangible assets held for use in the production or supply of goods or services, or for administrative purposes, are stated in the financial position at cost, less any subsequent accumulated depreciation and subsequent accumulated impairment losses. The Group estimates that the useful lives of property, plant and equipmen and intangible assets. Depreciation is charged using the straight-line basis over the useful lives, which depend on the best estimation of the management. Useful lives of property, plant and equipment and intangible assets are reviewed at each financial position dates and make changes if necessary.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Basis of consolidation

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

Certain companies (as detailed note 17) where Çalık Holding has a controlling interest or significant influence are not consolidated or equity accounted as they are immaterial individually and in aggregate to the results and financial position of the Group.

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

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

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

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

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

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

For the purpose of consolidated financial statements, Çalık Holding, its subsidiaries and its joint venture given below are referred to collectively as the "Group".

The Company has always exercised effective control over the management of each of the companies included in the group consolidation. The ownership and economic interest of Çalık Holding in their capital is as follows:

| Consolidated company | 2011 | | 2010 | |
|--|----------------------|-----------------------|----------------------|-----------------------|
| | Direct ownership (%) | Economic interest (%) | Direct ownership (%) | Economic interest (%) |
| Gap Güneydoğu Tekstil Sanayi ve Ticaret A.Ş. | 99,2 | 98,9 | 99,2 | 98,9 |
| Çalık Korea Inch. | 100,0 | 98,9 | 100,0 | 98,9 |
| Çalık USA | 100,0 | 98,9 | 100,0 | 98,9 |
| Gap Güneydoğu FZE Jebel Ali Free Zone | 100,0 | 98,9 | 100,0 | 98,9 |
| Çalık Enerji Sanayi ve Ticaret A.Ş. | 99,9 | 99,9 | 99,9 | 99,9 |
| Çalık Enerji Dubai FZE | 100,0 | 99,9 | 100,0 | 99,9 |
| Naturel Gaz Sanayi ve Ticaret A.Ş. | -- | -- | 40,0 | 40,0 |
| Aktif Doğalgaz Ticaret A.Ş. | 96,5 | 96,4 | 96,5 | 96,4 |
| Türkmen'in Altın Asrı Elektrik Enerjisi Toptan Satış A.Ş. | 97,0 | 96,8 | 97,0 | 96,8 |
| Çalık Enerji Elektrik Üretim ve Madencilik A.Ş. | 100,0 | 99,9 | 100,0 | 99,9 |
| TAPCO Petrol Boru Hattı Sanayi ve Ticaret A.Ş. | 50,0 | 49,9 | 50,0 | 49,9 |
| Kızılırmak Enerji Elektrik A.Ş. | 99,2 | 99,1 | 99,2 | 99,1 |
| Doğu Akdeniz Petrokimya ve Rafineri Sanayi ve Ticaret A.Ş. | 84,2 | 84,1 | 99,2 | 99,1 |

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| Consolidated company (continued) | 2011 | | 2010 | |
|--|----------------------|-----------------------|----------------------|-----------------------|
| | Direct ownership (%) | Economic interest (%) | Direct ownership (%) | Economic interest (%) |
| Çalık NTF Elektrik Üretim ve Madencilik A.Ş. | 90,0 | 89,9 | 90,0 | 89,9 |
| Ant Enerji Sanayi ve Ticaret Ltd. | 50,0 | 49,9 | 50,0 | 49,9 |
| Vadi Elektrik Üretim Sanayi ve Ticaret Ltd. | 99,0 | 98,9 | 99,0 | 98,9 |
| Ortur Elektrik Üretim ve Ticaret Ltd. | 90,0 | 89,9 | 90,0 | 89,9 |
| Atlas Petrol Gaz İthalat İhracat ve Pazarlama Ticaret A.Ş. | 100,0 | 99,9 | 100,0 | 99,9 |
| Başak Enerji Elektrik Üretim Sanayi ve Ticaret A.Ş. | 100,0 | 100,0 | 100,0 | 100,0 |
| Çalık Rüzgar Enerjisi Elektrik Üretim Ltd. | 95,0 | 94,9 | 95,0 | 94,9 |
| Momentum Enerji Elektrik Üretim Sanayi ve Ticaret A.Ş. | 100,0 | 99,9 | 100,0 | 99,9 |
| Irmak Enerji Elektrik Üretim Madencilik Sanayi ve Ticaret A.Ş. | 100,0 | 100,0 | 100,0 | 100,0 |
| Yenikom Telekomünikasyon Hizmetleri A.Ş. | 100,0 | 99,9 | 100,0 | 99,9 |
| Yeşilçay Enerji Elektrik Üretim Sanayi ve Ticaret A.Ş. | 100,0 | 99,9 | 100,0 | 99,9 |
| Cetel Çalık Enerji Telekomünikasyon Hizmetleri A.Ş. | 100,0 | 99,9 | 100,0 | 99,9 |
| Cetel Telekom İletişim Sanayi ve İletişim A.Ş. | 80,0 | 79,9 | 80,0 | 79,9 |
| Albtelecom Sh.a. | 76,0 | 60,7 | 76,0 | 60,7 |
| Eagle Mobile Sh.a. | 100,0 | 60,7 | 100,0 | 60,7 |
| Gap İnşaat Yatırım ve Dış Ticaret A.Ş. | 99,3 | 99,3 | 99,3 | 99,3 |
| Gap İnşaat Dubai FZE | 100,0 | 99,3 | 100,0 | 99,3 |
| Çalık Gayrimenkul Ticaret A.Ş. | 99,0 | 98,3 | 99,0 | 98,3 |
| Gap İnşaat Ukraine Ltd. | 100,0 | 99,3 | 100,0 | 99,3 |
| Gap İnşaat Construction and Investment Co. Ltd. | 100,0 | 99,3 | 100,0 | 99,3 |
| Soma Yapı Malzemeleri Sanayi ve Ticaret A.Ş. | 99,2 | 99,2 | 99,2 | 99,2 |
| Aktif Yatırım Bankası A.Ş. | 99,7 | 99,2 | 99,6 | 99,2 |
| Çalık Finansal Hizmetler A.Ş. | 100,0 | 100,0 | 100,0 | 99,8 |
| Banka Kombetare Tregtare Sh.a. | 100,0 | 100,0 | 100,0 | 99,8 |
| Gap Pazarlama A.Ş. | 95,0 | 95,0 | 95,0 | 95,0 |
| GAPPA Inc. | 100,0 | 95,0 | 100,0 | 95,0 |
| Gap Pazarlama FZE Jebel Ali Free Zone | 100,0 | 95,0 | 100,0 | 95,0 |
| Turkuvaz Radyo Televizyon Haberleşme ve Yayıncılık A.Ş. | 58,0 | 57,3 | 58,0 | 58,0 |
| Turkuvaz Kitapçılık Yayıncılık A.Ş. | 83,0 | 82,3 | 58,0 | 58,0 |
| Turkuvaz Gazete Dergi Basım A.Ş. | 83,0 | 82,3 | 58,0 | 58,0 |
| Turkuvaz Haber Ajansı A.Ş. | 83,0 | 82,3 | 58,0 | 58,0 |
| Turkuvaz Dağıtım Pazarlama A.Ş. | 83,0 | 82,3 | 58,0 | 58,0 |
| Turkuvaz Yayın Hizmetleri ve Ticaret A.Ş. | 83,0 | 82,3 | 58,0 | 58,0 |
| Turkuvaz Filmcilik Prodüksiyon Sanayi ve Ticaret A.Ş. | 83,0 | 82,3 | 58,0 | 58,0 |
| Turkuvaz Televizyon ve Radyo İşletmeciliği A.Ş. | 83,0 | 82,3 | 58,0 | 58,0 |
| Turkuvaz Teknik Hizmetler Sanayi ve Ticaret A.Ş. | 83,0 | 82,3 | 58,0 | 58,0 |
| Turkuvaz Mobil Hizmetler A.Ş. | 83,0 | 82,3 | 58,0 | 58,0 |
| Turkuvaz ATV Televizyon Prodüksiyon A.Ş. | 83,0 | 82,3 | 58,0 | 58,0 |
| Turkuvaz Aktif Televizyon Prodüksiyon A.Ş. | 83,0 | 82,3 | 58,0 | 58,0 |
| Turkuvaz Reklam Pazarlama Danışmanlık A.Ş. | 83,0 | 82,3 | 58,0 | 58,0 |
| Turkuvaz Matbaacılık Yayıncılık A.Ş. | 83,0 | 82,3 | 58,0 | 58,0 |

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| Consolidated company (continued) | 2011 | | 2010 | |
|---|----------------------|-----------------------|----------------------|-----------------------|
| | Direct ownership (%) | Economic interest (%) | Direct ownership (%) | Economic interest (%) |
| Turkuvaz Yeni Asır Televizyon Prodüksiyon A.Ş. | 83,0 | 82,3 | 58,0 | 58,0 |
| Turkuvaz İzmir Televizyon Prodüksiyon ve Radyoculuk A.Ş. | 83,0 | 82,3 | 58,0 | 58,0 |
| Turkuvaz ATV Sabah GmbH | 100,0 | 81,4 | 100,0 | 81,4 |
| Turkuvaz Motor Presse Dergi Yayıncılık Ltd. | 100,0 | 81,4 | 100,0 | 81,4 |
| E-Kent Elektronik Ücret Toplama Sistemleri A.Ş. | 100,0 | 74,4 | 100,0 | 74,4 |
| Çalık Yönetim Sistemleri A.Ş. | 75,0 | 74,4 | 75,0 | 74,4 |
| Gap Elektrik Dağıtım Sanayi ve Ticaret A.Ş. | 99,9 | 99,8 | 99,9 | 99,8 |
| Lidya Madencilik Sanayi ve Ticaret A.Ş. | 99,5 | 99,5 | 99,5 | 99,5 |
| İkideniz Petrol ve Gaz Sanayi ve Ticaret A.Ş. | 75,0 | 74,9 | 75,0 | 74,9 |
| Çep Petrol Dağıtım Sanayi ve Ticaret A.Ş. | 99,5 | 99,4 | 99,5 | 99,4 |
| Çalık Alexandria For Readymade Garments | 100,0 | 98,9 | 100,0 | 98,9 |
| Gap İnşaat Aina Joint Venture | 50,0 | 49,6 | 50,0 | 49,6 |
| E-Post Elektronik Perakende Otomasyon Satış ve Ticaret A.Ş. | 100,0 | 100,0 | 100,0 | 100,0 |
| Turkuvaz Görsel ve İşitsel İletişim A.Ş. | 83,0 | 82,3 | 83,0 | 83,0 |
| Turkuvaz Medya Yayın Hizmetleri A.Ş. | 83,0 | 82,3 | 83,0 | 83,0 |
| Turkuvaz Televizyon Hizmetleri A.Ş. | 83,0 | 82,3 | 83,0 | 83,0 |
| Atayurt İnşaat A.Ş. | 99,8 | 99,6 | 99,8 | 99,6 |
| Adacami Enerji Elektrik Üretim Sanayi Ve Ticaret A.Ş. | 99,9 | 99,9 | 99,9 | 99,9 |
| Akçay Enerji A.Ş. | 99,9 | 99,9 | 99,9 | 99,9 |
| Sembol Enerji A.Ş. | 100,0 | 99,9 | 100,0 | 99,9 |
| Çalık Hava Taşımacılık Turizm Sanayi ve Ticaret A.Ş. | 100,0 | 100,0 | 100,0 | 100,0 |
| Ayas Rafineri ve Petrokimya Sanayi ve Ticaret A.Ş. | 99,9 | 99,9 | 99,9 | 99,9 |
| Dore Altın ve Madencilik A.Ş. | 100,0 | 99,5 | 100,0 | 99,5 |
| Tura Madencilik A.Ş. | 100,0 | 99,5 | 100,0 | 99,5 |
| Petrotrans Enerji A.Ş. | 99,9 | 99,9 | 99,9 | 99,9 |
| Telemed Telekom A.Ş. | 99,9 | 99,9 | 99,9 | 99,9 |
| Yeşilirmak Elektrik Dağıtım A. Ş. | 100,0 | 99,9 | 100,0 | 99,9 |
| Çalık Elektrik Dağıtım A. Ş. | 100,0 | 99,9 | 100,0 | 99,9 |
| Çalık Energy Construction LLC | 100,0 | 99,9 | 100,0 | 99,9 |
| Japan International Energy Network A. Ş. | 24,9 | 24,9 | -- | -- |
| Çalık Turizm Kültür İnşaat Sanayi ve Ticaret A.Ş. | 83,1 | 97,3 | -- | -- |

As of and up to 31.12.2008, TTK, TJK, Serdar Pamyk and Balkan with group shares of respectively 32,0%, 34,5%, 10,0% and 31% are consolidated because they are under the effective control and management of the Group.

As from 01.01.2009, the Group ceased to have the power to govern but continued to have significant influence and therefore applied equity accounting method for these associates in the accompanying consolidated financial statements.

TAPCO, Ant Enerji and Japan International with group shares of respectively, 49,9%, 49,9%, and 24,9% are consolidated because they are under the effective control and management of the Group.

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Gap İnşaat Aina Joint Venture is the only jointly controlled entity within the Group and the ownership percentage is 50% (note 4). Its financial statements have been incorporated into the interim consolidated financial statements using the proportionate consolidation method.

Business combinations

The acquisition of subsidiaries is accounted for using the purchase method. The cost of the acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquire, plus any costs directly attributable to the business combination. The acquirer's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under IFRS 3 are recognized at their fair values at the acquisition date.

Goodwill arising on acquisition is recognized as an asset and initially measured at cost, being the excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognized. If, after reassessment, the Group's interest in the net fair value of the acquirer's identifiable assets, liabilities and contingent liabilities exceeds the cost of the business combination, the excess is recognized immediately in profit or loss.

The interest of non-controlling shareholders in the acquire is initially measured at the non-controlling's proportion of the net fair value of the assets, liabilities and contingent liabilities recognized.

Discontinued operations and non current assets held for sale

Discontinued operation is a major line of business or geographical area of operations that is part of a single co-ordinated plan to dispose of or is held for sale.

Net assets related to the discontinued operations are measured at fair value less cost to sell. A single amount on the face of the income statements comprising the total of the post-tax profit or loss of discontinued operations and post-tax gain or loss recognised on the disposal of the assets constituting the discontinued operation is disclosed. Also, the net cash flows of the discontinued operations associated with the operating, investment and financing activities are disclosed in note 37.

Group of assets and liabilities are classified as held for sale if their carrying amount will be recovered principally through a sale transaction, not through continuing use. Liabilities directly associated with those assets are also classified similarly. Disposal group assets are measured at the lower of its carrying amount after deduction of the liabilities directly associated with those assets and its fair value less costs to sell.

Services concession agreement

Yeşilirmak, a subsidiary acquired by Çalık Elektrik Dağıtım on 29.12.2010 based on 30.11.2010 balance sheet, signed a contract with Türkiye Elektrik Dağıtım A.Ş. ("TEDAŞ") on 24.07.2006 to identify the principles of allocation of transfer of operating rights ("TOOR") of movable and immovable assets of the distribution zone 21st, Amasya, Çorum, Ordu, Samsun and Sinop.

The agreement term is 30 years starting from 24.07.2006. At the end of this period, operational period may be extended in accordance with the related regulations which will be in force in the same period and approval of TEDAŞ.

Yeşilirmak acts as an electricity distributor and constructs, operates and maintains the facility throughout the period identified above. In the current period, no change has taken place in the status of the agreement.

In accordance with the concession agreement, the Group recognises guaranteed amount of investments as financial assets under the heading "Due from services concession agreements".

The Group recognizes and measures its revenue for the services it provides in accordance with IAS 11 "Construction Contracts" and IAS 18 "Revenue". In the event that the Group provides multiple services in the framework of a single agreement or contract (for instance, construction or renovation services and operational services), the consideration received or to receivable is distributed in the ratio of realistic values of the services provided when amounts can be separately defined. Nature of the consideration identifies how it will later be recognized.

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A financial asset is set up; this is recorded under IAS 39 at fair value. Hence, the financial asset is built up from day one and continues to build up until construction activity ceases. The asset is amortised as Yeşilirmak provides public service and receives cash from the grantor during the operation phase.

IFRIC 12 clarifies the accounting for Yeşilirmak's transfer of operating rights (TOOR). The adoption of IFRIC 12 has had impacts on the statements of income as given below:

| | 2011 | 2010 |
|--------------------------------------|---------------------|---------------------|
| Revenue | 19.363.681 | 17.467.341 |
| Cost | (58.520.946) | (29.644.338) |
| Gross profit | (39.157.265) | (12.176.997) |
| Amortisation | 8.784.346 | 3.285.245 |
| Operating profit | (30.372.919) | (8.891.752) |
| Financing income | (23.393.525) | 235.026 |
| Profit before tax | (53.766.444) | (8.656.726) |
| Deferred tax | 8.971.151 | 690.547 |
| Net profit for the year | (44.795.293) | (7.966.179) |
| Impact on consolidated EBITDA | (39.157.265) | (12.176.997) |

Foreign currency transactions

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

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

| | 2011 | 2010 |
|-----|-------------|-------------|
| USD | 1,8889 | 1,5460 |
| EUR | 2,4438 | 2,0491 |

Property, plant and equipment

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

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets or cash-generating units are written down to their recoverable amount. The recoverable amount of property, plant and equipment is the greater of net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

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

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

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

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

Leasing

The Group as lessee

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

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

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

Goodwill

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

Goodwill arising on the acquisition of subsidiaries is presented in intangible assets in the financial position:

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

Intangible assets

Intangible assets are capitalized and amortised on a straight-line basis over their estimated useful life, not exceeding a period of 15 years except payments to acquire hydroelectric power plant licenses, electricity distribution licenses, wind energy plant licences and mineral prospecting and mining licence accounted under rights at 49, 25 and 30 years, respectively.

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Equity investments

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

Investment in associate

Associates are those entities over which the Group is able to exert significant influence but which are neither subsidiaries nor interests in a joint venture. Investments in associates are initially recognized at cost and subsequently accounted for using the equity method.

Acquired investments in associates are also subject to purchase accounting. However, any goodwill or fair value adjustment attributable to the share in the associate is included in the amount recognized as investment in associates.

All subsequent changes to the share of interest in the equity of the associate are recognized in the Group's carrying amount of the investment. Changes resulting from the profit or loss generated by the associate are charged against "results from equity investments" in the Group's consolidated statement of income and therefore affect net results of the Group.

Financial instruments

Classification

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

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

Measurement

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

Specific instruments

Placements and balances with banks

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

Treasury bills available-for-sale

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

Treasury bills held-to-maturity

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

Investment securities available-for-sale

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

Investment securities held-to-maturity

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

Loans and advances to customers

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

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Recognition and derecognition of financial instruments

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

Trade receivables

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

Trade payables

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

Deferred billings

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

Loans and advances to customers

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

If in a subsequent period the amount of impairment loss decreases and the decrease can be linked objectively to an event occurring after the write down of the allowance is reversed through the income statement.

Segment reporting

The Group operates on seven major business segments, the textile group, the energy group, the telecommunication group, the construction group, the banking group, the marketing group and the media group. The activities undertaken by these groups are described in note 6.

Revenue and expense

Banking group

Interest income and expense is recognised in the income statement as it accrues, taking into account the effective yield of the asset. Interest income and expense includes the amortisation of any discount or premium or other differences between the initial carrying amount of an interest bearing instrument and its amount at maturity calculated on an effective interest rate basis⁶

Construction group

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

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Media group

Revenues include the invoiced value of sales of goods and services. Revenues are recognized on an accrual basis at the time deliveries or acceptances are made and risk on benefits are transferred, the amount of the revenue can be measured reliably and it is probable that the economic benefits associated with the transaction will flow to the Group, at the fair value of the consideration received or receivable. Net sales represent the invoiced value of goods shipped less sales returns and commission.

When agreement effectively constitutes a financing transaction, the fair value of the consideration is determined by discounting all future receipts using an imputed rate of interest. The difference between the fair value and the nominal amount of the consideration is recognized as interest income on a time proportion basis that takes into account the effective yield on the asset.

Revenue from advertisements is recognised in an accrual basis at the time of broadcasting or printing the advertisement in the related media at the invoiced value.

Revenues from newspapers and magazine sales are recognised on an accrual basis at the time of delivery of the newspapers by the distribution company to the dealer at the invoiced values.

Revenues from printing services

Income from printing arises from printing services given to third parties other than Group companies by using Group's printing facilities. Related income is recognised on an accrual basis at the time of services given.

Other

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. Revenue is shown net of value added and sales taxes, discounts and returns. Revenue from the rendering of services is recognised by reference to the stage of completion of the transaction when the following conditions are met:

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

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

Repurchase agreements

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

Taxation

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

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

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

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

Borrowing cost

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

Bank borrowings

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

Inventories

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

Impairment

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

Related parties

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making the financial and operating decisions. For the purpose of these financial statements shareholders are referred to as related parties. Related parties also include individuals that are principle owners, management and members of the Company's Board of Directors and their families (note 36).

Employee termination benefits

Under the Turkish Labour Law, the Company and its subsidiaries established in Turkey are required to pay termination benefits to each employee who has completed one year of service and whose employment is terminated without due cause, or who retires in accordance with social insurance regulations or is called up for military service or dies. Such payments are calculated on the basis of 30 days' pay limited to a maximum of TL2.731,85 (2010: TL 2.517,01) per year of employment at the rate of pay applicable at the date of retirement and discounted to present value at the financial position date by using average market yield, expected inflation rates and an appropriate discount rate.

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

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

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

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Provisions

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

Commitments and contingencies

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

Cash and cash equivalents

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

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4. INTEREST IN JOINT VENTURE

The aggregate amounts of assets, liabilities and profit (loss) of Gap İnşaat Aina, a 50% joint venture, are proportionately consolidated in the accompanying financial statements. These summarised as follows:

| | 2011 | 2010 |
|--------------------------|--------------|--------------|
| Current assets | 2.492 | 2.930 |
| Non-current assets | 698 | 899 |
| | 3.190 | 3.829 |
| Current liabilities | 180 | 599 |
| Equity | 3.010 | 3.230 |
| | 3.190 | 3.829 |
| | 2011 | 2010 |
| Total revenue | -- | -- |
| Operating profit, net | (249) | (508) |
| Profit for the year, net | (249) | (508) |

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5. **BUSINESS COMBINATIONS**

Consolidated subsidiary as from 01.01.2011

In the preceding financial statements for the year ended 31.12.2010, Çalık Turizm Kültür İnşaat Sanayi ve Ticaret A.Ş., was not consolidated due to the fact that it was deemed to be immaterial individually and in aggregate to the results and financial position of Group. In the current year financial statements the Group consolidated Çalık Turizm Kültür İnşaat Sanayi ve Ticaret A.Ş. on the grounds that it became active and material individually and in aggregate to the results and financial position of Group. As the effect of not consolidating Çalık Turizm Kültür İnşaat Sanayi ve Ticaret A.Ş. in the comparative financial statements was not material, the Group did not restate prior year financial statements and presented the cumulative effect thousand of USD 35.108 on the opening general reserve on 01.01.2011 in the statement of equity. The balance sheet items of Çalık Turizm Kültür İnşaat Sanayi ve Ticaret A.Ş. as of 31.12.2010 are set out below for further

| | 31.12.2010 |
|-------------------------------------|-------------------|
| Other assets | 389 |
| Investments | 86.453 |
| Total assets | 86.842 |
| Bank borrowings | 36.834 |
| Other liabilities | 33.763 |
| Total liabilities | 70.597 |
| Paid in capital | 51.353 |
| Retained earnings | (35.108) |
| Total equity | 16.245 |
| Total liabilities and equity | 86.842 |

ÇALIK HOLDİNG A.Ş.

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6. SEGMENT REPORTING

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

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

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

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(a) Primary reporting format - business segment

As of the financial position dates, the segment assets and liabilities are as follows:

| Assets | 2011 | 2010 |
|-----------------------------------|------------------|------------------|
| Textile | 202.175 | 240.018 |
| Energy | 899.586 | 1.099.888 |
| Telecommunication | 430.292 | 472.036 |
| Construction | 825.267 | 612.597 |
| Banking | 3.223.234 | 2.467.274 |
| Media | 1.080.819 | 1.258.795 |
| Marketing and other | 1.899.829 | 1.375.510 |
| | 8.561.202 | 7.526.118 |
| Less : Inter-company eliminations | (2.156.636) | (1.711.559) |
| Total assets | 6.404.566 | 5.814.559 |
| Liabilities | | |
| Textile | 103.895 | 120.951 |
| Energy | 591.518 | 658.841 |
| Telecommunication | 194.131 | 214.905 |
| Construction | 574.105 | 470.441 |
| Banking | 2.944.495 | 2.253.681 |
| Media | 1.054.763 | 1.020.129 |
| Marketing and other | 1.144.685 | 785.279 |
| | 6.607.592 | 5.524.227 |
| Less : Inter-company eliminations | (1.147.877) | (823.330) |
| Total liabilities | 5.459.715 | 4.700.897 |

As of the financial position dates, segmental capital expenditure is as follows:

| | | |
|---------------------|----------------|---------------|
| Textile | 2.105 | 3.941 |
| Energy | 24.774 | 11.991 |
| Telecommunication | 29.653 | 21.547 |
| Construction | 14.610 | 14.115 |
| Banking | 11.928 | 8.411 |
| Media | 18.141 | 13.067 |
| Marketing and other | 37.527 | 18.439 |
| | 138.738 | 91.511 |

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| 2011 | Textile | Energy | Telecommunication | Construction | Banking | Media | Marketing and other | Inter-company eliminations | Total |
|--|---------------|-----------------|-------------------|---------------|----------------|------------------|---------------------|----------------------------|----------------|
| Revenue | 204,543 | 1,136,451 | 140,008 | 328,607 | 329,959 | 599,953 | 221,457 | (67,491) | 2,893,487 |
| Cost of sales | (152,942) | (988,014) | (68,095) | (240,066) | (126,362) | (481,541) | (163,491) | 42,289 | (2,178,222) |
| Gross profit | 51,601 | 148,437 | 71,913 | 88,541 | 203,597 | 118,412 | 57,966 | (25,202) | 715,265 |
| Operating expenses | (26,931) | (100,647) | (56,717) | (11,215) | (77,176) | (91,152) | (33,021) | 5,911 | (390,948) |
| Income from operations | 24,670 | 47,790 | 15,196 | 77,326 | 126,421 | 27,260 | 24,945 | (19,291) | 324,317 |
| Loss from investment in associate | (5,454) | -- | -- | -- | -- | -- | -- | -- | (5,454) |
| Other income (expense), net | (4,605) | 3,244 | 164 | 147 | (12,454) | (1,824) | 1,735 | 8,264 | (5,329) |
| Profit on sale of investment | -- | 5,975 | -- | -- | -- | -- | -- | -- | 5,975 |
| Fair value gain on financial assets | -- | -- | -- | -- | -- | -- | 251,457 | -- | 251,457 |
| Financing income (expense), net | (1,961) | (72,909) | (7,443) | (46,295) | (22,925) | (217,171) | (79,842) | 11,027 | (437,519) |
| Income (loss) before taxation | 12,650 | (15,900) | 7,917 | 31,178 | 91,042 | (191,735) | 198,295 | -- | 133,447 |
| Tax provision | (5,075) | (13,672) | (2,344) | (1,527) | (18,388) | (6,552) | (13,779) | -- | (61,337) |
| Profit (loss) for the period from continuing operations | 7,575 | (29,572) | 5,573 | 29,651 | 72,654 | (198,287) | 184,516 | -- | 72,110 |
| Discontinued operations | | | | | | | | | |
| Profit for the period from discontinued operations | -- | 217 | -- | -- | -- | -- | -- | -- | 217 |
| Net profit (loss) for the period | 7,575 | (29,355) | 5,573 | 29,651 | 72,654 | (198,287) | 184,516 | -- | 72,327 |
| Non-controlling interest | 56 | 115 | 4,191 | 573 | 337 | (81,502) | 550 | -- | (75,680) |
| Depreciation expense and amortisation charge | 10,357 | 13,788 | 22,903 | 4,977 | 7,156 | 21,386 | 8,656 | -- | 89,223 |

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

| 2010 | Textile | Energy | Telecommunication | Construction | Banking | Media | Marketing and other | Inter-company eliminations | Total |
|--|-----------------|---------------|-------------------|---------------|----------------|-----------------|---------------------|----------------------------|----------------|
| Revenue | 191.123 | 666.054 | 142.458 | 186.668 | 185.662 | 676.842 | 209.485 | (134.616) | 2.123.676 |
| Cost of sales | (156.743) | (606.616) | (64.391) | (150.038) | (74.017) | (520.893) | (172.389) | 104.799 | (1.640.288) |
| Gross profit | 34.380 | 59.438 | 78.067 | 36.630 | 111.645 | 155.949 | 37.096 | (29.817) | 483.388 |
| Operating expenses | (29.080) | (37.347) | (50.786) | (8.876) | (65.640) | (89.774) | (33.188) | 18.455 | (296.236) |
| Income from operations | 5.300 | 22.091 | 27.281 | 27.754 | 46.005 | 66.175 | 3.908 | (11.362) | 187.152 |
| Loss from investment in associate | (14.213) | -- | -- | -- | -- | -- | -- | -- | (14.213) |
| Other income (expense), net | (7.661) | (1.566) | (5.066) | (21.187) | (13.701) | (465) | 4.792 | 2.094 | (42.760) |
| Financing income (expense), net | (2.641) | 32.573 | (10.282) | (3.913) | (4.705) | (82.371) | (40.877) | 9.268 | (102.948) |
| Income (loss) before taxation | (19.215) | 53.098 | 11.933 | 2.654 | 27.599 | (16.661) | (32.177) | -- | 27.231 |
| Tax provision | (459) | (1.164) | (1.895) | 258 | (5.630) | 1.344 | 409 | -- | (7.137) |
| Profit (loss) for the period from continuing operations | (19.674) | 51.934 | 10.038 | 2.912 | 21.969 | (15.317) | (31.768) | -- | 20.094 |
| Discontinued operations | | | | | | | | | |
| Profit for the period from discontinued operations | -- | 840 | -- | -- | -- | -- | -- | -- | 840 |
| Net profit (loss) for the period | (19.674) | 52.774 | 10.038 | 2.912 | 21.969 | (15.317) | (31.768) | -- | 20.934 |
| Non-controlling interest | (40) | (1.020) | 5.659 | 177 | 251 | 23.047 | 539 | -- | 28.613 |
| Depreciation expense and amortisation charge | 12.373 | 3.561 | 19.470 | 4.220 | 5.969 | 21.066 | 9.784 | -- | 76.443 |

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(b) Secondary reporting format - geographical segments

The Group's seven business segments operate in three main geographical areas through they are managed on a worldwide basis.

Revenue is allocated based on the country in which the customer is located.

| | 2011 | 2010 |
|----------------------|------------------|------------------|
| Revenue | | |
| <i>Currency zone</i> | | |
| TL | 1.644.400 | 911.001 |
| USD | 376.431 | 590.802 |
| LEK | 279.334 | 249.857 |
| Other | 593.322 | 372.016 |
| | 2.893.487 | 2.123.676 |

Total assets are allocated based on where the assets are located.

| | | |
|----------------------|------------------|------------------|
| Total assets | | |
| <i>Currency zone</i> | | |
| TL | 3.636.732 | 3.242.077 |
| USD | 274.798 | 469.639 |
| LEK | 2.209.955 | 1.878.919 |
| Other | 283.081 | 223.924 |
| | 6.404.566 | 5.814.559 |

Capital expenditure is allocated based on where the assets are located.

| | | |
|----------------------------|----------------|---------------|
| Capital expenditure | | |
| <i>Currency zone</i> | | |
| TL | 86.412 | 65.103 |
| USD | 4 | 9 |
| LEK | 37.336 | 24.545 |
| Other | 14.986 | 1.854 |
| | 138.738 | 91.511 |

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7. CASH AND BALANCES WITH CENTRAL BANK

| | 2011 | 2010 |
|-----------------------------------|----------------|----------------|
| Cash in hand | 32.321 | 29.631 |
| Cash at banks | | |
| - Demand deposit | 56.011 | 28.896 |
| - Time deposit | 16.415 | 25.338 |
| - Blocked accounts | 19.585 | 14.973 |
| - Treasury bills | 185 | 11.647 |
| | 124.517 | 110.485 |
| Reserve deposits at central banks | | |
| Turkish Republic | 180.640 | 72.642 |
| Albania | 149.149 | 137.359 |
| | 329.789 | 210.001 |
| Other | 733 | 19.594 |
| | 455.039 | 340.080 |

As of 31 December 2011, interest rate for time deposit is 0,50% and 5,0% (31.12.2010: 0,2% and 5,7%) per year for foreign currency and between 3,75% and 11,0% (31.12.2010: 1,50% and 9,01%) per year for TL.

In accordance with the Bank of Albania's requirement relating to the deposit reserve, the Bank should maintain a minimum of 10% of customer deposits with the Bank of Albania as a statutory reserve account, which during the month can be decreased up to 60% of its level, provided that the monthly average is obtained.

8. PLACEMENTS AND BALANCES WITH BANKS

| | | |
|--|----------------|----------------|
| Placements | 112.480 | 227.867 |
| Cash collaterals held by correspondent banks | 1.991 | 1.012 |
| Current accounts | 10.594 | 3.110 |
| | 125.065 | 231.989 |

Placements are held with non-resident banks from Organisation for Economic Cooperation and Development ("OECD") countries and have contractual maturities up to 1 year. Current accounts represent balances with correspondent banks in the OECD countries.

Cash collateral represents mostly collateral held by financial institutions in relation with some margin trading accounts or by the correspondent banks against letters of credit issued to the Bank's clients and cash deposits, which secure risks that are related to the credit cards activity of the Bank.

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9. INVESTMENT SECURITIES

| | 2011 | 2010 |
|--|------------------|----------------|
| Current | | |
| Treasury bills held-to-maturity | 40.345 | 84.226 |
| Treasury bills available-for-sale | 169.380 | 94.658 |
| Investment securities available-for-sale | 392.325 | 352.217 |
| Investment securities held-to-maturity | 290.918 | 282.813 |
| Investment securities at fair value through profit or loss | 235.328 | -- |
| | 1.128.296 | 813.914 |

Treasury bills denominated in Lek earn interest at rates ranging from 6.78% p.a. to 8.74% p.a. (2010: from 6.70% p.a. to 9.93% p.a.) on a compound basis and are all denominated in Lek.

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

| Treasury bills held-to-maturity | | |
|--|---------------|---------------|
| 3 months | 572 | -- |
| 6 months | -- | 3.464 |
| 12 months | 39.773 | 80.762 |
| | 40.345 | 84.226 |

As of the balance sheet dates, treasury bills available-for-sale are presented as follows:

| Investment securities available-for-sale | | |
|---|----------------|---------------|
| 6 months | 112 | 119 |
| 12 months | 169.268 | 94.539 |
| | 169.380 | 94.658 |

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

| | | |
|-----------------------|----------------|----------------|
| TL denominated bonds | 259.862 | 250.503 |
| LEK denominated bonds | 64.601 | 15.778 |
| USD denominated bonds | 22.905 | 20.589 |
| EUR denominated bonds | 44.957 | 52.837 |
| GBP denominated bonds | -- | 12.510 |
| | 392.325 | 352.217 |

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

| | | |
|-----------------------|----------------|----------------|
| LEK denominated bonds | 201.558 | 212.813 |
| USD denominated bonds | 37.843 | 30.388 |
| EUR denominated bonds | 51.517 | 39.612 |
| | 290.918 | 282.813 |

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| Investment securities at fair value through profit or loss (FVTPL) | 2011 |
|---|----------------|
| Carrying amount at 01 January | -- |
| Reclassification | 13.012 |
| Change in fair value | 251.457 |
| Translation difference: | (29.141) |
| Carrying amount at 31 December | 235.328 |

Investment securities at FVTPL includes unlisted securities of which the fair value is determined in accordance with an independent valuer' s report. The valuation technique is based on Discounted Cash Flow Analysis (DCFA). All differences resulting from fair value gain or losses are recognised in profit or loss under "Fair value gain on financial assets at fair value through profit or loss" as a separate item in the statements of income.

10. DUE FROM SERVICES CONCESSION AGREEMENTS

| | 2011 | 2010 |
|---|----------------|----------------|
| Short-term due from services concession agreements | 30.203 | 32.742 |
| Overdue or invoiced services concession agreements | -- | -- |
| Total short-term due from services concession agreements | 30.203 | 32.742 |
| Total long-term due from services concession agreements | 88.343 | 110.928 |
| Total due from services concession agreements | 118.546 | 143.670 |
| Gross due from services concession agreements | 140.966 | 148.612 |
| Unearned financial income (-) | (22.420) | (4.942) |
| Due from services concession agreements, net | 118.546 | 143.670 |

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As of 31 December 2011, payment schedule for gross and net due from service agreements are shown below:

| Due from services concession agreements, gross | 2011 | 2010 |
|---|----------------|----------------|
| 2011 | -- | 33.524 |
| 2012 | 31.629 | 29.150 |
| 2013 | 26.780 | 23.958 |
| 2014 | 17.126 | 12.886 |
| 2015 and upcoming years | 65.431 | 49.094 |
| | 140.966 | 148.612 |

| Due from services concession agreements, net | | |
|---|----------------|----------------|
| 2011 | -- | 32.742 |
| 2012 | 30.203 | 27.852 |
| 2013 | 23.441 | 22.512 |
| 2014 | 14.130 | 12.308 |
| 2015 and upcoming years | 50.772 | 48.256 |
| | 118.546 | 143.670 |

The movement of due from service concession agreements is given below:

| 2010 | Opening | Additions | Amotisations | Impairment | Reclass | Other | Translation | Closing |
|--------------|----------------|------------------|---------------------|-------------------|----------------|--------------|--------------------|----------------|
| Short-term | 35.952 | -- | (8.678) | -- | 6.336 | -- | (868) | 32.742 |
| Long-term | 88.738 | 29.644 | -- | 1.940 | (6.336) | -- | (3.061) | 110.928 |
| Total | 124.690 | 29.644 | (8.678) | 1.940 | -- | -- | (3.929) | 143.670 |

| 2011 | Opening | Additions | Amotisations | Impairment | Reclass | Other | Translation | Closing |
|--------------|----------------|------------------|---------------------|-------------------|----------------|--------------|--------------------|----------------|
| Short-term | 32.742 | -- | -- | -- | 3.851 | -- | (6.390) | 30.203 |
| Long-term | 110.928 | 58.521 | (35.679) | (25.360) | (3.851) | 3.599 | (19.815) | 88.343 |
| Total | 143.670 | 58.521 | (35.679) | (25.360) | -- | 3.599 | (26.205) | 118.546 |

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11. CAPITAL EQUIVALENCY DEPOSIT

Capital equivalency deposit represent the amount of USD 11.759 (31.12.2010 :USD 12.348) transferred in favour of the Central Banking Authority of Kosovo, as a minimum required capital necessary to be blocked in order to obtain the license for Kosovo Branch opened in 2007.

12. CONSTRUCTION CONTRACTS WORK IN PROGRESS

| | Billed contract receivables | | Advances received from construction contracts | |
|------------------------|-----------------------------|---------------|---|---------------|
| | 2011 | 2010 | 2011 | 2010 |
| Deferred contract cost | 72.715 | 3.131 | -- | -- |
| Continuing projects | 52.099 | 65.649 | 29.978 | 28.266 |
| | 124.814 | 68.780 | 29.978 | 28.266 |

Deferred contract cost

For a number of months, Turkmenistan Government Organizations have been authorizing some of the completed parts of the various construction projects much later than the actual time of completion by the Turkmenistan Branch of the Group and therefore the Group has not been able to recognize revenue relating to these projects. The Group's management is confident that they will receive these outstanding receivables that are not yet authorized and therefore they have continued to work according to planned work schedule and as a result, the Group has incurred contract costs of USD 70.536 as of 31 December 2011 (31.12.2010: USD 856). The Group's management expects to have the remaining contract costs to be authorized by the Turkmenistan Government Organizations until 2012.

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| | Billed contract receivables | | Deferred Billings | |
|--|--------------------------------|---------------|----------------------|---------------|
| | 2011 | 2010 | 2011 | 2010 |
| Building for Ministry of Energy | 10.000 | 12.250 | -- | -- |
| Residential Building-2 for Municipality of Asghabat | -- | 540 | -- | -- |
| Residential Building-1 for Ministry of Cotton 1 and 2 | -- | 2.409 | -- | -- |
| The Children Park "World of Turkmen Tales" Project | 2.500 | 5.591 | -- | -- |
| Residential Building-1 for Ministry of Chemistry | -- | 2.951 | -- | -- |
| Yashlik Pulp and Paper Mill | 2.632 | 2.632 | -- | -- |
| Facility for Ministry of Defense | 3.250 | 1.250 | -- | -- |
| Building for Ministry of Healthcare and Medical Industry | -- | 857 | -- | -- |
| Alparslan Youth Theatre Project | -- | 850 | -- | -- |
| Tedjen Ammonium and Urea Plant | -- | 677 | -- | -- |
| Residential Building-4 for Ministry of Textile | -- | 664 | -- | -- |
| Residential Building-2 for Ministry of Economy | -- | -- | -- | 96 |
| Turkmenistan Arcabil Presidential Resident Lanscape Maintanance Works. | -- | 489 | -- | -- |
| Upgrading of Wharf Fabyard | -- | 61 | -- | -- |
| Presidential Old Palace Renovation Project | -- | 328 | -- | -- |
| Residential Building-1 for Ministry of Tourism and Sport | -- | 1.179 | -- | -- |
| Onshore Gas Terminal | 23.303 | 16.247 | -- | -- |
| Facility for Ministry of Defense 2 | -- | 2.125 | -- | -- |
| Residential Building-1 for Ministry of Healthcare and Medical Industry | -- | -- | -- | 782 |
| Residential Building-1 for Foreign Economic Bank | -- | -- | -- | 301 |
| Additional Tankages at OGT | -- | 1.035 | -- | -- |
| Asghabat Library Project | -- | 3.750 | -- | -- |
| Bayramali Transformer Substation | -- | 1.473 | -- | -- |
| Olympic Swimming Pool | -- | 1.250 | -- | -- |
| Kelete Cement Factory | 1.000 | 1.000 | -- | -- |
| Coton Gin Factory | -- | 108 | -- | -- |
| Asghabat Trade Centre | -- | 589 | -- | -- |
| Eye Diseases Hospital | 2.800 | -- | -- | 1.935 |
| Baghdad Airport Road Project | -- | -- | 28.938 | -- |
| Dental Hospital Project | 2.026 | -- | -- | -- |
| Navoi TTP | 4.314 | 3.344 | 1.040 | 22.918 |
| Other | 274 | 2.000 | -- | 2.234 |
| Deferred contract cost | 72.715 | 3.131 | -- | -- |
| Total | 124.814 | 68.780 | 29.978 | 28.266 |

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13. TRADE RECEIVABLES

| | 2011 | 2010 |
|--|----------------|----------------|
| Current | | |
| Current accounts | | |
| - Third parties | 853.831 | 789.446 |
| - Related parties, note 36 | 7.049 | 2.693 |
| Notes receivable | | |
| - Third parties | 11.140 | 10.375 |
| - Related parties, note 36 | 255 | 2.888 |
| Others | 6.708 | 14.288 |
| | 878.983 | 819.690 |
| Unearned interest on receivables (-) | (4.932) | (2.524) |
| Allowance for doubtful receivables (-) | (52.811) | (56.508) |
| | 821.240 | 760.658 |

14. LOANS AND ADVANCES TO CUSTOMERS

| | | |
|--|------------------|----------------|
| Loans and advances to customers, gross | 1.338.136 | 898.197 |
| Allowance for impairment on loans and advances (-) | (19.890) | (15.289) |
| Unearned interest on lease receivables (-) | (4) | (76) |
| | 1.318.242 | 882.832 |
| Current | 1.302.852 | 811.559 |
| Non-current | 15.390 | 71.273 |
| | 1.318.242 | 882.832 |

As of the financial position dates the breakdown of the loan portfolio is as follows:

The loans bear interest at the following rates:

| | | |
|--------------|-----------------|-----------------|
| Loans in USD | 1,73% to 13,00% | 3,84% to 13,00% |
| Loans in EUR | 0,50% to 22,00% | 1,64% to 22,00% |
| Loans in LEK | 0,50% to 21,79% | 2,00% to 22,00% |
| Loans in CHF | 5,72% | 4,64% to 5,84% |

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15. INVENTORIES

| | 2011 | 2010 |
|---------------------------------------|----------------|----------------|
| Raw materials | 58.930 | 69.372 |
| Work in process | 163.588 | 113.124 |
| Finished goods | 15.523 | 19.351 |
| Merchandise | 39.279 | 22.582 |
| Other inventories | 10.826 | 10.744 |
| | 288.146 | 235.173 |
| Allowance for diminution in value (-) | (4.843) | (4.101) |
| | 283.303 | 231.072 |

16. OTHER ASSETS

| | | |
|-----------------------------------|----------------|----------------|
| Current | | |
| Prepaid expenses | 16.640 | 8.034 |
| Due from related parties, note 36 | 13.222 | 56.335 |
| VAT receivable | 50.132 | 52.778 |
| Prepaid taxes | 6.054 | 5.516 |
| Advances received | 122.443 | 60.644 |
| Receivables from tax office | 3.878 | 5.655 |
| Sundry receivables | 60.785 | 91.132 |
| Other | 26.754 | 73.010 |
| | 299.908 | 353.104 |

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17. EQUITY INVESTMENTS

| Entity | Country | Share % | | Amount | |
|--|--------------|---------|-------|---------------|----------------|
| | | 2011 | 2010 | 2011 | 2010 |
| Unconsolidated subsidiaries | | | | | |
| Çalık İnşaat A.Ş. | Turkey | 99% | 99% | 169 | 206 |
| Kentsel Dönüşüm A.Ş. | Turkey | 99% | 99% | 24 | 30 |
| E-TİK Elektronik Transfer Kuponları Ltd.Şti. | Turkey | 100% | 100% | 25 | 31 |
| Other | | | | 89 | 77.100 |
| | | | | 307 | 77.367 |
| Equity investments | | | | | |
| Dubai International Development | Dubai | 49% | 49% | 30 | 37 |
| Spectrum Çalık Investment | Dubai | 49% | 49% | 16 | 19 |
| A/O Gap Turkmen | Turkmenistan | 40% | 40% | 4.767 | 11.648 |
| Balkandokma YGPJ | Turkmenistan | 31% | 31% | 11.481 | 10.475 |
| | | | | 16.294 | 22.179 |
| Other investments | | | | | |
| Bursagaz Bursa Şhiriçi Doğal Gaz Dağıtım A.Ş. | Turkey | 10% | 10% | 16.106 | 19.678 |
| Kayserigaz Kayseri Doğalgaz Dağıtım Pazarlama A.Ş. | Turkey | 10% | 10% | 3.357 | 4.101 |
| Serdar Pamyk Egrigi Fabriği ÇJB | Turkmenistan | 10% | 10% | 2.379 | 2.907 |
| Ataks Mağazacılık A.Ş. | Turkey | 2% | 2% | 28 | 34 |
| Ataks Tekstil Dış Ticaret A.Ş. | Turkey | 3% | 3% | 108 | 132 |
| Tunçpınar Madencilik A. Ş. | Turkey | 49,8% | 49,8% | 3.780 | -- |
| Kartaltepe Madencilik A. Ş. | Turkey | 49,8% | 49,8% | 2.227 | -- |
| Other | | | | 117 | -- |
| | | | | 28.102 | 26.852 |
| | | | | 44.703 | 126.398 |

As from 01.01.2009 A/O Gap Turkmen , Türkmenbaşı Tekstil Kompleksi, Serdar Pamyk Egrigi Fabriği ÇJB, Balkandokma YGPJ were not consolidated in the accompanying consolidated financial statements. The Group ceases to have the power to govern but continues to have significant influence. Hence, the Group has applied to equity accounting method for these associates as from 01.01.2009.

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

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(b) Secondary reporting format - geographical segments

The Group's seven business segments operate in three main geographical areas through they are managed on a worldwide basis.

Revenue is allocated based on the country in which the customer is located.

| | 2011 | 2010 |
|----------------------|------------------|------------------|
| Revenue | | |
| <i>Currency zone</i> | | |
| TL | 1.644.400 | 911.001 |
| USD | 376.431 | 590.802 |
| LEK | 279.334 | 249.857 |
| Other | 593.322 | 372.016 |
| | 2.893.487 | 2.123.676 |

Total assets are allocated based on where the assets are located.

| | | |
|----------------------|------------------|------------------|
| Total assets | | |
| <i>Currency zone</i> | | |
| TL | 3.636.732 | 3.242.077 |
| USD | 274.798 | 469.639 |
| LEK | 2.209.955 | 1.878.919 |
| Other | 283.081 | 223.924 |
| | 6.404.566 | 5.814.559 |

Capital expenditure is allocated based on where the assets are located.

| | | |
|----------------------------|----------------|---------------|
| Capital expenditure | | |
| <i>Currency zone</i> | | |
| TL | 86.412 | 65.103 |
| USD | 4 | 9 |
| LEK | 37.336 | 24.545 |
| Other | 14.986 | 1.854 |
| | 138.738 | 91.511 |

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18. PROPERTY, PLANT AND EQUIPMENT

| | 2010 | Additions | Disposals | Translation differences | Consolidated subsidiary | Unconsolidated subsidiary | Transfers | 2011 |
|---------------------------------|----------------|----------------|----------------|-------------------------|-------------------------|---------------------------|-----------------|----------------|
| Cost | | | | | | | | |
| Land | 34.625 | 2.117 | -- | (6.330) | -- | (275) | -- | 30.137 |
| Land improvements | 3.831 | 9 | -- | (671) | -- | (349) | -- | 2.820 |
| Buildings | 144.845 | 9.380 | -- | (14.340) | -- | (843) | 1.268 | 140.310 |
| Leasehold improvements | 21.809 | 1.994 | (206) | (4.538) | -- | (4) | 3.287 | 22.342 |
| Plant and machinery | 550.733 | 13.917 | (2.510) | (71.392) | -- | (5.958) | 36.296 | 521.086 |
| Motor vehicles | 43.623 | 3.463 | (1.286) | (4.607) | -- | (831) | 326 | 40.688 |
| Furniture and fixtures | 74.819 | 13.835 | (1.959) | (10.832) | -- | (1.956) | 2.148 | 76.055 |
| Construction in progress | 107.491 | 68.815 | -- | (14.051) | -- | (175) | (72.223) | 89.857 |
| | 981.776 | 113.530 | (5.961) | (126.761) | -- | (10.391) | (28.898) | 923.295 |
| Accumulated depreciation | | | | | | | | |
| Land improvements | 821 | 74 | -- | (155) | -- | (118) | -- | 622 |
| Buildings | 25.775 | 6.867 | -- | (3.614) | -- | (200) | -- | 28.828 |
| Leasehold improvements | 10.570 | 4.196 | (140) | (2.388) | -- | (4) | -- | 12.234 |
| Plant and machinery | 216.517 | 47.034 | (398) | (36.717) | -- | (3.001) | -- | 223.435 |
| Motor vehicles | 20.523 | 4.304 | (1.061) | (1.349) | -- | (694) | -- | 21.723 |
| Furniture and fixtures | 41.132 | 10.705 | (1.327) | (6.289) | -- | (1.102) | -- | 43.119 |
| | 315.338 | 73.180 | (2.926) | (50.512) | -- | (5.119) | -- | 329.961 |
| Net book value | 666.438 | | | | | | | 593.334 |

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| | 2009 | Additions | Disposals | Translation differences | Consolidated subsidiaries | Unconsolidated subsidiaries | Transfers | 2010 |
|---------------------------------|----------------|---------------|-----------------|-------------------------|---------------------------|-----------------------------|-----------|----------------|
| Cost | | | | | | | | |
| Land | 35.406 | 116 | -- | (897) | -- | -- | -- | 34.625 |
| Land improvements | 3.539 | 161 | -- | (103) | -- | -- | 234 | 3.831 |
| Buildings | 142.781 | 1.640 | (14) | (8.422) | -- | -- | 8.860 | 144.845 |
| Leasehold improvements | 21.541 | 778 | (15) | (587) | -- | -- | 92 | 21.809 |
| Plant and machinery | 565.007 | 9.565 | (25.103) | (24.513) | -- | -- | 25.777 | 550.733 |
| Motor vehicles | 23.716 | 1.451 | (1.576) | (296) | 20.328 | -- | -- | 43.623 |
| Furniture and fixtures | 69.754 | 7.864 | (3.418) | (3.122) | 47 | -- | 3.694 | 74.819 |
| Construction in progress | 104.489 | 46.932 | -- | (5.273) | -- | -- | (38.657) | 107.491 |
| | 966.233 | 68.507 | (30.126) | (43.213) | 20.375 | -- | -- | 981.776 |
| Accumulated depreciation | | | | | | | | |
| Land improvements | 762 | 81 | -- | (22) | -- | -- | -- | 821 |
| Buildings | 21.004 | 6.000 | (14) | (1.215) | -- | -- | -- | 25.775 |
| Leasehold improvements | 6.795 | 4.075 | (3) | (297) | -- | -- | -- | 10.570 |
| Plant and machinery | 201.064 | 45.382 | (22.999) | (6.930) | -- | -- | -- | 216.517 |
| Motor vehicles | 17.772 | 4.320 | (1.391) | (347) | 169 | -- | -- | 20.523 |
| Furniture and fixtures | 36.639 | 9.398 | (3.143) | (1.776) | 14 | -- | -- | 41.132 |
| | 284.036 | 69.256 | (27.550) | (10.587) | 183 | -- | -- | 315.338 |
| Net book value | 682.197 | | | | | | | 666.438 |

Leased assets included in the table above comprise plant and machinery amounting to USD 27.869 (31.12.2010: USD 29.526) net of accumulated depreciation.

The Group's buildings have been mortgaged to the extent of USD 110.000 (31.12.2010: USD 110.000) collateral against bank loans.

Property, plant and equipment of Media Group, have been mortgaged to the extent of USD 975.000 against bank loans.

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19. INTANGIBLE ASSETS

| | 2010 | Additions | Disposals | Translation differences | Unconsolidated subsidiary | Transfers | 2011 |
|----------------------------------|------------------|---------------|----------------|-------------------------|---------------------------|--------------|----------------|
| Cost | | | | | | | |
| Rights and software licenses | 48.619 | 4.721 | (8.862) | (351) | (68) | 1.729 | 45.788 |
| Electricity distribution rights | 258.435 | -- | -- | (46.915) | -- | -- | 211.520 |
| Brand names for media group | 613.810 | -- | -- | (106.390) | -- | -- | 507.420 |
| Goodwill | | | | | | | |
| - <i>Media group</i> | 108.454 | -- | -- | (19.688) | -- | -- | 88.766 |
| - <i>Telecommunication group</i> | 37.792 | -- | -- | (6.861) | -- | -- | 30.931 |
| - <i>Banking group</i> | 20.129 | -- | -- | (3.654) | -- | -- | 16.475 |
| Other intangible assets | 14.867 | 11.852 | (314) | (3.599) | -- | 2.222 | 25.028 |
| | 1.102.106 | 16.573 | (9.176) | (187.458) | (68) | 3.951 | 925.928 |
| Accumulated amortization | | | | | | | |
| Rights and software licenses | 16.205 | 5.988 | (1.041) | (3.406) | (48) | -- | 17.698 |
| Electricity distribution rights | 10.292 | 7.387 | -- | (2.724) | -- | -- | 14.955 |
| Other intangible assets | 7.263 | 1.791 | -- | (1.124) | -- | -- | 7.930 |
| | 33.760 | 15.166 | (1.041) | (7.254) | (48) | -- | 40.583 |
| Net book value | 1.068.346 | | | | | | 885.345 |

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| | 2009 | Additions | Disposals | Translation differences | Acquisition of a subsidiary | Consolidated subsidiaries | Transfers | 2010 |
|---------------------------------|----------------|---------------|----------------|-------------------------|-----------------------------|---------------------------|-----------|------------------|
| Cost | | | | | | | | |
| Rights and software licenses | 44.574 | 5.824 | (244) | (1.501) | -- | -- | (34) | 48.619 |
| Electricity distribution rights | -- | -- | -- | -- | -- | 258.435 | -- | 258.435 |
| Brand names for media group | 632.237 | -- | -- | (18.427) | -- | -- | -- | 613.810 |
| Goodwill | | | | | | | | |
| <i>Media group</i> | 111.357 | -- | -- | (2.903) | -- | -- | -- | 108.454 |
| <i>Telecommunication group</i> | 38.804 | -- | -- | (1.012) | -- | -- | -- | 37.792 |
| <i>Banking group</i> | 20.668 | -- | -- | (539) | -- | -- | -- | 20.129 |
| Other intangible assets | 12.892 | 4.292 | (1.743) | (608) | -- | -- | 34 | 14.867 |
| | 860.532 | 10.116 | (1.987) | (24.990) | -- | 258.435 | -- | 1.102.106 |
| Accumulated amortization | | | | | | | | |
| Rights and software licenses | 11.687 | 5.044 | (49) | (477) | -- | -- | -- | 16.205 |
| Electricity distribution rights | -- | -- | -- | -- | -- | 10.292 | -- | 10.292 |
| Other intangible assets | 6.296 | 1.308 | (2) | (339) | -- | -- | -- | 7.263 |
| | 17.983 | 6.352 | (51) | (816) | -- | 10.292 | -- | 33.760 |
| Net book value | 842.549 | | | | | | | 1.068.346 |

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20. INVESTMENT PROPERTY

| | 2010 | Additions | Revaluation | Disposals | Translation differences | Transfers | 2011 |
|--------------------------|---------------|--------------|----------------|-----------------|-------------------------|---------------|----------------|
| Cost | 66.999 | 8.635 | 120.309 | (20.258) | (13.707) | 24.947 | 186.925 |
| Accumulated depreciation | (2.703) | (877) | -- | 790 | 501 | -- | (2.289) |
| Net book value | 64.296 | 7.758 | 120.309 | (19.468) | (13.206) | 24.947 | 184.636 |

| | 2009 | Additions | Revaluation | Disposals | Translation differences | Transfers | 2010 |
|--------------------------|----------------|---------------|-------------|-----------------|-------------------------|-----------|---------------|
| Cost | 114.764 | 12.888 | -- | (59.021) | (1.632) | -- | 66.999 |
| Accumulated depreciation | (1.945) | (834) | -- | -- | 76 | -- | (2.703) |
| Net book value | 112.819 | 12.054 | -- | (59.021) | (1.556) | -- | 64.296 |

The value of the Group's buildings and lands with future economic benefits has been brought to its fair value on basis of the reports dated on 09.01.2012, 26.12.2011 and 30.12.2011 of Reel Gayrimenkul Değerleme A.Ş., an independent firm of valuers. These three reports have resulted in valuation surplus (positive difference) of USD 53.412.

The group has revalued another land by depending on an agreement signed on 13.12.2011 which ascertained the future economic benefits of the land of USD 66.897.

The difference between net book value of the assets and revalued amounts (USD 53.412, USD 66.897 of USD120.309) less deferred tax effect which amounted to USD 24.062 was credited to Revaluation Reserve which is a part of equity.

21. BORROWINGS

| | 2011 | 2010 |
|--------------------------------|------------------|------------------|
| Current | | |
| Turkish lira loans | 500.760 | 350.256 |
| Foreign currency bank loans | 610.661 | 378.603 |
| Finance lease liabilities, net | 4.998 | 4.722 |
| Other | 1.624 | 2.516 |
| | 1.118.043 | 736.097 |
| Non-current | | |
| Turkish lira loans | 59.874 | 5.199 |
| Foreign currency bank loans | 676.009 | 985.151 |
| Finance lease liabilities, net | 14.746 | 16.493 |
| Other | -- | -- |
| | 750.629 | 1.006.843 |

The maturity schedule of total borrowings is as follows:

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| | | |
|---------------------------------|------------------|------------------|
| Due in one year | 1.118.043 | 736.097 |
| Due between one to two years | 228.900 | 383.920 |
| Due between two to three years | 184.036 | 178.343 |
| Due between three to four years | 117.186 | 152.395 |
| Over four years | 220.507 | 292.185 |
| | 1.868.672 | 1.742.940 |

Bank loans bear interest at the following rates per year:

| | | |
|--------------|----------------|---------------|
| Loans in TL | 9,90% - 11,76% | 8,5% - 15,93% |
| Loans in USD | 2,74% - 8,50% | 2,45% - 8,5% |
| Loans in EUR | 3,02% - 8,50% | 2,92% - 5,37% |

The Group's buildings have been mortgaged to the extent of USD 110.000 (31.12.2010: USD 110.000) collateral against bank loans.

Property, plant and equipment of Media Group, have been mortgaged to the extent of USD 975.000 against bank loans.

Albtelecom Sh.a (a subsidiary) borrowed a loan from European Bank for Reconstruction and Development amounting EUR 67,5 million with a maturity of 05.11.2015. Interest charge on the loan will vary between 2,99% to 4,40% plus Euro zone Interbank rate per year. Additionally the Group obtained a loan from Black Sea Trade and Development Bank (BSTDB) amounting to EUR 22,5 million with a maturity of 05.11.2015. Interest charge on the loan will vary between 3,31% to 4,40% plus Euro zone Interbank rate per year.

Gap İnşaat Dubai FZE borrowed USD 200.000 in 5 March 2007. The loan bears interest at a rate of 8,5% per annum. The interest is payable semi-annually in arrears on the interest payment dates falling on 5 March and 5 September of each year, commencing on 5 September 2007. Çalık Holding A.Ş., GAP İnşaat Yatırım ve Dış Ticaret A.Ş., and Çalık Enerji Sanayi ve Ticaret A.Ş. each being a joint stock company organized under the laws of the Republic of Turkey, agree to unconditionally and irrevocably guarantee the loan.

The Group's subsidiary Turkuvaz borrowed a loan from Türkiye Vakıflar Bankası T.A.O. amounting to USD 375 million with a maturity of 22.04.2018 and interest rate is libor+4,84% per year.

The Group's subsidiary Turkuvaz borrowed a loan from Türkiye Halk Bankası A.Ş. amounting to USD 375 million with a maturity of 22.04.2018 and interest rate is libor+4,84% per year.

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22. CUSTOMER DEPOSITS

| | 2011 | 2010 |
|-------------------------------|------------------|------------------|
| Current customer deposits | 1.481.994 | 1.223.360 |
| Non-current customer deposits | 98.383 | 78.503 |
| | 1.580.377 | 1.301.863 |

The breakdown of customer deposits is as follows:

| | | |
|--------------------------------|------------------|------------------|
| Current accounts | | |
| Individuals | 71.261 | 64.418 |
| Private enterprises | 101.960 | 94.958 |
| State owned entities | 22.183 | 26.906 |
| | 195.404 | 186.282 |
| Deposits | | |
| Individuals | 1.242.297 | 1.028.570 |
| Private enterprises | 93.250 | 43.498 |
| State owned entities | 31.122 | 27.714 |
| | 1.366.669 | 1.099.782 |
| Other customer accounts | | |
| Individuals | 1.708 | 5.461 |
| Private enterprises | 15.720 | 9.308 |
| State owned entities | 876 | 1.030 |
| | 18.304 | 15.799 |
| | 1.580.377 | 1.301.863 |

The maturity breakdown of customer deposits is as follows:

| | | |
|--------------------------------|------------------|------------------|
| Current accounts | 195.404 | 186.282 |
| Deposits | | |
| On demand | 27.459 | 16.901 |
| One month | 80.044 | 76.931 |
| Three months | 139.089 | 141.284 |
| Six months | 208.499 | 183.514 |
| Twelve months | 789.715 | 581.959 |
| Two years and over | 98.383 | 78.503 |
| Accrued interest on deposits | 23.480 | 20.690 |
| Total deposits | 1.366.669 | 1.099.782 |
| Other customer accounts | 18.304 | 15.799 |
| Total customer deposits | 1.580.377 | 1.301.863 |

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23. DUE TO BANKS

| | 2011 | 2010 |
|--|----------------|----------------|
| Treasury bills sold under Repo agreements with Central Bank of Albania | 88.211 | 21.292 |
| Deposits received from residents | 201.927 | 22.982 |
| Current accounts of non resident banks | 198.094 | 189.474 |
| Current accounts of resident banks | 30.198 | 31.448 |
| Borrowings from financial institutions | 26.109 | 18.757 |
| | 544.539 | 283.953 |

24. TRADE PAYABLES

Current

| | | |
|-----------------------------------|----------------|----------------|
| Current accounts | | |
| - Third parties | 827.721 | 838.568 |
| - Due to related parties, note 36 | 1.732 | 2.824 |
| Notes payable | 10.893 | 12.978 |
| Other | 839 | 982 |
| | 841.185 | 855.352 |
| Unearned interest on payables (-) | (1.539) | (658) |
| | 839.646 | 854.694 |

Non-current accounts

| | | |
|-----------------|--------------|--------------|
| - Third parties | 1.011 | 1.244 |
|-----------------|--------------|--------------|

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25. PROVISIONS

| | 2011 | 2010 |
|---|---------------|---------------|
| Current | | |
| Provision for deposit for insurance premiums | 951 | 789 |
| Provision for holiday salaries and year end bonus | 7.700 | 8.452 |
| Provision for promotion | 3.663 | 3.030 |
| Provision for legal cases | 5.533 | 6.324 |
| Provision for expenses | 8.144 | 1.962 |
| | 25.991 | 20.557 |
| Non-current | | |
| General provisions | 15.882 | -- |
| Provision for expenses | 6.730 | 9.252 |
| | 22.612 | 9.252 |

The movement table of provisions is as follows:

| | | |
|---|---------------|---------------|
| Opening balance as of 01.01, net | 29.809 | 16.958 |
| Additions - provision for deposit for insurance premiums | 183 | 343 |
| Additions - provision for holiday salaries and year end bonus | 149 | 3.005 |
| Additions - provision for promotion | 4.247 | 3.122 |
| Additions - provision for expenses | 10.473 | 9.252 |
| Additions - legal cases | (895) | 2.828 |
| Additions - general provisions | 15.882 | -- |
| Disposals - legal cases | -- | (143) |
| Disposals - provision for holiday salaries and year end bonus | (901) | -- |
| Disposals - provision for expenses | (3.077) | (2.472) |
| Disposal - provision for promotion | (3.122) | (2.512) |
| Translation differences | (4.145) | (572) |
| Ending balance as of 31.12, net | 48.603 | 29.809 |

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26. OTHER LIABILITIES

| | 2011 | 2010 |
|---|----------------|----------------|
| Current | | |
| Income tax and social security premiums payable | 30.303 | 35.786 |
| Due to related parties, note 36 | 50.731 | 306 |
| Advances received | 18.399 | 13.172 |
| Due to personnel | 2.175 | 7.364 |
| Payable to Privatization Administration of Turkey | 92.291 | 95.669 |
| Other | 19.637 | 31.737 |
| | 213.536 | 184.034 |
| Non - current | | |
| Deposits received | 27.452 | 27.888 |
| Payable to Privatization Administration of Turkey | 84.353 | 169.231 |
| Türkiye Elektrik Dağıtım A.Ş. | 30.269 | 23.456 |
| Deferred income | 148.359 | 23.947 |
| Other | 521 | -- |
| | 290.954 | 244.522 |

27. TAXATION ON INCOME

The corporation tax rate in Turkey on the profits for the calendar year 2011 is 20% (2010: 20%). Taxable profits are calculated by modifying accounting income for certain exclusions and allowances for tax purposes from the profit disclosed in the statutory income. No other taxes are paid unless profits are distributed.

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

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

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

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

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

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

The corporation tax rate in Albania on the profits for the calendar year 2011 is 10% (2010: 10%). Taxable profits are calculated by modifying accounting income for certain exclusions and allowances for tax purposes from the profit disclosed in the statutory income. Dividends are subject to 10% withholding tax.

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

The subsidiaries in Sudan, Ukraine, Saudi Arabia and the USA have not produced taxable income in 2011 and in 2010.

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

Provision for taxes per income statement:

| | 2011 | 2010 |
|--|-----------------|----------------|
| Deferred tax income (charge) | (20.024) | 4.327 |
| Corporation and income taxes - current | (41.305) | (11.425) |
| Discontinued operations, note 37 | (8) | (39) |
| Income tax charge | (61.337) | (7.137) |

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

| | | |
|------------------------------|--------------|--------------|
| Corporation and income taxes | 35.064 | 6.473 |
| Prepaid taxes (-) | (27.994) | (4.898) |
| | 7.070 | 1.575 |

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Deferred taxation

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

The composition of cumulative temporary differences and the related deferred tax assets/liabilities in respect of items for which deferred tax has been provided at 31 December 2011 and 2010 were as follows:

| | Cumulative temporary difference | | Deferred tax | |
|---|---------------------------------|---------|-----------------|---------------|
| | 2011 | 2010 | 2011 | 2010 |
| Deferred tax asset | | | | |
| Employee termination benefits | 21.778 | 25.816 | 4.356 | 5.163 |
| Unearned interest on receivables | 4.843 | 4.988 | 962 | 996 |
| Provision for doubtful receivables | 17.210 | 23.065 | 1.859 | 2.677 |
| Taxable losses carried forward | 214.327 | 313.392 | 42.865 | 62.678 |
| Due from services concession agreements | 52.726 | 15.967 | 10.545 | 3.193 |
| Other | 27.928 | 13.548 | 5.711 | 2.705 |
| | | | 66.298 | 77.412 |
| Deferred tax liability | | | | |
| Temporary differences arising | | | | |
| from restating non-monetary assets | 198.356 | 205.718 | 32.173 | 33.265 |
| Unearned interest on payables | 1.533 | 938 | 307 | 188 |
| Income accruals | 36.417 | 16.216 | 7.283 | 3.243 |
| Fair value gain on financial assets | 55.579 | -- | 11.116 | -- |
| Revaluation of investment properties | 120.309 | -- | 24.062 | -- |
| Other | 8.164 | 4.912 | 3.630 | 2.435 |
| | | | 78.571 | 39.131 |
| Deferred tax asset, net | | | (12.273) | 38.281 |

Deferred tax has been provided using the expected future tax rates at 20% (31.12.2010: 20%) except 10% tax rate is used for Altelecom as explained above (31.12.2010: %10).

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The movement of deferred tax account is as follows:

| | 2011 | 2010 |
|---|-----------------|---------------|
| Opening balance as of 01.01 | 38.281 | 26.092 |
| Consolidated entities and translation difference | (805) | 275 |
| Deferred tax effect of discontinued operations, net | (1.043) | -- |
| Discontinued operations, note 37 | 8 | 39 |
| Acquisition of a subsidiary | -- | 8.395 |
| Deferred tax effect of revaluation of investment properties | (24.062) | -- |
| Deferred tax charge | (20.024) | 4.327 |
| Translation difference | (4.628) | (847) |
| Ending balance as of 31.12 | (12.273) | 38.281 |

28. EMPLOYEE TERMINATION BENEFITS

In accordance with existing social legislation in Turkey, the Company is required to make lump-sum termination indemnities to each employee who has completed one year of service with the Company, and whose employment is terminated due to retirement or for reasons other than resignation or misconduct. Such payments are calculated on the basis of 30 days' pay limited to a maximum of TL 2.731,85 (2010: TL 2.517,01) per year of employment at the rate of pay applicable at the date of retirement.

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

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

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

The Company's subsidiaries Albtelecom, CT Telecom, Çalık Energy Albania and Eagle Mobile in Albania make no provision and have no obligation for employee pensions over and above the contributions paid into the State-run pension scheme.

The Company's subsidiary BKT in Albania created a specific fund in 2002, which will be paid to staff on their retirement. As of 31.12.2011, the amount was USD 1.278 (31.12.2010: USD 1.567). The investment in this fund has been stopped by the Bank on 30 September 2010.

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

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29. SHARE CAPITAL

As of the financial position dates, the issued and paid up share capital of the Company is USD 130.509 (2010: USD 159.456) and comprised 240.852.000 shares of par value USD 0,54186 each.

As of the financial position dates, the shareholders of the Company and their percentage shareholdings were as follows:

| Shareholders | Percentage (%) | Amount |
|---------------------------------------|----------------|----------------|
| Ahmet Çalık | 99,99 | 127.510 |
| Others | 0,01 | 1 |
| | | 127.511 |
| Inflation adjustment of share capital | | 2.998 |
| | | 130.509 |

30. COMMITMENTS AND CONTINGENCIES

a) At 31.12.2011, the Group other than the banking sector had contingent liabilities of USD 589.303 (31.12.2010: USD 454.588) in respect of letters of guarantee obtained from local banks and submitted to various customs, state authorities for import and financial institutions.

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

c) As of 31.12.2011, the Group had received letters of guarantee from suppliers amounting to USD 89.650 (31.12.2010: USD 37.861).

d) As of 31 December 2011, 128 lawsuits opened and pending by Albtelecom amounted LEK 267.854, including the receivables from General Directory of Taxes amounted LEK 47.598. The remaining balance of these lawsuits is related to agreement obligations not fulfilled by the operators and the private and state-owned companies, which has damaged the infrastructure of the Albtelecom.

e) As of 31 December 2011, other 55 court cases opened and pending against Albtelecom amounted LEK 7.708 and LEK 4.306, respectively, related to the employees whose agreements were cancelled and in the course of conducting its business with other companies on commercial terms.

f) The Group mortgaged its land and pledged its operating rights and guarantee for the loan (note 18) obtained from Türkiye Halk Bankası A.Ş. and Türkiye Vakıflar Bankası T.A.O. amounting to USD 975.000 and USD 1.629.566, respectively.

g) The Group's subsidiary Gap İnşaat mortgaged its land and buildings to the extent of USD 110.000 (31.12.2010: USD 110.000) as collateral against bank loans.

h) The Group's subsidiary Gap Güneydoğu mortgaged its land and buildings to the extent of USD 5.821 as collateral against bank loans.

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i) Courts cases opened by Albtelecom and pending as of 31.12.2011 related to the results from fixing the price of agreements with the rural operator, H-Communications Sh.P.K. amounted USD 2.200.000.

j) As of 05.06.2008, 76% (11.400.000 shares out of 15.000.000) of the Albtelecom Sh.a's shares owned Cetel Telekom İletişim Sanayi ve Ticaret A.Ş. (59.200.000 shares) was secured by European Bank For Reconstruction and Development ("EBRD") and Black Sea Trade and Development Bank ("BSTDB") under shares agreement.

k) As of 31.12.2011, lawsuits opened by the Group amounting to USD 40.910 (31.12.2010: USD 30.813)

l) Commitments, contingencies and off financial position items of BKT:

| | 2011 | 2010 |
|--|-------------|-------------|
| Guarantees | | |
| Guarantees in favour of customers | 58.925 | 21.084 |
| Guarantees received from credit institutions | 1.834 | 2.198 |
| Letters of credit issued to customers | 3.537 | 6.992 |

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

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

Other

| | | |
|--|-----------|-----------|
| Undrawn credit commitments (credit cards and overdrafts) | 39.461 | 30.705 |
| Outstanding cheques of non-resident banks | 727 | 394 |
| Spot foreign currency contract | 47.616 | 11.428 |
| Collaterals for loan portfolio | 2.029.294 | 1.534.414 |

Legal

In the normal course of business the Bank is presented with legal claims and litigation; the Bank's management is of the opinion that no material losses will be incurred in relation to legal claims outstanding as at 31 December 2011.

Lease commitments

Such commitments for the years ended 31 December 2011 and 2010 are composed as follows:

| | | |
|--|---------------|---------------|
| Not later than 1 year | 2.124 | 1.853 |
| Later than 1 year and not later than 5 years | 7.831 | 6.647 |
| Later than 5 years | 3.581 | 3.485 |
| | 13.536 | 11.985 |

The Bank has entered into lease commitments for all the branches and agencies opened during the years 2003-2011 with a maximum duration of ten years.

The Bank had 76 rented buildings as at 31 December 2011, in which are included the rented space dedicated to offsite disaster recovery and the 24 buildings rented for units of Kosovo Branch.

The Bank may cancel these leases upon giving three months notice. Therefore, at 31 December 2011, the maximum non-cancellable commitment payable not later than one year is USD 531 (2010: USD 463).

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m) Commitments and contingencies of Aktifbank:

| | 2011 | 2010 |
|----------------------|-------------|-------------|
| Letters of guarantee | 550.017 | 599.461 |
| Letters of credit | 51.503 | 95.539 |
| Other guarantees | 14.673 | 19.110 |

31. REVENUE

| | 2011 | 2010 |
|---------------------|------------------|------------------|
| Domestic | 1.786.271 | 1.069.669 |
| Export | 1.249.087 | 1.212.675 |
| | 3.035.358 | 2.282.344 |
| Sales discounts (-) | (141.871) | (158.668) |
| | 2.893.487 | 2.123.676 |

As of 31.12.2011 USD 593.217 thousand, (31.12.2010: USD 236.035) out of the total exports represents the revenue from construction projects in accordance with IAS 11 using the percentage of completion method.

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32. NATURE OF EXPENSES

Nature of expenses consists of cost of sales, research and development, selling, and general and administrative expenses.

| | 2011 | 2010 |
|---|------------------|------------------|
| Direct materials and merchandises expenses | 1.222.953 | 949.008 |
| Employee and personnel expenses | 290.558 | 246.642 |
| Depreciation and amortisation expense | 86.585 | 72.184 |
| Cost of construction projects | 385.668 | 213.836 |
| Changes in semi-finished goods and finished goods | 2.014 | (4.532) |
| Service expenses | 143.958 | 102.436 |
| Licence expenses | 27.703 | 31.368 |
| Interconnection cost - Albanian Mobile Company | 3.336 | 8.939 |
| Interconnection cost - Vodafone Sh.a. | 6.158 | 5.683 |
| Office expenses | 23.057 | 20.453 |
| Freight and freight insurance | 36.496 | 27.688 |
| Outsourcing expenses | 30.327 | 6.640 |
| Consulting expenses | 5.848 | 7.510 |
| Doubtful debt provision expenses | 8.687 | 5.380 |
| Advertising expenses | 20.585 | 17.187 |
| Sales commissions / premiums | 7.426 | 7.776 |
| Exhibition expenses | 531 | 969 |
| International traffic expenditures | 25.318 | 13.061 |
| Motor vehicle expenses | 8.208 | 4.247 |
| Other | 233.754 | 200.049 |
| | 2.569.170 | 1.936.524 |

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33. OTHER INCOME AND OTHER EXPENSE

| | 2011 | 2010 |
|---|---------------|---------------|
| Commission income | 10 | 1.666 |
| Rent income | 351 | 203 |
| Profit on sale of property, plant and equipment | 576 | 583 |
| Provisions released | 2.255 | 261 |
| Income on insurance claims | 494 | 297 |
| Other | 9.190 | 9.414 |
| Other income | 12.876 | 12.424 |
| Idle capacity expenses | 1.335 | 2.324 |
| Idle capacity depreciation expenses | 2.167 | 2.903 |
| Loss on sale of property, plant and equipment | 687 | 2.144 |
| Loss on insurance claims | 51 | 24 |
| Petroleum drilling expenses | -- | 1.724 |
| Donation expense | 1.364 | 23.305 |
| Other | 12.601 | 22.760 |
| Other expense | 18.205 | 55.184 |

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34. FINANCING INCOME AND FINANCING EXPENSE

| | 2011 | 2010 |
|-------------------------------------|------------------|------------------|
| Foreign exchange gain | 430.170 | 193.814 |
| Interest income | 16.577 | 24.885 |
| Unearned interest on payables | 11.110 | 7.461 |
| Other | 1.213 | 2.161 |
| Financing income | 459.070 | 228.321 |
| Foreign exchange loss | (689.321) | (205.520) |
| Interest expense | (118.287) | (89.654) |
| Unearned interest on receivables | (31.513) | (7.654) |
| Impairment of loans | (25.455) | (1.692) |
| Bank commissions and other expenses | (32.013) | (26.749) |
| Financing expense | (896.589) | (331.269) |
| Financing expense, net | (437.519) | (102.948) |

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35. SUPPLEMENTARY CASH FLOW INFORMATION

| | 2011 | 2010 |
|---|-----------------|----------------|
| Adjustment to reconcile loss before taxation to net cash provided from operating activities: | | |
| Depreciation expense | 74.057 | 70.091 |
| Amortization charge, note 19 | 15.166 | 6.352 |
| Provision for/ (released from) employee termination benefits | (4.768) | 4.420 |
| Interest expense, note 34 | 118.287 | 89.654 |
| Interest received, note 34 | (16.577) | (24.885) |
| Loss on sale of property, plant and equipment, note 33 | 687 | 2.144 |
| Provision for expenses | 19.019 | 4.171 |
| Profit (loss) from sale of investment | (5.975) | 596 |
| Profit on sale of property, plant and equipment, note 33 | (576) | (583) |
| Fair value gain on financial assets | (251.457) | -- |
| | (52.137) | 151.960 |
| Changes in operating assets and liabilities: | | |
| Trade receivables | (60.877) | (157.589) |
| Capital equivalency deposit | 589 | (4.243) |
| Inventories | (52.572) | (95.711) |
| Loans and advances to customers | (435.410) | (295.880) |
| Construction contracts work in progress | (56.034) | 184.764 |
| Placement and balances with banks | 106.924 | (43.913) |
| Other assets | 54.459 | (155.226) |
| Customer deposits | 278.514 | 173.402 |
| Trade payables | (12.408) | 433.608 |
| Due to banks | 260.586 | 105.730 |
| Deferred billings | 1.712 | 3.520 |
| Other liabilities | 42.319 | 231.980 |
| | 127.802 | 380.442 |
| Depreciation expense and amortization charged to: | | |
| Cost of sales | 55.356 | 42.195 |
| Research and development expenses | 780 | 437 |
| Selling expenses | 1.340 | 1.965 |
| General and administrative expenses | 29.109 | 27.587 |
| Idle capacity depreciation expenses | 2.167 | 2.903 |
| | 88.752 | 75.087 |
| <i>Discontinued operations</i> | 471 | 1.356 |
| | 89.223 | 76.443 |

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36. RELATED PARTY DISCLOSURE

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

| Related party | 2011 | | 2010 | |
|--|-------------------|---------------|-------------------|---------------|
| | Trade receivables | Other assets | Trade receivables | Other assets |
| Ministry of Textile Industry of Turkmenistan | -- | 2.691 | -- | 2.691 |
| Serdar Pamyk Eğriği Fabriği | 100 | -- | 100 | -- |
| Balkan Dokma YGPJ | 114 | -- | 114 | -- |
| Shareholders | -- | 10.449 | -- | 52.944 |
| Anateks Anadolu Pazarlama A.Ş. | 891 | -- | 848 | -- |
| Anateks Anadolu Tekstil Fabrikası A.Ş. | 5.944 | -- | 4.519 | -- |
| Other | 255 | 82 | -- | 700 |
| | 7.304 | 13.222 | 5.581 | 56.335 |
| Unearned interest on receivables (-) | (314) | -- | (19) | -- |
| | 6.990 | 13.222 | 5.562 | 56.335 |

| | 2011 | | 2010 | |
|--|----------------|-------------------|----------------|-------------------|
| | Trade payables | Other liabilities | Trade payables | Other liabilities |
| Shareholders | -- | 18 | -- | 38 |
| Bursagaz Bursa Şehiriçi Doğal Gaz Dağıtım A.Ş. | -- | 445 | 2.699 | 126 |
| Kayserigaz Kayseri Doğalgaz Dağıtım Pazarlama A.Ş. | -- | 270 | -- | 141 |
| Other | 1.732 | 49.998 | 131 | 1 |
| | 1.732 | 50.731 | 2.830 | 306 |
| Unearned interest on receivables (-) | -- | -- | (6) | -- |
| | 1.732 | 50.731 | 2.824 | 306 |

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37. DISCONTINUED OPERATIONS

As a result of Board of Directors' decision dated 23.05.2011, Naturel Gaz, 40 % subsidiary of Çalık Enerji was sold to Enerji Yatırım Holding A. Ş.

Naturel Gaz Sanayi ve Ticaret A.Ş. ("Naturel Gaz")

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

Profit and loss resulting from the operations of the subsidiaries which have been disposed were consolidated by eliminating all intercompany transactions until the date of cessation of control and presented in the statement income as discontinued operations in line with IFRS 5.

a. Results of discontinued operations

| | 2011 | 2010 |
|---|--------------|--------------|
| Discontinued operations | | |
| Revenue | 3.696 | 10.139 |
| Cost of sales | (1.745) | (4.649) |
| Gross profit | 1.951 | 5.490 |
| Selling expenses | (1.223) | (4.100) |
| General and administrative expenses | (329) | (944) |
| Operating profit | 399 | 446 |
| Other income (expenses), net | (50) | 117 |
| Financing income | 14 | 238 |
| Financing expense | (154) | -- |
| Profit before taxation | 209 | 801 |
| Taxation on income | 8 | 39 |
| Profit for the year from discontinued operations | 217 | 840 |
| b. Cash flow from discontinued operations | | |
| Net cash provided by operating activities | (317) | 530 |
| Net cash provided by (used in) investing activities | 1.584 | 1.434 |
| Net cash used in financing activities | (681) | (1.445) |
| | 586 | 519 |

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38. FINANCIAL INSTRUMENTS

Financial risk management objectives and policies

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

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

Credit risk

The Group's exposure to credit risk is limited to the carrying amount of financial assets recognized at the financial position date.

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

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

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

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

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

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

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

Interest rate risk

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

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

An increase in the variable interest rates related to the borrowings as of 31 December 2011 is not expected to have any material effect on the financial results because the Management of the Group is able to maintain existing loans on the same terms as before or negotiate new loans on the same terms as existing ones.

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

Liquidity risk

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

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

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

| 2011 | Current | | Non-current | | Total |
|-------------------|------------------------|-----------------------|---------------------|---------------------|------------------|
| | Within 6 months | 6 to 12 months | 1 to 5 years | Over 5 years | |
| Borrowings | 910.290 | 207.753 | 621.437 | 129.192 | 1.868.672 |
| Trade payables | 788.666 | 50.980 | 1.011 | -- | 840.657 |
| Due to banks | 544.539 | -- | -- | -- | 544.539 |
| Deferred billings | -- | 29.978 | -- | -- | 29.978 |
| Customer deposits | 1.481.994 | -- | 98.383 | -- | 1.580.377 |
| Other liabilities | 69.872 | 143.664 | 290.954 | -- | 504.490 |
| | 3.795.361 | 432.375 | 1.011.785 | 129.192 | 5.368.713 |
| 2010 | | | | | |
| Borrowings | 419.959 | 316.138 | 824.074 | 182.769 | 1.742.940 |
| Trade payables | 851.365 | 3.329 | 1.244 | -- | 855.938 |
| Due to banks | 283.953 | -- | -- | -- | 283.953 |
| Deferred billings | -- | 28.266 | -- | -- | 28.266 |
| Customer deposits | 1.223.360 | -- | 78.503 | -- | 1.301.863 |
| Other liabilities | 96.999 | 87.035 | 244.522 | -- | 428.556 |
| | 2.875.636 | 434.768 | 1.148.343 | 182.769 | 4.641.516 |

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Foreign currency risk

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

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

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

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

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

If the US Dollar (USD) increased or decreased in value against all other foreign currencies by 10% as of 31 December 2011 and if all other variable factors remained unchanged the results before tax would have been influenced favourably or unfavourably by USD 115.325 (2010 : USD 72.111) respectively for an increase and for a decrease in value of USD.

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

| | USD | EUR (‘000) | JPY (‘000) | LEK (‘000) | SDR (‘000) | Other (‘000) | USD equivalent |
|---|------------------|------------------|--------------------|----------------|---------------|-----------------|--------------------|
| 2011 | | | | | | | |
| Cash and balances with Central Bank | 57.264 | 167.165 | -- | 93.853 | -- | 2.320 | 281.200 |
| Placement and balances with banks | 32.482 | 63.382 | -- | 281 | -- | -- | 114.500 |
| Trade receivables | 352.813 | 20.732 | -- | -- | -- | 4 | 379.640 |
| Investment securities | 102.455 | 96.474 | -- | 475.312 | -- | 10.707 | 265.038 |
| Loans and advances to customers | 191.943 | 483.091 | -- | 284.584 | -- | 2.074 | 835.227 |
| Other assets | 245.248 | 20.373 | -- | 8.912 | -- | 7.837 | 279.951 |
| Total foreign currency assets | 982.205 | 851.217 | -- | 862.942 | -- | 22.942 | 2.155.556 |
| Borrowings | 1.150.084 | 105.572 | -- | -- | -- | -- | 1.286.670 |
| Due to banks | 75.475 | 104.892 | -- | 91.004 | -- | 4.626 | 220.987 |
| Customer deposits | 118.727 | 673.298 | -- | 770.613 | -- | 18.665 | 1.052.357 |
| Trade payables | 305.132 | 136.382 | 1.344.618 | -- | -- | 911 | 499.816 |
| Other liabilities | 224.233 | 18.149 | 59.326 | 2.983 | -- | 332 | 248.980 |
| Total foreign currency liabilities | 1.873.651 | 1.038.293 | 1.403.944 | 864.600 | -- | 24.534 | 3.308.810 |
| Net foreign currency position | (891.446) | (187.076) | (1.403.944) | (1.658) | -- | (1.592) | (1.153.254) |

ÇALIK HOLDİNG A.Ş.
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(Currency shown in thousands of US Dollars (USD) unless otherwise indicated.)

| | USD | EUR (‘000) | JPY (‘000) | LEK (‘000) | SDR (‘000) | Other (‘000) | USD equivalent |
|---|------------------|------------------|------------------|----------------|---------------|-----------------|-------------------|
| 2010 | | | | | | | |
| Cash and balances with Central Bank | 34.171 | 154.643 | 1.300.164 | 10.133 | -- | 1.068 | 256.225 |
| Placement and balances with banks | 35.475 | 56.287 | -- | 1 | -- | 3.611 | 113.690 |
| Trade receivables | 365.255 | 21.704 | -- | -- | -- | 274 | 394.296 |
| Investment securities | 138.781 | 82.023 | -- | 42.449 | -- | 12.509 | 260.410 |
| Loans and advances to customers | 170.292 | 275.274 | -- | 21.446 | -- | 3.115 | 538.466 |
| Other assets | 258.094 | 18.743 | -- | 173 | -- | 416 | 283.354 |
| Total foreign currency assets | 1.002.068 | 608.674 | 1.300.164 | 74.202 | -- | 20.993 | 1.846.441 |
| Borrowings | 1.258.348 | 93.514 | -- | -- | -- | 2.255 | 1.384.548 |
| Due to banks | 4.499 | 27.619 | -- | 2.229 | -- | -- | 41.127 |
| Customer deposits | 83.203 | 382.653 | -- | 73.589 | -- | 16.404 | 607.486 |
| Trade payables | 146.967 | 4.419 | -- | -- | -- | 62 | 152.885 |
| Other liabilities | 73.910 | 219.869 | 1.300.005 | 2.822 | -- | 227 | 381.504 |
| Total foreign currency liabilities | 1.566.927 | 728.074 | 1.300.005 | 78.640 | -- | 18.948 | 2.567.550 |
| Net foreign currency position | (564.859) | (119.400) | 159 | (4.438) | -- | 2.045 | (721.109) |

Capital risk management

The Group’s capital management objectives are:

- ensure the Group’s ability to continue as a going concern; and
- to provide an adequate return to shareholders,

by pricing products and services commensurately with the level of risk

The Group monitors capital on the basis of the carrying amount of equity plus its total of current and non current borrowings (net debt) less cash and cash equivalents as presented on the face of the consolidated financial position.

The Group sets the amounts of capital in proportion to its overall financing structure i.e. equity and financial liabilities. The Group manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure the Group may adjust the amount of dividends paid the shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

Capital Management – Banks

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

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

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

The Group's capital to overall or financing ratio developed as follows:

| | 2011 | 2010 |
|--|------------------|------------------|
| Total borrowings (note 21) | 1.868.672 | 1.742.940 |
| Less: Cash and cash equivalents (note7) | (455.039) | (340.080) |
| Net debt | 1.413.633 | 1.402.860 |
| Total equity | 944.851 | 1.113.662 |
| Overall financing | 2.358.484 | 2.516.522 |
| Net debt to overall financing ratio | 60% | 56% |

Fair value of financial instruments

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

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

The following methods and assumptions were used to estimate the fair value of the Group's financial instruments:

Financial assets

Monetary assets for which fair value approximates carrying value:

-Balances denominated in foreign currencies are translated at year-end exchange rates. The fair value of certain financial assets carried at cost, including cash and due from banks plus the respective accrued interest are considered to approximate their respective carrying values.

-The carrying value of the trade receivables net of provisions for uncollectible are considered to approximate their fair values.

Financial liabilities

Monetary liabilities for which fair value approximates carrying value:

-The fair values of short-term bank loans and other monetary liabilities are considered to approximate their respective carrying values due to their short-term nature.

-The fair values of long-term bank borrowings, which are denominated in foreign currencies and translated at year-end exchange rates, are considered to approximate their carrying values.

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