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2013 ANNUAL REPORT

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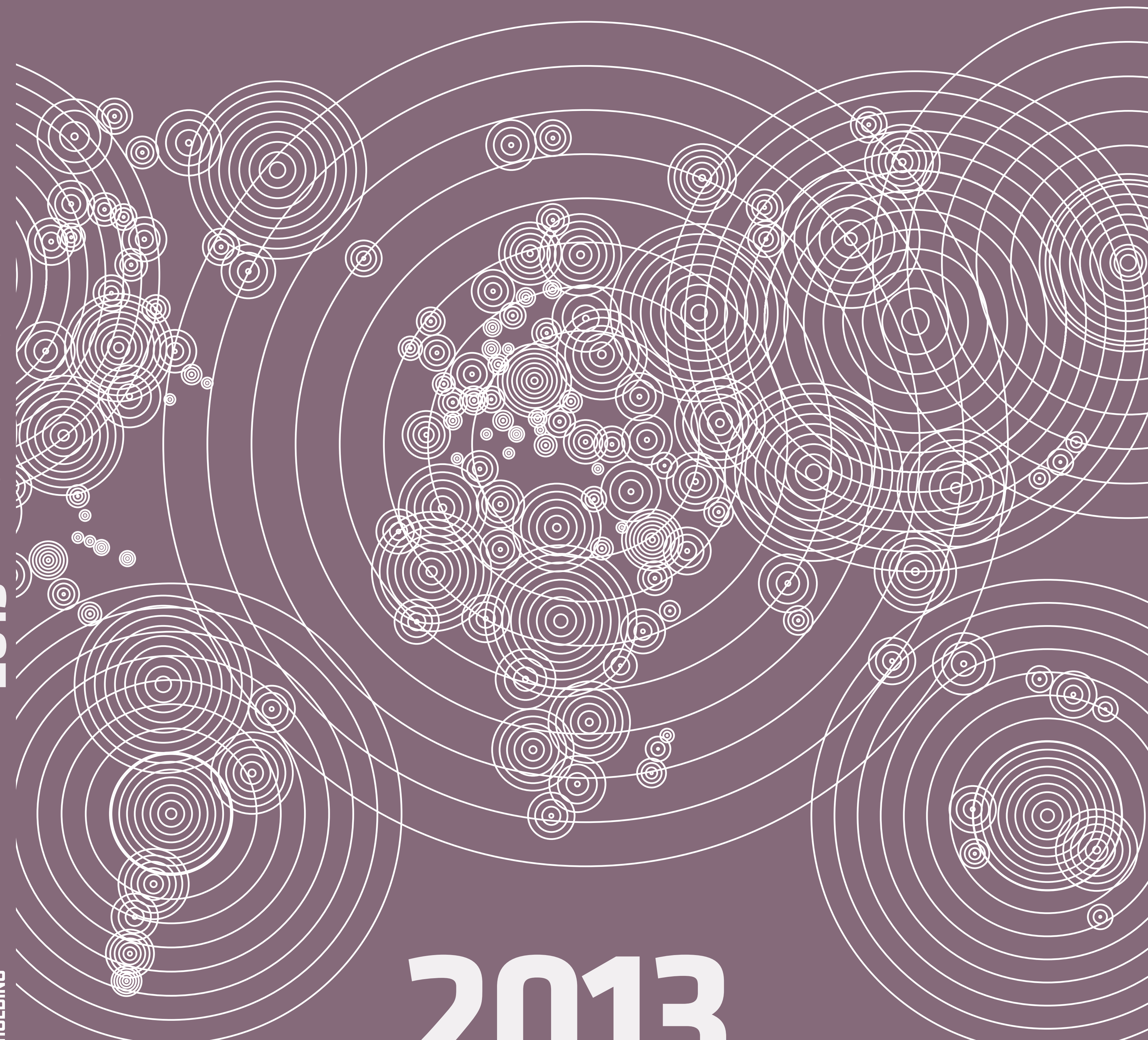

2013
ANNUAL REPORT

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A professional business sense that is bound to strong values and solid principles...

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 country's high values and paying respect to all colours of the geographies it has a presence in.

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 and prudence.

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

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 forms of discrimination.

Solidarity
We always support each other.

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

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 these core values and business principles.

Steady and Sustainable Growth

Çalık Holding's Key Financial Indicators

KEY INDICATORS
(TRY THOUSANDS)

	2013	2012	2011
Total Assets	17,190,888	13,731,971	12,097,585
Total Equity	530,783	1,610,721	1,784,729
Net Sales*	3,872,725	3,983,705	4,891,707
Gross Profit	931,845	889,381	1,194,493
EBITDA*	541,841	486,729	750,196

BASIC RATIOS

	2013	2012	2011
Gross Profit Margin (%)	24%	22%	24%
EBITDA Margin (%)	14%	12%	15%
Net Debt/EBITDA	7.20	7.79	3.15

* The amortisation of the investments, arising from Transfer of Operating Rights owned by YEDAS, is excluded (IFRIC 12 effect). The end of year exchange rate (USD) as of 2011-2012-2013: 1,8889-1,7826-2,1343. Average exchange rate (USD) as of 2011-2012-2013: 1,67-1,7925-1,9013

ÇALIK Expands With Its Innovative Understanding

Established by the initiatives taken in 1981 by Ahmet Çalık, a member of Çalık family engaged in trade activities since the 1930s, Çalık Holding currently operates in sectors of energy, mining, construction, finance, textile and telecom.

One of the largest industrial enterprises in Turkey, Çalık Holding employs about 24,000 people in 17 countries. The Group conducts businesses in Central Asia, Balkans, Middle East and Africa as one of the leading Turkish investors with around 7.5 billion USD of annual consolidated asset size.

Achieving consistent growth both in Turkey and other countries of activity since its foundation, the Group acquired Albtelecom, the Albanian fixed line operator and internet provider in 2007, Yeşilırmak Electricity Distribution Company -YEDAŞ, electricity distributer for 5 provinces in Turkey in 2010, Kosovo Electricity Distribution Company in 2012, and lastly ARAS EDAŞ, a company operating in 7 provinces in 2013.

Çalık Holding's Energy Group became one of the preferred companies in countries with rich energy reserves such as Central Asia, Middle East, and Africa, and sustained its business portfolio in 2013 thanks to its reliability in the global energy sector and its business mentality differentiating the Group from its competitors.

Çalık Enerji continued the construction of three power plants which started in Turkmenistan's Ahal, Lebap, Mari provinces in 2013 and signed a contract for two additional power plants in Ahal and Derweze. The Company positioned itself as the largest EPC Contractor in Georgia with the Gardabani project in 2013 and completed two power plants with a total capacity of 2000-MW in Iraq during the same year. The Adacami HEPP Project in Rize was also completed in 2013.

Gap İnşaat undertook the EPC contract of the "Turkmenbashi International Sea Port" which is designed as a logistics hub for the route from Asia to Europe consisting of 6 ports and one shipyard with a project value of 1.5 billion USD. Çalık Gayrimenkul, property development and urban renewal Company of Çalık Group, received the grand prize for "Tarlabaşı 360" in "Urban Renewal" category at the "European Property Awards 2013", the most prestigious real estate awards ceremony in Europe.

Delivering operations in line with growth strategies proven to be effective, Lidya Madencilik, a Çalık Holding Company operating in the mining sector, increased its share in Polimetal Madencilik, its joint venture with Alacer Gold from 50 percent to 80 percent in 2013.

During the same year, the gold production in the Çöpler Gold Mine, owned by Anagold, an affiliate of Lidya Madencilik, exceeded 270,000 ounces by a 43 percent increase over the previous year.

Carrying out its projects with an innovative and sustainable business approach, Aktif Bank established Aktif Bank Sukuk Varlık Kiralama A.Ş. in 2013 for the purpose of issuing lease certificates. Aktif Bank surpassed global giants and was given the grand prize for its "Aktif Nokta" project in the "Physical Distribution Channels" category during the event held by the European Financial Management and Marketing Association (EFMA).

BKT, a Çalık Holding Company operating in Albania and Kosovo, was recognized for the third time in the last four years as "The Best Bank" by The Banker, one of the most prestigious magazines on international financial markets.

On the other hand, the Group sold its shares in Turkuvaz Media Group as part of its strategy to focus on main fields of business.

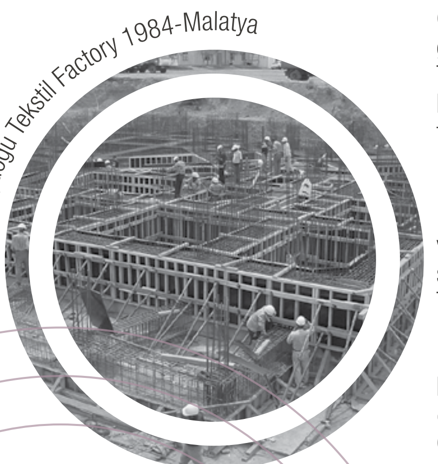
Recognized for its prestige, reliability and strong financial structure demonstrated by continuous activities across different geographies in the world, Çalık Holding collaborates with major companies on an international level. The Group stands out as a leading and powerful player in its main sectors of focus thanks to its long-established corporate structure, rich company culture, highly qualified human resource, pioneering initiatives, innovative approaches and accurate strategies, and continues to operate in all business fields aligned with its sustainable growth target.

values of the past

MILESTONES


Turkmenistan National Library 2007-Ashgabat

Çalık Holding has achieved successful projects and captured a sustainable trend of growth with its rational strategies it has adopted since the day it was established and throughout the past 33 years.


Gap Güneydoğu Tekstil Factory 1984-Malatya


Hisar Çalık Hospital 1989-Malatya

From 1930s to 1980s...
Çalık Family's involvement in textile industry goes back to the 1930s. However, Ortadoğu Tekstil, established in 1981 by the Group's Founder and Chairman, Ahmet Çalık marked the first corporate venture.

1980s
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.

Founded in the same year, Tuteks Company (Çalık Enerji) became the starting point of Group's operations in the energy sector.

1992
The Group set out to establish the first denim factory in CIS countries, and became one of the first foreign investors in Ashgabat.

1994
Gap Pazarlama was established with the target of expanding the share of the Group in the international textile trade.

1996
Initially established to construct industrial projects 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.

Ahmet Çalık was honored with Turkmenistan Order of Merit, Mahdum Guli Award, Entrepreneur of the Year Award by Para Journal and The Best Industrial Establishment of the Year Award by GESİAD.

Mr. Çalık has accepted the positions of the Assistant Minister of the Turkmenistan Textile Industry, and Representative-in-Charge of Gas, Petroleum and Electricity Sales from Turkmenistan to Turkey.

1998
Tuteks Company was reorganized and named first Gap Enerji and then Çalık Enerji.

Ahmet Çalık was honored with the Silk Road Foundation Order of Merit.

1999
The Group started to operate in the finance sector with the establishment of Çalıkbank.

Ahmet Çalık received Turkmenistan "Gayrat" Medal and Order of Merit of Turkish Republic.

2000
Turkmenbashi Textile Complex started its production in Turkmenistan.

2001
Turkmenbashi Open-End Yarn Factory started to operate.

Ahmet Çalık was awarded with Turkmenistan Golden Age Merit.

2002
Gap İnşaat underpinned its position with global construction projects for fertilizer, paper and cement production facilities.

Ahmet Çalık was honored with the Order of Merit of the Ministry of Foreign Affairs of Turkish Republic.

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 a total power of 376 megawatt.

2004
Bursagaz, natural gas distribution company of Bursa, was acquired by Çalık Enerji worth 120 million USD at the tender dated 19 Nisan 2004.

Gap İnşaat realized Yaşlık Paper Factory project on turkey delivery basis.

The construction of Golden Age Complex in Turkmenistan was completed.

Gap İnşaat delivered Archabil Sayolu Project and Military School Complex.

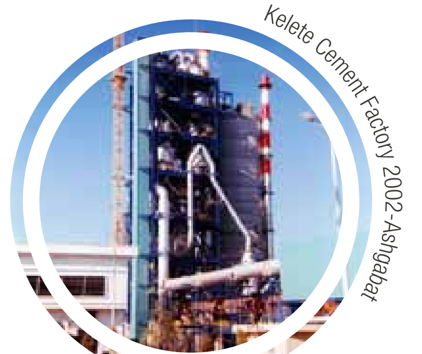
Ahmet Çalık received the National Productivity Center Businessman of the Year Award.

2005
Italian energy company ENI became partner of TAPCO, which was established to realize the Samsun-Adana/Ceyhan Crude Oil Pipeline Project by Çalık Enerji.

Çalık Holding incorporated wide-scoped SAP applications in its structure; a first in Turkey.

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

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


Kelete Cement Factory 2002-Ashgabat

Ahmet Çalık received the Executive of the Year Award from Istanbul University Faculty of Administration and Dünya Newspaper.

2006
Construction License for the Samsun-Adana/Ceyhan Crude Oil Pipeline Project by TAPCO was approved by National Security Council and President Mr. Ahmet Necdet Sezer.

Çalık Holding and Şekerbank jointly acquired 60 percent of the total shares of Banka Kombetare Tregtare (BKT), the second biggest bank of Albania.

Gap Güneydoğu Tekstil took a loaned murabaha credit worth 50 million USD from the consortium led by Kuwait Finance House and Kuveyt Türk Katılım Bankası with the longest maturity date received by 4.5 years.


Dashoguz Power Plant 2007-Dashoguz

Çalık Enerji completed Ashgabat Power Plant with 254 MW power capacity in association with General Electric.

Ahmet Çalık was honored with Order of Merit of Turkish Grand National Assembly and received the Manager of the Year Award by Dünya Newspaper.

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 the Holding received demands of approximately one billion USD; 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 issue 39.9 percent of its shares 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 tonnes annual capacity.

Çalık Enerji completed the Dashoguz Power Plant with 254 MW capacity in association with General Electric and delivered the plant to Ministry of Energy of Turkmenistan.

2008
Bursagaz was awarded with EFQM European Quality Award's Grand Prize that was given only to seven companies in Turkey.

After transforming Bursagaz and Kayserigaz to the best managed private sector gas distribution companies, Çalık Enerji issued part of its shares valued to its German partner, EWE, in line with its growth and restructuring strategies. The Group has realized one of the most lucrative sales of shares made to foreign investors 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 1.1 billion USD at the tender held by the Turkish Savings Deposit Insurance Fund (SDIF) in 2007.

The 25 percent of ATV-Sabah Media Group shares were sold to the Qatar Investment Authority.

Çalık Holding became one of the corporations that provided the highest amount of Foreign Direct Investment (FDI) to Turkey with approximately 1 billion USD in the last two years.

Çalıkbank was restructured and renamed Aktif Bank.

In line with Çalık Holding's production strategy in different geographies, Çalık Holding commenced production in Egypt Confection Factory.

Eagle Mobile, the youngest operator in the Albanian GSM market, commenced its operations in March after completing its preparations within six months.

Ahmet Çalık was honored with Turgut Özal Economics Award.

2009
Çalık Holding established the first international large-scale partnership with USA based Anatolia Minerals, whose shares are traded at Toronto Stock Exchange.

Turkuvaz Media Group signed a deal with The New York Times, one of the most prestigious newspapers around the world, to offer the American newspaper to its readers every Sunday.

Çalık Holding became the sole owner of Banka Kombetare Tregtare (BKT) by purchasing the issued shares worth of 40 percent from EBRD and IFC.

Çalık Enerji won the tender for Yeşilırmak Elektrik Dağıtım Company which undertook electric distribution of Samsun, Amasya, Çorum, Ordu and Sinop Provinces with the tender price of 441.5 USD in electricity distribution privatization realized in November.

2010
Turkuvaz Media Group, comprising 20 percent 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 customer based market share to 15 percent.

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 the Adana East Mediterranean Refinery Project.

Çalık Maden was restructured and named Lidya Madencilik.

Çalık Enerji won the tender for construction of Al-Khairat Natural Gas Cycle Power Plant with 1,250MW capacity for the contract price of 445.5 million USD.

Gap İnşaat undertook the project of reclaiming the 19 km-long highway connecting the Baghdad International Airport to the city center, and of establishing 1.6 million-square-meter landscape area in Iraq.


YEDAŞ 2010-Samsun


Nainawa Natural Gas Combined Cycle Power Plant Signature Ceremony 2001-Mosul


Çöpler Gold Mine 2009-Erzincan

Çalık Holding and the government owned Russian oil company Rosneft agreed to form a partnership for international oil trade and cooperation in the Turkish market.

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

On December 22nd, the first gold was produced in Çöpler Gold Mine operated by Anagold Madencilik, a joint venture of Lidya Madencilik and USA based Alacer Gold.

Ahmet Çalık received the "Turkey in Europe-Franco Nobili Award" at the "Turkey in Europe-International Media and Economics Forum".

2011
Turkuvaz Media launched two new thematic channels: A Haber and Minika.

Çalık Enerji, began the construction of the 750-MW Nainawa power plant in Mosul, Iraq after winning the tender.

Gap İnşaat completed the 120-bed Eye Hospital in Ashgabat, a turnkey project commissioned by the Ministry of Health of Turkmenistan five months ahead of the schedule. Two other turnkey projects in Ashgabat; the construction of Infusion Solution Plant with an annual capacity of 10 million bottles and the construction of Dental Hospital, commissioned both by Turkmenistan Ministry of Health, have started.

100 million TL have been collected for the aid campaign for Somalia initiated by Turkuvaz Media in collaboration with TİKA and the Red Crescent of Turkey.

Gap Güneydoğu Tekstil established its own R&D department.

Lidya Madencilik signed cooperation agreements for 16 new mining areas located in various provinces of Turkey with its associate Alacer Gold. The Company acquired 50 percent of shares in each of the three companies founded for that purpose.

2012
Lidya Madencilik increased its shares in Anagold Company of which it is a partner, from 5 percent to 20 percent.

Çalık Denim, which is among the top 10 premium denim producers in the world, took first place for metric quantity in export.

Geological works started in June on the sites that are in the portfolio of Polimetal Madencilik.

Çalık Enerji signed a contract with the Partnership Fund in August to establish Georgia's first 230 MW natural gas combined cycle plant.

YEDAŞ became a member of the United Nations Global Compact.

In addition to Gap İnşaat which is named on the list every year, Çalık Enerji was ranked for the first time on the "Top 250 International Contractors" list by the Engineering News Record.

An agreement was signed with the prestigious Chinese magazine China Today, for Turkuvaz Media Group to be published in Turkey.

The 100th anniversary of Albtelecom's establishment was celebrated.

Gap İnşaat started the construction of Metropol İstanbul, one of the largest mixed-use projects with an entire area of 705 thousand square meters.

Çalık Enerji won the tender for the project to modernize and renew the electrical distribution system in the Ashgabat, Turkmenistan.


Metropol İstanbul 2012-İstanbul

Çalık Holding and Limak Holding consortium won the tender of privatized electric distribution company in Kosovo with a price of 26.3 million Euros and signed the contract in November.

After many years, ATV, one of the leaders in the media sector, ranked first place in the category of 'All day and people" in November of 2012.

Eagle Mobile obtained a 3G license.

Çalık Enerji completed the 478 MW Navoi combined cycle electricity power plant in Uzbekistan.

Ahmet Çalık assumed the role of Kazakhstan Republic Bursa Honorary Consulate. He was also honored with Turkish Red Crescent Decoration of Merit in Gold.

2013
Çalık Enerji moved up on the list into 111th place on the "Top 250 International Contractors" list; published every year by Engineering News Record, while ranking 9th in the fossil based energy power plant category. Gap İnşaat is also ranked on the same list since 2006.

Aktif Bank founded Emlak Girişim Danışmanlığı A.Ş. in order to establish financial models, structures and systems for real estate projects, to provide active consulting and guiding in this field, as well as to be associates in investment projects.

Çalık Cotton became the first Turkish company to get AQSIQ Certificate required to export cotton to China.

Albtelecom and Eagle Mobile merged.

BKT became the first bank to provide online e-government and e-customs payment services in Albania.

The dental hospital and infusion serum factory constructed by Gap İnşaat in Ashgabat is commissioned. With its striking tooth-shaped design, the hospital was recognized by the International Property Award as the "Best Facility of the Year" among 2,000 projects from around the world with its architecture. At the same day the foundations for the Education and Research Center as well as the Cardiology Institute extensions were laid.

Aktif Bank established Sukuk Varlık Kiralama A.Ş. for issuing rent certificates.

BKT became the leader in 'Individual Banking' as one of the two biggest banks of Albania.

Çalık Holding acquired Aras Elektrik Dağıtım A.Ş. that distributes the electricity of 7 cities in Eastern Anatolian Region of Turkey in association with Kiler Holding.

Gap İnşaat won the tender for Turkmenbashi International Seaports Project composed of 6 ports and 1 shipyard.

Çalık Enerji commenced production after completing 29.9 MW of Rize Adacami Hydroelectric Power Plant.

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

Aktif Bank acquired 80 percent of the shares of Pavo Teknik Servis Elektrik Elektronik Ticaret A.Ş. that has a year 5 years long strategic cooperation agreement with French brand Ingenico, ranked second in the world payment systems and owns 60 percent of the Turkish POS machine market.

Çalık Gayrimenkul received the first prize in 'Urban Renewal' category of 'European Property Awards 2013', which gives the most prestigious real estate awards of Europe, for its Tarlabaşı 360 Project.

YEDAŞ published its first 'Progress Report' and first 'Sustainability Report' in 2013 as a member of United Nations Global Compact.

Çalık Enerji undertook the construction of the first Combined Natural Gas Cycle Plant with a capacity of 230 MW in Gardabani which is one of the biggest investments in Georgian energy sector of recent times.

Aktif Bank was awarded the first place by leaving behind world giants with its Aktif Nokta project in the 'Physical Distribution Channels' category of the organization held by European Financial Management and Marketing Association (EFMA).


Al Khairat Power Plant 2013-Karbala

YEDAŞ became the first and only Turkish electricity distribution company to get the 'Quality Gold Crown' in the 'Gold' category of 2013 International Quality Systems (IQS) awards given by Business Initiative Directions (BID), which is a fully independent organization.

Çalık Enerji strengthened its position in the African market by winning the tender for the power plant of 542 MW that will be built in the Khoms, Libya.

Lidya Madencilik increased its share in Polimetal Madencilik which was a fifty-fifty partnership with Alacer Gold to 80 percent.

BKT won the 'Best Bank' award given by The Banker, one of the most prestigious magazines in the international financial markets, for the third time in the last four years.

Çalık Enerji finalized the construction of 1.250 MW Al-Khairat Power Plant in Karbala, the largest power plant of Iraq, and completed most of the 750 MW Nainawa Power Plant in Mosul, the second largest power plant of the country.

Aktif Bank ranked first with its 'Credit Insured Financing' product in 'Innovation in Trade Finance' category of 'Financial World Innovation Awards 2013', where the best applications leading the finance sector are evaluated.

Çalık Holding finalized the sale of Turkuvaz Medya.

YEDAŞ founded YEDAŞ R&D Office in Middle East Technical University (ODTÜ) Teknokent in order to fulfill the technological needs of the electricity distribution sector with national sources.


Gardabani Natural Gas Combined Cycle Power Plant 2013-Gardabani


Tarlabaşı 360-2013

works of the future

Dear Stakeholders,

In 2013, we witnessed positive developments indicating an end to the 2008 crisis experienced in the global economy. The recovery, seen particularly in the US which underwent a new energy reform, as well as in the economies of Japan and EU, balanced the slowdown trend in the emerging markets and in countries leading the economic growth since the outbreak of the crisis. This upturn led the Federal Reserve to undo some steps in the quantitative easing mechanism which resulted in a short term fluctuation in the developing markets. But the demographical and economic potential of the developing countries and the steps taken in the previous years for structural reforms helped these countries adapt to change. On the other hand, China sustains its growth at a balanced level through reform steps, solidifying its position as the second largest economy in the world. In the light of all these developments, I expect an economic outlook in 2014 where global economic activities and the volume of foreign trade will be positively impacted and transformation will be completed in the markets without comprising global economy.

Over the last ten years, Turkey has delivered significant structural reforms and is positioned as the key economic power in the region with its strong public finance, renewed infrastructure, trained manpower, entrepreneurs with global experience, significant geopolitical location, and powerful demographical structure. With regards to the ongoing reforms focusing on innovation, energy efficiency and education, I believe our country will continue to be one of the most active players in the future global economy with its developing industry and international entrepreneurs.

We operate across three continents

Started its operations in the textile industry in 1981, Çalık Group today operates in 6 sectors, collaborating with one another closely and actively, with each of them representing an individual success story. The Group conducts business in energy, mining, construction, finance, textile, and telecom sectors across 17 countries with around 24,000 employees.

Last year, we initiated a new breakthrough move, building on our more than 30 years of history with each period full of achievements. We defined our main fields of operation with high growth potential, aligned with the innovative, courageous and prudent business manner. In this framework, we sold Turkuvaz Media Group. Looking forward, we aim to get stronger and grow in a consistent manner by investing more into the restructuring of our main fields of operation and human resources.

We develop international projects with the principle of holding people in high regard and serving society

We sign onto important local and international projects as part of the activities conducted under two main areas of Power Systems and Oil-Gas in the energy sector. We are working on the construction of three power plants with a total capacity of 437.6 MW in Ahal, Lebap, Mari provinces of Turkmenistan, and we started the instalment of two new power plants with a total capacity of 750 MW in Ahal and Derweze. We strengthened our success in the Middle East, building the two largest power plants of Iraq. We undertook the construction work for the first natural gas combined cycle plant in Georgia's Gardabani region, with 230 MW worth of capacity. Following the projects in Central Asia and the Middle East, we enhanced our position in the African market by winning the tender for the 542-MW natural gas cycle plant to be installed in Libya. With the projects undertaken by Çalık Enerji, our company moved from the 129th place to 111th place in the "World's Largest 250 International Contractors" list published by the Engineering News Record magazine. We are among the top 10 companies in the world, especially with our thermal plants. With our expertise on this area, we have become a preferred EPC contractor in different countries. We will expand our presence with additional markets in the following years.

We also continue our successful operations in electricity production and distribution fields. We have focused on providing our more than 7 million of local and international customers with services through the highest quality standards in electricity distribution. Accordingly, we continue to invest heavily on technology and infrastructure. In addition to our distribution operations, our efforts in the electricity production continue with full pace. To this aim, we commissioned the Adacami Hydroelectric Power Plant. We will also soon finalize other projects in the area of sustainable energy.

With Gap İnşaat, a Group Company ranked in the ENR list of "World's Largest 250 International Contractors" every year since 2006, we undertook the construction work for the "Turkmenbashi International Sea Port" which is designed as a logistics hub in the Caspian region, on the route from Asia to Europe becoming the Silk Road of the new world.

Furthermore, the dental hospital built in Turkmenistan was selected at the '2013 International Property Awards' as the 'Best Facility of the Year' both in the architecture and project categories among 2,000 projects from around the world. Another source of pride for us was Çalık Gayrimenkul, a Group Company operating in the construction sector, for receiving the first prize for its "Tarlabaşı 360" project in the "Urban Renewal" category at the 'European Property Awards 2013'.

We use technology to develop eco-friendly products that make lives easier

Besides manufacturing for many internationally-recognized brands under the name of Çalık Denim, Gap Güneydoğu Tekstil exports 65 percent of its production, and holds an active spot as a key player in the sector. Çalık Denim continues its production with full pace, monitoring technological developments and making new investments. We introduce eco-friendly, innovative and creative new generation products to the global markets thanks to our qualified workforce within the R&D center and our own R&D systematic. In addition, Çalık Cotton, engaged mainly in the cotton trade, conducts activities to strengthen our country in the global cotton market. Accordingly, Çalık Cotton became the first company in Turkey to obtain the AQSIQ certificate required for cotton export to China and was granted trending organic cotton certificates including 'Better Cotton Initiative(BCI)' and 'Control Union (CU)'.

We develop innovative business models through new generation banking

We pioneer a new banking concept in Turkey with the distinct, innovative business models of Aktif Bank, our finance sector initiative. We are filled with pride as in 2013 our Bank surpassed global giants and was granted the first prize for its "Aktif Nokta" project at the event held by European Financial Management and Marketing Association (EFMA) and also became the winner with its 'Credit Insurance Finance' product in the 'Innovation in Foreign Trade Finance' category at the Financial World Innovation 2013 Awards, where the best practices guiding the finance sector are evaluated.

We also continue our work on the e-ticket project to be delivered for the first time in Turkey through collaboration between Aktif Bank and E-Kent. Thanks to the Passolig prepaid cards and credit cards by Aktif Bank, functioning as an entrance card for the sports and entertainment events, millions of football fans will be able to get a secure and easy entrance to the matches, and enjoy the world of 'Passo'.

The sector leader in the retail banking and one of the two largest banks of Albania, Banka Kombetare Tregtare (BKT) has achieved the success of receiving all the awards in the 'Best Bank of the Year' category given by prestigious magazines of international finance. BKT was recognized by The Banker magazine for the 4th time, and won the Euromoney and EMEA Finance awards for the second and fourth times, respectively. Moreover, BKT's CEO Seyhan Pencablıgil was recognized as the CEO of the Year in the South Eastern Europe by EMEA Finance.

Apart from the finance sector, we are also present with distinguished results in the telecom sector in the Balkans. Albtelecom, our telecom Company in Albania, has a long standing history of 101 years and yet is differentiated in its sector with its innovative mindset and services developed. In 2013, our Group executed a merger between its telecom affiliates Albtelecom and Eagle Mobile to offer integrated communication services to the Albanian people. Our Company aims to meet the expectations of the people in the country to the maximum level with its fiber optic cable network crossing the entire Albania, as well as with its technologic infrastructure and service quality offered.

The Group's mining Company; Lidya Madencilik brings the level of its success higher every day since its establishment. In 2013, we increased our share in Polimetal Madencilik in which we are partners with Alacer Gold to 80 percent from the previous rate of 50 percent. Polimetal successfully continues its gold and copper exploration operations across various cities in Turkey. Furthermore, the gold production in the Çöpler Gold Mine owned by Anagold, in which Lidya Madencilik is a partner, was increased by 43 percent, making up 27 percent of the national gold production.

We march towards future through respect for nature, cultural heritages and human values

The only way out to a real and permanent integration is to unite with the global economy and global life by following the global developments. Over the next period, we will continue to focus on the areas of industry, commerce and service through a sustainable innovation approach. In 2013, our employees, the most valuable assets of our organization, helped and gave their full support to achieve our strategic targets shaped by global developments, and have demonstrated once again how deeply they adopted the corporate values of this family. Wherever we operate in the world, the value we give to human life and dignity in our business processes will hold its place at the heart of our corporate culture.

We will remain committed to our principle of being the best and offering our customers the best with the services and products we supply through great achievements in Turkey, Central Asia, Balkans, Middle East, and Africa. All of our stakeholders with whom we do business will always bear witness that our promises are faithfully made good. We will always establish a sincere communication with anyone engaged and never violate our respectful attitude towards different cultures in the knowledge that we are an international Group. We will never comprise transparency as a Group generating value through integrity for a better future. We will remain committed to further improve our entrepreneurial spirit, competitive strength and skills through maximum support for training and professional development.

I firmly believe that we will always work towards success with the strength of our loyal ties as the members of Çalık Group, remaining true to our core values, through solidarity and unity without comprising our reputation.

Kind regards,

Ahmet Çalık
Chairman

Board of Directors

Ahmet Çalık
Chairman

Delivering his first personal initiative in 1981 building on the experiences as a member of the Çalık Family operating in the textile industry since 1930, Ahmet Çalık is the founder and the Chairman of Çalık Holding, one of the largest business enterprises in Turkey operating in 6 sectors across 17 countries with around 24,000 employees.

Ahmet Çalık founded ‘Gap Güneydoğu Tekstil’ in 1987 and realized one of the early investments in the East Anatolia Region with the denim fabric factory in Malatya, which still operates under this company. Mr. Çalık established industrial facilities in Turkmenistan after Turkic Republics gained their independence and expanded operations of the Group to include Central Asia, becoming one of the first Turkish investors to make investment in this region.

Mr. Çalık entered the construction sector during the 80s, and in 1996 restructured Gap İnşaat. The Company, specialized in infrastructure, superstructure, energy and industrial facility projects, as well as health complexes, is currently among the largest contracting companies in the world.

Ahmet Çalık first stepped into the energy sector during the late 80s and after restructuring Çalık Enerji in 1998 focused on power plant projects in challenging regions such as Central Asia, Middle East and Africa. Delivering significant projects with Çalık Enerji, Ahmet Çalık also holds a prominent place in the electricity distribution sector through companies acquired and partnerships established both in Turkey and across near geographies.

Establishing Çalık Holding in 1997, Ahmet Çalık assembled the Group Companies under a single roof. Çalık Holding is among the pioneering Turkish Groups both on a national and international scale with investments realized and its qualified human resource.

Ahmet Çalık entered the finance sector with Çalık Bank in 1999. Renaming it Aktif Bank in 2008, Mr. Çalık turned the Company into the largest private capital investment bank in Turkey. Carrying its success in the finance sector onto the international arena, Çalık Holding is also the owner of BKT, one of the two largest banks in Albania.

Ahmet Çalık established Çalık Maden İşletmeleri in 2006 with a target to integrate the rich underground sources in Turkey into the real economy. The Company continues its activities under the name Lidya Madencilik since 2010, accelerating gold and poly-metal mining operations in Turkey.

Ahmet Çalık, one of the greatest Turkish investors in Balkans, acquired Albtelecom, the fixed line operator in Albania, in 2007 and founded Eagle Mobile in 2008.

Mr. Çalık established Çalık Gayrimenkul in 2007 in order to expand its construction operations in Turkey to include land development, modern urbanization and urban renewal. Çalık Gayrimenkul’s ‘Tarlabaşı 360’ project, designed to make Tarlabaşı neighborhood more livable and safe living center, was selected the “Best Urban Renewal Project” in Europe by the European Property Awards in 2013.

Mr. Çalık, one of the greatest supporters of the country’s economy and employment through Group companies, has raised the bar and continues to do so with a reliable and risk-taking structure, innovation-oriented mind and entrepreneurial spirit. Under the management of Ahmet Çalık, Çalık Holding adopts the tenet of offering benefit to the people and societies both in the professional and social life and builds on this principle to enhance its strategies and collaborations.

Awards and Badges

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

Mehmet Ertuğrul Gürler
Deputy Chairman

Mehmet Ertuğrul Gürler was born in 1958. He graduated from Marmara University, School of Business Administration. He has got 37 years of experience in business. Mr. Gürler served in several positions as Financial Director and Board Member from 1987 to 1994 for Dow Türkiye A.Ş. Serving in Total Oil Türkiye A.Ş. as Deputy General Manager and Secretary General between the years of 1994 and 1998, Mr. Gürler joined Çalık Holding A.Ş. as General Manager in 1998. Mr. Gürler currently serves as Deputy Chairman of Çalık Holding, Banka Kombetare Tregtare (BKT) and Gap Güneydoğu Tekstil. He also holds the positions of Board Member in Aktif Bank, Albtelecom, Gap İnşaat and Gap Pazarlama, as well as Chairman of the Board in YEPAŞ.

İzzet Serhat Demir
Board Member

İzzet Serhat Demir, born in 1974, has 17 years of professional experience. Prior to the commencement of his tenure at Çalık Holding, Mr. Demir served in a number of senior roles in Finar Enformasyon Derecelendirme ve Danışmanlık Hizmetleri A.Ş. (Dun&Bradstreet Turkey) and Yıldız Holding A.Ş (Ülker Group). Mr. Demir holds a bachelor’s degree in law from Istanbul University Faculty of Law and a master of business administration degree. serves as a Board Member of Çalık Holding; Aktif Bank; Banka Kombetare Tregtare (BKT); and Albtelecom, and continues in the position of Legal Affairs Director of Çalık Holding, a position he has held since joining the company in 2007.

SECTOR OVERVIEW

MIDDLE EAST AND NORTH AFRICA WILL STAND OUT IN ENERGY PROJECTS

In line with the increased population and industrialization both in the world and in Turkey, energy demand continues to rise. The year 2013 had been a year that smoothed the way for investments in North Africa and enabled the continuance of energy investments in Middle East after the first signs of exit from the global economical crisis.

In 2013, shale (Rock) gas stood out as an energy source that increased its importance and thus was discussed widely besides primary energy sources. Especially, use of shale gas as an energy source in North America indicated that it will also be used effectively as an energy source among other fossil fuels in the coming years. According to the PwC report titled ‘Shale oil - the next energy revolution’, global shale oil production has the potential to reach up to 12 percent of the global oil production. This additional supply that corresponds to almost 14 million barrels per day has also the potential to change the energy balances in the world by causing global oil prices to be dropped down to 25-40 percent in 2035.

The changes to be introduced by this development with potential to create fundamental differences in the global energy market within the next 20 years include dramatic decreases in oil prices, increasing global GDP, shifting geopolitical positions and evolving business models for natural gas companies.

The positive atmosphere that is seen in the global energy sector in 2013 is expected to be continued with even further improvement in 2014. Energy sector is based on the demand - supply balance, and the global energy center shifts from west to east in production - consumption balance depending on the economical developments in the region countries.
Among the most important reasons of this shift is the growth speed of Chinese and Indian economies, the use of natural resources in Middle East and the increase in the energy need of Africa continent.
In the next period, it is expected for the investments in Africa continent to increase with a great acceleration and Asia-Pacific region and particularly China and India to gain an important position in the energy sector. Moreover, it is forecasted that this year will witness increased investment in the region towards becoming the main arterial road of the energy corridor that will be formed thanks to the geopolitical importance and the underground resources of Central Asia and Caucasus.

2013 had been a year that the growth in the energy sector continued; the main steps were taken to generate power from alternative energy sources and the electricity distribution privatization efforts were completed in Turkey. Turkey’s installed power reached to the level of 63,000 MW and the highest consumption was made in August 2013 with 38,500 MW. And the studies for nuclear energy were continued in 2013 as well. Besides Akkuyu Nuclear Plant, Sinop Nuclear Plant project was decided to be carried out by Japanese and French consortium, and thus intergovernmental agreements were signed between Turkey and Japan. And for renewable energy and import coal plants, private sector investments continued.

The year of 2013 also paved the way for the diversification of sources in power generation in Turkey. Nuclear energy will begin to play role in meeting the energy need of Turkey as of 2023. With the completion of privatization in the electricity distribution field and the privatization of some EÜAŞ (Electricity Generation Company of Turkey) plants, a progress had been made towards improving free market conditions. Developments like the increase in the supply of electricity generated from renewable energy sources, and the protection of the attractiveness of import coal investments are expected. Moreover, the efforts for using local resources, the rehabilitation of existing facilities and efficiency improvement studies, the privatization of EÜAŞ plants and the possible consolidations in production, distribution and retail sectors will be the main topics to be discussed in the Turkish energy sector in the next period.

ENERGY

ÇALIK ENERJİ Strengthens Its Place with Its Projects

Having started its operations in 1987, Çalık Enerji went under restructuring in 1998 becoming one of the important players in the sector with its investment projects. Conducting activities under two main fields as Power Systems and Oil-Gas, the Company offers turnkey construction services, HEPPs, wind plants, thermal plants, international electricity trading, and electricity distribution within its "Power Systems" business. The "Oil & Gas" business includes pipelines and refinery, exploration and production, field services as well as gas storage and trading of oil and oil derivatives.

Çalık Enerji cemented its presence in the global energy sector with its completed projects and contracts. In line with its sustainable profitability target, the Company has entered into new markets and accelerated its growth. The Company rose from the 129th place in 2012 to 111th in 2013 on the "Top 250 International Contractors" list published every year by Engineering News Record and became the 9th largest company that operates in the fossil-fueled power plant sector in the world.

In Africa following Central Asia and Middle East

Due to its geographical position, Turkey is located between the largest consumer countries (Europe) and the countries (Middle East and Caspian Region) which have the three-fourths of global oil and gas reserves. Çalık Enerji conducts its businesses considering this great potential of the country and the surrounding geographies. In 2013 the Company undertook the construction work for the first 230-MW natural gas combined cycle plant in Georgia's Gardabani region, one of the largest energy investments planned in recent years.

Çalık Enerji completed the 1250-MW Al-Khairat power plant, the biggest plant in Kerbela, Iraq. The Company also completed a large part of Iraq's second biggest plant Nainawa, which is expected to meet the entire energy demand of Mosul with a capacity of 750 MW.

In 2013 Çalık Enerji assumed several new projects as part of EPC construction services, one of its main fields of activity, and began the construction of power plants in Turkmenistan's Ahal, Lebap and Mari provinces with production capacities of 141.7 MW, 149.2 MW and 146.7, respectively. Furthermore, the Company signed contracts in 2013 for installing two additional power plants in Ahal (252.2 MW) and Derweze (504.4 MW). Çalık Enerji also commenced the first phase of the three phased infrastructure renewal project of Turkmenistan's capital city, Ashgabat, worth 1 billion dollar, as the Primary Contractor.

Benefitting from the physical proximity to geographies like Central Asia and Middle East, Çalık Enerji enhances its competitive position in the surrounding markets. The Company undertakes on infrastructure work projects in target countries such as Libya, Tunisia, Kazakhstan, Russia, Central and South Africa. In 2013 Çalık Holding entered into new markets including Nigeria, Libya, Algeria and Tunisia and initiated work as part of the tender awarded for the 542-MW natural gas cycle plant to be installed in Khumus, Libya. In the oil business, the Company sought to expand business relations with countries across South Africa, Middle East and West Africa.

Significant Investments in Renewable Energy

With the purpose of generating energy through installing hydroelectric, thermal, solar, and wind plants in Turkey, Çalık Holding continued its efforts in 2013 accordingly, taking investment decisions for Sarpıncık and Demircili wind projects.

The Company completed preparatory work for the construction projects of two wind power plants in Karaburun and Urla with a capacity of 32 MW and 40 MW, respectively. In 2013 Çalık Holding also completed the 29.9 MW Adacami HEPP (Hydroelectric Power Plant) Project and started electricity production.

Achievements in Electricity Distribution Sector

Having made a powerful entrance to the electricity distribution sector with the acquisition of YEDAŞ as part of the privatization in 2010, Çalık Enerji partnered with Kiler Holding to take over Aras Elektrik Dağıtım A.Ş., a company operating in 7 provinces across Eastern Anatolia (Erzurum, Kars, Erzincan, Ağrı, Ardahan, Bayburt, Iğdır) and became one of the leading companies in the sector offering services to 7 million subscribers and investing in infrastructure projects with an annual worth of 150 million USD. The Company continued its investments and activities through its electricity distribution company in Kosovo taken over in partnership with Limak Holding in 2012.

Nainawa Power Plant

Partnership with Global Giants

Çalık Enerji has become a known and favored company in the global energy sector with its business quality, services and reliability. The company collaborates with global giants including GE, Mitsubishi, Alstom, ABB, Siemens, Schneider, Ansaldo, Hyundai, Doosan and Techint, swiftly moving towards becoming an international leader with its productive and dynamic corporate structure.

Adopting environmental and ethical responsibilities in its fields of business, Çalık Enerji renewed its current ISO 9001:2008, ISO 14001:2004, BS OHSAS 18001:2007 certificates during 2013.

Turkmenbashi Power Plant

Balkanabat Power Plant

YEDAŞ Makes A Name For Itself In the Energy Distribution Sector

Yeşilırmak Elektrik Dağıtım Anonim Şirketi that was acquired by Çalık Elektrik Dağıtım A.Ş. on December 29th, 2010 within the scope of the privatization efforts in Turkey joined the Holding with the name of Çalık YEDAŞ. The Company, which provides electricity distribution and retail sales services to almost 1.8 million customers in Samsun, Ordu, Çorum, Amasya and Sinop cities and their districts, had been transformed into two separate companies as Yeşilırmak Elektrik Dağıtım A.Ş. (YEDAŞ) and Yeşilırmak Elektrik Perakende Satış A.Ş. (YEPAŞ) as of 01.01.2013 based on 'Procedures and Principles Regarding the Legal Separation of Distribution and Retail Sales Operations' by obtaining Retail Sales license with the decision of Energy Market Regulatory Board on 27.12.2012. As of 2013, YEDAŞ has 602 and YEPAŞ employs 228 employees.

The Goal Is To Be Among The Global Leaders

YEDAŞ aims to be among the top 10 companies of Europe for organizational and operational excellence in 2019. Thus the Company increases the number of its technological investments and reinforces its success with its highly qualified human resources and corporate structure. YEDAŞ pursues excellence in every stage of business from suppliers to customers, managers to employees besides its main activities.

Aiming to create added value for all its stakeholders with its customer oriented approach, YEDAŞ prioritizes quality and efficiency in every step. The Company is being managed with the Total Quality Management Model adopted by the top 500 companies of the world and uses internationally accepted Balance Scorecard system.

Rising Success Rates

In 2013, there have been positive changes in the Company's 'Distribution Service Quality Indicator' rates compared to the previous year. While the 'Number of Failures' decreased by 8.86 percent in 2013, 'Number of Burned Transformers' decreased by 26.96 percent, 'Number of Fined Reactivation' decreased by 82.69 percent and 'Number of Feeder Activation' decreased by 38.51 percent.

The Company acquired in 2010, performed positive and successful work since then and increased the reading rates from 87.37 to 97.08 percent and decreased leakage loss rates from 13.95 to 8.41. The bill collecting rates for current period have increased from 93.48 to 98.96 percent.

It Differentiates with SAP

YEDAŞ that differentiates itself and stands out among its rivals in the Turkish energy sector uses 8 modules of SAP ERP actively. By analyzing the opportunities and the threats it faces with ERP system, the Company develops its customer oriented services.

YEDAŞ, the only Turkish company that began to use 'SAP IS-U Industrial Systems' that work in integration with GIS (Geographical Information System) and AMR (Automatic Meter Reading) in 2013, plans to integrate also SCADA/DMS/OMS (Data Monitoring, Recording and Network Management) projects to the system in 2014.

YEDAŞ R&D Office

YEDAŞ allocates a significant budget to its R&D investments with the awareness that the keys to sustainable success are innovative ideas and developed technologies in the competitive conditions of today.

The Company founded YEDAŞ R&D Office in Middle East Technical University Technokent in 2013 in order to fulfill the technological needs of the electricity distribution sector with national sources. YEDAŞ R&D Office that commenced operations with 'Technology and Innovation' unit made two award-winning designs in electricity distribution field in a very short amount of time and even received orders from overseas for these designs.

The main projects that are carried out and completed on the technology and innovation side of YEDAŞ R&D Office are Street Illumination Control System, Secondary Protection Surveillance System, Lighting Meter Reading System, Automatic Meter Reading System, Electricity Distribution Network Failure Detection System and Energy Quality Management System.

YEDAŞ Is 'The First and the Only'

The vision of YEDAŞ; to act together with all its stakeholders towards its targets and strategies was awarded with 'Certificate of Competence in Excellence – EFQM 3 Stars' at the '21st Quality Congress' of KALDER (Turkish Society for Quality and TÜSIAD (Turkish Industrialists and Businessmen Association). YEDAŞ is the first and only electricity distribution company to get this certificate.

YEDAŞ is also the first and only Turkish electricity distribution company to get the 'Quality Gold Crown' in 2013 'Gold' category of International Quality Systems (IQS) awards given by Business Initiative Directions (BID) that is an independent organization.

YEDAŞ became the first electricity distribution company to have ISO 10002:2006 International Customer Satisfaction Standard and ISO 27001:2005 Information Security Management System certificates in Turkey. The other quality certificates that YEDAŞ has are ISO 9001:2008 Quality Management System, ISO 14001:2004 Environment Management System, OHSAS 18001:2007 Occupational Health and Safety Standard.

By signing 'United Nations Global Compact' in 2012, YEDAŞ promised to adopt its ten principles regarding human resources, labor, environment and corruption in its company policies, operations and corporate culture. Within this framework, the Company issued its first GRI (Global Reporting Initiative) 'Sustainability Report' in 2013.

ARAS EDAŞ Grows with the Power of Çalık Group

Çalık Group, partnered with Kiler Group took over the ARAS EDAŞ, a company distributing electricity in 7 provinces across East Anatolia which went under privatization in 2013. Building on the experience of Çalık Group in the electricity distribution sector, the Company experienced a fast transformation process with efforts started in the second half of the year.

Erzurum being the main operation center, ARAS EDAŞ operates in the region covering Ağrı, Ardahan, Bayburt, Erzincan, Iğdır and Kars provinces, with the priority target of contributing to the economic, social and cultural development of the region. The Company continued its activities to improve the quality of electricity distribution in 2013 and provided services to 815,168 subscribers and 2,226,155 people with its 646 employees.

ARAS EDAŞ renewed its infrastructure with modern technologies intending to offer uninterrupted and quality services to subscribers and sold 2,875,677-MWh energy in 2013, transferring to the system 521,767-MWh of electric power from generation plants in the region. The Company keeps on analyzing the region in order to make high quality and uninterrupted energy available for the users.

ARAS EDAŞ adopts a people-oriented business approach in the region of its activities. The Company considers the demands, suggestions and complaints from the local community and tailors its services based on the local needs and feedbacks received.

A New Start In Power Distribution with **KEDS**

Kosovo Energy Distribution and Supply Company (KEDS) was acquired by Çalık Holding and Limak Holding through a tender offer in 2012. The Company has been operating as the only authorized Distribution Company in Kosovo, the youngest country of Europe. Building on the experience gained by Çalık and Limak Groups in the power industry, the Company is dedicated to provide satisfactory services to its users with low costs.

Targeting to be a leading company with its technical and business capabilities, KEDS provides electricity supply to over 470 thousand customers divided into three categories: house hold customers (85%), commercial (14%) and other (1%). With an average of 2,500 new customers on a monthly basis, the Company provides over 5 billion kilowatt hours (kWh) of electricity supply to a total of 1.7 million citizens.

Focusing on renewal and capacity expanding activities, KEDS conducts modernization operations, including the rehabilitation of infrastructures and measuring capacities. The Company's priority is to reduce losses and illegal electricity use, therefore KEDS plans to decrease the technical loss rate that reaches up to 18% in the country to a great extent.

KEDS increased the return in its account collectables in 2013. The Company also continues to execute planned maintenance and network renewal investments in order to meet the international standards in System Average Interruption Duration Index (SAIDI) and System Average Interruption Frequency Index (SAIFI) values with the purpose of improving supply safety.

Committed to continuous and transparent services, KEDS prepared an annual plan for investments worth approximately 26 million Euro in 2013 to achieve its targets. The Company also completed preliminary work for the "10-Year Distribution System Operator Network Development Plan" (2014-2023) designed to provide reliable electricity supply with low prices.

KEDS delivers innovative practices in electricity distribution thanks to its reliable working systems and coordinated customer tracking. With 2,605 employees and investments made into technology, the Company continues to develop projects with an ambition to offer the best solutions to meet the expectations of people in Kosovo.

2013, A TOUGH YEAR FOR MINING INDUSTRY

The global mining industry demonstrated a highly unpredictable outlook in 2013 immersed in the after effects of the money policies of FED, slowdown in the Chinese economy and the geopolitical developments. Gold prices continued to fall due to the FED policies and were stabilized around 1,200 USD per ounce towards the end of the year as a result of the global geopolitical concerns.

Copper remained strong until the end of 2013, due to the inadequate findings of large copper mines and the low grades of the available ones. On the other hand, industrial metals which are consumed mostly in China, suggested a vague outlook. The market seeking alignment with the “new normal” Chinese growth rate, of approximately 7 percent, kept a close watch on the reduced prices for various metals. The companies who encountered sharp decreases in metal prices sought higher revenues by increasing their production volumes. These companies also cut down the costs and investment budgets, and reduced their exploration activities. Due to such circumstances, small mining businesses and exploration companies experienced a very challenging environment in 2013. Some of these companies exited the sector while some others were acquired by large companies. The companies with a long term perspective saw significant opportunities during this period.

China, becoming the biggest commodity consumer in 2013, continued global company and mining area purchases.

African countries with abundant and untouched gold, copper, diamond, coal, oil and gas deposits attracted significant number of foreign investors including China which created a high competition in the continent. In addition, the countries which had no previous operations in mining, like Greenland and Myanmar started to attract interest of foreign investors. Making up the half of the global explorations and mining industry, mining operations in the North and South America continued without interruption primarily in Canada, Chili, and Peru.

Turkey ranks in the 28th place in the global mining production and in the 10th place in the world in terms of mine and mineral diversity. There are 90 kinds of mines and minerals currently marketed across the world. The Turkish mining sector produces 53 different mines and minerals, 50 percent of which is composed of marble and natural stone. Turkey has highly rich reserves of energy materials including mainly the industrial raw materials, as well as some of the metallic minerals, brown coal and geothermal resources.

In 2013, Turkey became the leading country among European countries by producing 33 tonnes of gold and remained as the first country on a global level with its boron reserves.

Turkey currently has 700 tonnes gold, 1.7 billion tonnes copper, 1 billion tonnes boron, 2.2 million tonnes zinc, 122 million tonnes iron, 6,000 tonnes silver, 26 million tonnes chrome, 14 billion tonnes marble and 14 billion tonnes brown coal reserve.

Mineral Exports Exceed 5 Billion USD for the First Time

According to recent data from the Ministry of Energy and Natural Resources General Directorate of Mining Affairs (MIGEM), Turkey accomplished a milestone in 2013 in mineral exports. The country increased its mineral exports from 4.18 billion USD in 2012 to 5.04 billion USD in 2013, achieving a record level. While the share of mineral exports in the overall exports was 2.75 percent in 2012, this share reached 3.32 percent in 2013. In terms of quantity, 22.3 million tonnes minerals were exported by a 9.18 percent increase.

The top 10 export markets for the Turkish mining industry remained the same as the previous years, and consisted of China, the US, India, Iraq, Russia, Italy, Belgium, Saudi Arabia, Spain and Germany. Exports from Turkey to China, the biggest market of the industry, were listed as 2 billion 467 million USD by a 35.69 percent increase over 2012. Top minerals exported to China during this period included natural stones, chrome ores, copper ores, precious metal ores and lead ores. The exports in the industry also saw an increase to Bulgaria, the Republic of South Korea, the Netherlands, Libya and Azerbaijan during the last year.

MINING

LİDYA MADENCİLİK

Lidya Madencilik, founded in 2010, is among the leading mining companies in Turkey with successful international partnerships, promising project pipeline and human capital. Lidya Madencilik focuses on all aspects of mining operations, from exploration to extraction of metals such as gold and copper as well as silver, lead and zinc.

Anagold, a JV company between Lidya Madencilik and Alacer Gold, is the first major international partnership in the Turkish mining industry. One of the 3 gold producers in Turkey; Anagold increased its production by 43 percent in 2013 and realized 27 percent of Turkish gold production. Anagold, produced 271,647 ounces of gold in 2013 and plans to produce 220,000 ounces of gold in 2014 at Çöpler Gold Mine which is the second biggest in Turkey with a 6.5 million ounces of gold reserves,

Having realised a net profit of USD 28 million in 2013, Lidya Madencilik aims to increase the domestic metal production by making new discoveries while enhancing standarts of Turkish mining. To this end, the Company spent USD 15 million for gold and copper exploration in 2013.

Çöpler Gold Mine

POLİMETAL MADENCİLİK

Besides being an investor, Lidya Madencilik conducts exploration projects across Turkey through Polimetal. Polimetal Madencilik aims to find gold and copper prospects to bring them into production in fastest, most efficient and cost effective way.

In 2013, Lidya Madencilik overtook the control of the Company by increasing its share to 80 percent from the previous 50/50 partnership with Alacer Gold. The company runs 11 projects in 18 licenses for gold, copper, silver, lead and zinc. The objective is to make these projects an important component of investment and growth program of Lidya Madencilik in the years ahead.

TURKISH CONSTRUCTION SECTOR SURPASSED THE 30 BILLION USD THRESHOLD IN 2013

Listed in the “World’s Largest 250 Construction Companies” with 38 companies, Turkey expanded its annual business volume in the construction sector in 2013 and achieved 31.3 billion USD, passing over for the first time the threshold of 30 billion USD. Within one year, Turkish construction sector undertook 374 projects in 45 countries, contributing to the economy in the areas of foreign employment opportunity and technology transfer.

In 2013, Turkmenistan signed 60 projects with a value of 10.5 billion USD with the Turkish contractors, was listed as the country with the highest number of projects undertaken followed by Russia (5.6 billion USD) and Azerbaijan (2.8 billion USD) in the second and third positions respectively. These countries are followed by Iraq (2.1 billion USD) and Kazakhstan (1.8 billion USD). These developing countries that export oil and gas, are expected to achieve high growth rates, and are estimated to deliver more investments into infrastructure and increased employment opportunities in the upcoming period. CIS countries will maintain their key role in the Turkish construction sector with infrastructure and superstructure projects, along with Gulf region which will remain as an attraction area. Other business opportunities in the construction sector include landscape, transportation and energy projects funded in Africa by the World Bank, African Development Bank, and European credit agencies.

New Regulations Accelerate Real Estate Sector

The real estate sector was affected negatively due to the economic shrinkage of 2013 experienced particularly in the European countries, while becoming one of the key and leading sectors in the Turkish economy. The sector’s performance was above the overall growth numbers in the country thanks to the stability of Turkish economy and the demand created by the high population.

2013 was marked as a highly dynamic and active year for the construction sector with 5.9 percent, 7.6 percent, and 8.7 percent growth in the first, second and third quarters respectively. In addition to several projects launched recently to meet the housing needs, urban renewal projects which are likely to gain more importance over the upcoming period also represent a driving force in this respect.

Recently, increased demand for office space by multinational companies and growing Turkish firms have played a significant role in the dynamism in the sector. Reasons behind the preference for Turkey also include Turkey’s position as a logistics hub for many countries as well as its economic stability, corporate business mentality and foreseeable inflation rates.

The low interest rates in house loans, facilitating real estate purchasing, affect the domestic market growth of the sector. While the home loan volume was 3.5 billion TL in 2004, this amount reached 68 billion TL in September 2011 and exceeded 100 billion TL in 2013.

Positive Impacts of Urban Renewal

The biggest development in the real estate sector in 2013 was the urban renewal initiative started under the leadership of the Ministry of Environment and Urban Planning. These activities represent a crucial step both for the real sector and urban planning, bringing dynamism to the construction and real estate sectors. As land development is highly challenging for real estate developers in large cities like Istanbul, new opportunities are likely to arise as part of the urban renewal.

Another significant development for the sector in 2013 is the law of reciprocity regulating the house sales to foreigners. Thanks to the regulations introduced for the real estate purchase and residence by foreigners, foreign purchase rates has significantly increased in the sales of projects in Turkey.

The urban renewal which has accelerated the real estate sector is expected to continue its contributions to the dynamism in the sector and the economy, supported by the law of reciprocity and 2B Act. Turkey will remain as an attraction center for real estate investors with its strong economy as well as the new regulations. Advancing technologies, evolving demands, and the position achieved by Turkey and especially İstanbul in the international platform, are very promising factors in terms of the sector for 2015 and beyond.

CONSTRUCTION

GAP İNŞAAT Invests for the Future

Incorporated in the 90s to facilitate the establishment of textile factories for Çalık Holding, Gap İnşaat started its operations in the construction industry after a reorganization in 1996. Listed as one of the "World's Top 250 Largest International Contractors", the Company has delivered to date more than 100 significant projects as part of its operations across 8 countries. Gap İnşaat stepped into a restructuring process in 2013 and continues its operations to achieve its target of being one of the best companies in its sector on a global basis.

Gap İnşaat focuses its international operations on infrastructure and industrial projects in countries including Turkmenistan, Kazakhstan, Iraq, Libya, Saudi Arabia and Qatar, while keeping a close eye on geographies such as Russia, Oman and Africa. The Company plays a key role in the contracting sector with its strong financial stand and provides construction services for large projects in Turkey.

Strengthening its qualified workforce and knowledge through investments, Gap İnşaat holds a 4 billion USD project portfolio. Headquartered in Istanbul and operating offices in Ashgabat, Dubai, Baghdad, Astana and Tripoli, the Company is expected to provide employment for 10,000 people across local and international projects in the upcoming period.

Turkmen Port for Silk Road

Gap İnşaat was awarded the tender for the key logistics hub on the route between Asia and Europe; "Turkmenbashi International Sea Port", and laid the foundation of the project in 2013. This seaport, which will be located on the historical silk road, will serve as hub for all export and import activities in Turkmenistan.

The Sea Port Project to be delivered by Gap İnşaat in Avaza located on the coast of Caspian Sea includes the construction of 6 ports and one shipyard containing a ferry and passenger terminal, a container station, a general cargo port, a bulk cargo port, a Ro-Ro terminal, and a polypropylene terminal.

Together with the subsectors, Gap İnşaat, as the EPC contractor, plans to provide jobs to 4,000 people within the Sea Port Project. The Project will cost a total amount of 1.5 billion USD and be completed in 4 years to serve as an international modern complex.


Turkmenistan National Library

Gap İnşaat is among the internationally-preferred Turkish companies in infrastructure and industrial projects. In 2013, the Company partnered with Japanese giant Mitsubishi Corporation to establish a consortium and organized the process for providing funds by JBIC (Japanese Bank for International Collaboration). Within this framework, Gap İnşaat signed a preliminary EPC contract for the 'Ammonia and Urea Factory' in Garabogaz city in Turkmenistan, of the Balkan Province, which is planned to be commenced in 2014. In line with its organic growth policy, the Company took a proactive approach and implemented new business project models involving the previous partners and geographies where it has experience in.

Gap İnşaat, operating as an EPC contractor, expanded its contract volume and carried out many hospital projects in 2013. The Company completed the Serum Factory and Dental Hospital; and undertook the construction projects for Simulation, Central Reference Laboratory, R&D Center and Cardiology Hospital.

During the year, Gap İnşaat entered into partnerships with various important organizations for the purpose of seeking solutions to improve the quality of international operations. Accordingly, the Company established consortiums with Mitsubishi Heavy Industries for the turn-key construction of the "Garabogaz Fertilizer Factory" in Turkmenistan; and with Tepe Group for the Kerbela Airport Project in Iraq; and with Kalyon Group for the "Highway" project in Kazakhstan.

Gap İnşaat's Success in Quality and Occupational Safety

Committed to quality and occupational safety in areas of operation, Gap İnşaat holds Occupational Health and Safety certificates including 'ISO 9001 Quality Management', 'ISO 14001 Environmental Management' and 'ISO 18001'. Gap İnşaat was granted the certificate for "22 Million Hours of Work/Man Accident Free" by MMHE and Technip. The Company has set a new target in all projects to win the 'LEED' certificate, the globally recognized symbol of "Leadership in Energy and Environment-friendly Design".


Kelete Cement Factory


Turkmenbashi International Sea Port

A Powerful Brand In Real Estate Sector; ÇALIK GAYRİMENKUL

Çalık Gayrimenkul was established in 2007 for managing the development, investment and marketing processes of Çalık Holding's local real estate projects. Developing projects in the areas of urban renewal, office/housing construction and trade, the Company is committed to undertake eco-friendly and sustainable projects in harmony with the urban fabric.

Carrying a 4 billion USD project portfolio, Çalık Gayrimenkul's vision is to produce real estate projects, which create added-value for the society aligned with modern needs. The Company is well-known in the real estate sector thanks to the experience and brand recognition achieved through urban renewal and big-scale revenue sharing projects.

Çalık Gayrimenkul targets to restructure itself as a Real Estate Investment Trust (REIT) in 2014. Working towards this objective, the Company follows many tenders and large projects closely with regards to its first public offering of shares.

In 2013, Çalık Gayrimenkul started to work on the mixed-use projects on a total area of 14,500 square meters, including the A class in Zincirlikuyu and the Landmark Office in Yenibosna Kuyumcukent.

Çalık Gayrimenkul participated in the Kuwait Real Estate Fair in 2013 and introduced its Tarlabaşı 360, Metropol Istanbul and Şehrizar Konakları projects to investors. The Company also signed an agreement with EGC Kuwait to launch sales offices for its projects in Kuwait and the Middle East.

Şehrizar Konakları Is Ready to Welcome Its Tenants

Construction work is progressing fast in the Şehrizar Konakları Project undertaken jointly by Çalık Gayrimenkul and Emlak Konut GYO, a TOKİ affiliate with revenue sharing model. Composed of 38 blocks and 209 luxury apartments, the Project is to welcome its tenants in 2014. With a 108,000 square meters construction area within a land of 49,400 square meters, Şehrizar Konakları offers various apartment sizes from 180 to 626 square meters.

Şehrizar Konakları provides a peaceful and spacious environment for large families and reflects a warm and familiar neighborhood feeling on its architecture with landscaping featuring plants exclusive to Istanbul. Implemented in Altunizade, Üsküdar by Çalık Gayrimenkul, the Şehrizar Konakları Project aims to create a perfect synthesis of modern life and neighborhood culture. The landscaping offers shared garden areas for every neighborhood which feature plants reflecting the nature of Istanbul, including Magnolia, Sakura, Silk Tree, Crepe Myrtle, Malus, Golden Rain, Silverbirch, Birch, Catalpa and Judas Tree.

Şehrizar Konakları is designed by the famous Architect Han Tümertekin, Architect Nevzat Sayın, Architect İhsan Bilgin and Architect Sinan Kafadar. The Project is also distinguished by its proximity to the Bosphorus Bridge and connecting roads. Şehrizar Konakları offers different room options varying from 3+1 to 9+1.


Şehrizar Konakları

A Global Project in Ataşehir: Metropol Istanbul

Metropol Istanbul is a world class project in the International Istanbul Finance Center with its original and assertive urban design, architectural/technical features and location. The Project will be one of the largest mixed-use projects of the world in its class with residence towers, a shopping center and recreation areas. Metropol Istanbul, which will be built on a whole construction area of about 750,000 square meters, includes three tall buildings and consists of around 2,000 independent units.

In 2013, Metropol Istanbul attracted great attention from investors with its features and location at the Finance Center. The various tax advantages and exemptions that will be granted for being located on the Finance Center increase the benefits of owning an office at Metropol Istanbul. Furthermore, a block sale was made to one of the leading Holdings of Turkey in 2013.

Promising a 24/7 life inside the Finance Center, Metropol Istanbul expects to welcome 22 million visitors a year with its shopping street Metropol Catwalk. Developed by the architects within RMJM, a world-famous architecture company, the project's engineering consultancy is undertaken by the Australia based Hyder Consulting which has been operating in the sector for over 150 years.


Metropol İstanbul

Tarlabaşı 360 Project

Çalık Gayrimenkul, subsidiary of Gap İnşaat, takes the role of contractor in the "Tarlabaşı 360" Project, the first renewal project delivered jointly by public and private sector in Turkey. The project, which is planned under the leadership of Beyoğlu Municipality, aims to form a more livable, a more secure residential area in Tarlabaşı befitting for Istanbul.

One of the most important targets of Tarlabaşı 360 project is to renew the old and neglected structure stock together with the entire infrastructure on the project area which is unhealthy and dangerous for the tenants. The objective is to incorporate today's modern needs and standart requirements into the area without compromising the historic urban landscape.

Selected as the best "Urban Renewal" project in Europe by European Property Awards in 2013, Tarlabaşı 360 helps this historical area of the city to get the value it deserves through protective and modern approach of architects who are experts in their own fields.

Preserving the historical attributes of structures, the Project brings the green areas and the sun together for residents' use as required by modern house settlements. The project was designed through workshops participated by experts, academicians, leading architects, as well as representatives from private sector and municipalities from different fields to include underground car parks and pedestrian spaces as a center for social activity.

The collaboration that started between Beyoğlu Municipality and Çalık Gayrimenkul during the regulatory process has matured and has been enhanced with the participation of local residents and NGOs in the project process. Çalık Gayrimenkul considers Tarlabaşı Project, the Company's first investment project in Turkey, as a significant social responsibility project to be delivered for the benefit of the country. As one of the solution partners in this long term and multiplayer project, the Company has been voluntarily contributing to the social plan developed for the local residents.

Fener-Balat-Ayvansaray Renewal Project

The second renewal project planned through a public and private sector partnership, the Fener-Balat-Ayvansaray Renewal Project covers the Historical Peninsula of Istanbul, an overall area of 79,335 meter square over the walls between Fener, Ayvansaray and the Golden Horn. Fener-Balat-Ayvansaray Renewal Project is developed by Fatih Municipality and aims to restore physical structures and improve environmental conditions, while protecting the cultural and historical heritage to transfer to next generations. The project, which includes Çalık Gayrimenkul as the contractor company, will properly integrate the area into the city and bring dynamism to Fener-Balat-Ayvansaray as a qualified living center without damaging the area's characteristic profile.

The area covered by the Fener-Balat-Ayvansaray Renewal Project experiences many physical and socioeconomic problems. The historical structure stock in the area has been damaged, and subsequently became non-resistant to seismic activities due to changing conditions. 19.4 percent of the buildings on the project site have lost their structural properties due to excess damage while 61.9 percent have been identified to require a large scale renovation. As Istanbul is located over earthquake fault lines, it is essential to treat these buildings, 85 percent of which are occupied. During the project design stage, officials from Fatih Municipality collaborated with academicians from the leading universities in the country as well as with companies which are experts in their areas.

In scope of this collaboration, problems with the registered structure stock at the project site were identified and classified under groups formed based on the structural issues. The further stages will include implementation projects to be developed considering the static report which will be prepared through consultation from universities for the registered structure stock with completed surveying and restitution. This urban renewal project aims to restore and transfer the qualified, authentic structures that survived to next generations, contributing significantly to the city's silhouette.

Structures damaged by physical conditions in time which have lost their registered properties and drifted away from its authentic state as a result of wrong and unconscious treatments will be reinterpreted in case a sufficient amount of information or document cannot be found with respect to these structures.

The buildings within the renewal project is planned to be distributed as such: 69 percent housings, 12 percent businesses, 8 percent offices and 2 percent cultural structures. One of the primary targets is to strengthen the economic and social conditions of the local residents. Therefore, the new value to be created will be first reflected on the property owners in this area. The principle of agreement is to maintain all property owners in the area as property owners in the new project. The implementation phase will start with the islands after the completion of agreement process and upon of approval of surveying and restitution restoration projects for the entire registered structure stock.


Tarlabaşı 360

SECTOR OVERVIEW

TURKISH BANKING SECTOR TO ATTRACT MORE FOREIGN INVESTORS

Following the depression in the European banking sector due to the global economic crisis in 2012, global banking did not achieve a significant growth in 2013. During and after the year 2013, major banks in the world focused on return on capital, operations, protection of assets and service transformation. Global risks and global capital trends are likely to fall into a decline as FED reduces its asset purchase program.

On the other hand, Turkey continues to attract foreign investors with regular growth in banking revenue and high profitability rate in the sector. Within the last 5 years, Turkey achieved an annual average of 14 percent growth, becoming the second fastest growing country in Europe following Russia.

According to data announced by BRSA (Banking Regulation and Supervision Agency), as of November 2013 total loans in the Turkish banking sector reached 1.010 billion TL by a 30.4 percent increase over the same period last year. The ratio of the total amount of loans and deposits to GDP is around 105 percent. As this number is doubled in Europe, it is clear that Turkey has a highly significant growth potential.

The contribution of retail loans to the total loan growth was higher in the first half of 2013, while the second half showed that the higher level of commercial loans mainly accounted for the increased loan growth. During the same period, the total deposit was reported as 911 billion TL by a 21.2 percent growth. The disparity further increased due to higher rates of loan growth resulting in a loan-to-deposit ratio of 107 percent in the sector, the highest level in the history.

Gaining significance in recent years, issue of bank bonds and bills, the most commonly used tools among alternative funding sources, also continues to rise. Annual increase in the issued securities was realized as 50 percent, reaching 56 billion TL. As of 2012 year-end, sources provided from the foreign banks grew 54 percent, increasing their weight from 16 percent to 21 percent in the deposits.

The banking sector sustained its strong profitability in 2013. According to the recently published data, return on equity and average return on assets were calculated as 14.5 percent and 1.6, respectively. However, the interest rates which regularly dropped during the first of the year started to rise in the second half carrying the rising trend to the beginning of the new year. The housing loan rates which dropped to 8.29 percent during June reached 11.5 percent at the beginning of the new year. As such interest rate on commercial loan which was realized as 9.3 percent in June rose to 12.27 percent in the new year.

The banking sector has started to take structural actions including the incentive granted in the individual retirement system, as the healthy finance of economic growth is threatened by low domestic savings accounting for around 13 percent of GDP. After the savings rates dropped to the lowest levels of the past 5 years, regulations regarding the credit cards are expected to create a more limited market which will force market players to develop different scenarios and models.

In November 2013 revenues from banking services and fees and commissions collected from the loans reached 20.2 billion TL with a 17 percent increase on an annual basis. The ratio of revenue generated from such channels to total revenue is around 15.6 percent as of November.

2014 is likely to mark an important year for the sector, considering both the macro effects resulting from the FED decisions and the local effects arising from the interest rates and regulations. The healthy structure of the sector suggests an optimistic picture for overcoming the potential challenges, as the banking sector maintains its strong structure in terms of asset quality and capital adequacy. Turkey's capital adequacy ratio of 15.64 percent as of 2013 year-end is significantly higher compared to other countries and almost constitutes the upper limit among OECD countries.

The year 2014 is expected to offer important developments in the global sukuk market which gets more significant every day in the banking sector delivering 131 billion USD in 2013 by a 55 percent increase over the previous year.

In the upcoming period, the need for large infrastructure costs in Asia and the Gulf region is very likely to be the biggest aspect to bring the desired dynamism to the global sukuk market. It is estimated that sukuk issues by Treasury and private sector representatives which reached 7 billion USD in 2013 will further increase, helping Turkey to make a stronger name for itself in the global sukuk market.

FINANCE

A Success Story; AKTİF BANK

Established in 1999 under the name Çalık Bank, the Bank had achieved a 67 million TL growth as of the end of 2006. In 2007 the bank reshaped its banking understanding under a new management with its new name Aktif Bank and a motivation for “New Generation Banking”. The bank reported its assets at 5.1 billion Turkish Liras as of the end of 2013. Aktif Bank is a unique bank operating in the fields of branch-free Retail Banking, Investment Banking and Regional Banking.

Aktif Bank positions its business partners, dealers and digital channels as distribution channels and customer contact points. Offering widespread and extensive banking services over low costs, the Bank is the first and only direct bank in Turkey. Aktif Bank came in the 41st place in the asset size ranking for Turkish banking sector in 2007 and rose to 24th place in 2013 achieving an overall 77 times growth during this period as the fastest growing bank in Turkey. The Bank demonstrated its ability to deliver fast growth by going beyond conventional methods and channels, and to reach strong profitability rates as well as a broad distribution network.

The Bank shapes its business models through a differentiated and visionary approach with operations conducted in many different business fields. In line with this vision, the Bank takes a wide range of initiatives from standard banking practices to the digital world and from money transfers to retail services.

New Generation Banking

Aktif Bank developed a new generation banking approach in Turkey with its business model “New Generation Banking”. Providing products and services to consumers at more than 9,000 locations, 2013 marked a significant year for the Bank in achieving its targets.

Keeping pace with the advanced information technologies and considering the customer trends, Aktif Bank introduced “Aktif Nokta®” in 2013, a platform offering many services to customers including catalogue product sales, ticket purchase, city and transportation card refills, bill collection, insurance application and GSM prepaid refill. An interactive marketing, sales and communication platform, Aktif Nokta®, enables fast and practical transactions for enterprises and customers without the need to wait in the queues. The Project is approved by Tubitak Department of Technology and Innovation Funding Programs (TEYDEB) and funded to be offered into the service of small enterprises. Having performed 800,000 transactions in 2,250 small enterprises across 73 provinces, the success of Aktif Bank attracted great attention in the international arena. Accordingly, Aktif Bank was awarded the first prize by the European Financial Management and Marketing Association (EFMA), a major organization in the EU's finance and banking sector.

Established within Aktif Bank in 2013 for insurance brokerage operations, Sigortayeri® has agreements with 21 largest insurance companies in Turkey. Sigortayeri® has also a web platform featuring affordable insurance options over special shaped according to the customers' needs. The sales and technology platform tailors products from leading insurance companies for customer needs, offering them to the customers with comparisons on alternative distribution channels and physical channels.

In 2013 Aktif Bank established Aktif Bank Sukuk Varlık Kiralama A.Ş. for the purpose of issuing lease certificates. Having acted as a broker agency for two lease certificate issues, the Bank has carried out a new practice and issued lease certificates, an interest free-financing method, for the first time in project finance in Turkey. Aktif Bank Sukuk Varlık Kiralama A.Ş. issued lease certificates at a total nominal amount of 200 million TL, utilizing the methods “Mudaraba” in the first issue and “Vekalet” (Agency) in the second.

Performing another first in the Islamic finance area, Aktif Bank acted as an agency for metal purchase and sales over murabaha on behalf of foreign financial organizations. This transaction performed within the boundaries of today's fast developing field of Islamic Banking has enhanced the funding diversity of the bank while expanding its service area for correspondent banks. The Bank is expected to increase its activities in both Islamic and conventional banking through similar new financial instruments in the upcoming times.

The Bank established Emlak Girişim Danışmanlığı A.Ş. in order to apply financial models for all kinds of real estate projects, install structures and systems, provide active consultancy and guidance, and partner in investment projects. Emlak Girişim Danışmanlığı A.Ş. holds 5 percent share of İstanbul Finans Merkezi İnşaat Taahhüt Anonim Şirketi, the organization acting as the originator in lease certificate (Sukuk) issues made within the framework of the Istanbul International Finance Center Project.

Aktif Bank entered into a strategic collaboration with ICD, an organization of Islamic Development Bank (IDB), financing the Bank's private sector investments, and established Islamic Leasing Companies (Ijara) in Tatarstan and Kazakhstan. The Bank's joint activities with Islamic Development Bank in banking and other financial services have significance for the financial potential of the region. These activities conducted with the internationally powerful collaborator are of importance regarding the reputability and targets of Aktif Bank.

Agreements were signed with Turkish Football Federation (TFF) obtaining the right to implement the common card and ticket project for Turkish major and minor leagues. Having the license to operate the project for a period of 10 years, significant infrastructure designs were worked on during 2013 in line with the operation. Numerous products were developed to be served in 2014 for the use of millions of fans and customers.

Aktif Bank continued its efforts in 2013 to establish an infrastructure for credit cards and prepaid cards and to integrate them into the main banking infrastructure. The Bank also works on to obtain credit card applications from different channels, and to manage card distributions. The Bank focused on R&D activities to improve software, development, test and quality processes, completing the arrangements required within information technologies as well.

In 2013 many subsidiary divisions within Aktif Bank administered significant activities from bill collection systems to payment recording devices. Accordingly, the Bank launched business models by expanding its corporate segment and started to offer solutions for corporate customers by taking its standard loan products a step forward through project partnerships.

The Bank with the Most International Awards in Turkey

Aktif Bank has made a distinguished name for itself not only for its success in figures but also for its performance demonstrated through its products, services and innovations. The Bank is the institution with the most international awards in Turkey in the fields of payment systems, technology, quality, innovation, investment products, distribution channels and communications.

The Bank has proudly represented Turkey's banking and finance sector and received 55 awards to date from prestigious international competitions including very important organizations recognizing the Bank as the “Most Innovative Bank in the World” like Financial World Innovation, EFMA, Paybefore, VRL Financial, and Global Banking & Finance Review. Aktif Bank was featured for these accomplishments as a “Case Analysis” in the “Financial Services Marketing” book published in the US in 2013.

2013 FINANCIAL AND OPERATIONAL DATA

Total Assets	5,104,307
Loans (Cash Loans)	3,620,993
Bank Bond Loans	2,004,194
Other Liabilities	4,314,188
Equity Capital	790,119
Capital Adequacy Ratio	13.23%
Net Profit	93,822
Customer Number	310,407
Personnel Number	623
Branch Number	8

- Figures are in 1,000 TL, and equity capital amount is given with net profit included. Equity capital amount excluding net profit is 697,085,000 TL.

BKT Introduces New Banking Experiences to the Sector

An affiliate of Çalık Holding operating in the finance sector, Banka Kombetare Tregtare (BKT) is the leader in retail banking and also the 2nd largest bank of Albania. With 60 branches in Albania and 24 branches in Kosovo, BKT operates an overall number of 132 ATM terminals in these countries.

Total assets of BKT reached 2.7 billion USD in 2013 by a 338 million USD increase over the 2012 year-end. Overall deposit size of the Bank (2.2 billion USD) achieved a 15 percent real expansion over 2012. The Bank increased its total equity to 205 million USD by a 30 million USD increase and realized a 17 percent return on equity. Moreover, BKT's market share in asset size, deposit and retail loans exceeded 21 percent with an annual return of 39 million USD.

While the rate of the problematic loans in the total loans balance (NPL 90) in the Albanian banking sector increased to 25 percent, BKT with a 8.6 NPL ratio became the only bank that was able to differentiate among equivalent banks.

Delivering Firsts In Its Geography

In 2013 BKT brought several innovations in the sector with its newly developed banking applications. The Bank was the first to provide online e-government and e-customs payment services in Albania as well as to introduce the virtual POS product. In 2013 BKT also added bonus money and free shopping opportunities to "Prima", the first installment card in Albania. Moreover, BKT became the bank with the highest market share in the Albanian local and short term (up to 1 year) bond market.

The Bank introduced the first loan product in the country for retirees and added to its service network a municipality-aided loan product for entrepreneurs in partnership with the Tiran Municipality.

Leveraging international business opportunities, BKT delivered several investments and collaborations in 2013. The Bank signed a contract to get a total amount of 10 million Euro loan from the EFSE (Southeast Europe Region) for investments in Kosovo. BKT distributed 5 million Euro of this amount to the agricultural sector while the remaining amount is allocated to small and medium scale enterprises.

A contract with a value of 27.5 million Euro was signed between Albanian Ministries of Economy, Trade and Energy (METE) and Italian Development Cooperation with the aim of boosting the capacities of SMEs and developing the private sector. BKT became the most active bank among the 7 banks selected under the contract. In light of the contract BKT extended 49 percent of the loan credits for 83 Albanian SMEs in the total amount of 7.3 million Euro.

In 2012, BKT provided financing to Albanian SMEs with the fund obtained from the EFSE (Southeast Europe Region) in order to support SMEs. To this end, the Bank performed transactions with a value of 29.3 million Euro for 452 Albanian SMEs as of December 2013. The remaining debit balance of the financed Albanian SMEs is 12.9 million Euro as of July. These credits extended by BKT have high payback quality with a 3.85 percent NPL ratio (PAR 90).

In 2013 BKT signed a strategic alliance with the Islamic Corporation for the Development of Private Sector (ICD), an organization financing the private sector investments of the Islamic Development Bank (IDB). Within the framework of this alliance, the Bank completed the establishment process of the "Albanian Financial Leasing Company".

Demonstrating its distinguished profile once again, BKT was selected as the "Bank of the Year" by Euromoney, The Banker and EMEA Finance. BKT realized a first by receiving all the awards in this category. EMEA Finance also recognized BKT's CEO Seyhan Pencablıgil as the "CEO of the Year" in the Southeast Europe. BKT sustains its commitment to strengthen its position as the most reliable bank in Albania and Kosovo with its 1,161 employees, strong financial structure and sustainability strategies.

Advanced Urban Technologies with E-KENT

Joining Çalık in 2008, E-Kent's main business activities focus on 'Electronic Fare Collection System'. Positioning its strategies to "Build urban technologies", the Company provides services to prominent cities across Turkey. E-Kent installs and maintains Fare collection products developed for public spaces including rail systems, municipality-operated and public buses, car parks, culture parks, zoos and museums.

Reaching a 70 million TL asset size, E-Kent offered services at 19 locations in 2012, in 2013 the Company started serving at 45 locations, of which 19 are major municipalities, with more than 350 employees. Furthermore, E-Kent's operational numbers reached 1,556 dealers, 158 box offices and 400 million trips. Offering solutions for improved life quality in cities with 5,081 buses and 3,200 validators, the Company delivered a 518 million TL return on 4 million cards.

In 2013, E-Kent reshaped its strategies by structuring its business fields. Accordingly, the Company has made significant contributions to its sector with projects including 'Smart Urban Systems' and 'Payment Systems for Financial Sector' which can be integrated to Fare collection systems for transportation.

E-Kent was named as the "Central System Integrator" in collaboration with Aktif Bank in the tender made by Turkish Football Federation (TFF) as part of the "Prevention of Violence in Sports Act". The Company began to operate in a new business area after completing the integration of e-ticket systems into smart entry-exit systems and security camera management at the stadiums in Turkey. In addition, E-Kent, again in collaboration with Aktif Bank, added transportation function to PassoLig Cards to be used in cities where Electronic Fare Collection System is available.

With this project the Company provided card users with the opportunity to benefit from public transportation over a common data center for the first time in Turkey.

In 2013, E-Kent notably increased its presence and business volume in the sector with the Capital City Ankara's transition to Electronic Fare Collection System. The Company has completed system deployments following the signing of Ankara Project and will be ready to launch the system in 2014.

New Projects, Innovative Products

E-Kent remained as one of the leading organizations in its sector with investments made in 2013 as well as its commitment to R&D. The Company has introduced many innovations for the city life through projects including its products "Top Up" and "TVM Kiosk" which were delivered as part of the Ankara Project. The products can operate as touch screen ticket vending machines with functions of ticket sales and card refilling, the machines accept bills and coins, as well as credit card payments. The company designed "TFF Validator" as an entrance control equipment in line with the TFF E-Ticket project. E-Kent created "EPRA3" (3rd Generation Validator) for buses and subway trains with enhanced magnetic ticket mechanics and developed "Refund Validator", a system where the payment amount is determined depending on the distance travelled.

The Company also offered its "Online Top Up" and "Personalized Card" project, making it available for the passengers to buy personalized cards and refill them without even going to a point of sale.

INNOVATIVE PRODUCTS HIGH ON DEMAND IN TEXTILE SECTOR

The textile sector plays a key role in the economic development of emerging countries with its contributions in the production, trade, and, especially, the employment. Influenced by the strong changes over the last years brought by globalization, the competition in the textile sector is shaped by technology, brand and design advantages.

According to the data reported by the Istanbul Unions of Textile and Ready-Made Garment Exporters (ITKIB), export of textile and its materials from Turkey has increased by 7 percent to 8.4 billion USD compared to 2012. Overall exports from Turkey were realized as 151.7 billion USD by a 0.01 percent increase over the previous year, and industrial exports reached 119 billion USD by a 4.2 percent increase. As a result of these outcomes, the shares of exported textile and textile raw materials have risen from 5.2 percent to 5.5 percent in the overall exports from Turkey and from 6.9 percent to 7 percent in the industrial product exports.

Top countries Turkey exports to; include Russia, Italia, Germany and Romania, while sales to EU countries made up the 45.6 percent of the exports in the sector. Exports to the Middle Eastern countries were listed as 663 million 195 thousand USD by a 6.2 percent increase over 2012. Turkey's average share in the global exports in textile and ready-made garment industries is 3.5 percent.

As Turkish textile exporters turned towards alternative markets in 2013, significant growth has been realized in exports to the Middle East, Eastern Europe, African Countries and Turkic Republics. Considering the recent demands from China, exports to this country is also estimated to increase in 2014. It is also foreseen that new markets including Brazil and Tunisia will join the traditional export markets.

2013 was a significant year for the sector, with the introduction of '2013-2017 Draft Action Plan' covering the textile, ready-made garment and leather industries. This initiative compiled in collaboration with all ministries and through the active involvement of many NGOs including TIM (Turkish Exporters Assembly), TOBB (The Union of Chambers and Commodity Exchanges of Turkey), KOSGEB (Small and Medium Enterprises Development Organization), is of great importance as it covers key agenda items such as fighting against informality and instilling a new vision in the sector, and supporting R&D activities.

As one of the prominent denim manufacturer countries in the world, Turkey offered value-added products to the sector by focusing on R&D activities in 2013. Accordingly, the Turkish companies have recently focused their businesses on the sustainability concept, yielding successful results in the production of eco-friendly precuts demanded globally.

Moreover, Turkish manufacturers have gained further prominence as leading Italian and other European fabric manufacturers in the denim sector were challenged by the global crisis.

In line with the growing demand of the international brands and ready-made garment manufacturers, Innovation-oriented firms are expected to be favored more in the future. In this sense, companies offering style and washing solutions along with fabric solutions are foreseen to be more successful. On a global perspective, the research and development investments and market-leading value-added products by Turkish denim fabric manufacturers will continue to drive denim fabric exports of Turkey.

TEXTILE

ÇALIK DENIM to Introduce Innovative Products In Denim Industry

Founded in 1987 within Çalık Holding, Çalık Denim is one of the leading manufacturers in the world with operations changing the course of the denim sector. Achieving sustainable development, the Company is one of the top denim exporters in Turkey ranking in the top 10 premium denim manufacturers.

With its factory operating at full capacity for 365 days in 2013, Çalık Denim increased its production capacity to 36 million meters as it was aimed in 2012, offering employment for 1,500 people. The Company invested 13 million USD in machinery, manufacturing in on a 375,000 square meters space with the increased number of looms of 320.

Exporting 60 percent of production outputs mainly to Italy, Portugal, Germany, Tunisia and the US, Çalık Denim aims to increase the amount of exports to South America and the Far East in the upcoming period.

Products to Make Difference In Denim Sector

Managing one of the seven R&D Centers in the Turkish textile sector, Çalık Denim focused on eco-production and brought many innovations to the fabrics sector in 2013. These innovations include the "Natural production systems" such as the "Natural dyeing technique" using recyclable and organic production techniques with pomegranate peel. The Company saves 65 percent water and reduces waste by 70 percent by utilizing the "Eco-save" production model. By using this method in 30 percent of the total production, Çalık Denim aims to decrease water consumption by the amount used in 133,000 houses.

Çalık Denim believes that attributes of a product such as visual richness, design, technical performance and quality are of same importance.

Dedicated to offer all these attributes in all of its products, the Company distinguishes itself apart in the sector with its "LOKUM" collections.

Adding to the list of accomplishments in the market every day by creating style and washing solutions, Çalık Denim focuses on fairs and exhibitions in its international marketing activities. Accordingly, the Company participated in the 2013 Denim by PV show with its "Impressed Blue" concept from the "LOKUM" collection. For this concept, Çalık Denim developed special techniques and transferred the style of Shibori, a 600-year-old dyeing method, on to the fabric.

Stronger With The R&D Center

Çalık Denim carries out collaborations with prominent universities in Turkey including Çukurova University, Gaziantep University, Hacettepe University, İnönü University, Uludağ University, Fırat University, to develop R&D projects. The chosen universities submit their project ideas and the ones deemed suitable for R&D are evaluated by the Company. These activities also intend to introduce new employment opportunities in the local industry and contribute to the employment of qualified human resource. 15 R&D projects out of the 30 that were conducted using resources within Çalık Denim have been completed and the remaining ones are ongoing.

ÇALIK DENIM 2013 PRODUCTION CAPACITY

Finished Fabric (Denim+Gabardine)	36,000,000 Meter/Year
OE Yarn Production	1,500,000 Kg/Year
Doubled Yarn Production	2,100,000 Kg/Year
Ring Yarn Production	11,000,000 Kg/Year
Total Area	375,000 Square Meter
Closed Area	147,000 Square Meter

GAP PAZARLAMA Operates All Around the World with Its Dynamic Approach

Gap Pazarlama, founded in 1994 within Çalık Holding, increases its market share in the international textile business every day. A powerful player in the global textile market, the company provides manufacturing and sales services for yarn, denim fabric, ready-made garments and home textile products at its facilities in Turkmenistan, including Turkmenbashi Textile Complex, Turkmenbashi Jeans Complex, Balkan Weaving and Serdar Cotton Spinning factories.

Establishing a contract suppliers network in various countries on top of the manufacturing businesses in Turkmenistan, Gap Pazarlama offers its customers a variety of product groups supplied from these countries.
In 2013 the Company served over 200 customers across 32 countries with around 10,000 employees.

Gap Pazarlama improved its fabric stretch in 2013 and started production with new washing alternatives and new ranges of paint developed. Maintaining its competitive advantage with its integrated facilities and financial strength, the Company continues to enhance its position through a legacy of knowledge.

In 2013 Gap Pazarlama procured new machinery to boost the capacity and quality with the aim of offering the best products to its customers. Accordingly, the modernization of factories was completed with additional machinery purchased mainly for the Serdar Yarn Factory, as well as for the Turkmenbashi Jeans Complex and Turkmenbashi Textile Complex.

Having Wrap, ISO9001, ISO14001, ISO18001, BSCI, Sedex, 6 Sigma and Oeko-Tex certificates, Gap Pazarlama, sustains its partnerships in the ready-made garment industry with brands like Bershka, Pull&Bear, Tesco, River Island, Lefties, Forever21, Brams Paris, Puma, U.S. Polo, MnM, Spalding; and in the home textile sector with Jc Penney, Costco, BB&B, Sears, Kmart, Bonton, LIDL, Shopkp, BJ, Kaufland, Hudson Bayy Company, El Corte, Dunnes Stores, HSN, Target.

HOME TEXTILE PRODUCTION CAPACITY

	Capacity/Year	Production
Turkmenbashi Textile Complex	2 million sheets and bed linens	7,500 tonnes oe.+ 3,000 tonnes ring

YARN PRODUCTION CAPACITY

	Capacity/Year	Production
Balkan Weaving	36,864 spinner	11,000 tonnes Ring Carded Yarn
Serdar Cotton Spinning	60,480 spinner	5,000 tonnes Ring Combed Cotton + Ring Carded Yarn
Turkmenbashi Jeans Complex	1,680 Rotor+ 5,040 spinner	9,000 tonnes OE yarn + 2,808 tons Ring Carded Yarn

DENIM FABRIC PRODUCTION CAPACITY

	Capacity/Year	Production
Turkmenbashi Jeans Complex	12,000,000 mt	12,000,000 mt/year

READY-MADE GARMENT PRODUCTION CAPACITY

	Capacity/Year
Turkmenbashi Jeans Complex	3,500,000 denim jeans
Turkmenbashi Textile Complex	10,000,000 A-Shirts, 2,500,000 T-Shirts

ÇALIK COTTON to Bring Innovations into 'Cotton' and 'Yarn'

Founded in 2011, Çalık Cotton, a subsidiary of Çalık Holding, operates in the cotton and yarn business, and provides consultancy services in all subjects concerning cotton.

Starting off with the experiences and references that Çalık Group had acquired, Çalık Cotton has quickly achieved success in the sector. Operating businesses in many important global markets such as Turkey, the US, China, Turkmenistan and India, the Company continues its activities to offer fast and high-quality services to its customers.

Çalık Cotton expanded its business network by making cotton and yarn purchases in 2013. The Company purchased 12,000 tonnes of cotton from Turkmenistan to make sales to Turkish yarn companies. Again in 2013, Çalık Cotton started supplying yarn from India to offer alternative yarns to Turkish fabric manufacturers. Çalık Cotton also keeps ready-made yarns available in its inventories in order to offer faster services to its customers. The Company aims to enter into European and Africa yarn markets in the long-haul.

Environment-Friendly Products

Çalık Cotton keeps operating with its environmentally conscious products and use of cutting-edge technology. Accordingly, The Company partnered with Çalık Denim and Crailar Technologies Inc. to bring an important project to life using a new fiber type called "Crailar". Crailar is a natural, environment-friendly, ecologic fiber that consumes less water and requires no use of chemicals. 2 tonnes of sample crailar fibers imported were used to make the first fabric samples in the facilities of Çalık Denim.

Strengthened Brand Reliability With Additional Certificates

In 2013 Çalık Cotton became the only business firm in Turkey to obtain the AQSIQ certificate (the General Administration of Quality Supervision, Inspection and Quarantine) required for export activities to China. Also the holder of organic cotton certificates including 'Better Cotton (BCI)' and 'Control Union (CU)', Çalık Cotton registered Urfa cottons based on their qualities under the names 'UROB-UROX - UROS- UROT'. The Company also signed a "Continuous Fiber Supply Agreement" with the Canadian firm Crailar Technologies Inc. and a "Brokerage Agreement" with Louis Dreyfus, a globally-leading international cotton company. Çalık Cotton demonstrated its brand reliability by obtaining a "Brokerage Representative" title in the stock exchange required for tender purchasing of cotton from Turkmenistan.

FIERCE COMPETITION IN TELECOM SECTOR WORKS IN FAVOR OF CONSUMERS

In the global telecom sector, the broadband growth continues along with the widespread installation and use of fiber networks. Thanks to the increased service quality, high-speed subscriptions are gradually demanded more by the group of users preferring broadband content access. Within this framework, growth capability in the developed markets reduces while markets with a developing young population maintain their high growth potential.

Development and popularization of internet globally has triggered progress in cloud computing solutions. In the global market, large scale companies adopt cloud solutions for support and functional needs while SMEs consider Information Technologies (IT) in infrastructure transformation. According to IDC, a market research company, the estimated global growth rate for the IT services in 2013 is around 5 percent, while Gartner's survey predicts that the global growth rate for cloud services will be about 26 percent.

The biggest items in the mobile market revenue are composed of sound and SMS services with a gradually increased share for the data and data-based value-added services. Smart telephone penetration in the global market increases every day, while mobile customers demand easier access to smarter solutions over more affordable prices. Especially for the developing countries, mobile content revenue is expected to double its present value, reaching 30 billion USD by 2017.

Development of Broadband Services in Albania

2013 marked several milestones in the broadband services for fixed and mobile telephone service in Albania. Internet speed was increased from 2 Mbps to 4 Mbps with 4,800 km fiber optic cables installed to reach every point across Albania. 3G network services cover 85 percent of the country and 92 percent of the population.

Albanian telecom companies continue their activities to develop and offer new products and services at the same time focusing on developing technologies to meet the increased demands and needs of their current customers. The tough competitive environment in the sector is reflected on prices resulting in diversified services and improved quality.

Value-added services are also expected to create a significant business volume for the Albania telecom sector in the upcoming periods. Changing behavioral patterns of Albanian consumers result in large social groups which fail to insist on their current operators and seek a better operator to fulfill their price/quality demands. In this respect, value-added services will remain important in gaining competitive advantage, improving quality and meeting customer expectations.

Improved utilization and penetration of IT services, software, special computers, as well as other additional services are likely to be effective in the development of the Albanian telecom sector over the next 2-3 years. No significant change is expected for mobile telephone and network services, while other services mentioned above are expected to achieve future growth, contributing to the development of entire sector.

TELECOM

A New Era In Communication with ALBTELECOM and EAGLE MOBILE

Incorporated in Çalık Holding in 2007, Albtelecom serves as the largest landline operator in Albania. Having celebrated its 100th anniversary in 2012, the Company gained further momentum in its region with the decision to merge with Eagle Mobile, an affiliate operating in the GSM industry.

Providing both landline and mobile telecommunication services, Albtelecom and Eagle Mobile achieved an annual return of 84.6 million Euros in 2013. The number of Albtelecom subscribers increased by more than 30 percent compared to 2012, while the income of Eagle Mobile saw a 25 percent growth. Recently, the Company increased its KPI revenues, continuing its efforts to meet the demands of customers in the best manner.

Exclusive Service Through Renewed Infrastructure

Albtelecom and Eagle Mobile launched 3G service in 2013, making significant investments in the entire mobile network infrastructure. Targeting to offer the best service to its users with the help of the 3G sites supported by the fiber infrastructure of Albtelecom, the Company commissioned 233 3G base stations. LTE tests were also successfully completed, obtaining the EPC which supports all networks including 4G, as part of the investments made for the Core Network.

Albtelecom is the only service provider to function entirely via IP carrier and fully adopt the "Next Generation Network" (NGN) through completed infrastructure projects such as NGN, IP/MPLS and "Fiber Spine".

The Company offers services to around 500,000 public switched telephone network systems (PTSN) and 260,000 ADSL subscribers, via 736 Multi-Service Access Nodes (MSAN). In 2013, Albtelecom completed the infrastructure work for the installation of the second optical fiber connecting Albania and Kosovo, further strengthening the collaboration between two countries. This project provides for Albtelecom users to have an easier data exchange with Kosovo, enabling communication with high sound quality.

In 2013, Albtelecom served the best fixed internet service via its Broad Band internet network to its customers. The Company has started test implementation of the IPTV, a service offering TV broadcasting via internet, in Pogradec and Tiran. In addition, "E-Cloud" (Data Center), Albtelecom's cloud computing center, showed growth in 2013, distinguishing itself among other online information storage systems. In 2013, Albtelecom built its entire transmission infrastructure on the "Dense Wavelength Division Multiplexing" (DWDM) system and backup. The Company has used this system to solve potential failures on optical fibers preventing the subscribers from being affected. Albtelecom also reached a 30GB/sec uplink capacity with the renewal of the "Internet Gateway" software in the IP/MPLS project. This configuration enabled the Company to create a carrier network that can be utilized by the corporate connections and all other internet service providers (ISP) when needed.

Focusing on brand image in 2013, Albtelecom is committed to make investments for sustainable high quality service. Albtelecom further enhanced its brand reliability with its century long history and services designed to meet the demands of every region in the country.

As part of the "Public Wi-Fi" project implemented in 2013, Eagle Mobile started to offer Wi-Fi internet service to its users with access points across the country. Reaching 150 Wi-Fi access points as of 2013 year-end, the Company continues its efforts to increase this number to 300.

Albtelecom and Eagle Mobile achieved leadership with their activities in the field of combined communication in 2013 and will continue to contribute to the communication sector with 1,385 employees and through their strong infrastructure and customer-oriented activities.

ÇALIK HOLDING SHAPES ITS CORPORATE SOCIAL RESPONSIBILITY PROJECTS WITH THE PRINCIPLE OF ‘CREATING ADDED VALUE FOR THE COMMUNITY’.

Mahmut Çalık Educational Complex - Malatya

We Break Our Fast in Anatolia - Şanlıurfa

SERVING COMMUNITY AND PEOPLE WITH SOCIAL AWARENESS

Çalık Group, in awareness of its responsibilities towards the environment and the community, carries out all its activities within the framework of sustainable development and social responsibility. Group generates added value for the countries in which it operates through investments and direct or indirect job opportunities as well as goods and services. Çalık Group continues its contributions for the society with the social responsibility projects that it executes throughout the country and the world.

The Holding carries out various social responsibility projects that reflect the corporate culture and are based on the company principle of “Creating added value for the community”, directly on its own or through cooperation with NGOs. The Group is in the forefront with the support it has given to the arts, education and health and the sensitivity it has shown during community trauma resulting from natural disasters. Çalık Holding and employees consider the social responsibility projects they realize to be the most important indication of the respect they have for the community.

The “We Break Our Fast in Anatolia” Campaign

The traditional fast breaking dinner was organized in cooperation with the Turkish Green Crescent and the Governorship of Şanlıurfa, to support the peace progress in the region. During Ramadan nearly 40,000 people were hosted at the dinners that took place at the courtyard of Prophet Eyyüb Mosque. The Employees of Çalık Holding participated as volunteers in this organization and senior management of Çalık Holding broke their fasts at the dinners in Şanlıurfa.

The ‘Bread Ration Card’ Campaign

Çalık Holding lent a helping hand to Syrian Refugee families during the Ramadan month with the ‘Bread Ration Card’ campaign. The donation was organized in cooperation with Günyüzü Derneği, a Şanlıurfa-based non-profit organization. Within the framework of the campaign, bread ration cards, worth of 5 loaves of bread for every day, were given out to more than 1,000 suffering families.

The ‘A Helping Hand’ Book Campaign

Radio Turkuvaz, affiliate of Turkuvaz Medya, started a book donation campaign called ‘A helping hand’ for nine elementary schools. The campaign was organized with the aim of instilling the habit of reading in children. The campaign was supported by the employees of Çalık Holding, its affiliates and of course by Turkuvaz Medya. The collected books were sent to the schools that were chosen by TOÇEV in Batman, Malatya, Mardin, Samsun, Ağrı, Hatay, Bitlis, Kahramanmaraş and İzmir.

The “Hand in Hand from Home to Home” Campaign

The employees of Çalık Holding gather aid for families in need in Istanbul and Ankara every spring and fall. Within the scope of the “Hand in Hand From Home to Home” Campaign, started in the fall of 2011, the employee children also participate as volunteers with the support of their teacher to inform their school mates about the campaign and organize amongst themselves to introduce this program to their schools.

The aid materials that have been collected through this program are sorted and packaged by the Group’s employees and children. Every item collected is sent to over 100 families in need.

The Mahmut Çalık Educational Complex

The Anatolian High School section of the Mahmut Çalık Educational Complex, which possesses 32 classrooms in a modern building with technological equipment, opened its doors for the 2012 school year within the scope of the ‘One Hundred Percent Support for Education” campaign. Located on a 40,000 m^2 area in Malatya, the Mahmut Çalık Educational Complex is a project that will be completed in three stages. The complex which is planned to be comprised of a preschool, a primary school and a high school will also house boys’ and girls’ dormitories, an indoor gym, a cafeteria, teacher’s lodgings, assisting social facilities and a conference center.

A Festive Circumcision Event for Children from Iraq

One of the most important issues in Iraq, a country that is still recovering from war, is health. Çalık Enerji, a Çalık Holding affiliate, organized a circumcision festival for Iraqi children in its Al-Khairat Power Plant construction site located near Karbala. 80 Iraqi boys were circumcised by Turkish and Iraqi surgeons. Children were presented gifts in the festival organized with the participants of Executives of Çalık Group, Managers from Health, Civil and Passport Registry of Karbala, site employees and local community.

THE GROUP IS MAKING AN INVESTMENT IN A BETTER FUTURE BY CREATING VALUE IN A NUMBER OF DIFFERENT GEOGRAPHIES

Çalık Holding Provides Support to University Students with Workentainment

Çalık Holding has started an important social responsibility project that will guide the future of university students. The first of the Workentainment activities, in which university students learn while having fun, took place in the Career Festival held in Santral Istanbul with a large number of university students' participation. Young people were given the opportunity to meet with the administrators of Çalık Holding, active in six different sectors, in order to benefit from their experiences and to introduce themselves with a resume. Within the scope of this program many different university clubs were met with, field trips were organized and student activities were supported throughout the year in order to introduce professional life to university youth and to help them make the right decisions. In this regard, Çalık Holding brought together the experienced professionals of marketing with the students at the "Marketing Summit", organized by the Business Administration Club of Istanbul University in 2013. The 2012 and 2013 Platforms for Advancement into the World of Entrepreneurship (GirDAP), organized by students of the Marmara University Industrial Engineering Club, were hosted by the Group. Also the students of the "2012 Job Training School" and the faculty members of Istanbul University English Business Administration were welcomed at the Holding under the heading of "Advice from Professional Life".

The Arakan Campaign

In order to provide support to the Muslims from Arakan who had to flee their country because of the attacks they were subjected to in Myanmar, Çalık Holding started a huge campaign in cooperation with the Turkish Red Crescent with the slogan "The Orphans of Arakan Are Entrusted to Muslims, Come Turkey, Let's Undertake This Responsibility". Çalık Holding, which had previously assisted in disasters like the flood in Pakistan, the Van Earthquake and the Somalia Earthquake contributed to the campaign with its broadcasting organs and cash donations as the Turkish Red Crescent's solution partner for the first time.

"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.

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 need 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. 25 FASTIP students being supported by BKT graduated in September of 2012 and were presented with contracts to work for the bank starting as of October 1, 2012. BKT, which has provided scholarships for a total of 61 students has also selected from among FASTIP students for 17 percent of their hires.

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.

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, pediatrics 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.

Walking Chalet - Yalova

Çalık Well - Niger

Workentainment Career Festival - Istanbul

FASTIP Banking Program - Albania

STRONG STRUCTURE SHAPED BY SOLID CORPORATE VALUES

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.

Çalık Holding's Corporate Business Principles

The corporate culture of Çalık Holding has always been based on foreseeing the requirements of conditions before the competitors, and thereby bringing change and innovation to life. Çalık Holding is a dynamic company that places importance on customer satisfaction, implements work that will consistently reinforce the company's competitive superiority, always aims for the best quality in products and services and is a leader in its sector.

Çalık Holding's basic corporate business principles within the scope of these approaches are as follows;

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 these core values and business principles.

Çalık Holding's Corporate Values

Besides their scrupulous, moral approach, Çalık Holding employees are aware that they are striving for the same goals; they embrace their Company as well as their group and create result-oriented innovative solutions. The elements of the work approach practiced by Çalık Holding employees, the key to their success and the guarantee of the Group's success, are as follows:

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 the 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.

Çalık Holding regards the national and international reputation it has achieved as integrity of its values highly. Carrying Çalık Holding to even better spot, making it an exemplary company in Turkey and in the world and rather than staying with what has already been achieved, becoming a company that signs on new accomplishments from day to day are among the main goals of the Company.

Çalık Holding does not discriminate its own existence from the existence of its country and therefore always moves forward with the awareness that its success is also the success of the country and undertakes the task to heighten the respectability of Turkey in the international arena, as a priority mission.

The "Çalık" brand is a symbol that represents the innovation and entrepreneurship skills that have become integrated with Çalık Holding's stance, its goals and its commitments. The values that are represented by this brand are all individually important elements that are embraced sincerely by all the companies in the Group and are guiding, supportive and have been formed over long years of experience.

Çalık Holding has always shown and will continue to show extreme care in protecting the values that are represented by the "Çalık" brand in all successful work they have and will accomplish in the future.

Strategy Management

Çalık Holding and Affiliates are managed with a strategy focus concept and strategy management, handled in two stages; "Development" and "Application". In the development stage, detailed analyses are done to determine strategies and then these strategies are transformed into operational goals. During this work a three year strategic concept document, strategy map and corporate score card is created for all of the Group companies. In order to make sure that dynamism and management discipline is captured in putting these strategies into practice, quarterly operational and strategic review meetings are held. The course of the strategies is followed closely on the score card and strategic changes are made in a way that they are reflected on the score cards.

Also strategic projects that will enable companies to bring their strategies to life are managed with the corporate score card application in integration with the strategy map. In 2013, dashboard projects were launched to monitor strategic performances of Group Companies. As part of these projects, web-based "Strategic dashboards" were designed to work seamlessly with SAP SSM (Strategy Management) using the SAP Business Objects Dashboard and deployed in the Group Companies on a one-by-one basis.

Strategic Management Standards and Basic Policies

Çalık Holding believes in the importance of the strategic management process to be carried out within a discipline and is also of the opinion that successful application gives good results as much as good formulated company strategies. The SAP Strategy Management Application (SSM) has been started within the structure of the Group in order to make sure the strategies are defined correctly, clearly and are monitored though solid measures. While all group company score cards are managed with this software, the application, supported fully by Çalık Holding senior management, has been adopted as a program to be standardized in all affiliates. Data integration has been established between the ERP system and the strategy management software. As a basic policy the goals on the strategic map and company score card are accepted as the main parameters of the system performance.

Çalık Gayrimenkul, YEDAŞ, Gap Güneydoğu Tekstil, Albtelecom, Eagle Mobile, BKT Kosovo and BKT Albania, the Holding affiliates, are actively using the strategic management process and applications. In the short to midterm, the Group's management competence is planned to be improved with an integrated strategy management system.

Strategy Management Trainings

As part of the "Çalık Academy" program introduced in 2013, the participating employees were offered comprehensive "Strategy Management" trainings. These trainings provided our participating employees with detailed courses on strategy development, strategy implementation and strategic control.

Prior to the Strategy Management workshops held once a year with the participation of strategy managers from all Group Companies, all participating managers are presented with "Why strategic management?" training to raise their strategic awareness.

Holding's Strategic Management Department has organized a wide range of internal trainings on a weekly basis. Internal trainings have been delivered continuously since 2007 with the participation of different departments within the Holding. A division library was created with the presentations used in these trainings.

Organization Structure

The organizational structuring of Çalık Holding and Group Companies, have been formed as a result of the knowledge, experience and qualified human resources possessed by the Group being managed in line with strategic goals and coordination.

Çalık Holding Board of Directors, executive management and committees embrace a dynamic structure that is sensitive to conjectural actions, parallel to environmental and global applications and practice constant improvement as a founding principle. The Boards and Committees that support the organizational structure and make sure that strategic functions are handled with an up to date, rational methodology that is based on the company culture; and are basic applications that guide corporate governance.

The Assets and Liabilities Committee and the Risk Committee which were formed for the purpose of handling of the strategic functions within the scope of the Holding in an integrated and comprehensive manner, make sure that the corporate decisions determined by the Holding are assessed and carried out with a "Common rationale".

Human Resources

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

The Holding places great importance on human resources which have a strategic significance in corporate success; and strives to possess an employee profile with high added value, current knowledge and is able to use the latest technology efficiently. In this context, the Holding plans to support the Professional development of employees and constantly increase motivation and work satisfaction.

Another objective is to activate information based decision making processes and benefit from the support of information technologies to increase the organizational awareness of these processes in order to enable timely and current access to the data that is required. In this context, the operation of decision support systems at an executive level in internal reporting processes, achieve optimum solutions in terms of time and cost and increase organizational efficiency.

Organizational activities which develop a sense of unity and belonging among employees and make it easier for individuals to share information, ideas and emotions in addition to being colleagues are supported by the Çalık Holding senior management and are taken into application by the Corporate Communications Department.

The Human Resources Department enables the corporate culture to be adopted by the company employees, reinforces the loyalty of employees towards the company and works in coordination with all the different departments in order for the Group to reach its goals.

Modern human resources management processes are applied in parallel to the Group's constantly growing and expanding character, in addition to supporting the activation of current organizational structures that are believed to be effective in line with corporate needs. The goal is to gain human resources that can develop multidimensional perspectives and that have analytical and positive outlooks for the Holding. The systems that are necessary for the selection of human resources who unite their personal careers on a common ground with the company goals and have the qualities to carry the Group into the future are being implemented.

The Human Resources Department, based on the management functions of a Classic Human Resources, has been structured on the sub departments of Employment, Performance Assessment and Career Management, Training and Development and Wages and Benefits. With the "Team Members Program" implemented by Çalık Holding to access the qualified potential in the young newly graduated human resources the company aims to gain talented new graduates with high skills and thereby raise the future leaders of the Group in line with the corporate culture.

Training Management

Training needs are determined according to performance assessment and career planning. The training programs are planned by The Human Resources Department to develop the corporate skills and professional sufficiency of employees. The Çalık Holding Human Resources Department is aware of how educational activities not only develop the individual knowledge, skills and professional sufficiency of employees, they also create a common attitude among employees, increase motivation and reinforce loyalty towards the company. In this context, the Department has prioritized educational functions as of 2012 in order for organizational functions to gain a constant self-improving structure.

The Human Resources Department has launched two new projects within the training activities of 2013; in which innovative approaches were taken that elevate the employee performance, contribute to the development of the corporate culture and aim to increase the communication within the company.

Çalık Akademi, the first project, was constructed for the purpose of realizing an effective training management through making individual and organizational learning part of the corporate culture.

Çalık Akademi operates with the aim of keeping knowledge up-to-date and accessible, raising awareness and enhancing competency in both professional and personal sphere.

Çalık Akademi program encourages productive thinking and taking leadership roles, sharing renewed and up-to-date knowledge, increasing the employee motivation and job satisfaction, and therefore accelerates personal growth of the employees. The program is aimed to be a corporate training structure that is shaped according to the needs of the Group, subdivided by the sectors and open to developments.

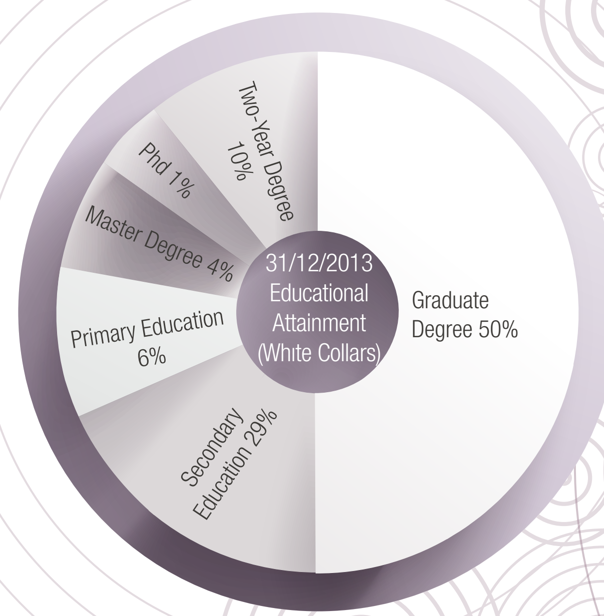
The second project is the In-House Training program. The program was developed on the basis of supporting the employees' personal and professional growth with the voluntary help from the competent employees who have expertise in their respective fields.

Thanks to the trainer-participant relationship that stems from sharing the same work environment and the same corporate culture, In-House Training program has ensured that the deficiencies and misses within the company were identified correctly.

Thus it was a project that added value to the company due to developing solution-oriented training programs, conducting a fast and effectively planned training, contributing to the interaction and mutual advancement for both the participants and the trainers.

The Training System has been structured with an understanding to make sure that the Holding has the feature of being a "learning organization" and that the awareness, productivity and motivation of employees are increased and they reach outstanding performance levels.

The Planning for the training is conducted at the completion of the Training Requirement Analysis study through collaboration between department managers and the Human Resources authorities. Training activities reflect solid long term steps towards the development of employee careers and in supplying back-ups when they are thought of in terms of the company. Our employees with potential qualification who are raised in line with this concept with professional knowledge, skills and personal development are brought to higher level positions and responsibilities.



NUMBER OF EMPLOYEES DECEMBER 2013

	Employees	Subcontractors	Total
Holding Total	152	97	249
Textiles Total	8,796	22	8,818
Construction Total	1,054	2,321	3,375
Energy Total	2,021	4,779	6,800
Finance Total	2,425	18	2,443
Telecom Total	1,748	706	2,454
Mining Total	69	1	70
Overall Total	**16,265**	**7,944**	**24,209**

Work Safety, Environment And Quality Policy

Çalık Holding observes quality, people and environmental elements in the first degree during all its functions in order to maintain corporate sustainability in economic and community fields. The Holding conducts its activities according to the regulations in force and shows special care to take all the necessary precautions to protect natural resources, to reduce waste and to avoid soil, air and water pollution. Also measures are being taken to reduce risks concerning work health and safety to a minimum and the active participation of all employees in these measures are ensured. The Group companies, which have brought to life efficient policies and applications on the subjects of quality, environment and work health and safety, also show the necessary care to document these systems.

Among the Group companies Çalık Enerji and Gap İnşaat have ISO 9001, ISO 14001 and OHSAS 18001 certificates. Gap Güneydoğu Tekstil operates with ISO 9001, ISO 14001 and Oeko-Tex Standard 100, Tests Laboratories Accreditation and Organic Product Manufacturability CU certificates. Gap Pazarlama has ISO 9001, ISO 14001 and ISO 18001 certificates as well as WRAP, Sedex, 6 Sigma Certificates.

Banka Kombetare Tregtare obtained the ISO 9001:2008 Quality Management System certificate that is valid for banking services from "TÜV AUSTRIA" in June 2012. YEDAŞ, obtained an EFQM Outstanding Competence Certificate in line with its goal to become an "EFQM European Quality Awarded Distribution Company", also possesses the ISO 18001 Work Health and Safety Management System Quality Certificate, the ISO 14001 Environmental Quality Management System Certificate, the ISO 27001 Information Security Quality Management System Certificate, the ISO 10002 Customer Satisfaction Quality Management System Certificate and the ISO 9001:2008 Quality Management System Certificate.

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.

IN THE WORLD OF PRESS 2013


Gardabani Natural Gas Combined Cycle Power Plant - Georgia


EFMA Award Ceremony - Paris

The Banker Award Ceremony - London


The International Property Awards - London

Çalık Projects Mark the Exhibition

Şehrizar Konakları, Metropol İstanbul and Tarlabaşı 360 projects owned by Çalık Gayrimenkul, marked the 11th real estate exhibition organized in Kuwait. Three projects caught the attention of Al-Sabah Family, the ruling family in Kuwait. According to a protocol signed in fair; sales and marketing activities of Çalık Gayrimenkul projects in notably Kuwait and the rest of the Middle East are going to be conducted by Enterprise General Trading Constracting Co. (EGC Kuwait) owned by Homoud Rashed Al-Homoud Al-Sabah, the nephew of Emir of Kuwait.

BKT Has Been Named 'The Best Bank in Albania" for 2013

An affiliate of Çalık Holding, Banka Kombëtare Tregtare, operating in Kosovo and Albania was awarded by two magazines in 2013. Named as "The Best Bank in Albania" by the internationally preeminent financial magazine "The Banker", BKT was also recognized for the second time in a row as "The Best Bank of the year in Albania" by Euromoney magazine, one of the most prestigious publications of the business world and international banking communities.

Aktif Bank Awarded in Europe

Defining its business model as "New Generation Banking", Aktif Bank was awarded in Europe. EFMA, one of the most important institutions in EU finance and banking sector, awarded the Bank's new project "Aktif Nokta" with first prize. Aktif Bank CEO and Board Member Dr. Önder Halisdemir took the award on behalf of Aktif Bank at the ceremony held in Paris Le Meurice Hotel.

Agreement Signed for the Georgian Gardabani Project

Çalık Enerji, an affiliate of Çalık Holding, undertook the construction of Gardabani combined cycle power plant, one of the largest investments to Georgian energy sector in the recent years. Georgian Minister of Energy Mr. Kakha Kaladze, Chief Executive of JSC Partnership Fund Mr. Irakli Kovzanadze, General Director of Georgian Oil and Gas Corporation (GOGC) David Tvalabeishvili, and Business Development Director of Çalık Enerji Halil Sarıbey had attended.

Two Çalık Holding Subsidiaries in the "Top List"

At the "Overseas Contracting and Technical Consulting Sector's Assessment Meeting and Award Ceremony" Çalık Holding subsidiaries Çalık Enerji and Gap İnşaat were awarded. At the ceremony that took place in Ankara, Çalık Holding Chairman Ahmet Çalık accepted the awards for Çalık Enerji and Gap İnşaat from Turkish Prime Minister Erdoğan. Çalık Enerji rose up to the 111th place after being named as the 129th biggest contracting company of the world in the 2012 ENR (Engineering News Record) list based on 2011 figures. Meanwhile Gap İnşaat received the "Overseas Contracting Services" award.

Europe's Best Urban Renewal Project Tarlabaşı 360

Tarlabaşı 360, the joint project of Beyoğlu Municipality and Çalık Gayrimenkul, is named 'The Best Urban Renewal Project" among the 6 significant projects of Europe in 'The 18th International Property Awards".

Beyoğlu Mayor Ahmet Misbah Demircan and Çalık Gayrimenkul Board Member Feyzullah Yetgin attended the award ceremony held in London.

Mahmut Çalık Anatolian High School Opened in Malatya

Mahmut Çalık Anatolian High School, a school consisting of 32 classrooms within the body of Mahmut Çalık Education Complex, was opened in Malatya on September 21st, Saturday. Turkish Prime Minister Recep Tayyip Erdoğan and ministers have attended the opening ceremony. Mahmut Çalık Education Complex, founded on a land of 40 thousand square meters in Malatya, will include nurseries, primary schools, dormitories for female and male students, an indoor gym, a dining hall, teacher houses, social facilities and conference halls besides the Anatolian High School whose opening ceremony was held.


Opening of Mahmut Çalık Anatolian High School - Malatya

Çalık Holding Continues to Support the Blood Donation Campaign by Turkish Red Crescent

Çalık Holding employees participated in the Blood Donation Campaign that was organized with Turkish Red Crescent. The employees voluntarily contributed and lined up once again for those in need. Çalık Holding employees, donated blood in units established by Red Crescent and experienced yet again, the happiness of protecting both their own health and helping others are in need.

Çalık Holding and Kiler Holding to Distribute the Electricity of 7 Cities

The share transfer ceremony of Aras Electricity Distribution to Çalık Holding and Kiler Holding, was held with the participation of Taner Yıldız, Minister of Energy and Natural Resources and Mehmet Şimşek, Minister of Finance in Erzurum. The ceremony was hosted by the Çalık Holding Chairman Ahmet Çalık and Kiler Holding Chairman Nahit Kiler.

A Turkmen Port for the Silk Road

The foundation for the Turkmenbashi International Sea Port, which is to be constructed by Gap İnşaat for Turkmenistan, was laid by the Head of State of Turkmenistan Berdimuhamedov and Turkey's Prime Minister Erdoğan. The 1.5 billion dollars' worth project is to be completed over a span of 4 years. The port is set to be the prime logistic point of Europe and Asia. The foundation for the Turkmenbashi International Sea Port is set to be one of the prime logistic points connecting Europe and Asia.

TGSD Award Ceremony - Istanbul

Forty Thousand Local People Gathered at the Çalık Iftar Dinners in Şanlıurfa

As a part of its "We are breaking our fast in Anatolia" project, Çalık Holding has served Iftar in Şanlıurfa, throughout the Holy Month of Ramadan. The Iftar of the last day of Ramadan was attended by the Minister of Labor and Social Security Faruk Çelik, the Governor of Şanlıurfa Celalettin Güvenç, the President of the Green Crescent (Yeşilay) Society Prof. Dr. M. İhsan Karaman and the Chairman of Çalık Holding Ahmet Çalık. The Iftar table which was set in the courtyard of Prophet Eyyub Mosque hosted approximately 40 thousand local people during the Holy Month.Çalık Holding had hosted the Iftar dinners in Şanlıurfa to show unity and solidarity in the region just like hosting the previous year in Erciş district of Van after it had fallen victim to the earthquake.

An "Award Winning" Hospital of Dentistry in Turkmenistan

The Hospital of Dentistry and Infusion Serum Factory, constructed by Çalık Holding at the capital of Turkmenistan, Ashgabat, was opened to service by the Head of State of Turkmenistan, Gurbanguli Berdimuhamedov. Out of two thousand projects worldwide, the hospital was ranked as "The year's best new facility". The Hospital of Dentistry and Infusion Solution Factory were constructed over a span of two years by Gap İnşaat, a subsidiary of the Çalık Group. As they were both opened to service, the foundations of the additions of a Research and Training Center and an additional construction of Cardiology Hospital were also laid.

'Doyen of the Ready-to-Wear Sector' Award From TGSD

The 6th Istanbul Fashion Conference organized by Turkish Clothing Manufacturers Association (TGSD) was held at Shangri-La Bosphorus Hotel in Beşiktaş, Istanbul. In the ceremony held before the conference to award 27 companies that contributed to the development of Turkish clothing sector for more than 30 years, Çalık Holding Chairman Ahmet Çalık took his award from Prime Minister Recep Tayyip Erdoğan.

Three New Projects by Çalık Enerji in Turkmenistan

Çalık Enerji will construct 3 power plants in Turkmenistan with a total capacity of 437.6 megawatt. These power plants will be put into practice in Ahal, Lebap and Mary provinces. Çalık Holding affiliate, Çalık Enerji, which has won the tender held by Turkmenenergo Institution, a subsidiary of Turkmenistan Ministry of Energy and Industry, will construct these new 3 plants for 421 million 475 thousand USD in total. The construction commenced in May.

ARAS EDAŞ Share Transfer Ceremony - Erzurum

Marketing Summit - Istanbul (Çalık Holding)

Largest Power Plant in Iraq by Çalık Enerji

Çalık Holding completed its investment, which is one of the largest power plants of Iraq with 1,250 MW capacity at Karbala Al-Khairat Region of Iraq. The power plant that will supply one fifth of the Iraqi electricity is one of the largest power plants in the country. Completed by Çalık Enerji in two years, the power plant is considered as one of the most important infrastructure projects in the restructuring of Iraq. With this power plant, 24-hour-long continuous electricity will be supplied to a total of 5 million people at Karbala, Babel, Najaf and Kazimiye regions. After the 750 MW 'Nainowa Natural Gas Cycle Power Plant', also constructed by Çalık Holding, is completed, 2000 MW worth of electricity will be supplied in the country.

The Future of Marketing Meets at Çalık Holding

Providing continuous support for young people getting ready for the business life, Çalık Holding hosted the Marketing Summit organized by Istanbul University's Business Club. The young candidates to shape the future of the business world met together with the experienced professionals of marketing in Çalık Holding. Participant students met with executives from prominent firms in operating various fields including telecommunication, automotive, construction, and home appliances.

The Countdown Begins for Apartment Deliveries at Şehrizar Konakları

Şehrizar Konakları, a project which is being built in Üsküdar Altunizade by TOKİ subsidiary Emlak Konut GYO and Gap İnşaat is about to be completed. A press meeting was held where show flats were introduced and the details of the new loan offers specially designated for the project were given. With 38 blocks and 208 apartments, the Şehrizar Konakları consist of apartments of varying sizes between 180 and 626 square meters.

The Year's Best Facility Award (The Hospital of Dentistry) - Turkmenistan

ÇALIK HOLDİNG ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2013 WITH INDEPENDENT AUDITORS' REPORT

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Çalık Holding Anonim Şirketi

We have audited the accompanying consolidated financial statements of Çalık Holding Anonim Şirketi and its subsidiaries, which comprise the consolidated statement of financial position as at 31 December 2013, the consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the consolidated 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 consolidated financial statements.

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

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of Çalık Holding Anonim Şirketi and its subsidiaries as at 31 December 2013 and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards.

Comparative financial information and other matters

Without qualifying our opinion, we draw attention to the following matters:

Consolidated financial statements as at and for the years ended 31 December 2012 and 2011 were audited by another auditor who expressed an unmodified opinion on those financial statements on 5 April 2013 and 15 February 2012, respectively.

We were not engaged to audit, review, or apply any procedures to the consolidated financial statements as at 31 December 2012 and 2011 and for the year ended 31 December 2012, other than with respect to the adjustments and reclassifications described in Note 3. Accordingly, we do not express an opinion, a conclusion or any other form of assurance on those respective consolidated financial statements taken as a whole. However, in our opinion, the adjustments described in Note 3 are appropriate and have been properly applied.

Our audit was made for the purpose of forming an opinion on the consolidated financial statements taken as whole. The supplementary information included in Appendix is presented for the purposes of additional analysis and is not a required part of the basic consolidated financial statements. The US Dollar amounts presented in Appendix are solely for the convenience of the reader as additional analysis and have not been subjected to the audit procedures applied in the audit of the basic consolidated financial statements. Accordingly, we do not express an opinion on this supplementary information.

KPMG Akis Bağımsız Denetim ve
Serbest Muhasebeci Mali Müşavirlik A.Ş.

Istanbul, Turkey / 11 June 2014

ÇALIK HOLDİNG ANONİM ŞİRKETİ AND ITS SUBSIDIARIES AS AT 31 DECEMBER 2013 CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)

	Notes	31 December 2013	Restated (*) 31 December 2012	Restated (*) 1 January 2012
Current assets				
Cash and cash equivalents	8	761.556	474.571	514.125
Financial investments	9	1.795.629	1.590.124	1.656.149
Trade receivables	10	1.724.102	1.301.432	1.805.665
Due from related parties	*7*	*157.277*	*18.229*	*13.207*
Due from third parties		*1.566.825*	*1.283.203*	*1.792.458*
Receivables related to finance sector operations	11	1.423.482	1.910.064	1.126.495
Due from third parties		*1.423.482*	*1.910.064*	*1.126.495*
Other receivables	12	328.435	522.325	350.035
Due from related parties	*7*	*30.530*	*116.334*	*25.698*
Due from third parties		*297.905*	*405.991*	*324.337*
Inventories	13	938.201	738.853	527.389
Derivatives	22	2.482	4.175	--
Prepayments	14	430.225	195.736	96.904
Current tax assets	26	20.091	10.636	11.436
Other current assets	19	923.743	957.009	519.973
Subtotal		**8.347.946**	**7.704.925**	**6.608.171**
Assets held for sale	5	2.188.037	73.722	--
Total current assets		**10.535.983**	**7.778.647**	**6.608.171**
Non- current assets				
Trade receivables	10	400.396	303.877	185.364
Due from third parties		*400.396*	*303.877*	*185.364*
Receivables related to finance sector operations	11	2.382.144	983.616	1.599.768
Due from third parties		*2.382.144*	*983.616*	*1.599.768*
Other receivables	12	17.135	11.140	1.675
Due from third parties		*17.135*	*11.140*	*1.675*
Financial investments	9	1.657.208	1.033.838	522.076
Investments in equity-accounted investees	15	67.324	33.780	35.185
Investment property	18	303.253	645.386	366.525
Property, plant and equipment	16	1.133.523	1.045.411	1.095.822
Intangible assets	17	542.850	1.706.468	1.717.703
Goodwill		*3.796*	*167.406*	*167.406*
Other intangible assets		*539.054*	*1.539.062*	*1.550.297*
Prepayments	14	2.952	6.919	18.386
Deferred tax assets	26	148.114	182.247	9.517
Other non-current assets		6	642	10.313
Total non-current assets		**6.654.905**	**5.953.324**	**5.562.334**
Total assets		**17.190.888**	**13.731.971**	**12.170.505**

(*) See Note 3 (b).

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

ÇALIK HOLDİNG ANONİM ŞİRKETİ AND ITS SUBSIDIARIES AS AT 31 DECEMBER 2013 CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)

	Notes	31 December 2013	Restated (*) 31 December 2012	Restated (*) 1 January 2012
Short term liabilities				
Short term loans and borrowings	21	3.100.963	2.244.687	1.177.918
Short term portion of long term loans and borrowings	21	624.370	417.123	933.953
Derivatives	22	33.234	3.244	--
Trade payables	10	765.105	1.745.255	1.054.148
Due to related parties	*7*	*553*	*324*	*3.272*
Due to third parties		*764.552*	*1.744.931*	*1.050.876*
Payables related to finance sector operations	11	5.771.742	4.465.865	4.329.623
Employee benefit liabilities	22	9.134	18.872	15.989
Other payables	12	334.998	291.931	282.256
Due to related parties	*7*	*88.148*	*100.401*	*90.932*
Due to third parties		*246.850*	*191.530*	*191.324*
Deferred revenue	14	1.951.072	334.016	149.564
Current tax liabilities	26	11.617	23.092	13.355
Short term provisions	24	66.093	75.300	42.190
Short term employee benefits	*24*	*30.453*	*31.207*	*21.465*
Other short term provisions	*24*	*35.640*	*44.093*	*20.725*
Other short term liabilities	19	128.168	44.087	63.881
Liabilities from equity accounted investees	15	37.208	--	--
Subtotal		**12.833.704**	**9.663.472**	**8.062.877**
Liabilities held for sale	5	1.839.695	12.266	--
Total short term liabilities		**14.673.399**	**9.675.738**	**8.062.877**
Long term liabilities				
Long term loans and borrowings	21	935.553	1.603.413	1.417.864
Trade payables	10	155.179	--	--
Due to third parties		*155.179*	*--*	*--*
Payables related to finance sector operations	11	339.113	188.452	191.587
Due to third parties		*339.113*	*188.452*	*191.587*
Other payables	12	95.824	94.145	271.258
Due to related parties	*7*	*--*	*483*	*--*
Due to third parties		*95.824*	*93.662*	*271.258*
Deferred revenue	14	318.310	390.777	280.536
Long term provisions	24	27.633	96.620	86.443
Long term employee benefits	*24*	*26.752*	*71.620*	*43.731*
Other long term provisions	*24*	*881*	*25.000*	*42.712*
Deferred tax liabilities	26	114.930	71.938	--
Other long term liabilities		164	167	--
Total long term liabilities		**1.986.706**	**2.445.512**	**2.247.688**
Total liabilities		**16.660.105**	**12.121.250**	**10.310.565**

(*) See Note 3 (b).

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

ÇALIK HOLDİNG ANONİM ŞİRKETİ AND ITS SUBSIDIARIES AS AT 31 DECEMBER 2013 CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)

	Notes	31 December 2013	Restated (*) 31 December 2012	Restated (*) 1 January 2012
Equity				
Equity attributable to the owners of the Company				
Share capital	27	240.852	240.852	240.852
Adjustment to share capital		6.400	6.400	6.400
Other comprehensive income that is or may be reclassified to profit or loss		136.014	92.494	273.171
Restricted reserves	27	170.153	154.741	138.358
Retained earnings		787.829	999.871	930.215
(Loss)/profit for the year		(866.555)	10.927	170.051
Total equity attributable to the owners of the Company		**474.693**	**1.505.285**	**1.759.047**
Total non-controlling interests	27	**56.090**	**105.436**	**100.893**
Total equity		**530.783**	**1.610.721**	**1.859.940**
Total equity and liabilities		**17.190.888**	**13.731.971**	**12.170.505**

(*) See Note 3 (b).

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

ÇALIK HOLDİNG ANONİM ŞİRKETİ AND ITS SUBSIDIARIES CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2013

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)

Continuing operations	Notes	2013	Restated (*) 2012
Revenue	28	3.229.033	3.433.869
Cost of sales	28	(2.673.796)	(2.862.655)
Gross profit from non-finance sector operations	28	**555.237**	**571.214**
Revenue from finance sector operations	28	643.692	549.836
Cost of revenues from finance sector operations	28	(267.084)	(231.669)
Gross profit from finance sector operations	28	**376.608**	**318.167**
Gross profit	28	**931.845**	**889.381**
Other income	30	165.352	498.037
General and administrative expenses	29	(441.390)	(335.158)
Selling, marketing and distribution expenses	29	(210.532)	(186.373)
Research and development expenses	29	(20.333)	(13.139)
Share of loss of equity accounted investees, net of taxes	15	(21.928)	(4.502)
Other expenses	30	(384.400)	(358.772)
Operating profit		**18.614**	**489.474**
Gain from investing activities	31	62.312	33.774
Loss from investing activities	31	(107.253)	(54.786)
Operating (loss)/profit before finance costs		**(26.327)**	**468.462**
Finance income	32	52.163	87.585
Finance costs	32	(505.159)	(319.160)
Net finance costs		**(452.996)**	**(231.575)**
(Loss)/profit before tax from continuing operations		**(479.323)**	**236.887**
Current tax expense	26	(59.159)	(89.370)
Deferred tax benefit/(expense)	26	21.722	(6.119)
Total tax expense		**(37.437)**	**(95.489)**
(Loss)/profit from continuing operations		**(516.760)**	**141.398**
Loss from discontinued operations	5	(398.269)	(131.332)
(Loss)/profit for the year		**(915.029)**	**10.066**

(*) See Note 3 (b).

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

ÇALIK HOLDİNG ANONİM ŞİRKETİ AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2013 (CONTINUED)

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)

	Notes	2013	Restated (*) 2012
(Loss)/profit for the year		**(915.029)**	**10.066**
Items that are or may be reclassified to profit or loss			
Foreign currency translation differences for foreign operations and reporting currency translation differences		81.829	(51.670)
Change in fair value of available-for-sale financial assets	9	(46.311)	47.715
Deferred tax benefit/(expense)	26	7.148	(6.671)
Total other comprehensive income		**42.666**	**(10.626)**
Total comprehensive income		**(872.363)**	**(560)**
Total other comprehensive income loss attributable to:			
Owners of the Company		(866.555)	10.927
Non-controlling interests		(48.474)	(861)
Net profit / (loss) for the year		**(915.029)**	**10.066**
Total comprehensive expense attributable to:			
Owners of the Company		(823.035)	301
Non-controlling interests		(49.328)	(861)
Total other comprehensive expense		**(872.363)**	**(560)**

(*) See Note 3 (b).

ÇALIK HOLDİNG ANONİM ŞİRKETİ AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2013

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)

	Attributable to owners of the Company										
	Paid-in capital	*Adjustment to share capital*	*Restricted reserves*	*Revaluation surplus*	*Fair value reserve of financial assets available-for-sale*	*Translation reserve*	*Retained earnings*	*(Loss) /profit for the year*	*Total*	*Non-controlling interests*	*Total equity*
Balances at 1 January 2012, as previously reported	246.518	--	--	313.943	(20.743)	42.479	625.990	290.932	1.499.119	318.208	1.817.327
Impact of changes in accounting policies and other corrections (Note 3b)	(5.666)	6.400	138.358	(313.943)	--	335.447	220.213	(120.881)	259.928	(217.315)	42.613
Restated balances at 1 January 2012	240.852	6.400	138.358	--	(20.743)	377.926	846.203	170.051	1.759.047	100.893	1.859.940
Total comprehensive income for the period											
Profit for the period	--	--	--	--	--	--	--	10.927	10.927	(861)	10.066
Other comprehensive income											
Net fair value change in financial assets available-for-sale	--	--	--	--	41.044	--	--	--	41.044	--	41.044
Foreign currency translation differences for foreign operations and reporting currency translation differences	--	--	--	--	--	(305.733)	--	--	(305.733)	--	(305.733)
Total other comprehensive income	--	--	--	--	41.044	(305.733)	--	--	(264.689)	--	(264.689)
Total comprehensive income for the period	--	--	--	--	41.044	(305.733)	--	10.927	(253.762)	(861)	(254.623)
Transactions with owners, recorded directly in equity											
Consolidation of subsidiary with non-controlling interests	--	--	--	--	--	--	--	--	--	(20)	(20)
Dividend distribution	--	--	16.383	--	--	--	(16.383)	--	--	(1.504)	(1.504)
Share capital increase in subsidiaries	--	--	--	--	--	--	--	--	--	6.928	6.928
Transfers	--	--	--	--	--	--	170.051	(170.051)	--	--	--
Total transactions with owners	--	--	16.383	--	--	--	153.668	(170.051)	--	5.404	5.404
Balances at 31 December 2012	240.852	6.400	154.741	--	20.301	72.193	999.871	10.927	1.505.285	105.436	1.610.721
Restated balances at 1 January 2013	240.852	6.400	154.741	--	20.301	72.193	999.871	10.927	1.505.285	105.436	1.610.721
Total comprehensive loss for the period											
Loss for the period	--	--	--	--	--	--	--	(866.555)	(866.555)	(48.474)	(915.029)
Other comprehensive loss											
Net fair value change in financial assets available-for-sale	--	--	--	--	(39.091)	--	--	--	(39.091)	(72)	(39.163)
Foreign currency translation differences for foreign operations and reporting currency translation differences	--	--	--	--	--	82.611	--	--	82.611	(782)	81.829
Total other comprehensive income	--	--	--	--	(39.091)	82.611	--	--	43.520	(854)	42.666
Total comprehensive loss for the period	--	--	--	--	(39.091)	82.611	--	(866.555)	(823.035)	(49.328)	(872.363)
Transactions with owners, recorded directly in equity											
Dividend distribution	--	--	15.412	--	--	--	(15.412)	--	--	(18)	(18)
Acquisition of non-controlling interests in an entity under common control (Note 4)	--	--	--	--	--	--	(207.557)	--	(207.557)	--	(207.557)
Transfers	--	--	--	--	--	--	10.927	(10.927)	--	--	--
Total transactions with owners	--	--	15.412	--	--	--	(212.042)	(10.927)	(207.557)	(18)	(207.575)
Balances at 31 December 2013	240.852	6.400	170.153	--	(18.790)	154.804	787.829	(866.555)	474.693	56.090	530.783

ÇALIK HOLDİNG ANONİM ŞİRKETİ AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2013

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)

	Notes	2013	Restated (*) 2012
A.CASH FLOWS FROM OPERATING ACTIVITIES		**1.291.741**	**100.216**
Profit for the period		**(915.029)**	**10.066**
Adjustments to reconcile cash flow generated from operating activities:		**334.388**	**115.702**
Adjustments for depreciation and amortization	16,17	190.187	149.131
Loss on sale of derivative financial instruments	9,22	45.374	(931)
Adjustments for fair value (gains) / loss of financial investments	9	95.130	15.700
Adjustments for doubtful receivables	10,12	28.177	63.970
Adjustments for fair value loss of investment property	18	8.075	(22.042)
Adjustments for impairment of available for sales instruments	9	4.284	--
Adjustments for inventory impairment, net	13	23.027	(3.049)
Adjustments for provision for long term employee benefits	24	18.949	33.446
Adjustments for provisions for loan impairment	11	62.040	18.633
Adjustments for provisions, net	24	(32.572)	5.656
Adjustments for vacation pay liability	24	(754)	9.742
Adjustments for share of (profit)/ loss of equity accounted investees	15	21.928	4.502
Adjustments for deposits and guarantee received		--	--
Adjustments for interest income and expenses	30,32	228.936	150.658
Rediscount interest (gain) / losses, net	30	(30.495)	(82.992)
Net gain on sale / disposal of financial investments	31	--	--
Unrealized foreign currency (income) / loss		(341.974)	(357.640)
Adjustments for tax expense		37.437	95.489
Adjustments for the gains on sales of property and equipment, net	31	(23.361)	35.429
Changes in working capital		**1.939.850**	**1**
Adjustments for change in inventories		152.041	(471.336)
Adjustments for change in trade receivables		(508.507)	402.384
Adjustments for change in payables related to employee benefits	23	(9.738)	2.883
Adjustments for change in other receivables , other current assets and other non-current assets related with operating activities		130.142	(518.484)
Adjustments for change in assets held for sale	5	(2.114.315)	(73.722)
Adjustments for change in liabilities held for sale	5	1.827.429	12.266
Adjustments for change in receivables from finance sector operations		(988.439)	(186.238)
Adjustments for change in payables from finance sector operations	11	1.456.538	133.107
Change in restricted cash and cash equivalents	8	(49.016)	(2.277)
Adjustments for change in trade payables	7,10	(824.971)	691.107
Adjustments for change in prepayments	14	(230.522)	(87.365)
Adjustments for change in deferred income	14	1.544.589	294.693
Discontinued operations		1.413.059	--
Adjustments for change in other payables and other liabilities related with operating activities		141.560	(197.017)

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

ÇALIK HOLDİNG ANONİM ŞİRKETİ AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2013

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)

	Notes	2013	2012
Cash flows from operating activities		**(67.468)**	**(25.553)**
Employee termination indemnity paid		(11.166)	(5.558)
Recoveries from receivables from finance operations	11	5.393	1.202
Interest received	30	2.184	53.110
Collection from doubtful receivables	10	16.210	4.525
Taxes paid	26	(80.089)	(78.832)
B. CASH FLOWS FROM INVESTING ACTIVITIES		**(1.291.364)**	**(598.490)**
Proceeds from sales of property and equipment and intangible assets	16,17	78.444	32.567
Acquisition of investment property	18	(41.469)	(2.085)
Proceeds from disposal of held to maturity financial investments		8.767	139.153
Proceeds from/ (acquisition of) fair value through profit or loss portfolio		--	--
Formation and capital contribution of share capital of equity accounted investees	15	(12.573)	(3.097)
Acquisition of non-controlling interests in entities under common control	4	(207.557)	--
Proceeds from held to maturity financial investments		--	--
Proceeds from / (repayment of) derivative financial instruments		(13.691)	--
Proceeds from available for sale financial investments	9	18.791	--
Acquisition of held to maturity financial investments	9	(76.584)	(1.357)
Acquisition of available for sale financial investments		(641.608)	(590.139)
Acquisition of property and equipment	16	(387.843)	(150.374)
Acquisition of intangible assets	17	(16.041)	(23.158)
C. CASH FLOWS FROM FINANCING ACTIVITIES		**237.592**	**456.443**
Proceeds from funding of related parties	7,12	73.068	(80.684)
Interest paid to related parties		--	--
Interest received from related parties		--	--
Dividend payment		(18)	(1.504)
Contribution to share capital increase of subsidiaries by non controlling interests		--	6.928
Proceeds from / (repayment of) loans and borrowings, net		193.023	574.829
Deposits and guarantees paid		--	--
Consolidation of subsidiary with non-controlling interests		--	(20)
Interest paid		(28.481)	(43.106)
NET INCREASE / DECREASE IN CASH AND CASH EQUIVALENTS (A+B+C)		**237.969**	**(41.831)**
E. CASH AND CASH EQUIVALENTS AT THE BEGINING OF THE PERIOD		**459.363**	**501.194**
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD (A+B+C+E)		**697.332**	**459.363**

(*) See Note 3 (b).

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

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)

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Appendix: Supplementary information

1 Reporting entity

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

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

As of 31 December 2013, Çalık Holding has 89 (31 December 2012: 81) subsidiaries ("the Subsidiaries"), 3 (31 December 2012: 1) joint ventures ("the Joint Ventures"), 1 (31 December 2012: 1) joint operation ("the Joint Operation") and 8 (31 December 2012: 4) associates ("the Associates") (referred to as "the Group" or "Çalık Group" herein and after). The consolidated financial statements of the Group as at and for the year ended 31 December 2013 comprises Çalık Holding and its subsidiaries and the Group's interest in associates and joint ventures and operations.

As at 31 December 2013, the number of employees of the Group is 9.278 (31 December 2012: 10.799).

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

- Energy
- Construction
- Textile
- Marketing
- Telecommunication
- Banking and finance
- Media (Discontinued)

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

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)

1 Reporting entity *(continued)*

1.1 Entities in energy segment

Company Name	Type of partnership	Country
Adacami Enerji Elektrik Üretim Sanayi Ve Ticaret A.Ş	Subsidiary	Turkey
Akçay Enerji A.Ş.	Subsidiary	Turkey
Aktif Doğalgaz Ticaret A.Ş.	Subsidiary	Turkey
Ant Enerji Sanayi ve Ticaret Limited Şirketi	Subsidiary	Turkey
Atayurt İnşaat A.Ş	Subsidiary	Turkey
Atlas Petrol Gaz İthalat İhracat ve Pazarlama Ticaret A.Ş.	Subsidiary	Turkey
Ayas Rafineri ve Petrokimya Sanayi ve Ticaret A.Ş.	Subsidiary	Turkey
Başak Yönetim Sistemleri A.Ş.	Subsidiary	Turkey
Çalık Diamond Solar Enerji A.Ş.	Subsidiary	Turkey
Çalık Elektrik Dağıtım A.Ş.	Subsidiary	Turkey
Çedaş Elektrik Dağıtım Yatırımları A.Ş.	Subsidiary	Turkey
Çalık Enerji Dubai FZE	Subsidiary	UAE – Dubai
Çalık Enerji Elektrik Üretim ve Madencilik A.Ş.	Subsidiary	Turkey
Çalık Enerji Sanayi ve Ticaret A.Ş.	Subsidiary	Turkey
Çalık Limak Adi Ortaklığı	Joint venture	Turkey
Çalık NTF Elektrik Üretim ve Madencilik A.Ş.	Subsidiary	Turkey
Çalık Petrol Arama Üretim Sanayi ve Ticaret A.Ş.	Subsidiary	Turkey
Çalık Rüzgar Enerjisi Elektrik Üretim Limited Şirketi	Subsidiary	Turkey
Çep Petrol Dağıtım Sanayi ve Ticaret A.Ş.	Subsidiary	Turkey
Doğu Akdeniz Petrokimya ve Rafineri Sanayi ve Ticaret A.Ş.	Subsidiary	Turkey
Doğu Aras Enerji Yatırımları A.Ş.	Joint venture	Turkey
Gap Elektrik Dağıtım Sanayi ve Ticaret A.Ş.	Subsidiary	Turkey
Irmak Yönetim Sistemleri A.Ş.	Subsidiary	Turkey
İkideniz Petrol ve Gaz Sanayi ve Ticaret A.Ş.	Subsidiary	Turkey
Japan International Enerji Network A.Ş.	Subsidiary	Turkey
Kızılırmak Enerji Elektrik A.Ş.	Subsidiary	Turkey
Kosova Çalık Limak Enerji	Joint venture	Kosovo
Momentum Enerji Elektrik Üretim Sanayi ve Ticaret A.Ş.	Subsidiary	Turkey
Ortur Elektrik Üretim ve Ticaret Limited Şirketi	Subsidiary	Turkey
Petrotrans Enerji A.Ş.	Subsidiary	Turkey
Sembol Enerji A.Ş.	Subsidiary	Turkey
TAPCO Petrol Boru Hattı Sanayi ve Ticaret A.Ş.	Associate	Turkey
Türkmen'in Altın Asrı Elektrik Enerjisi Toptan Satış A.Ş.	Subsidiary	Turkey
Vadi Elektrik Üretim Sanayi ve Ticaret Limited Şirketi	Subsidiary	Turkey
Yeşilçay Enerji Elektrik Üretim Sanayi ve Ticaret A.Ş.	Subsidiary	Turkey
Yeşilırmak Elektrik Perakende Satış A.Ş.	Subsidiary	Turkey
Yeşilırmak Elektrik Dağıtım A.Ş.	Subsidiary	Turkey

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

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

1 Reporting entity *(continued)*

1.1 Entities in energy segment *(continued)*

Akçay Enerji A.Ş. ("Akçay Enerji")

Akçay Enerji was established in 2010 in Istanbul for the purpose of building, renting and setting electricity production facility into operation, producing electricity and selling produced electricity and/or electricity capacity to the customers.

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

Aktif Doğalgaz was established in 1999, in Istanbul for the purpose of operating in gas distribution and trading. As of the reporting date, Aktif Doğalgaz is a non-operating company.

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

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

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

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

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

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

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

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

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

Başak Yönetim was established in 2008 for the purpose of building and operating of electricity production facility and producing, selling and marketing of electricity with the name "Başak Enerji Elektrik Üretim Sanayi ve Ticaret A.Ş.".

The name of the Başak Enerji Elektrik Üretim Sanayi ve Ticaret A.Ş. has been changed on 11 April 2013 as "Başak Yönetim Sistemleri A.Ş.".

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

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

Çalık Elektrik Dağıtım A.Ş. ("ÇEDAŞ")

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

Çedaş Elektrik Dağıtım Yatırımları A.Ş. ("ÇED")

ÇED was founded in accordance with the energy market regulations for the purpose of establishing and participating to the companies that are engaged in distribution, retail and wholesale of electricity energy and/or capacity, assigning management of these established and participated companies, to provide consultancy services on technical, financial, information processing and human resources management issues and to make industrial and commercial investments through these companies.

1 Reporting entity *(continued)*

1.1 Entities in energy segment *(continued)*

Çalık Enerji Dubai FZE ("Çalık Enerji Dubai ")

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

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

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

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

Çalık Enerji was established in 1998 to conduct the Group's activities in the energy sector and to engage in the operation, exploration and production of natural gas and petroleum resources, shipment and selling of these resources to the international areas. Çalık Enerji has four branches namely Çalık Enerji Turkmenistan, Çalık Enerji Georgia, Çalık Enerji Uzbekistan and Çalık Enerji Iraq.

Çalık Limak Adi Ortaklığı

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

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

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

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

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

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

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

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

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

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

Doğu Akdeniz Petrokimya (formerly known as Enerji Petrol Gaz İthalat Pazarlama Sanayi ve Ticaret A.Ş.) was established at the end of 2005 in Istanbul for the purpose of realising prospects for oil and natural gas, producing, importing and exporting and distribution of these products to other plants.

Doğu Aras Enerji Yatırımları A.Ş. ("Doğu Aras")

Doğu Aras was founded in accordance to energy market regulations as a joint venture with a joint agreement of ÇED and Kiler Alışveriş Hizmetleri Gıda Sanayi Ticaret A.Ş. ("Kiler Alışveriş") on 5 May 2013 with the participation of these two companies by 49% and 51%, respectively, for the purpose of establishing and participating to the companies that are engaged in distribution, retail and wholesale of electricity energy and/or capacity, assigning management of these established and participated companies, providing consultancy services on technical, financial, information processing and human resources management issues and making industrial and commercial investments through this companies.

1 Reporting entity *(continued)*

1.1 Entities in energy segment *(continued)*

Doğu Aras Enerji Yatırımları A.Ş. ("Doğu Aras") *(continued)*

On 28 June 2013, Doğu Aras purchased all shares of Aras Elektrik Dağıtım A.Ş. ("EDAŞ") and Aras Elektrik Perakende Satış A.Ş. ("EPAŞ") which were previously state owned companies operating in electricity distribution and procurement in cities Kars, Ardahan, Iğdır, Erzincan, Ağrı, Bayburt and Erzurum within the privatization.

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

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

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

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

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

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

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

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

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

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

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

Kosova Çalık Limak Energy ("KÇE")

KÇE was established as a joint venture with a joint agreement of Çalık Enerji, ÇEDAŞ and Limak Yatırım on 17 September 2012 with the participation these three companies by 25%, 25% and 50%, respectively, in the share capital of KÇE. On 8 May 2013, KÇE purchased all shares of previously state-owned enterprise namely "Kompania Per Distribuim Dhe Fumizim Me Energji Elektrike SH.A ("KEKS") which is operating in electricity distribution and procurement of electricity in Kosovo.

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

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

1 Reporting entity *(continued)*

1.1 Entities in energy segment *(continued)*

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

Ortur Elektrik was established in 2005 for the purpose of producing and distributing electricity.

Petrotrans Enerji A.Ş. ("Petrotrans Enerji")

Petrotrans Enerji was established in 2010 to operate necessary power plants for the purpose of importing, exporting and trade of crude oil, natural gas and derivatives of these products and distribution, purchasing and selling of natural gas, crude oil and products of natural gas and oil.

Sembol Enerji A.Ş. ("Sembol Enerji")

Sembol Enerji was established in 2010, in Istanbul for the purpose of building, renting and setting electricity production facilities into operation, producing electricity and selling produced electricity and/or electricity capacity to the customers.

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

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

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

Türkmen Elektrik was established in 2000, in Istanbul for the purpose of distributing and selling electricity. As of reporting date, Türkmen Elektrik is a non-operating company.

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

Vadi Elektrik was established in 2007 for the purpose of producing and distributing electricity.

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

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

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

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

In accordance with the 3rd clause of 4628 numbered Energy Markets Code, electricity distribution companies must separate its distribution and retail operations from each other until 1 January 2013. In this regard, YEDAŞ unbundled its distribution and retail operations on 31 December 2012 and YEPAŞ has started to sell electricity as retailer as of 1 January 2013.

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

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

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1 Reporting entity *(continued)*

1.2 Entities in construction segment

Company Name	Type of Partnership	Country
Çalık Gayrimenkul Ticaret A.Ş.	Subsidiary	Turkey
Gap İnşaat Construction and Investment Co. Ltd.	Subsidiary	Sudan
Gap İnşaat Dubai FZE	Subsidiary	UAE – Dubai
Gap İnşaat Ukraine Ltd.	Subsidiary	Ukraine
Gap İnşaat Yatırım ve Dış Ticaret A.Ş.	Subsidiary	Turkey
Gap Yapı İnşaat A.Ş.	Subsidiary	Turkey
Varyap Varlıbaşlar Yapı Sanayi ve Turizm Yatırımları A.Ş - Gap İnşaat Yatırım ve Dış Ticaret A.Ş. Ortak Girişimi	Joint operation	Turkey

Çalık Gayrimenkul Ticaret A.Ş. ("Çalık Gayrimenkul")

Çalık Gayrimenkul was founded in 2005 in Istanbul for the purpose of investing in companies which operate in buying, selling, building, designing and rental of real estates.

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

Subsidiaries of Gap İnşaat namely, Gap İnşaat Ukraine Ltd., Gap İnşaat Dubai FZE and Gap İnşaat Construction and Investment Co. Ltd. were established for the purpose of constructing projects in the countries they were established in.

Gap İnşaat Yatırım ve Dış Ticaret A.Ş. ("Gap İnşaat")

Gap İnşaat was established in 1996 in Turkey for the purpose of operating in construction, contracting and decoration businesses both within Turkey and abroad. Gap İnşaat also manages mining activities of all kinds of minerals, marble, lime, clay, coal and stone by receiving the necessary permits and trading stone cutter, spare parts and glazed ceramic tiles both within the country and abroad. Gap İnşaat has six branches in Turkmenistan, Saudi Arabia, UAE, Qatar, Libya and Iraq which were established to operate several construction projects.

Gap Yapı İnşaat A.Ş. ("Gap Yapı")

Gap Yapı was founded in 2007 for the purpose of operating in construction, decoration businesses at home and abroad, making research, feasibility, project designing, city planning, development planning, consutancy activities related with these businesses and also collaborating with other domestic, foreign companies dealing with same businesses whether domestic or foreign and private or governmental.

Varyap Varlıbaşlar Yapı Sanayi ve Turizm Yatırımları A.Ş- Gap İnşaat Yatırım ve Dış Ticaret A.Ş. Ortak girişimi ("Varyap-Gap Ortak Girişimi")

Varyap-Gap Ortak Girişimi was founded on 14 April 2010 for the purpose of construction of "Metropol Istanbul" project and sharing revenue equally of the real estate sales with a joint agreement signed between Varyap Varlıbaşlar Yapı Sanayi ve Turizm Yatırımları Ticaret A.Ş. ("VARYAP") and Gap İnşaat with the participation rate of 50% equally.

1 Reporting entity *(continued)*

1.3 Entities in textile segment

Company Name	Type of partnership	Country
Balkan Dokuma TGPJ	Associate	Turkmenistan
Çalık Alexandria For Readymade Garments	Subsidiary	Egypt
Çalık Korea Inc.	Subsidiary	Korea
Çalık Pamuk Doğal ve Sentetik Elyaf Ticaret A.Ş.	Subsidiary	Turkey
Çalık USA	Subsidiary	USA
Gap Güneydoğu FZE Jebel Ali Free Zone	Subsidiary	UAE– Dubai
Gap Güneydoğu Tekstil Sanayi ve Ticaret A.Ş.	Subsidiary	Turkey
Gap Türkmen-Türkmenbaşı Jeans Kompleksi	Associate	Turkmenistan
Serdar Pamuk Egrigi Fabrigi ÇJB	Associate	Turkmenistan
Türkmenbaşı Tekstil Kompleksi	Associate	Turkmenistan

Balkan Dokuma TGPJ ("Balkan Dokuma")

Balkan Dokuma was established in 2000 for the purpose of manufacturing and marketing yarn.

Çalık Alexandria For Readymade Garments ("Çalık Alexandria")

Çalık Alexandria was established in 2006 in Egypt for the purpose of engaging in the business of manufacturing and marketing ready wear, yarn and textures.

Çalık Korea Inc.

Çalık Korea Inc. was established in 2007 for the purpose of importing and exporting textile and ready wear, and also distribution and transportation services.

Çalık Pamuk Doğal ve Sentetik Elyaf Ticaret A.Ş. ("Çalık Pamuk")

Çalık Pamuk was founded in 2011 for the purpose of conducting international cotton trade activities and rendering consultancy services in all matters related to cotton.

Çalık USA and Gap Güneydoğu FZE Jebel Ali Free Zone ("Gap Güneydoğu FZE")

Çalık USA and Gap Güneydoğu FZE are operating in the trade of textile products in the USA and UAE-Dubai, respectively.

Gap Güneydoğu Tekstil Sanayi ve Ticaret A.Ş. ("Gap Güneydoğu")

Gap Güneydoğu was established in 1987, in Turkey and conducts its production operation in Malatya Industrial Area. Branch of Gap Güneydoğu, namely, Gap Güneydoğu Mersin Free Zone is engaged in the importing and exporting of textile products.

Gap Türkmen -Türkmenbaşı Jeans Kompleksi ("TJK")

TJK has been established as an associate of Çalık Holding and the Ministry of Textiles Industry of Turkmenistan in 1995 within the frame of Turkmenistan regulations for the purpose of yarn and denim fabric production and marketing. TJK has a denim fabric and jean factory and make domestic and foreign sales to USA and European countries.

Serdar Pamuk Egrigi Fabrigi ÇJB ("Serdar Pamuk")

Serdar Pamuk was established in 1995 in Turkmenistan for the purpose of producing denim fabric in textile industry.

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1 Reporting entity *(continued)*

1.3 Entities in textile segment *(continued)*

Türkmenbaşı Tekstil Kompleksi ("TTK")

Türkmenbaşı TK was established in 1997 in Turkmenistan. Main operations of Türkmenbaşı TK are production and marketing of yarn.

1.4 Entities in marketing segment

Company Name	Type of partnership	Country
Gap Pazarlama A.Ş.	Subsidiary	Turkey
Gap Pazarlama FZE Jebel Ali Free Zone	Subsidiary	UAE – Dubai
Gappa Inc.	Subsidiary	USA

Gap Pazarlama A.Ş. ("Gap Pazarlama")

Gap Pazarlama, was established in 1994 in Istanbul for the purpose of operating as a supply agent for Çalık Group. Gap Pazarlama procures goods for the factories managed by the Çalık Group when needed and for the projects undertaken in Turkey and international markets. Gap Pazarlama has one branch in Mersin Free Zone, which was set up to import and export textile products.

Gap Pazarlama FZE Jebel Ali Free Zone ("Gap Pazarlama FZE")

Gap Pazarlama FZE was established in 2004 in the United Arab Emirates ("UAE") for the purpose of importing and exporting of trading goods.

Gappa Inc.

Gappa Inc. was established to operate in the international markets for selling of the home textiles and ready-to-wear garments.

1.5 Entities in telecommunication segment

Company Name	Type of Partnership	Country
Albtelecom Sh.a.	Subsidiary	Albania
Cetel Çalık Enerji Telekomünikasyon Hizmetleri A.Ş.	Subsidiary	Turkey
Cetel Telekom İletişim Sanayi ve Ticaret A.Ş.	Subsidiary	Turkey
Telemed Telekom A.Ş.	Subsidiary	Turkey
Yenikom Telekomünikasyon Hizmetleri A.Ş.	Subsidiary	Turkey

Albtelecom Sh.a. ("Albtelecom")

Albtelecom was established in 1992 with a company name Albtelecom Telekomi Shqiptar and transformed into a joint-stock company on 23 February 1999. Until 28 September 2007, Government of Albania as represented by the Ministry of Economy, Trade and Energy was the sole shareholder of the company. As of 28 September 2007 CT Telecom Sh.a, a subsidiary of Cetel Telekom İletişim Sanayi ve Ticaret A.Ş. ("Cetel Telekom") acquired 76% of the Albtelecom's share capital. Albtelecom is the unique national operator providing wired telephone service in Albania. In 2013, CT Telecom Sh.a merged with Albtelecom under Albtelecom.

Albtelecom merged with its subsidiary Eagle Mobile Sh.a, which provides local, mobile and terrestrial communication services in Albania, on 1 February 2013.

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)

1 Reporting entity *(continued)*

1.5 Entities in telecommunication segment *(continued)*

Cetel Çalık Enerji Telekomünikasyon Hizmetleri A.Ş. ("Cetel Çalık")

Cetel Çalık was established in 2004 in Istanbul for the purpose of providing various services in the fields of telecommunication, communication, press, and internet.

Cetel Telekom İletişim Sanayi ve Ticaret A.Ş. ("Cetel Telekom")

Cetel Telekom was established in 2007 in Istanbul. The principal activities are telecommunication, multimedia, internet and data transportation.

Telemed Telekom A.Ş. ("Telemed")

Telemed was established in 2010 for the purpose of providing all kind of services in the fields of telecommunication, communication, media, internet, and voice and data communication.

Yenikom Telekomünikasyon Hizmetleri A.Ş. ("Yenikom")

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

1.6 Entities in banking and finance segment

Company Name	Type of partnership	Country
Aktif Yatırım Bankası A.Ş.	Subsidiary	Turkey
Albania Leasing Company	Associate	Albania
Banka Kombetare Tregtare Sh.a	Subsidiary	Albania
Çalık Finansal Hizmetler A.Ş.	Subsidiary	Turkey
Kazakhistan Ijara Company KIC Leasing	Associate	Kazakhistan
Sigortayeri Sigorta ve Readürans Brokerlığı A.Ş.	Subsidiary	Turkey

Aktif Yatırım Bankası A.Ş. ("Aktifbank")

Aktifbank was founded as an investment and development bank in 1999 for the purpose of providing all kind of transactions related with investment, project finance and marketable securities and also to provide all kinds of investment banking services. However, Aktifbank is not authorised to accept deposits.

Name of Aktifbank has been changed to "Aktif Yatırım Bankası A.Ş." from "Çalık Yatırım Bankası A.Ş." on 1 August 2008.

Albania Leasing Company ("Albania Leasing")

Main activity of Albania Leasing is financial leasing. As of the reporting date, Albania Leasing is a non-operating company.

Banka Kombetare Tregtare Sh.a ("BKT")

BKT was founded in 1998 by obtaining banking license and engages in banking activities in Albania.

Çalık Finansal Hizmetler A.Ş. ("Çalık Finansal Hizmetler")

Çalık Finansal Hizmetler was established in 2003 as Aktifbank's cooperation with Şekerbank T.A.Ş. and Çalık Holding for their projects of investing in domestic and foreign banks. In 2008, Çalık Holding acquired shares held by Şekerbank T.A.Ş..

Kazakhistan Ijara Company KIC Leasing

Kazakhistan Ijara Company KIC Leasing was founded in 2013, in Kazakhistan for the purpose of operating in financial leasing sector.

1 Reporting entity *(continued)*

1.6 Entities in banking and finance segment *(continued)*

Sigortayeri Sigorta ve Readürans Brokerlığı A.Ş. ("Sigortayeri")

With the virtual and physical multi-channel structure that is shaped according to the needs of potential policyholders comparative insurance products, provide customers with fast and intuitive way to operate in the field of insurance broking.

1.7 Entities in media segment (discontinued)

As of 31 December 2013, the Group commited to a plan to sell all subsidiaries in this segment following a strategic desicion to place greater focus on the Group's key competencies. Please refer to Note 5 for further details.

Company Name	Type of partnership	Country
Turkuvaz Aktif Televizyon Prodüksiyon A.Ş.	Subsidiary	Turkey
Turkuvaz ATV Sabah GmbH	Subsidiary	Germany
Turkuvaz ATV Televizyon Prodüksiyon A.Ş.	Subsidiary	Turkey
Turkuvaz Dağıtım Pazarlama A.Ş.	Subsidiary	Turkey
Turkuvaz Filmcilik Prodüksiyon Sanayi ve Ticaret A.Ş.	Subsidiary	Turkey
Turkuvaz Gazete Dergi Basım A.Ş.	Subsidiary	Turkey
Turkuvaz Görsel ve İşitsel İletişim A.Ş.	Subsidiary	Turkey
Turkuvaz Haber Ajansı A.Ş.	Subsidiary	Turkey
Turkuvaz İzmir Gazete Dergi Basım Yayın A.Ş.	Subsidiary	Turkey
Turkuvaz İzmir Televizyon Prodüksiyon ve Radyoculuk A.Ş.	Subsidiary	Turkey
Turkuvaz Kitapçılık Yayıncılık A.Ş.	Subsidiary	Turkey
Turkuvaz Matbaacılık Yayıncılık A.Ş.	Subsidiary	Turkey
Turkuvaz Medya Yayın Hizmetleri A.Ş.	Subsidiary	Turkey
Turkuvaz Mobil Hizmetler A.Ş.	Subsidiary	Turkey
Turkuvaz Motor Presse Dergi Yayıncılık Limited Şirketi	Subsidiary	Turkey
Turkuvaz Radyo Televizyon Haberleşme ve Yayıncılık A.Ş.	Subsidiary	Turkey
Turkuvaz Reklam Pazarlama Danışmanlık A.Ş.	Subsidiary	Turkey
Turkuvaz Teknik Hizmetler Sanayi ve Ticaret A.Ş.	Subsidiary	Turkey
Turkuvaz Televizyon Hizmetleri A.Ş.	Subsidiary	Turkey
Turkuvaz Televizyon ve Radyo İşletmeciliği A.Ş.	Subsidiary	Turkey
Turkuvaz Yayın Hizmetleri ve Ticaret A.Ş.	Subsidiary	Turkey
Turkuvaz Yeni Asır Televizyon Prodüksiyon A.Ş.	Subsidiary	Turkey

Turkuvaz Aktif Televizyon Prodüksiyon A.Ş. ("Turkuvaz Aktif")

Turkuvaz Aktif was founded in 2008 in Istanbul. Turkuvaz Radyo Televizyon Haberleşme ve Yayıncılık A.Ş. ("Turkuvaz Radyo"), a consolidated subsidiary of the Group, sold ATV television brand to Turkuvaz Aktif in 2013. Turkuvaz Aktif manages the operations of ATV television channel after the acquisition.

Turkuvaz ATV Televizyon Prodüksiyon A.Ş. ("Turkuvaz ATV")

Turkuvaz ATV was founded in 2008 in Istanbul. As of reporting date, Turkuvaz ATV is a non-operating company.

1 Reporting entity *(continued)*

1.7 Entities in media segment (discontinued) *(continued)*

Turkuvaz ATV Sabah GmbH ("Turkuvaz Sabah GmbH")

Turkuvaz Sabah GmbH which was established in Germany and 100% of its shares are owned by Turkuvaz Gazete Dergi Basım Yayın A.Ş. ("Turkuvaz Gazete). Turkuvaz Sabah GmbH purchased the Merkez ATV GmbH's assets in 2008. The main activity is publishing newspapers and telecasting.

Turkuvaz Dağıtım Pazarlama A.Ş. ("Turkuvaz Dağıtım")

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

Turkuvaz Filmcilik Prodüksiyon Sanayi Ticaret A.Ş. ("Turkuvaz Filmcilik")

Turkuvaz Filmcilik was founded in 2008 in Istanbul. As of the reporting date, Turkuvaz Filmcilik is a non-operating company.

Turkuvaz Gazete Dergi Basım A.Ş. ("Turkuvaz Gazete")

Turkuvaz Gazete was established in 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 Görsel ve İşitsel İletişim A.Ş. ("Turkuvaz Görsel")

Turkuvaz Görsel was founded in 2009 in Istanbul. Turkuvaz Görsel is active since July 2010 and its main activity is broadcasting.

Turkuvaz Haber Ajansı A.Ş. ("Turkuvaz Haber")

Turkuvaz Haber was founded in 2008 in Istanbul. As of the reporting date, Turkuvaz Haber is a non-operating company.

Turkuvaz İzmir Gazete Dergi Basım Yayın A.Ş. ("Turkuvaz İzmir Gazete")

Turkuvaz Izmir Gazete was established in 2008 in Izmir. The main activity is publishing of "Yeni Asır" newspaper.

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

Turkuvaz İzmir TV was founded in 2008 in Izmir. The company is active since July 2008 and its main activity is broadcasting.

Turkuvaz Kitapçılık Yayıncılık A.Ş. ("Turkuvaz Kitapçılık")

Turkuvaz Kitapçılık was founded in 2008 in Istanbul and the main activities are producing and selling books.

Turkuvaz Matbaacılık Yayıncılık A.Ş. ("Turkuvaz Matbaacılık")

Turkuvaz Matbaacılık was founded in 2008 in Istanbul for the purpose of printing newspapers and magazines.

Turkuvaz Medya Yayın Hizmetleri A.Ş. ("Turkuvaz Medya")

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

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1 Reporting entity *(continued)*

1.7 Entities in media segment *(continued)*

Turkuvaz Mobil Hizmetler A.Ş. ("Turkuvaz Mobil")

Turkuvaz Mobil was founded in 2008 in Istanbul. As of the reporting date, Turkuvaz Mobil is a non-operating company.

Turkuvaz Motor Presse Dergi Yayıncılık Limited Şirketi ("Turkuvaz Motor")

Turkuvaz Motor was established in 2006 in Istanbul. As of 11 January 2010, Turkuvaz Matbaacılık and Turkuvaz Gazete purchased %50 shares of all companies which are owned by Motor Presse International Verlagsgesellschaft Holding mbH.

Turkuvaz Radyo Televizyon Haberleşme ve Yayıncılık A.Ş. ("Turkuvaz Radyo")

Turkuvaz Radyo was established in 2005 in Istanbul for the purpose of telecasting and radio broadcasting in Turkey and abroad. Turkuvaz Radyo purchased ATV television channel and Sabah newspaper from Savings Deposit Insurance Fund of Turkish Republic through a formal public tender that was approved in 2008. In 2013, ATV brand was sold to Turkuvaz Aktif.

Turkuvaz Reklam Pazarlama Danışmanlık A.Ş. ("Turkuvaz Reklam")

Turkuvaz Reklam was established in 2008 in Istanbul and for the purpose of marketing and selling of television and newspaper advertising.

Turkuvaz Teknik Hizmetler Sanayi ve Ticaret A.Ş. ("Turkuvaz Teknik")

Turkuvaz Teknik was established in 2008 in Istanbul. As of the reporting date, Tukuvaz Teknik is a non-operating company.

Turkuvaz Televizyon Hizmetleri A.Ş. ("Turkuvaz Hizmet")

Turkuvaz Hizmet was founded in 2009 in Istanbul. As of the reporting date, Turkuvaz Hizmet is a non-operating company.

Turkuvaz Televizyon ve Radyo İşletmeciliği A.Ş. ("Turkuvaz TV")

Turkuvaz TV was established in 2008 in Istanbul for the purpose of telecasting and radio broadcasting. As of reporting date, Turkuvaz TV is a non-operating company.

Turkuvaz Yayın Hizmetleri ve Ticaret A.Ş. ("Turkuvaz Yayın")

Turkuvaz Yayın was founded in 2008 in Istanbul in order to provide administrative services to the Group. As of the reporting date, Turkuvaz Yayın is a non-operating company.

Turkuvaz Yeniasır Televizyon Prodüksiyon A.Ş. ("Turkuvaz Yeniasır")

Turkuvaz Yeniasır was established in 2008, in Izmir. Turkuvaz Yeniasır's main activity is broadcasting.

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)

1 Reporting entity *(continued)*

1.8 Entities in other segments

Company Name	Type of partnership	Country
Çalık Hava Taşımacılık Turizm Sanayi ve Ticaret A.Ş.	Subsidiary	Turkey
Çalık Turizm Kültür İnşaat Sanayi ve Ticaret A.Ş.	Subsidiary	Turkey
Çalık Yönetim Sistemleri A.Ş.	Subsidiary	Turkey
Dore Altın ve Madencilik A.Ş.	Subsidiary	Turkey
E-Kent Elektronik Ücret Toplama Sistemleri A.Ş.	Subsidiary	Turkey
Emlak Girişim Danışmanlığı A.Ş.	Subsidiary	Turkey
E-Post Elektronik Perakende Otomasyon Satış ve Ticaret A.Ş.	Subsidiary	Turkey
İFM İstanbul Finans Merkezi İnşaat Taahhüt A.Ş.	Associate	Turkey
Lidya Madencilik Sanayi ve Ticaret A.Ş.	Subsidiary	Turkey
Pavo Teknik Servis Elektrik ve Elektronik Sanayi ve Ticaret A.Ş.	Subsidiary	Turkey
Tura Madencilik A.Ş.	Subsidiary	Turkey

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

Çalık Hava was established in 2010 in Istanbul for the purpose of providing every kind of air transportation activities, scheduled or unscheduled domestic and abroad air transportation, arranging passenger and freight cargo transportation.

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

Çalık Turizm was established in December 2004 in Istanbul for the purpose of efficient utilisation of immovable assets related to establishment of mega-cities held by the municipality enterprises. Çalık Turizm is involved with the construction, establishment, operation and rental of contemporary residential areas, trade and tourism centers, international and local press centers, mass housing, subways, bridges, and highways.

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

Çalık Yönetim was established in 2008 in Istanbul to provide consultancy services about all kind of project, organisation, financing, sales and marketing ,etc.

Dore Altın ve Madencilik A.Ş. ("Dore Altın")

Dore Altın was established in 2010 in Istanbul for the purpose of mining, operating, purchasing and renting underground & surface mine and natural resources in accordance with existing regulations, to purchase prospecting license, to demand operating right and to take over mining rights.

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

E-Kent was established in 2002 and the main activity is modernisation of public transportation and suggesting new electronic solutions about electronic ticket and prosecution system.

Emlak Girişim Danışmanlığı A.Ş. ("Emlak Girişim")

Works on real estate projects, structures and systems, and in this regard make active counseling and guidance.

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

E-Post was established in 2009 in Istanbul for the purpose of providing tailor-made postcard designing services.

1 Reporting entity *(continued)*

1.8 Entities in other segments *(continued)*

IFM İstanbul Finans Merkezi İnşaat Taahhüt A.Ş. ("IFM")

IFM operates in special projects, land recreation, area sales and revenue sharing provisions for the construction of the immovable, construction and sales activity is independent sections.

Lidya Madencilik Sanayi ve Ticaret A.Ş. ("Lidya Maden")

Lidya Maden was established in 2006 in Istanbul to explore all kind of metal and mineral products and to participate in mining companies.

Pavo Teknik Servis Elektrik ve Elektronik Sanayi ve Ticaret A.Ş. ("Pavo")

Pavo operates in the area of new generation payment recorders import, manufacture, sales and technical services.

Tura Madencilik A.Ş. ("Tura")

Tura was established in 2010 in Istanbul to mine, operate, buy and rent underground and aboveground mine and natural resources in accordance with existing regulations.

2 Basis of preparation

a) *Statement of compliance*

Çalık Holding entities operating in Turkey maintain their books of account and prepare their statutory financial statements in Turkish Lira ("TL") in accordance with the Accounting Practice Regulations as promulgated by the Banking Regulatory and Supervision Agency ("BRSA") applicable to the financial institutions, Turkish Uniform Chart of Accounts, Turkish Commercial Code and Tax Legislation.

Çalık Group's foreign entities maintain their books of account and prepare their statutory financial statements in accordance with the related legislation and generally accepted accounting principles applicable in the countries they operate.

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS").

The consolidated financial statements were approved by the Group management on 11 June 2014. Çalık Holding's General Assembly and the other regulatory bodies have the power to amend the statutory financial statements which after their issue.

b) *Basis of measurement*

The consolidated financial statements have been prepared on the historical cost basis and for the Turkish entities as adjusted for the effects of inflation that lasted by 31 December 2005, except for the following:

- Derivative financial instruments are measured at fair value,
- Available-for-sale financial assets are measured at fair value,
- Assets and liabilities held for sale are measured at the lower of their carrying amount and fair value less costs to sell,
- Non-derivative financial assets at fair value through profit or loss are measured at fair value,
- Investment property is measured at fair value.

The methods used to measure the fair values are discussed further in Note 33.

c) *Functional and presentation currency*

The accompanying consolidated financial statements are presented in TL which is Çalık Group's functional currency. Except as otherwise indicated, financial information presented in TL has been rounded to the nearest thousand.

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2 Basis of preparation *(continued)*

(d) *Use of estimates and judgements*

The preparation of the consolidated financial statements in conformity with IFRSs requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

Information about significant areas at estimation uncertainty and critical judgment in applying accounting policies that have the most significant effect on the amounts recognised in the consolidated financial statements are described in the following notes:

- Note 3 (g) and (h) – Useful lives of property and equipment and intangible assets including goodwill
- Note 14 – Prepayments and deferred revenue
- Note 18 – Investment property
- Note 22 – Derivatives
- Note 24 – Provisions
- Note 26 – Taxation
- Note 33 – Financial instruments – Fair values and risk management

3 Significant accounting policies

Except for the changes explained in Note 3 a), the accounting policies set out in this section have been applied consistently to all periods presented in these consolidated financial statements, and have been applied consistently by Group entities.

a) *Changes in accounting policies*

The Group has adopted the following new standards and amendments to standards, including any consequential amendments to other standards, with a date of initial application of 1 January 2013.

- IAS 19 Employee Benefits (2011) (see (i))
- IFRS 10 Consolidated Financial Statements (2011) (see (ii))
- IFRS 11 Joint Arrangements (see (iii))
- Presentation of Items of Other Comprehensive Income (Amendments to IAS 1) (see (iv))

The nature and the effect of the changes are further explained below.

i) Defined benefit obligation

As a result of the adoption of IAS 19 (2011), all actuarial differences on reserve for employee severance indemnity are recognised immediately in other comprehensive income. Actuarial differences were recognised in profit or loss before this accounting policy change. The change in accounting policy has been applied retrospectively. However due to the insignificance of its impact on the consolidated financial statements, the Group has not restated its consolidated financial statements starting from 1 January 2012.

ii) Subsidiaries

As a result of the adoption of IFRS 10, the Group has changed its accounting policy with respect to determining whether it has control over and consequently whether it consolidates its investees. In accordance with the transitional provisions of IFRS 10, the Group re-assessed the control conclusion for its investees at 1 January 2012. As a consequence, the Group's control conclusion in respect of its investment in its subsidiaries has not changed and there has been no impact on the recognised assets, liabilities, profit or loss and other comprehensive income of the Group as at and for the year ended 31 December 2013.

iii) Joint arrangements

A joint arrangement is either a joint operation or a joint venture.

Joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement. Joint operations are proportionately consolidated.

Joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement. Equity accounting is used to consolidate joint ventures.

3 Significant accounting policies *(continued)*

a) *Change in accounting policies (continued)*

iii) Joint arrangements (continued)

As a result of the adoption of IFRS 11, the Group has changed its accounting policy with respect to its interests in joint arrangements.

Under IFRS 11, the Group classifies its interests in joint arrangements as either joint operations or joint ventures depending on the Group's rights to the assets and obligations for the liabilities of the arrangements. When making this assessment, the Group considers the structure of the arrangements, the legal form of any separate vehicles, the contractual terms of the arrangements and other facts and circumstances. Previously, the structure of the arrangement was the sole focus of classification.

The Group has re-evaluated its involvement in its joint arrangements. As a result, Group's joint arrangements which were classified as joint venture before the change in accounting policy, were classified as joint operation. According to this classification, the joint operations are recognised by applying the proportional consolidation method starting from 1 January 2012 which was previously recognised by applying the equity method and presented under "Financial instruments" in the consolidated financial statements. On the other hand, the Group was previously accounting the joint-ventures using equity accounting method for which there is no change in accounting under IFRS 12.

As of 31 December 2012, joint agreement signed with Varyap-Gap Ortak Girişimi which was previously accounted by applying equity method in consolidated financial statements, was re-evaluated as joint operation and the Group recognised assets, liabilities, revenues and expenses of Varyap-Gap Ortak Girişimi in proportion of the Group's share in joint operation.

As a result of this accounting policy change, "Cash and cash equivalents" amounting to TL 2,695 (1 January 2012: TL 110), "Trade receivables" amounting to TL 93,699 (1 January 2012: TL 50,256), "Inventories" amounting to TL 34,680 (1 January 2012: TL 9,460), "Other current assets" amounting to TL 7,193 (1 January 2012: TL 1,116), "Property, plant and equipment" amounting to TL 422 (1 January 2012: TL 9), "Intangible assets" amounting to TL 73 (1 January 2012: None), "Deferred revenue" under non-current liabilities amounting to TL 137,799 (1 January 2012: TL 58,790), "Other short term liabilities" amounting to TL 3,235 (1 January 2012: TL 8) and "Trade payables" under current liabilities amounting to TL 4.084 (1 January 2012: TL 2,153) were recognised in the restated consolidated statement of financial position as at 31 December 2012. The Group recognised net loss amounting to TL 6,356 for the year ended 31 December 2012.

iv) Presentation of items of other comprehensive income

As a result of the amendments to IAS 1, the Group has modified the presentation of items of other comprehensive income in its consolidated statement of profit or loss and other comprehensive income, to present separately items that would be reclassified to profit or loss in the future from those that would never be reclassified in profit or loss. Comparative information has also been re-presented accordingly.

The adoption of the amendment to IAS 1 has no impact on the recognised assets, liabilities, profit or loss and other comprehensive income of the Group.

3 Significant accounting policies *(continued)*

(b) Corrections and reclassifications

Reclassifications

Certain comparative amounts in the consolidated statement of financial position and consolidated statement of profit or loss and other comprehensive income have been reclassified to conform to the presentation of the current period. As a result of these reclassifications, the current assets and short term liabilities decreased by TL 1.587.064 and TL 28.376, respectively, whereas non current assets and long term liabilities increased by TL 1.611.689 and TL 194.801, respectively, as at 31 December 2012.

As a result of these reclassifications, the "gross profit", "loss from discontinued operations" and "profit for the year" decreased by TL 239.942, 118.695 and TL 131.063, respectively, and "profit before tax" and "operating profit "increased by TL 253.190 and TL 97.559 in the restated consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2012.

Above mentioned reclassifications are also taken into consideration in the consolidated statements of cash flows.

Corrections

ÇEDAŞ, a subsidiary of the Group, acquired all of the shares of YEDAŞ within the scope of privatisation in 2010. The financial statements of ÇEDAŞ prepared per IFRS 3 "Business Combinations" as at the date of acquisition have been restated retrospectively due to the several errors discovered in the current period mainly related to the misapplication of IFRIC 12 "Service concession arrangements" and the application IFRSs related to some other assets and liabilities for YEDAŞ.

As a result of the correction of these errors in the Group's restated consolidated statement of financial position as at 31 December 2012 for the following accounts: a decrease in the "trade receivables" account by TL 52.296 TL (1 January 2012: TL 91.133), an increase in "inventories" account by TL 5.726 (1 January 2012: TL 1.486), a decrease in the "due from service concession agreements" account under trade receivables by TL 26.981 (1 January 2012: increase by TL 21.137), a decrease in the "other current assets" account by TL 1.571 (1 January 2012: TL 34), a decrease in the "property, plant and equipment" account by TL 1.898 (an increase 1 January 2012: TL 3.834), an increase in the "intangible assets" account by TL 107.832 (1 January 2012: TL 111.427); a decrease in the "due from service concession agreements" account under non-current "trade receivables" by TL 83.937 (1 January 2012 : TL 72.281), an increase in the "deferred tax assets" account by TL 40.379 (1 January 2012: TL 29.873), an increase in the "other non-current assets" account by TL 5.095 (1 January 2012: None), an increase in the "long-term loans and borrowings" by TL 33.195 (1 January 2012: TL 36.752), a decrease in the "other non-current liabilities" account by TL 45.876 (1 January 2012: TL 54.106), an decrease in the "deferred tax liabilities" account by TL 4.739 (1 January 2012: TL 9.767), an increase in the "other non current payables" account by TL 29.060 (1 January 2012: TL 25.803),), an increase in the "long term employee benefit" account by TL 442 (1 January 2012: TL 182) an increase in the "short-term financial liabilities" account by TL 2.967 (1 January 2012: TL 2.249), an increase in the "trade payables" account under the current liabilities by TL 1.107 (1 January 2012: TL 1.234), an increase in the "other current liabilities" account by TL 321 (1 January 2012: a decrease by TL 11.982) and an increase in the "provisions" account under the current liabilities by TL 28.724 (1 January 2012: TL 18.757) have been recognised in the restated consolidated statement of financial position.

3 Significant accounting policies *(continued)*

(b) Corrections and reclassifications *(continued)*

Corrections (continued)

As a result of these corrections, the retained earnings have decreased by TL 4.813 as at 31 December 2012 and the "cost of sales" decreased by TL 7.472 and "finance costs, net" and "tax expense" accounts increased by TL 5.301 and TL 8.047, respectively, whereas the "gross profit", "operating profit", "profit before tax" and "profit for the year" decreased by TL 42.255, TL 50.784, TL 56.085 and TL 48.038, respectively, in the restated consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2012.

As at 31 December 2012, the Group has recognised the non-controlling interests amounting to TL 195.034 (1 January 2012: TL 175.432) in the accumulated losses of the subsidiaries with the negative equity as a result of their prior years' losses in accordance with IFRS 10 "Consolidated financial statements" in the restated consolidated statement of financial position.

As at 1 January 2012, the "revaluation surplus" account in the equity amounting to TL 313.943 was previously consisting of the revaluation differences of the Group's investment properties measured at their fair value and the property, plant and equipment of a foreign subsidiary amounting to TL 181.799 and TL 132.144, respectively. The Group has reclassified the accumulated revaluation difference of the investment property amounting to TL 181.799 until 1 January 2012 to the "retained earnings" account in accordance with IAS 40 "Investment property". As at 1 January 2012, the correction related to the fair value amount of the property, plant and equipment held by a Group's foreign subsidiary determined in accordance with IFRS 3" Business combinations" as at the purchase date of this subsidiary was presented as a reclassification of the revaluation surplus amounting to TL 132.144 from the "revaluation surplus" in the consolidated financial statements as an increase to the "retained earnings" account and the previously recognised goodwill amounting to TL 59.271 has been derecognised after this correction in the "retained earnings" account in the restated consolidated financial statements. As a result of these corrections an increase by TL 51.794 has been recognised in the "non-controlling interests" account.

As at 31 December 2012, the net carrying value of the "property, plant and equipment" amounting to TL 94.090 and the deferred tax liability amounting to TL 9.409 related to this transaction, which were previously derecognised in the prior years have been recognised back in accordance with the IAS 16, "Property, plant and equipment". In the same year, the goodwill amounting to TL 56.747 has been derecognised as a result of the previous year's correction in the current period. As a result of these corrections, the "retained earnings" account increased by TL 28.745 whereas the "translation reserve" account decreased by TL 811 in the restated consolidated statement of financial position.

As at 31 December 2012, the net carrying value of the own used portion of "investment property" amounting to TL 207.556 and the deferred tax liability amounting to TL 31.802 related to this transaction have been derecognised whereas a "Property, plant and equipment" with a net carrying amount of TL 48.545 has been recognised. As a result of this correction, the "retained earnings" account decreased by TL 127.209 in the restated consolidated statement of financial position.

As at 31 December 2012, the Group's advertisement expenses amounting to TL 9.467 which was capitalised on the trading properties under inventories and its deferred tax effect by TL 1.893 have been expensed in "selling, marketing and distribution expenses" and "deferred tax benefit " accounts, respectively, in the consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2012. As a result of the correction of these errors in the Group's restated consolidated statement of financial position as at 31 December 2012; a decrease in the "inventories" account by TL 9.467 (1 January 2012: none), an increase in "deferred tax asset" account by TL 1.893 (1 January 2012: none) have been recognised in the restated consolidated statement of financial position.

3 Significant accounting policies *(continued)*

(b) Corrections and reclassifications *(continued)*

Corrections (continued)

As at 31 December 2012, the Group's preliminary infrastructure investments amounting to TL 10.561 for a construction project capitalised in "Property, plant and equipment" and its deferred tax effect by TL 2.113 have been expensed in "cost of sales" and "deferred tax benefit " accounts, respectively, in the consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2012.

c) Basis of consolidation

The accompanying consolidated financial statements include the accounts of the parent company, Çalık Holding, its subsidiaries and joint arrangements on the basis set out in sections below. The financial statements of the entities included in the consolidation have been prepared as at the date of the consolidated financial statements.

i) Business combinations

Business combinations are accounted for using the acquisition method as at the acquisition date, which is the date on which control is transferred to the Group. The Group has control over an entity when the group has power over the entity, exposure, or rights, to variable returns from its involvement with the entity and the ability to use its power over the entity to affect the amount of the Group's returns. In assessing control, the Group takes into consideration potential voting rights that are currently exercisable.

The Group measures goodwill at the acquisition date as:

- The fair value of the consideration transferred; plus
- The recognised amount of any non-controlling interests in the acquiree; plus
- If the business combination is achieved in stages, the fair value of the pre-existing equity interest in the acquiree; less
- The net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed.

When the excess is negative, a bargain purchase gain is recognised immediately in profit or loss.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts generally are recognised in profit or loss.

Transactions costs, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred.

Any contingent consideration payable is measured at fair value at the acquisition date. If the contingent consideration is classified as equity, it is not remeasured and settlement is accounted for within equity. Otherwise, subsequent changes to the fair value of the contingent consideration are recognised in profit or loss.

ii) Non-controlling interests

For each business combination, the Group elects to measure any non-controlling interests in the acquiree either.

- At fair value; or
- At their proportionate share of the acquiree's identifiable net assets, which are generally at fair value.

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3 Significant accounting policies *(continued)*

(c) Basis of consolidation (continued)

ii) Non-controlling interests (continued)

Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as transactions with owners in their capacity as owners. Adjustments to non-controlling interests are based on a proportionate amount of the net assets of the subsidiary. No adjustments are made to goodwill and no gain or loss is recognised in profit or loss.

iii) Subsidiaries

Subsidiaries are entities controlled by the Group. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

The accounting policies of subsidiaries have been changed when necessary to align them with the policies adopted by the Group.

iv) Loss of control

On the loss of control, the Group derecognises the assets and liabilities of the subsidiary, any non-controlling interests and the other components of equity related to the subsidiary. Any surplus or deficit arising on the loss of control is recognised in profit or loss. If the Group retains any interest in the previous subsidiary, then such interest is measured at fair value at the date that control is lost. Subsequently it is accounted for as an equity-accounted investee or as an available-for-sale financial asset depending on the level of influence retained.

v) Acquisitions from entities under common control

Business combinations arising from transfers of interests in entities that are under the control of the shareholder that controls the Group are accounted for at the date that common control was established. The assets and liabilities acquired are recognised at the carrying amounts recognised previously in the Group controlling shareholder's consolidated financial statements. The components of equity of the acquired entities are added to the same components within the Group equity and any gain/loss arising is recognised directly in equity.

vi) Associates (Equity-accounted investees)

Associates are those entities in which the Group has significant influence, but not control, over the financial and operating policies. Significant influence is presumed to exist when the Group holds between 20% and 50% of the voting power of another entity. Investments in associates are accounted for using the equity method and are initially recognised at cost. The cost of investments includes transaction costs.

The consolidated financial statements include the Group's share of profit and loss and other comprehensive income of associates, after adjustments to align the accounting policies with those of the Group, from the date that significant influence commences until the date that significant influence ceases.

When the Group's share of losses exceeds its interest in an associates, the carrying amount of that interest, including any long-term interests that form part thereof, is reduced to zero, and the recognition of further losses is discontinued except to the extent that the Group has an obligation or has made payments on behalf of the investee.

3 Significant accounting policies *(continued)*

(c) Basis of consolidation (continued)

vii) Joint arrangements

Joint arrangements are arrangements of which the Group has joint control, established by contracts requiring unanimous consent for decisions about the activities that significantly affect the arrangements' returns. They are classified and accounted for as follows:

- Joint operation – when the Group has rights to the assets, and obligations for the liabilities, relating to an arrangement, it accounts for each of its assets, liabilities and transactions, including its share of those held or incurred jointly, in relation to the joint operation.
- Joint venture – when the Group has rights only to the net assets of the arrangements, it accounts for its interest using the equity method.

The consolidated financial statements include the Group's share of the profit or loss and other comprehensive income of equity-accounted investees, after adjustments to align the accounting policies with those of the Group, from the date that significant influence commences until the date that significant influence ceases.

When the Group's share of losses exceeds its interest in an equity-accounted investee, the carrying amount of the investment, including any long-term interests that form part thereof, is reduced to zero, and the recognition of further losses is discontinued except to the extent that the Group has an obligation or has made payments on behalf of the investee.

viii) Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealised gains arising from transactions with associates are eliminated against the investment to the extent of Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

(d) Foreign currency

i) Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of Group entities at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between the amortised cost in the functional currency at the beginning of the year, adjusted for effective interest and payments during the year, and the amortised cost in foreign currency translated at the exchange rate at the end of the year.

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Non-monetary items in a foreign currency that are measured in terms of historical cost are translated using the exchange rate at the date of the transaction. Foreign currency differences arising on retranslation are recognised in profit or loss, except for differences arising on the retranslation of available-for-sale equity instruments (except on impairment in which case foreign currency differences that have been recognised in other comprehensive income are reclassified to profit or loss), a financial liability designated as a hedge of the net investment in a foreign operation to the extent that the hedge is effective; or qualifying cash flow hedges to the extent the hedge is effective.

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3 Significant accounting policies *(continued)*

d) Foreign currency (continued)

ii) Foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated to TL at exchange rates at the reporting date. The income and expenses of foreign operations are translated to TL at average exchange rates at the dates of the transactions.

Foreign currency differences are recognised in other comprehensive income, and presented in the foreign currency translation reserve (translation reserve) in equity. However, if the foreign operation is a non-wholly-owned subsidiary, then the relevant proportion of the translation difference is allocated to the non-controlling interests. When a foreign operation is disposed of such that control, significant influence or joint control is lost, the cumulative amount in the translation reserve related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal. When the Group disposes of only part of its interest in a subsidiary that includes a foreign operation while retaining control, the relevant proportion of the cumulative amount is reattributed to non-controlling interests.

When the Group disposes of only part of its investment in an associate or joint venture that includes a foreign operation while retaining significant influence or joint control, the relevant proportion of the cumulative amount is reclassified to profit or loss.

When the settlement of a monetary item receivable from or payable to a foreign operations is neither planned nor likely in the foreseeable future, foreign exchange gains and losses arising from such a monetary item are considered to form part of a net investment in a foreign operation and are recognised in other comprehensive income, and presented within equity in the translation reserve.

e) Financial instruments

i) Non-derivative financial assets

The Group initially recognises loans and receivables and deposits on the date that they are originated. All other financial assets (including assets designated as at fair value through profit or loss) are recognised initially on the trade date at which the Group becomes a party to the contractual provisions of the instrument.

The Group derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in such transferred financial assets that is created or retained by the Group is recognised as a separate asset or liability.

Financial assets and liabilities are offset and the net amount is presented in the consolidated statement of financial position when, and only when, the Group has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

The Group classifies non-derivative financial assets into the following categories: financial assets at fair value through profit or loss, held to maturity financial assets and loans and receivables, and available-for-sale financial assets.

3 Significant accounting policies *(continued)*

e) ***Financial instruments*** *(continued)*

i) Non-derivative financial assets (continued)

Financial assets at fair value through profit or loss

A financial asset is classified at fair value through profit or loss if it is classified as held for trading or is designated as such upon initial recognition. These include investments in equity instruments. Financial assets are designated at fair value through profit or loss if the Group manages such investments and makes purchase and sale decisions based on their fair value in accordance with the Group's risk management or investment strategy. Upon initial recognition attributable transaction costs are recognised in profit or loss as incurred. Financial assets at fair value through profit or loss are measured at fair value and changes therein, which takes into account any dividend income, are recognised in profit or loss.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are designated as available-for-sale and that are not classified in loans and receivables, at fair value through profit or loss and held to maturity of financial assets. The Group's investments in certain debt and equity instruments are classified as available-for-sale financial assets. Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses and foreign currency differences on available-for-sale equity instruments, are recognised in other comprehensive income and presented within equity in the fair value reserve, except that any instrument that does not have a quoted market price in an active market and whose fair value cannot be reliably measured is stated at cost. When an instrument is derecognised, the cumulative gain or loss in other comprehensive income is transferred to profit or loss.

Held to maturity financial assets

If the Group has the positive intent and ability to hold debt securities to maturity, then such financial assets are classified as held-to-maturity. Held-to-maturity financial assets are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, held to maturity financial assets are measured at amortised cost using the effective interest method less and impairment losses.

Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition loans and receivables are measured at amortised cost using the effective interest method, less any impairment losses. Loans and receivables comprise trade receivables including service concession receivables and due from customers for contract work, receivables related to finance sector operations (including banking loans and advances to banks and customers and finance lease receivables) and other receivables.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances, bank deposits and other liquid assets with original maturities of three months or less from the acquisition date that are subject to an insignificant risk of changes in their fair value.

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3 Significant accounting policies *(continued)*

e) ***Financial instruments*** *(continued)*

i) Non-derivative financial assets (continued)

Service concession arrangements

The Group recognises a financial asset arising from a service concession arrangement when it has an unconditional contractual right to receive cash or another financial asset from or at the direction of the grantor for the construction or upgrade services provided. Such financial assets are measured at fair value upon initial recognition. Subsequent to initial recognition the financial assets are measured at amortised cost.

If the Group is paid for the construction services partly by a financial asset, then each component of the consideration received or receivable is accounted for separately and is recognised initially at the fair value of the consideration received or receivable.

Finance lease receivables

Leases where the entire risks and rewards incident to ownership of an asset are substantially transferred to the lessee are classified as finance leases. A receivable at an amount equal to the present value of the lease payments, including any guaranteed residual value, is recognised. The difference between the gross receivable and the present value of the receivable is unearned finance income and is recognised over the term of the lease using the effective interest rate method. Finance lease receivables are included in Receivables related to finance sector operations.

Other

Other non derivative financial instruments classified as "loans and receivables" are measured at amortised cost using the effective interest rate method, less any impairment losses.

ii) Non-derivative financial liabilities

The Group initially recognises non-derivative financial liabilities on the date that they are originated.

All other financial liabilities (including liabilities designated at fair value through profit or loss) are recognised initially on the trade date, which is the date that the Group becomes a party to the contractual provisions of the instrument.

The Group derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire.

Financial assets and liabilities are offset and the net amount is presented in the consolidated statement of financial position when, and only when, the Group has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

The Group classifies non-derivative financial liabilities into other financial liabilities which mainly are comprises of deposits or borrower funds of the Group's banking subsidiaries, obligations under repurchase agreements, loans and borrowings, trade and other payables, subordinated liabilities, bonds payable and due to related parties.

Such financial liabilities are recognised initially at fair value less any directly attributable transaction costs. Subsequent to initial recognition these financial liabilities are measured at amortised cost using the effective interest method.

3 Significant accounting policies *(continued)*

e) Financial instruments (continued)

iii) Derivative financial instruments

The Group holds derivative financial instruments to hedge its foreign currency and interest rate risk exposures. Embedded derivatives are separated from the host contract and accounted for separately if the economic characteristics and risks of the host contract and the embedded derivative are not closely related, a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative, and the combined instrument is not measured at fair value through profit or loss.

The Group does not engage in derivative contracts qualified for hedge accounting. Therefore, on initial recognition, derivatives are recognised initially at fair value; attributable transaction costs are recognised in profit or loss as incurred. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are accounted in profit or loss as incurred.

iv) Share capital

Ordinary shares

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares are recognised as a deduction from equity, net of any tax effects.

f) Repurchase transactions

The Group enters into purchases/sales of investments under agreements to resell/repurchase substantially identical investments at a certain date in the future at a fixed price. Investments purchased subject to commitments to resell them at future dates are not recognised. The amounts paid are recognised as Receivables related to finance sector operations in the accompanying consolidated financial statements. The receivables are shown as collateralized by the underlying security. Investments sold under repurchase agreements continue to be recognised in the consolidated statement of financial position and are measured in accordance with the accounting policy for either assets held for trading, held to maturity or available-for-sale as appropriate. The proceeds from the sale of the investments are reported as funds from repo transactions presented under Payables related to finance sector operations. Income and expenses arising from the repurchase and resale agreements over investments are recognised on an accruals basis over the period of the transaction and are included in "interest income" or "interest expense" presented under revenues from financial activities and cost of revenues from financial activities, respectively.

3 Significant accounting policies *(continued)*

g) Property, plant and equipment

i) Recognition and measurement

The costs of items of property, plant and equipment of Çalık Group's Turkish entities purchased before 31 December 2005 are restated for the effects of inflation in TL units current at 31 December 2005 pursuant to IAS 29. Property, plant and equipment purchased after this date are recorded at their historical cost. Accordingly, property, plant and equipment of the Group are carried at costs, less accumulated depreciation and impairment losses, if any.

Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the following:

- Cost of materials and direct labor,
- Any other costs directly attributable to bringing the asset to a working condition for its intended use,
- When the Company has an obligation to remove the assets or restore the site, an estimate of the costs of dismantling and removing the items and restoring the site on which they are located,
- Capitalised borrowing costs.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of an item of property, plant and equipment (calculated as the difference between the net proceeds from disposal and the carrying amount of the asset) is recognised in "Gain from investing activities" or "Loss from investing activities" under profit or loss.

ii) Reclassification to investment property

When the use of a property changes from owner-occupied to investment property, the property is remeasured to fair value and reclassified as investment property. Property that is being constructed for future use as investment property is accounted for at fair value. Any gain arising on remeasurement is recognised in profit or loss to the extent that it reverses a previous impairment loss on the specific property, with any remaining gain recognised in other comprehensive income and presented in the revaluation reserve in equity. Any loss is recognised immediately in profit or loss.

iii) Subsequent costs

Subsequent expenditure is capitalised only when it is probable that the future economic benefits associated with the expenditure will flow to the Group. Ongoing repairs and maintenance is expensed as incurred.

3 Significant accounting policies *(continued)*

g) *Property, plant and equipment (continued)*

iv) Depreciation

Items of property, plant and equipment are depreciated from the date that they are available for use or, in respect of self-constructed assets, from the date that the asset is completed and ready for use.

Depreciation is calculated to write off the cost of items of property, plant and equipment using the straight-line basis over their estimated useful lives. Depreciation is generally recognised in profit or loss, unless the amount is included in the carrying amount of another asset. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Group will obtain ownership by the end of the lease term. Land is not depreciated.

The estimated useful lives for the current and comparative years of significant items of property and equipment are as follows:

Description	Year
Buildings	5-50
Machinery and equipments	5-40
Vehicles	5-10
Furniture and fixtures	3-15
Other tangible assets	5-15

Leasehold improvements are depreciated over the shorter of the lease term and their useful lives, also on a straight-line basis.

Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

(h) *Intangible assets and goodwill*

i) Goodwill

Goodwill that arises on the acquisition of subsidiaries is presented with intangible assets. For the measurement of goodwill at initial recognition, see note 3 c) i).

Subsequent measurement

Goodwill is measured at cost less accumulated impairment losses (see accounting policy 3.(l) ii). In respect of equity accounted investees, the carrying amount of goodwill is included in the carrying amount of the investment, and any impairment loss is allocated to the carrying amount of the equity-accounted investee as a whole.

ii) Brand names

Brand name represents mainly brand names of "ATV", "Sabah", "Fotomaç", "Takvim", "Türkiye Fobes", "Şamdan", "Bebeğim ve Biz", Yeni Asır TV", "Turkuaz İzmir Gazete", "Turkuaz İzmir TV"and "Radyo Turkuvaz" which are related to the intangible assets recognised during the acquisitions in 2008. Brand names have indefinite useful lives and are tested for impairment annually.

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3 Significant accounting policies *(continued)*

h) *Intangible assets and goodwill (continued)*

ii) Other intangible assets

Other intangible assets of the Group mainly consist of licences for oil exploration, hydroelectric power generation, wind power generation and liquefied natural gas import, electricity distribution rights and computer software acquired by the Group, which have finite useful lives, and are measured at cost less accumulated amortisation and any accumulated impairment losses, if any.

iv) Subsequent expenditures

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill, is recognised in profit or loss as incurred.

v) Amortisation

Except for goodwill and brand names rights recognised in business combinations, intangible assets are amortised on a straight-line basis in profit or loss over their estimated useful lives, from the date that they are available for use.

Amortisation of electricity distribution rights is based on the fair value of the asset which is acquired through business combination under scope of IFRS 3 "Business Combinations". The remaining amortisation period for electricity distribution rights are 26 years which is the service concession period of YEDAŞ as it was acquired by ÇEDAŞ. Licences and other intangible assets including computer software are amortised between 10 and 50 years and 2 and 10 years, on a straight line basis respectively.

Amortisation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

i) *Investment property*

Investment property is property held either to earn rental income or for capital appreciation or for both but not for sale in the ordinary course of business, use in the production or supply of goods or services or for administrative purposes. Investment property is measured at fair value with any change therein recognised in profit or loss.

Cost includes expenditure that is directly attributable to the acquisition of the investment property. The cost of self-constructed investment property includes the cost of materials and direct labour, any other costs directly attributable to bringing the investment property to a working condition for their intended use and capitalised borrowing costs.

Any gain or loss on disposal of an investment property (calculated as the difference between the net proceeds from disposal and the carrying amount of the item) is recognised in profit or loss. When an investment property that was previously classified as property, plant and equipment is sold, any related amount included in the revaluation surplus is transferred to retained earnings.

When the use of a property changes such that it is reclassified as property, plant and equipment or inventories, its fair value at the date of reclassification becomes its cost for subsequent accounting.

3 Significant accounting policies *(continued)*

j) Inventories

Inventories are measured at the lower of cost and net realisable value. Except as discussed in the following paragraphs, the cost of inventories is mainly based on the weighted average, and includes expenditure incurred in acquiring the inventories, production or conversion costs and other costs incurred in bringing them to their existing location and condition.

Cost of trading properties are determined on cost or deemed cost method by the entities operating in construction business. Trading properties comprised lands that are held for construction projects and cost of buildings that are held for trading purposes.

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and estimated costs necessary to make the sale.

k) Construction contracts in progress / deferred revenue

Construction contracts in progress represent the gross unbilled amount expected to be collected from customers for contract work performed to date. It is measured at cost plus profit recognised to date less progress billings and recognised losses. Cost includes all expenditures related directly to specific projects and an allocation of fixed and variable overheads incurred in the Group’s contract activities based on normal operating capacity.

Construction contracts in progress is presented as part of trade receivables in the consolidated statement of financial position for all contracts in which costs incurred plus recognised profits exceed progress billings. If progress billings exceed cost incurred plus recognised profits, then the difference is presented as deferred revenue in the consolidated statement of financial position.

The asset, “Due from customers for contract work” represents revenues recognised in excess of amounts billed. The liability, “Due to customers for contract work” represents billings in excess of revenue recognised.

l) Impairment

i) Non-derivative financial assets

A financial asset not classified as at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset, and that the loss event(s) had an impact on the estimated future cash flows of that asset that can be estimated reliably. Objective evidence that financial assets are impaired can include default or delinquency by a debtor, restructuring of an amount due to the Group on terms that the Group would not consider otherwise, indications that a debtor or issuer will enter bankruptcy, adverse changes in the payment status of borrowers or issuers in the Group, economic conditions that correlate with defaults or the disappearance of an active market for a security. In addition, for an investment in an equity security, a significant or prolonged decline in its fair value below its cost is objective evidence of impairment.

3 Significant accounting policies *(continued)*

l) Impairment (continued)

i) Non-derivative financial assets (continued)

Available-for sale financial assets

Impairment losses on available-for-sale investment securities are recognised by reclassifying the cumulative loss that has been recognised in other comprehensive income, and presented in the fair value reserve in equity, to profit or loss. The cumulative loss that is reclassified from other comprehensive income and recognised in profit or loss is the difference between the acquisition cost, net of any principal repayment and amortisation, and the current fair value, less any impairment loss previously recognised in profit or loss. Changes in cumulative impairment losses attributable to application of the effective interest method are reflected as a component of interest income.

If, in a subsequent period, the fair value of an impaired available-for-sale debt security increases and the increase can be related objectively to an event occurring after the impairment loss was recognised, then the impairment loss is reversed, by the amount of the reversal recognised in profit or loss. However, any subsequent recovery in the fair value of an impaired available-for-sale equity security is recognised in other comprehensive income.

For an investment in unquoted equity instruments carried at cost because their fair value cannot be measured reliably, impairment losses is not reversed.

Financial assets measured at amortised cost

The Group considers evidence of impairment for these assets at both an individual asset and a collective level. All individually significant assets are individually assessed for impairment. Those found not to be impaired are then collectively assessed for any impairment that has been incurred but not yet individually identified. Assets that are not individually significant are collectively assessed for impairment. Collective assessment is carried out by grouping together assets with similar risk characteristics. In assessing collective impairment, the Group uses historical information on the timing of recoveries and the amount of loss incurred, and makes an adjustment if current economic and credit conditions are such that the actual losses are likely to be greater or lesser than suggested by historical trends.

An impairment loss is calculated as the difference between an asset’s carrying amount and the present value of the estimated future cash flows discounted at the asset’s original effective interest rate. Losses are recognised in profit or loss and reflected in an allowance account. When the Group considers that there are no realistic prospects of recovery of the asset, the relevant amounts are written off. If the amount of impairment loss subsequently decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, then the previously recognised impairment loss is reversed through profit or loss.

Equity-accounted investees

An impairment loss in respect of an equity-accounted investee is measured by comparing the recoverable amount of the investment with its carrying amount. An impairment loss is recognised in profit or loss, and is reversed if there has been a favourable change in the estimates used to determine the recoverable amount.

3 Significant accounting policies *(continued)*

l) *Impairment (continued)*

ii) Non-financial assets

The carrying amounts of the Group's non-financial assets, other than investment property, inventories and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. An impairment loss is recognised if the carrying amount of an asset or its related cash-generating unit ("CGU") exceeds its recoverable amount.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU. For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGUs. Subject to an operating segment ceiling test, CGUs to which goodwill has been allocated are aggregated so that the level at which impairment testing is performed reflects the lowest level at which goodwill is monitored for internal reporting purposes. Goodwill acquired in a business combination is allocated to groups of CGUs that are expected to benefit from the synergies of the combination.

Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the CGU (group of CGUs), and then to reduce the carrying amounts of the other assets in the CGU (group of CGUs) on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. Impairment loss is reversed when there is a change in the estimates used in the calculation of recoverable amount. For other assets, an impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

m) *Assets held for sale or distribution*

Non-current assets, or disposal groups comprising assets and liabilities, that are expected to be recovered primarily through sale or distribution rather than through continuing use, are classified as held for sale or distribution.

Immediately before classification as held for sale or distribution, the assets, or components of a disposal group, are remeasured in accordance with the Group's accounting policies. Thereafter generally the assets, or disposal group, are measured at the lower of their carrying amount and fair value less costs to sell. Any impairment loss on a disposal group is allocated first to goodwill, and then to the remaining assets and liabilities on pro rata basis, except that no loss is allocated to inventories, financial assets and deferred tax assets, which continue to be measured in accordance with the Group's accounting policies. Impairment losses on initial classification as held for sale or distribution and subsequent gains and losses on remeasurement are recognised in profit or loss. Gains are not recognised in excess of any cumulative impairment loss.

Intangible assets and property, plant and equipment once classified as held for sale or distribution are not amortised or depreciated. In addition, equity accounted investee is no longer equity accounted.

3 Significant accounting policies *(continued)*

n) *Employee benefits*

i) Reserve for employee severance indemnity

Reserve for employee severance indemnity represents the present value of the estimated future probable obligation of the Group arising from the retirement of the employees of the Group's entities operating in Turkey and calculated in accordance with the Turkish Labour Law. It is computed and reflected in the consolidated financial statements on an accrual basis as it is earned by serving employees. The computation of the liabilities is based upon the retirement pay ceiling announced by the Government. The ceiling amounts applicable for each year of employment were TL 3.25 and TL 3.03 at 31 December 2013 and 2012, respectively.

IFRSs require actuarial valuation methods to be developed to estimate the entity's obligation under defined benefit plans. The total liability for employee severance benefit was calculated by an independent actuary based on past service cost methodology using the observerable statistical market data such as mortality, inflation and interest rates or retirement pay ceilings applicable to the relevant periods and assumptions derived from the specific historic date of the Group such as retention and employee turnover rates or salary increase rates.

Income ceiling calculation for the Group's entities holding electricity distribution and retail sale license per the service concession agreement is updated yearly in accordance with Energy Market Regulatory Board ("EMRA") decision No. 2991 dated 28 December 2010 in order to compensate the expenditures (such as employee benefit costs) relevant to the operations performed under these licenses as they incurred. Accordingly, the employee severance indemnity amounting to TL 5,898 (31 December 2012: TL 6,486) had no effect on the Group's consolidated financial statements since the same amount will be compensated by the Government as a adjusting item in the following income ceiling calculation.

Actuarial gains/losses are comprised of adjustment of difference between actuarial assumptions and realised and change in actuarial assumptions. As a result of the adoption of IAS 19 (2011), all actuarial differences have to be recognised in other comprehensive income. However due to insignificance of the impact, the Group continued to recognise actuarial differences in profit or loss.

Reserve for employee severance indemnity is not subject to any statutory funding.

ii) Defined contribution plans

Obligations for contributions to defined contribution pension plans are recognised as an expense in profit or loss when they are due. The Group's banking subsidiary in Albania makes compulsory social security contributions that provide pension benefits for employees upon retirement. The local authorities are responsible for providing the legally set minimum threshold for pensions in Albania under a defined contribution pension plan.

iii) Defined benefit plans

The Group's banking subsidiary in Albania created a fully employer sponsored pension plan fund-Staff Support Program during 2002. The amount charged to this fund (SSP) was decided as 5% of yearly budgeted personnel salary expenses.

The amount due to employees based on the above plan would be grossed up by the interest that will accrue from the date the employees leave the Group's banking subsidiary in Albania until their retirement. It would be paid to employees only when they reach the Albanian statutory retirement age, in monthly instalments equal to a minimum of 75% of their state monthly pension until the accumulated fund for the employee is consumed.

3 Significant accounting policies *(continued)*

***n) Employee benefits** (continued)*

iii) Defined benefit plans (continued)

Based on the Board of Directors resolution effective on 30 September 2010, the Group's banking subsidiary in Albania stopped the investment in this fund (SSP), by transforming it into the Staff Retention Credit Program (SRCP). The demographic changes in labour force during the last ten years and the employees' average age at 31, where 80% of employees are below the age of 40, has resulted in SSP not being attractive for most employees of the Group's banking subsidiary in Albania, as it can only be enjoyed at retirement. In contrast, SRCP will be more readily beneficial for all staff of the Group's banking subsidiary in Albania, as it will provide consumer and home loans with preferential terms. The entire due amount calculated for eligible employees in Staff Support Program has been frozen on the same date. The frozen amount due to change of SSP into SRCP on 30 September 2010 and the corresponding annual interest that will be gained by the investment in AAA sovereign bonds in the future until retirement age, is recorded as a liability by the Group's banking subsidiary in Albania.

iv) Vacation pay liability

Short-term employee benefit obligations are consisting of reserve for the vacation pay liability due to the earned and unused vacation rights of its employees of the Group's Turkish entities, and measured on an undiscounted basis and are recognised in profit or loss as the related service is provided.

o) Provisions

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

i) Provisions for EMRA regulations

In case of incompliance with the Electricity Market Act numbered 6446 which is effective after the publication on the Official Gazette dated 30 March 2013, numbered 28603 as well as with the regulations and communiqués promulgated by EMRA, EMRA sends a letter notifying the reason and related penalty fee with payment maturity to the Group. Although these penalties generally are paid in advance, some payments could be delayed until the final confirmation is reached in case of disagreement with EMRA. Based on the final conclusions as a result of assessment made by the Legal Department of the Group and assumption/analysis made by the Group management, required provision is made on the consolidated statement of the financial position as the notification is received.

ii) The Radio and Television Supreme Council ("RTSC") provisions

Due to inconsistency of practices and principles against by law no 6112 of Radio and Television Enterprises and Broadcast Services , law no 3984 of Radio and Television Enterprises and Broadcast Services, other laws and regulations, RTSC gives a written notice for penalty to be paid in defined time period. In general, this related penalty is paid in cash but in a retrospective penalty case, sometimes notice payment may not be paid. The provision amount is recognised in the financial statements by law department of Group's companies or company management and when the penalty notice is an issue.

3 Significant accounting policies *(continued)*

***o) Provisions** (continued)*

iii) Onerous contracts

A provision for onerous contracts is recognised when the expected benefits to be derived by the Group from a contract are lower than the unavoidable cost of meeting its obligations under the contract. The provision is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract. Before a provision is established, the Group recognises any impairment loss on the assets associated with that contract.

p) Revenue

i) Construction contracts and real estate business

Construction contracts

Contract revenue includes the initial amount agreed in the contract plus any variations in contract work, claims and incentive payments to the extent that it is probable that they will result in revenue and can be measured reliably. As soon as the outcome of a construction contract can be estimated reliably, contract revenue is recognised in profit or loss in proportion to the stage of completion of the contract. Contract expenses are recognised as incurred unless they create an asset related to future contract activity.

The stage of completion is assessed by reference to the proportion of contract costs incurred for work performed to date to the estimated total contract costs. When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised only to the extent of contract costs incurred that are likely to be recoverable. An expected loss on a contract is recognised immediately in profit or loss.

Rental income

Rental income from investment property is recognised as revenue on a straight-line basis over the term of the lease. Lease incentives granted are recognised as an integral part of the total rental income, over the term of the lease. Rental income from investment property is recognised as revenue.

Sale of trading properties

Revenue from the sale of trading properties in the course of ordinary activities is measured at the fair value of the consideration received or receivable, net of discounts. Revenue is recognised when persuasive evidence exists, usually in the form of an executed sales agreement, that the significant risks and rewards of ownership have been transferred to the buyer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, and there is no continuing management involvement with the goods and the amount of revenue can be measured reliably. If it is probable that discounts will be granted and the amount can be measured reliably, then the discount is recognised as a reduction of revenue as the sale is recognised.

Transfers of risks and rewards vary depending on the individual terms of the contract of sale. For the sale of trading properties, transfer occurs when the property has been delivered to and registered in the name of the buyer officially.

3 Significant accounting policies *(continued)*

p) **Revenue** *(continued)*

ii) *Energy business*

Electricity sales

Due to the fact that the electricity could not be stored, the purchase and sales realizes at the same time and accordingly revenue and cost of revenue are recognized at the transaction time. Monthly invoicing is made at the month ends, when the Group prepares invoices for rendering services to its customers during one month period. Revenue based on electricity used by the customers, is recognised on an accrual basis when the significant risks and rewards of ownership have been transferred to the buyer, the amount of revenue is measured reliably, and recovery of the consideration and the inflow of economic benefits related with the transaction are probable. Net revenues represent the invoiced amount of electricity used less sales discounts and any relevant taxes.

Electricity retail sale service

Electricity retail sale service is defined in Electricity Market Law and Electricity Market License Communiqué promulgated by EMRA as other services such as invoicing or collection provided to the customers excluding the sale of electricity and/or capacity, the services provided by companies holding retail sale licenses to consumers. Electricity retail sale service fee included in the invoices issued by the Group contains invoicing costs, consumer services costs, capital expenditures relevant to the electricity retail sale services. Electricity retail sale service fee is applied to all customers who purchase energy from the Group.

Transmission system utilisation

The transmission tariff is prepared by the Türkiye Elektrik İletim Anonim Şirketi ("TEİAŞ") and includes prices, terms and conditions for the provision of transmission service to all users benefiting from the transmission of generated, imported or exported electricity over the transmission facilities, which will be employed on the basis of non-discriminatory conduct principle in accordance with the Electricity Market Law Article 13. Grid investments made by TEİAŞ and transmission surcharges are included in the transmission tariff. Transmission system utilisation fees charged to the customers are the unit prices allocated by the entities holding electricity distribution license in order to compensate the transmission tariff charges invoiced by TEİAŞ to those entities.

Distribution system utilisation

Distribution activities cover establishing, operating and maintaining distribution facilities in order to transport the electricity through 36 kilowatt ("kW") or lower lines.

The distribution tariff includes prices, terms and conditions for the distribution service to all real persons and legal entities benefiting from the distribution of electricity through distribution facilities, which will be employed on the basis of non-discriminatory conduct principle in accordance with the Electricity Market Law Article 13. Distribution fee including distribution system utilisation price is calculated based on the costs of capital expenditures related to the distribution system, operating and maintenance expenses and collected from each distribution system users. Distribution fee does not include costs of energy, electricity retail sale service, meter reading and transmission.

3 Significant accounting policies *(continued)*

p) **Revenue** *(continued)*

ii) *Energy business (continued)*

Meter reading

Meter reading fee is determined in accordance with the Electricity Market License Communiqué and Electricity Market Tariffs Communiqué and includes cost of meter reading. The mentioned fee is calculated based on reading frequency depending on the connection status and subscriber groups and charged to the distribution system users.

Electricity dissipation and theft

Electricity dissipation and theft cost is calculated using electricity dissipation and theft ratio applied to the projected electricity transfer quantity based on each distribution region and charged to each electricity consumers including the industrial plants connected to the electricity network as electricity dissipation and theft income.

Price balancing

A price balancing mechanism is applied by EMRA to protect the consumers purchasing electricity over the regulated tariffs from the price differences partially or wholly due to the cost differences among the distribution regions. The amount to be provided to or collected from the entities holding electricity distribution license is calculated in accordance with a formula determined by EMRA for each distribution region and informed to the parties. These amounts are recognised in profit or loss.

iii) *Banking and finance business*

Interest income / expense

Interest income and expense are recognised in profit or loss using the effective interest method. The effective interest rate is the rate that exactly discounts the estimated future cash payments and receipts through the expected life of the financial asset or liability (or, where appropriate, a shorter period) to the carrying amount of the financial asset or liability. The effective interest rate is established on initial recognition of the financial asset and liability and is not revised subsequently.

The calculation of the effective interest rate includes all fees and commissions paid or received transaction costs, and discounts or premiums that are integral part of the effective interest rate. Interest income and expense on all trading assets and liabilities are considered to be incidental to the Group's trading operations and are presented together with all other changes in the fair value of trading assets and liabilities in net trading income.

Interest income and expense presented in profit or loss include the interest income on financial assets and liabilities at amortised cost on an effective interest rate basis.

Fees and commission

Fees and commission income and expense that are integral to the effective interest rate on a financial asset or liability are included in the measurement of the effective interest rate. Other fees and commission income are recognised as the related services are provided. Other fees and commission expense relates mainly to transaction and service fees, which are expensed as the services are received.

Net trading income

Net trading income comprises gains less loss related to trading assets and liabilities, and includes all realised and unrealised fair value changes and foreign exchange differences.

3 Significant accounting policies *(continued)*

p) **Revenue** *(continued)*

iv) Media business

Advertisement revenue under movie sales and service revenue

Movie revenue is recognised in profit or loss when the movies or advertisements are broadcasted. The revenue is recognised as the fair value of the amount received or receivable for core business activity, after deduction of discounts, returns, sales premiums and return premium given to agents.

Resturn premium

The Group applies volume rebates to the advertising agencies over the theatre advertising revenues determined by the agreement between the Group and the related advertising agencies.

Barter transactions

Revenue from barter transactions is recognized at the fair value of the goods or services received, adjusted for any cash involved in the transaction. When goods or services are exchanged or swapped for goods or services which are of a similar nature and value, the exchange is not regarded as a transaction which generates revenue. When goods are sold or services are rendered in exchange for dissimilar goods or services, the exchange is regarded as a transaction which generates revenue.

Revenue is measured at the fair value of the consideration received or receivable. When the fair value of the services received cannot be measured reliably, the revenue is measured at the fair value of the services provided, adjusted by the amount of any cash or cash equivalents transferred. When the outcome of a transaction involving the rendering of services cannot be estimated reliably (e.g. the amount of revenue cannot be measured reliably), revenue should be recognized only to the extent of the expenses recognized that are recoverable. Revenue is recognized only to the extent of costs incurred that are expected to be recoverable and, as the outcome of the transactions cannot be estimated reliably, no profit is recognized.

Information has the quality of reliability when it is free from material error and bias and it is representatively faithful. Measuring revenue at the fair value of advertising services received from the customer in a barter transaction is impracticable, because reliable information not available to the seller is required to support the measurement.

As a consequence, due to the dissimilarity among the services and goods exchanged within barter transaction and the difference in settlement term of transaction even if they are the advertisements, the Group applied these exchanges were regarded as different transactions which generates revenue.

Revenue from magazine and book sales

Revenue from the sales of magazine and books in the course of ordinary activities is measured at the fair value of the consideration received or receivable, net of returns, trade discounts and volume rebates. Revenue is recognised on an accrual basis when persuasive evidence exists that goods are delivered and services are rendered, that the significant risks and rewards of ownership have been transferred to the buyer; recovery of the consideration is probable; there is no continuing management involvement with the goods; and the amount of revenue can be measured reliably. If the discount can be measured reliably and probable, the discount is recognised net of revenue.

Revenue 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.

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3 Significant accounting policies *(continued)*

p) **Revenue** *(continued)*

v) Telecommunication business

Revenues are recognized to the extent that it is probable that economic benefits will flow to the Group and their amount can be measured reliably. Revenues are stated net of discounts, allowances, and returns.

Services rendered

Revenues from services rendered are recognized in the profit or loss according to the stage of completion of the service and only when the outcome of the service rendered can be estimated reliably.

Monthly subscription fee

Revenue related to the monthly service fees is recognised in the month that the telecommunication service is provided.

Usage charges and value added services fees

Call fees consist of fees based on airtime and traffic generated by the caller, the destination of the call and the service utilised. Usage charges are based on traffic, usage of airtime or volume of data transmitted for value added services, such as short message services, internet usage and data services. Revenues from usage charges and value added services are recognised in the period when the services are provided. Unbilled revenues from the billing cycle dating to the end of each month are estimated based on traffic and are accrued at the end of the month.

Revenue from the sale of internet services through contracts for leased lines is recognized in the profit or loss over the course of the contract. Revenue from the sale of prepaid access internet cards and access mobile cards is recognized in profit or loss at the time of usage.

Traffic revenues from interconnection and roaming are reported gross of the amounts due to other telecom operators.

Revenues from prepaid airtime are recorded on the basis of the airtime used at the predefined prices per minute. Deferred revenues for unused airtime are recorded as "Deferred revenue" in the consolidated statement of financial position.

Sales of goods

Revenue from the sale of modems and mobile phones is measured at the fair value of the consideration received or receivable, net of returns and allowances, trade discounts and volume rebates. Revenue is recognized when the significant risks and rewards of ownership have been transferred to the buyer (i.e. upon delivery of goods), recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, and there is no continuing management involvement with the goods.

3 Significant accounting policies *(continued)*

p) Revenue *(continued)*

vi) Other businesses

Revenue from the sale of goods in the course of ordinary activities is measured at the fair value of the consideration received or receivable, net of returns and allowances and trade discounts. Revenue is recognised when persuasive evidence exists, usually in the form of an executed sales agreement, that the significant risks and rewards of ownership have been transferred to the buyer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, and there is no continuing management involvement with the goods and the amount of revenue can be measured reliably. If it is probable that discounts will be granted and the amount can be measured reliably, then the discount is recognised as a reduction of revenue as the sale is recognised.

Transfers of risks and rewards vary depending on the individual terms of the contract of sale. Revenue from services rendered is recognised in profit or loss in proportion to the stage of completion of the transaction at the reporting date.

vii) Commissions

When the Group acts in the capacity of an agent rather than as the principal in a transaction, the revenue recognised is the net amount of commission made by the Group.

q) Research and development costs

Expenditure on research activities is recognised in profit or loss when incurred.

r) Dividend income

Dividend income is recognised on the date that the Group's right to receive payment is established. Dividend payables are recognised after the dividend distribution approval in the General Assembly.

3 Significant accounting policies *(continued)*

s) Leases

i) Leased assets

Leases in terms of which the Group assumes substantially all the risks and rewards of ownership are classified as finance leases. On initial recognition, the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

Other leases are operating leases are not recognised on the Group's consolidated statement of financial position.

ii) Lease payments

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised as an integral part of the total lease expense, over the term of the lease.

Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

iii) Determining whether an arrangement contains a lease

At inception of an arrangement, the Group determines whether such an arrangement is or contains a lease. The following two criteria must be met for a "lease":

- The fulfillment of the arrangement is dependent on the use of a specific asset or assets; and
- The arrangement contains a right to use the asset(s).

At inception or upon reassessment of the arrangement, the Group separates payments and other consideration required by such an arrangement into those for the lease and those for other elements on the basis of their relative fair values. If the Group concludes for a finance lease that it is impracticable to separate the payments reliably, an asset and a liability are recognised at an amount equal to the fair value of the underlying asset. Subsequently the liability is reduced as payments are made and an imputed finance charge on the liability is recognised using the Group's incremental borrowing rate.

iv) Group as a lessee

Finance leases, which transfer to the Group substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments and included in "Property and equipment" with the corresponding liability to the lessor included in "Other liabilities".

Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly to profit or loss in "Interest expense". Capitalised leased assets are depreciated over the shorter of the estimated useful life of the asset and the lease term, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term.

Operating lease payments are not recognised on the consolidated statement of financial position. Any rentals payable are accounted for on a straight-line basis over the lease term and included in "General and administrative expenses", "Cost of sales", "Selling, marketing and distribution expenses" and "Research and development expenses".

3 Significant accounting policies *(continued)*

t) Finance income and finance cost

Finance income comprises foreign currency gains (excluding those on trade receivables and payables), and gains on derivative instruments used for economic hedge for the foreign currency risk of the borrowings or interest rate risk exposures originating from the borrowings that are recognised in profit or loss (excluding other trading derivatives held by the banking subsidiaries of the Group). Interest income obtained from related parties is recognised as it accrues, using the effective interest method.

Finance cost comprise interest expense on borrowings and due to related parties, foreign currency losses (excluding those on trade receivables and payables), and losses on derivative instruments used for economic hedge for the foreign currency or interest rate risk exposures originating from the borrowings that are recognised in profit or loss (excluding other trading derivatives held by the banking subsidiaries of the Group).

Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in profit or loss using the effective interest method.

Foreign currency gains and losses are reported on a net basis as either finance income or finance cost depending on whether foreign currency movements are in a net gain or net loss position by each entity of the Group.

u) Other income and expenses from operating activities

Except for banking and finance operations, other income from operating activities comprises interest income on time deposits that is recognised as it accrues in profit or loss, using the effective interest method, recoveries from provision for doubtful receivables and inventories, rediscount gains on payables, foreign currency gains (excluding those on borrowings) and other operating income.

Except for banking and finance operations, other expense from operating activities comprises commission expenses for letter of credits, provision expense for doubtful receivables and inventories, donations, rediscount losses on payables, foreign currency losses (excluding those on borrowings) and other operating expenses.

Foreign currency gains and losses are reported on a net basis as either finance income or finance cost depending on whether foreign currency movements are in a net gain or net loss position by each entity of the Group.

v) Income and losses from investing activities

Income from investing activities comprises gain on sale of property, plant and equipment and intangible assets, fair value gain of investment property and financial assets at fair value through profit or loss, dividend income from equity accounted investees, available for sale financial assets and financial assets at fair value through profit or loss and other income from investing activities.

Losses from investing activities comprises gain on sale of property, plant and equipment and intangible assets, fair value loss of investment property and financial assets at fair value through profit or loss on derivative financial instruments and other losses from investing activities.

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3 Significant accounting policies *(continued)*

w) Income tax

Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognised in profit or loss except to the extent that it relates to a business combination, or items recognised directly in equity or in other comprehensive income.

Current tax

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the following temporary differences: the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss, and differences relating to investments in subsidiaries, joint ventures and associates to the extent that it is probable that they will not reverse in the foreseeable future. In addition, deferred tax is not recognised for taxable temporary differences arising on the initial recognition of goodwill.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted by the reporting date.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity.

A deferred tax asset is recognised for unused tax losses, tax credits and deductable temporary differences, to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Deferred taxes related to fair value measurement of available for sale assets are charged or credited to equity and subsequently recognised in profit or loss together with the deferred gains that are realised.

Tax exposures

In determining the amount of current and deferred tax the Group takes into account the impact of uncertain tax positions and whether additional taxes and interest may be due. The Group believes that its accruals for tax liabilities are adequate for all open tax years based on its assessment of many factors, including interpretations of tax law and prior experience. This assessment relies on estimates and assumptions and may involve a series of judgements about future events. New information may become available that causes the Group to change its judgement regarding the adequacy of existing tax liabilities; such changes to tax liabilities will impact tax expense in the period that such a determination is made.

The provisions concerning to the "thin capitalisation" are stated in the Article 12 of new corporate tax law issued by Ministry of Finance of Turkey. According to the Article 12, if the borrowings obtained directly or indirectly from the shareholders of the companies or persons related to shareholders exceeds three times of the shareholders' equity of the company operating in Turkey at any time during the related year, the exceeding portion of the borrowing will be treated as thin capital.

3 Significant accounting policies *(continued)*

w) *Income tax (continued)*

The financial borrowings were regarded as thin capitalisation provided with:

- The borrowings obtained directly or indirectly from the shareholders of the companies or persons related to shareholders
- Used for/in the entity
- Borrowings exceeds three times of the shareholders' equity of the company at any time during the related year,

Transfer pricing in Turkey

Transfer pricing is disclosed in the 13th clause of the Corporate Tax Law under the heading "veiled shifting of profit" via transfer pricing. The application details are stated in the "general communiqué regarding veiled shifting of profits via transfer pricing" published on 18 November 2007.

If the tax payer involves in transactions with related parties relating to trading of products or goods not performed within the framework of the principals regarding to pricing according to peers, then it will be considered that the related profits are shifted in a veiled way via transfer pricing. Such veiled shifting of profits via transfer pricing will not be deducted from tax assessment for the purposes of corporate tax.

x) *Segment reporting*

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. All operating segments' operating results are reviewed regularly by the CEO ("Chief Executive Officer") and BOD members to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

y) *De-merger/ Spin off*

Economically a de-merger represents a division of an entity into separate parts. The result of a de-merger is that the same shareholders own the same group of businesses; the shareholders structure and their ownership interests are identical both before and after the de-merger. In the absence of further guidance in IFRSs, the Group has accounted the de-merger via book values recognised in the consolidated financial statements of the entity.

z) *Subsequent events*

Subsequent events represents the events after reporting date comprising any event between the reporting date and the date of authorisation for the consolidated financial statements' issue to the benefit or loss of the entity. Conditions of subsequent events are as follows:

- To have new evidences of subsequent events as of reporting date (adjusting events after reporting date); and

- To have evidences of related subsequent events occurred after reporting date (non adjusting events after reporting date).

The Group adjusts its consolidated financial statements according to the new condition if adjusting subsequent events arise subsequent to the reporting date. If it is not necessary to adjust the consolidated financial statements according to subsequent events, these subsequent events must be disclosed in the notes to the consolidated financial statements.

3 Significant accounting policies *(continued)*

aa) *Statement of cash flows*

The Group presents statement of cash flows as an integral part of other consolidated financial statements to inform the users of consolidated financial statements about the changes in its net assets, its financial structure and its ability to manage the amount and timing of its cash flows under new conditions.

In statement of cash flows, cash flows are classified according to operating, investment and financing activities. Cash flows from operating activities reflect cash flows mainly generated from main operations of the Group. Cash flows from investment activities express cash used in investment activities (direct investments and financial investments) and cash flows generated from investment activities of the Group. Cash flows relating to financing activities express sources of financial activities and payment schedules of the Group. Cash and cash equivalents comprise cash on hand and demand deposits, investment funds, reverse repo receivables and other bank deposits which their maturities are three months or less from date of acquisition. Any restricted cash and cash equivalents that are not ready for the Group's use as at the reporting date, are excluded from the sum of the cash and cash equivalent in the consolidated statement of cash flows.

ab) *Related parties*

Parties are considered related to the Group if:

(a) Directly, or indirectly through one or more intermediaries, the party:

- (i) Controls, is controlled by, or is under common control with the Group (this includes parent, subsidiaries and fellow subsidiaries);
- (ii) Has an interest in the Group that gives it significant influence over the Group; or
- (iii) Has joint control over the Group;

(b) The party is an associate of the Group;

(c) The party is a joint venture/operation in which the Group is a venturer;

(d) The party is member of the key management personnel of the Group and its parent;

(e) The party is a close member of the family of any individual referred to in (a) or (d);

(f) The party is an entity that is controlled or significantly influenced by, or for which significant voting power in such entity resides with directly or indirectly, any individual referred to in (d) or (e);

(g) The party is a post-employment benefit plan for the benefit of employees of the Group, or of any entity that is a related party of the Group.

A related party transaction is a transfer of resources, services or obligations between related parties, regardless of whether a price is charged.

A number of transactions are entered into with related parties in the normal course of business.

3 Significant accounting policies *(continued)*

ac) *New standards and interpretations not yet adopted*

A number of new standards, amendments to standards and interpretations are not yet effective for the year ended 31 December 2013, and have not been applied in preparing these consolidated financial statements.

New standards, amendments to standards and interpretations that are effective for the annual periods beginning from 1 January 2014

- Amendments to IAS 32 Offsetting Financial Assets and Financial Liabilities
- Amendments to IAS 36 Recoverable Amount Disclosures for Non-Financial Assets
- Amendments to IAS 39 Novation of Derivatives and Continuation of Hedge Accounting
- IFRIC 21 Levies

New standards, amendments to standards and interpretations that are effective for the annual periods beginning from 1 January 2015

- IFRS 9 Financial Instruments
- Amendments to IFRS 9 and IFRS 7 Mandatory Effective Date of IFRS 9 and Transition Disclosures

The Group does not plan to adopt these standards early and the extent of the impact has not been determined yet.

4 Acquisition of subsidiaries

4.1 *Acquisition of an entity under common control*

In 2013, structure of the board of directors of one of the Group' entity which is operating in construction segments has changed and with this management change, the entity has started to be controlled by the Group. On 31 December 2013, the Group has participated in the share capital increase of this entity while the non-controlling interest did not participate and had shares by 99,75% in this entity. Therefore, this transaction has been accounted as consolidation of the entity under common control by its book values. As a result of this transaction, the Group recognised a net liability amounting to TL 207.557 in retained earnings account under equity. As at transaction date, the Group's cash and cash equivalents increased by TL 2,071.

4.2 *Acquisition of a subsidiary*

Pavo Teknik Servis Elektrik ve Elektronik Sanayi ve Ticaret A.Ş. ("Pavo")

According to share transfer agreement dated 26 August 2013, the Group has decided to purchase 80% of shares at Pavo Teknik Servis Elektrik ve Elektronik Sanayi ve Ticaret A.Ş. ("Pavo") for a consideration of TL 4,529. On 20 September 2013, the share transfer was finalised and the Group obtained control by acquiring 80% of shares and voting rights in Pavo.

Pre-acquisition carrying amounts were determined based on the applicable IFRSs immediately before the acquisition. The values of assets, liabilities and contingent liabilities recognised on acquisition are their fair values based on certain estimations.

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4 Acquisition of subsidiary *(continued)*

4.2 *Acquisition of subsidiary (continued)*

The following table summarises the major classes of consideration transferred and the recognised amounts of assets acquired and liabilities assumed at the acquisition date:

Consideration transferred	
Cash paid	4,529
Total consideration	**4,529**

	Carrying amount	Fair value
Identifiable assets acquired and liabilities assumed		
Cash and cash equivalents	389	389
Trade and other receivables	373	373
Inventories	267	267
Other assets	171	171
Property, plant and equipment	22	22
Intangible assets	6	6
Total assets	**1.228**	**1.228**
Trade and other payables	(169)	(169)
Other liabilities	(143)	(143)
Total liabilities	**(312)**	**(312)**
Total net identifiable assets	**916**	**916**

Goodwill

Goodwill has been recognised as a result of the acquisition as follows:

Total consideration transferred	**4.529**
Non-controlling interest based on their proportionate interest in the recognised amounts of the assets and liabilities of the acquiree	183
Less: Value of net identifiable assets	(916)
Goodwill	**3.796**

Cash consideration transferred	4.529
Cash and cash equivalents acquired	(389)
Net cash outflow arising on acquisition	**4.140**

The Group management estimated that the effect of this acquisition would have an insignificant effect on the consolidated revenue and consolidated loss if the acquisition had occurred on 1 January 2013.

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)

5 Discontinued operation and disposal group held for sale

In 2013, the Group committed to a plan to dispose all of its subsidiaries in media segment following a strategic decision to place greater focus on the Group's key competencies. As the media segment represents a major line of business of the Group, the consolidated statement of profit or loss and other comprehensive income for the year ended on 31 December 2012 has been re-presented separately from continuing operations to show this transaction as a discontinued operation and all assets and liabilities of these subsidiaries started to be presented as "Assets held for sale" and "Liabilities held for sale", respectively, as at 31 December 2013.

The Group has also reclassified assets and liabilities of Çalık Alexandria and its two foreign subsidiaries operating in textile sector as "Assets held for sale" starting from 2012 as the Group plans to dispose its production and retail facilities of these subsidiaries. All assets and liabilities of these entities except the cash and cash equivalents have been classified as "Assets held for sale" and "Liabilities held for sale" in the consolidated financial statements, respectively. In addition, properties acquired by barter transactions as a result of advertisement services provided in media sector and properties acquired as a result of legal proceedings of uncollectable loans and receivables of banking sector operations have been re-presented under "Assets held for sale".

As at 31 December 2013, assets and liabilities including those of discontinued operations are TL 2.188.037 and TL 1.839.695 (31 December 2012: TL 73.722 and TL 12.266), respectively, and details are as follows:

Assets held for sale	31 December 2013	31 December 2012
Cash and cash equivalents	23.469	--
Intangible assets	1.132.423	71
Trade receivables	236.640	--
Inventories	116.756	5.817
Property plant and equipment (*)	391.859	66.792
Deferred tax assets	71.325	--
Other assets	215.565	1.042
	2.188.037	73.722

Liabilities held for sale		
Loans and borrowings	1.475.222	3.337
Trade payables	88.837	8.419
Other payables	136.271	
Other liabilities	51.410	504
Deferred tax liability	7.022	
Provisions	80.933	6
	1.839.695	12.266

(*) Property, plant and equipment consists of properties amounting to TL 237.367 (31 December 2012: TL 15.723) which were transferred to disposal group held for sale including those which have been acquired in exchange of advertisement services provided in media sector, a discontinued operation, properties classified as held for sale of the subsidiaries in textile sector amounting to TL 22.171 (31 December 2012: TL 22.683) and properties amounting to TL 132.321 (31 December: TL 50.601) which were acquired as a result of legal proceedings of uncollectable loans and receivables of banking sector operations.

5 Discontinued operation and disposal group held for sale *(continued)*

For the year ended 31 December 2013, results of the discontinued operation are as follows:

	2013	2012
Revenue	1.020.067	879.258
Cost of sales	(861.730)	(815.792)
Gross profit	**158.337**	**63.466**
Other income	19.459	92.497
General and administrative expenses	(28.727)	(45.543)
Selling, marketing and distribution expenses	(126.084)	(118.925)
Other expenses	(86.848)	(11.407)
Operating profit	**(63.863)**	**(19.912)**
Gains from investing activities	700	2
Losses from investing activities	(3.549)	(188)
Operating (loss)/profit before finance costs	**(66.712)**	**(20.098)**
Finance income	10.186	--
Finance cost	(308.585)	(136.513)
Net finance costs	**(298.399)**	**(136.513)**
Loss before tax from discontinued operation	**(365.111)**	**(156.611)**
Current tax expense	(731)	(586)
Deferred tax expense	(32.427)	25.865
Loss before tax from discontinued operation	**(398.269)**	**(131.332)**
Loss for the year	**(398.269)**	**(131.332)**

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)

6 Operating segments

The Group has seven reportable segments, as described below, which are largely organised and managed separately according to the nature of products and services provided, distribution channels and profile of customers.

Assets, liabilities, profit and measurement of financial results of the segments are dependant to accounting policies of the Group. Segment operating profit, assets and liabilities consist of items directly belonging to these segment or items that can be distributed fairly.

The Group's main reportable operating segments are as follows:

Energy: Entities in energy segment operate in sale of electricity, operation of natural gas and crude oil resources, exploration-production of these resources and sale and transportation of these resources to international markets.

Construction: Entities in construction segment are operating in construction, contracting and decoration businesses both within Turkey and abroad. In addition, these entities are managing mining of all kinds of minerals, marble, lime, clay, coal and stone as long as the necessary permits are granted and trading of marble, store cutting machines with its spare parts, ceramic floor and wall tiles both within the country and abroad. These entities are also providing services for land development and project development services for urban renewal, office residential and housing markets.

Textile: Entities in textile segment mainly deal with production and trading activities of yarn, texture and ready wear besides providing consulting services related to importation and exportation of cotton.

Marketing: Entities in marketing segment mainly supplies goods used in the production and the domestic or foreign projects carried out mainly by the Group entities.

Telecommunication: Entities in telecommunication segment mainly provides telecommunication, communication, press and internet.

Banking and finance: Entities in banking and finance segment mainly provides commercial and investment banking, financial leasing, insurance, project financing, other financial services, trading of marketable securities and credit financial services.

Media: Entities in media segment engage in publishing, broadcasting, advertising, newspaper and magazine publishing and distribution. As at 31 December 2013, the Group's media sector is considered as a discontinued operation as the Group management committed to plan to dispose the consolidated media entities.

Other: Entities in other segment mainly engage in electronic fee collection, organisation, mining, transportation, procurement and various services.

Since the shares of the Çalık Holding are not publicly traded, the Group preferred to present information regarding its segments as it was reported to the Board of Directors, rather than IFRS 8 requirements.

6 Operating segments

	31 December 2013									
	Energy	Construction	Textile	Marketing	Tele-communication	Banking and finance	Other	Eliminations	Total	Discontinued Operation
Revenue	2.005.173	311.544	383.649	280.694	220.778	968.502	43.275	(340.890)	3.872.725	1.020.067
Gross profit	355.000	(58.820)	85.226	55.995	130.357	526.873	6.632	(169.418)	931.845	158.337
Share of profit of loss accounted investees	11.413	--	(4.504)	--	--	(191)	(28.646)	--	(21.928)	--
Interest income	1.250	725	85	2	--	--	121	--	2.183	--
Other income/(expense), net	(270.445)	(47.337)	(70.005)	(10.636)	(136.215)	(282.376)	(174.098)	97.626	(893.486)	(222.200)
Results from operating activities	**97.218**	**(105.432)**	**10.802**	**45.361**	**(5.858)**	**244.306**	**(195.991)**	**(71.792)**	**18.614**	**(63.863)**
Interest expense	(60.603)	(3.578)	(16.960)	(18.202)	(7.113)	(9.748)	(230.457)	119.106	(227.555)	(96.071)
Finance cost/expense, net	7.667	(3.590)	(12.636)	(19.064)	(5.198)	(71.054)	(128.639)	7.073	(225.441)	(202.328)
Consolidated loss before tax	40.451	(107.606)	(17.793)	9.884	(18.170)	230.863	(391.010)	(225.942)	(479.323)	(365.110)
Income tax expense	(6.067)	(16.053)	18.978	302	(1.480)	(43.959)	10.842	--	(37.437)	(33.159)
Net profit for the year	**34.384**	**(123.659)**	**1.185**	**10.186**	**(19.650)**	**186.904**	**(380.168)**	**(225.942)**	**(516.760)**	**(398.269)**

	Energy	Construction	Textile	Marketing	Tele-communication	Banking and finance	Other	Eliminations	Total	Discontinued Operation
Segment assets	3.273.499	2.023.055	528.621	316.806	646.125	10.668.482	5.038.920	(7.492.657)	15.002.851	2.188.037
Segment liabilities	2.359.123	1.579.233	377.101	288.855	479.321	9.554.619	4.156.519	(3.974.361)	14.820.410	1.839.695
Capital expenditure	58.969	4.330	41.471	229	78.648	197.584	6.594	--	387.825	4.386
Depreciation and amortisation	(51.252)	(2.622)	(18.303)	(132)	(37.763)	(10.436)	(31.611)	--	(152.119)	(38.068)

6 Operating segments

31 December 2012	Energy	Construction	Textile	Marketing	Tele-communication	Banking and finance	Other	Eliminations	Total	Discontinued Operation
Revenue	2.451.582	146.713	348.876	247.316	224.448	727.500	45.368	(208.098)	3.983.705	879.258
Gross profit	359.669	(7.693)	81.468	26.210	117.096	382.730	6.257	(76.356)	889.381	63.466
Share of loss of equity accounted investees	--	--	(4.502)	--	--	--	--	--	(4.502)	--
Interest income	16.064	36.900	--	--	--	644	145	(643)	53.110	--
Other income/(expense), net	(161.733)	81.608	(40.012)	(55.432)	(101.911)	(200.111)	76.846	(47.770)	(448.515)	(83.378)
Results from operating activities	**214.000**	**110.815**	**36.954**	**(29.222)**	**15.185**	**183.263**	**83.248**	**(124.769)**	**489.474**	**(19.912)**
Interest expense	(59.634)	(21.418)	(10.646)	(19.654)	(5.839)	(16.547)	(175.656)	85.127	(224.267)	(117.759)
Finance cost/expense, net	47.377	(20.372)	2.007	(3.781)	(8.503)	(9.554)	(15.173)	691	(7.308)	(18.753)
Consolidated profit before tax	215.627	80.206	28.293	(52.651)	(28.851)	157.069	(117.006)	(45.800)	236.887	(156.610)
Income tax expense	(37.220)	(36.324)	5.709	(127)	(5.740)	(30.480)	8.693	--	(95.489)	25.279
Net profit for the year	**178.407**	**43.882**	**34.002**	**(52.778)**	**(34.591)**	**126.589**	**(108.313)**	**(45.800)**	**141.398**	**(131.331)**

	Energy	Construction	Textile	Marketing	Tele-communication	Banking and finance	Media	Other	Eliminations	Total
Segment assets	2.194.278	1.764.014	476.878	331.235	511.559	7.737.697	2.021.300	3.321.227	(4.626.217)	13.731.971
Segment liabilities	1.335.428	1.252.711	293.019	308.935	359.069	7.073.915	2.077.251	32.939	(612.017)	12.121.250
Capital expenditure	46.949	2.506	11.249	134	53.143	36.836	25.610	--	--	176.427
Depreciation and amortisation	(37.772)	(6.187)	(14.960)	(332)	(36.505)	(3.967)	(35.022)	(14.386)	--	(149.131)

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7 Related party disclosures

As disclosed in detail in Note 3, the joint ventures of the Group have been accounted for using the equity method in the consolidated financial statements. Accordingly, the transactions of Group's subsidiaries with joint ventures and the balances from joint ventures are not subject to elimination.

Related party balances

As at 31 December, the Group had the following balances outstanding from its related parties:

2013	Shareholders	Associates	Joint ventures	Other	Total
Trade receivables	--	59.970	--	97.307	157.277
Other receivables	--	--	30.004	526	30.530
Trade payables	--	--	--	(553)	(553)
Other payables	(84.048)	--	(2.565)	(1.535)	(88.148)
Total	**(84.048)**	**59.970**	**27.439**	**95.745**	**99.106**

2012	Shareholders	Associates	Joint ventures	Other	Total
Trade receivables	--	203	18.026	--	18.229
Other receivables	59.722	55.106	--	117.840	232.668
Trade payables	(39)	--	--	(285)	(324)
Other payables	(91)	--	--	(100.793)	(100.884)
Total	**59.592**	**55.309**	**18.026**	**16.762**	**149.689**

No impairment losses have been recognised against balances outstanding as at 31 December 2013 (31 December 2012: None) and no specific allowance has been made for impairment losses on balances with the related parties.

There is not any significant related party transaction for the year ended 31 December 2013.

Transactions with key management personnel

On a consolidated basis, key management costs included in general and administrative expenses for the year ended 31 December 2013 amounted to TL 18.945 (2012: TL 8.584).

8 Cash and cash equivalents

At 31 December, cash and cash equivalents comprised the following:

2013	Finance	Non-finance	Total
Cash on hand	89.094	895	89.989
Cash at banks	507.100	91.355	598.455
-Demand deposits	*103.786*	*83.700*	*187.486*
-Time deposits	*403.314*	*7.655*	*410.969*
Balances at central bank (excluding statutory reserves)	57.484	--	57.484
Other cash and cash equivalents(*)	5.176	10.452	15.628
Cash and cash equivalents	**658.854**	**102.702**	**761.556**
Restricted amounts	(9.460)	(54.764)	(64.224)
Cash and cash equivalents in cash flow statement	**649.394**	**47.938**	**697.332**

2012	Finance	Non-finance	Total
Cash on hand	77.705	1.087	78.792
Cash at banks	250.324	96.707	347.031
-Demand deposits	*14.743*	*70.201*	*84.944*
-Time deposits	*235.581*	*26.506*	*262.087*
Balances at central bank (excluding statutory reserve)	46.131	--	46.131
Other cash and cash equivalents(*)	--	2.617	2.617
Cash and cash equivalents	**374.160**	**100.411**	**474.571**
Restricted amounts	(1.647)	(13.561)	(15.208)
Cash and cash equivalents in cash flow statement	**372.513**	**86.850**	**459.363**

(*) Other cash and cash equivalents mainly consist of money in transit amounting to TL 9.843 as of 31 December 2013 (31 December 2012: TL 952).

As at 31 December 2013, restricted cash in cash equivalents amounting to TL 64.224 (31 December 2012: 15.208 TL) is not available in the Group's day-to-day operations. TL 51.668 of the restricted amounts is mandatory bank deposits at bank in Turkmenistan and Iraq for engineering, procurement and construction projects ("EPC") in accordance with the relevant agreements (31 December 2012: TL 11.913).

The Group's exposure to currency risks related to cash and cash equivalents are disclosed in Note 33.

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9 Financial investments

At 31 December, financial investments comprised the following:

	31 December 2013		
	Current	Non-current	Total
Available-for-sale financial investments	1.191.642	1.440.288	2.631.930
Held to maturity financial investments	247.836	216.920	464.756
Financial assets at fair value through profit or loss (*)	356.151	--	356.151
	1.795.629	**1.657.208**	**3.452.837**

	31 December 2012		
	Current	Non-current	Total
Available-for-sale financial investments	925.124	850.618	1.775.742
Held to maturity financial investments	213.719	183.220	396.939
Financial assets at fair value through profit or loss (*)	451.281	--	451.281
	1.590.124	**1.033.838**	**2.623.962**

(*) As at 31 December 2013, equity securities in Anagold Madencilik Sanayi ve Ticaret A.Ş which is classified as equity securities at fair value through profit or loss were valued for the consolidated financial statements. These investments are valued periodically by an independent valuation firm by using discounted cash flow method. As at 31 December 2013, a decrease in fair value for this investment amounting to TL 95.130 netted of dividend income by TL 53.027 has been recognised under "Loss from investing activities" in profit or loss due to valuation of equity securities at fair value through profit or loss after in the tax effect.

9 Financial investments *(continued)*

Available-for-sale financial investments

As at 31 December, available-for-sale financial investments comprised the following:

	31 December 2013	31 December 2012
	Carrying amount	Carrying amount
Financial investments of finance sector companies entities		
Public sector bonds, notes and bills	2.003.349	1.467.013
Private sector bonds, notes and bills	485.956	191.946
Equity securities – listed	60.878	54.609
Total	**2.550.183**	**1.713.568**
Financial investments of non-finance sector companies entities		
Equity securities – non-listed		
Bursagaz Bursa Şehiriçi Doğal Gaz Dağıtım Ticaret ve Taahhüt A.Ş	26.140	30.424
Polimetal Madencilik A.Ş.	19.600	4.405
Kartaltepe Madencilik A. Ş.	19.250	11.321
Tunçpınar Madencilik A. Ş.	8.600	7.189
Kayserigaz Kayseri Doğalgaz Dağıtım Pazarlama Ticaret A.Ş.	6.292	6.292
Other	1.865	2.543
Total	**81.747**	**62.174**
Balance at 31 December	**2.631.930**	**1.775.742**

Financial assets measured at cost that are not traded in an active market

As at 31 December 2013, investments in equity securities amounting to TL 81.747 (31 December 2012: TL 61.904) are measured at cost less impairment, if any, as these equity securities are not traded in stock exchange and have no quoted market price, and therefore their fair value cannot be reliably estimated.

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9 Financial investments *(continued)*

Held to maturity financial investments

At 31 December, held to maturity financial investments comprised the following:

	31 December 2013	31 December 2012
	Carrying amount	Carrying amount
Financial investments of finance sector companies entities		
Private sector bonds, notes and bills	234.896	139.148
Public sector bonds, notes and bills	229.860	256.434
Total	**464.756**	**395.582**
Financial investments of non-finance sector companies entities		
Government bonds	--	1.357
Total	**--**	**1.357**
Balance at 31 December	**464.756**	**396.939**

The movements in financial investments during the year ended 31 December 2013 were as follows:

	Available-for-sale portfolio	*Held to maturity portfolio*	*Fair value through profit or loss portfolio*
At 1 January 2013	**1.775.742**	**396.939**	**451.281**
Additions through purchases	617.073	76.584	--
Additions through capital increases	24.535	--	--
Fair value gains/ (losses)	(46.311)	--	(95.130)
Disposals (sale and redemption)	(18.791)	(8.767)	--
Foreign currency translation differences	283.966	--	--
Impairment	(4.284)	--	--
At 31 December 2013	**2.631.930**	**464.756**	**356.151**

The movements in financial investments during the year ended 31 December 2012 were as follows:

	Available-for-sale portfolio	*Held to maturity portfolio*	*Fair value through profit or loss portfolio*
At 1 January 2012	**1.198.979**	**534.735**	**444.511**
Reclassification	--	--	17.553
Additions through purchases	590.139	1.357	--
Fair value gains/(losses)	47.715	--	(15.700)
Disposals (sale and redemption)	--	(139.153)	--
Foreign currency translation differences	(61.091)	--	4.917
At 31 December 2012	**1.775.742**	**396.939**	**451.281**

The Group's exposure to credit, currency and interest rate risks related to investment securities is disclosed in Note 33.

10 Trade receivables and payables

Trade receivables

Short-term trade receivables

As at 31 December, short-term trade receivables comprised the following:

	31 December 2013	31 December 2012
Due from related parties	157.277	18.229
Due from third parties	1.566.825	1.283.203
	1.724.102	**1.301.432**

As at 31 December, short-term trade receivables comprised the following:

	31 December 2013	31 December 2012
Trade receivables	912.114	904.988
Excess cost (Note 20)	708.357	238.535
Doubtful receivables	163.610	176.217
Service concession receivables	34.608	33.235
Cheques received	30.570	50.473
Notes receivables	28.466	15.192
Other trade receivables	10.969	59.200
	1.888.694	**1.477.840**
Allowances for doubtful trade receivables (-)	(163.610)	(176.217)
Discount on trade receivables (-)	(982)	(191)
Total	**1.724.102**	**1.301.432**

(*) Trade receivable of the Group mainly consists of uncollected portion of invoices billed in accordance with ongoing engineering, procurement and construction projects contracts abroad including excess cost amounting to TL 1.287.649 at of 31 December 2013 (31 December 2012: TL 298.765).

Movements of allowance for doubtful receivables for the year ended at 31 December were as follows:

	31 December 2013	31 December 2012
Balance at 1 January	176.217	118.939
Allowance for the period	33.931	63.970
Reversal of impairment allowances no longer required (-)	(11.605)	--
Recoveries of amounts previously impaired (-)	(16.210)	(4.525)
Translation difference	(18.723)	(2.167)
Total	**163.610**	**176.217**

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10 Trade receivables and trade payables *(continue)*

Trade receivables *(continue)*

Long-term trade receivables

As at 31 December, long-term trade receivables comprised the following:

	31 December 2013	31 December 2012
Service concession receivables	261.385	193.517
Trade receivables	139.011	109.340
Notes receivables	--	1.020
Total	**400.396**	**303.877**

Maturity of the service concession receivables was as follows:

	Receivables subject to redemption	
Redemption year	**31 December 2013**	**31 December 2012**
2013	--	33.235
2014	34.608	17.606
2015	59.826	33.948
2016	47.676	31.280
2017	38.907	29.115
2018	34.847	26.559
2019	31.036	24.085
2020	27.462	21.689
2021	15.411	9.235
2022	6.220	--
Total	**295.993**	**226.752**

Movement of service concession receivables for the year ended at 31 December was as follows:

	31 December 2013	31 December 2012
At 1 January	**226.752**	**172.777**
Additions	91.507	102.235
Redemptions related to current year investments	(51.873)	(45.277)
Fair value gain	900	56.468
Correction at current period regarding revenue caps	27.298	(60.012)
Other	1.409	561
At 31 December	**295.993**	**226.752**

10 Trade receivables and trade payables *(continue)*

Short-term trade payables

As at 31 December, short-term trade payables comprised the following:

	31 December 2013	31 December 2012
Trade payables(*)	754.606	1.662.981
Notes payable	2.455	48.295
Cheques given and payment orders	1.724	--
Other trade payables	6.320	33.979
Total	**765.105**	**1.745.255**

(*) Trade payables mainly consists of payables and accumulated liabilities to suppliers of material and equipment for the engineering, procurement and construction projects.

Long term trade payables

As at 31 December, long-term trade payables comprised the following:

	31 December 2013	31 December 2012
Trade payables	155.179	--
Total	**155.179**	**--**

The Group's exposure to credit and currency risks related to trade receivables and liquidity and currency risks of trade payables are disclosed in Note 33.

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11 Receivables and payables from finance sector activities

Receivables from finance sector activities

As at 31 December, current receivables related to finance sector activities comprised the following:

Current receivables related to finance sector activities	31 December 2013	31 December 2012
Due from third parties	1.423.482	1.910.064
Total	**1.423.482**	**1.910.064**

Receivables related to finance sector activities	31 December 2013	31 December 2012
Loans and receivables from customers	1.268.814	1.533.865
Loans and receivables from banks	127.265	358.657
Non-performing loans and receivables	87.945	51.074
Finance lease receivables	1.252	1.542
Factoring receivables	535	--
Subtotal	**1.485.811**	**1.945.138**
Provision for impairment in value of loans and receivables	(62.329)	(35.074)
Total	**1.423.482**	**1.910.064**

As at 31 December, non-current receivables related to finance sector activities comprised the following:

Non current receivables related to finance sector activities	31 December 2013	31 December 2012
Due from third parties	2.382.144	983.616
Total	**2.382.144**	**983.616**

Receivables related to finance sector activities	31 December 2013	31 December 2012
Loans and receivables from customers	2.356.765	1.002.529
Loans and receivables from banks	82.744	--
Subtotal	**2.439.509**	**1.002.529**
Provision for impairment in value of loans and receivables	(57.365)	(18.913)
Total	**2.382.144**	**983.616**

11 Receivables and payables from finance sector activities *(continued)*

Movement of provision for impairment in value of loans and receivables for the year ended at 31 December was as follows:

	31 December 2013	31 December 2012
Specific allowances for impairment		
Balance on 1 January	51.075	23.051
Impairment loss for the year	51.374	14.519
- Charge for the year	56.767	15.721
- Recoveries	(5.393)	(1.202)
Translation difference	9.060	(1.014)
Balance on 31 December	**111.509**	**51.075**
Collective allowances for impairment		
Balance on 1 January	2.912	--
Impairment loss for the year	5.273	2.912
- Charge for the year	5.273	2.912
Balance on 31 December	**8.185**	**2.912**
Total allowances for impairment	**119.694**	**53.987**

Loans and advances to customers include the following finance lease receivables:

	31 December 2013	31 December 2012
Gross finance lease receivable:		
- Less than one year	--	--
- Between one and five years	1.359	1.752
	1.359	**1.752**
Unearned future income on finance leases	(107)	(210)
Net investment in finance leases	**1.252**	**1.542**
Net finance leases comprises:		
- Less than one year	-	-
- Between one and five years	1.252	1.542
Net finance lease receivables	**1.252**	**1.542**

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11 Receivables and payables from finance sector activities *(continued)*

Payables related to finance sector activities

As at 31 December, short term payables related to finance sector activities comprised the following:

Short term payables related to finance sector activities	31 December 2013	31 December 2012
Due to third parties	5.771.742	4.465.865
Total	**5.771.742**	**4.465.865**

Short term payables related to finance sector activities	31 December 2013	31 December 2012
Due to banks	**176.409**	**112.508**
Time deposits	166.232	105.581
Current accounts	10.177	6.927
Due to customers	**4.258.729**	**4.086.971**
Individual	3.524.612	3.510.993
Private enterprises	595.832	469.130
Public institutions	138.285	106.848
Customer accounts (*)	**442.711**	--
Funds from repo transactions	**893.893**	**266.386**
Total	**5.771.742**	**4.465.865**

(*) The Group banking subsidiary in Turkey is not entitled to collect deposits. The customer accounts represent the current balances of loan customers. As at 31 December 2013 there are no time customer accounts (31 December 2012: None).

As at 31 December, long term payables related to finance sector activities comprised the following:

Long term payables related to finance sector activities	31 December 2013	31 December 2012
Payables from finance sector activities to third parties	339.113	188.452
Total	**339.113**	**188.452**

Long term payables related to finance sector activities	31 December 2013	31 December 2012
Due to customers	**339.113**	**188.452**
Individual	280.656	188.452
Private enterprises	47.445	--
Public institutions	11.012	--
Total	**339.113**	**188.452**

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12 Other receivables and other payables

Other short term receivables

As at 31 December, other short-term receivables comprised the following:

	31 December 2013	31 December 2012
Due from related parties	30.530	116.334
Due from third parties (*)	297.905	405.991
	328.435	**522.325**

(*) Amount consist of receivables from Emlak Konut Gayrimenkul Yatırım Ortaklığı A.Ş.

As at 31 December, short-term other receivables from third parties comprised the following:

	31 December 2013	31 December 2012
Receivables from tax authorities	16.516	7.103
Deposits and guarantees given	3.544	3.445
Receivables from personnel	1.203	237
Due from shareholders	356	116.334
Other receivables (*)	314.108	396.647
	335.727	523.766
Allowance for other doubtful receivables (-)	(7.292)	(1.441)
Total	**328.435**	**522.325**

(*) This amount mainly consists of receivables of the Group's subsidiaries operating in construction sector amounting to TL 160.066 (31 December 2012: TL 96.251) from Emlak Konut Yatırım Ortaklığı A.Ş. and other various receivables of the Group's subsidiaries in the other sectors.

Other long term receivables

As at 31 December, other long term receivables comprised the following:

	31 December 2013	31 December 2012
Deposits and guarantees given	7.207	5.766
Other receivables	9.928	5.374
Total	**17.135**	**11.140**

12 Other receivables and other payables *(continued)*

Other short term payables

As at 31 December, other short-term payables comprised the following:

	31 December 2013	31 December 2012
Due to related parties	88.148	100.401
Due to third parties	246.850	191.530
Total	**334.998**	**291.931**

As at 31 December, other short-term payables comprised the following:

	31 December 2013	31 December 2012
Deposits and guarantees received	120.868	120.868
Due to shareholders	81.911	81.911
Other payables	132.219	89.152
Total	**334.998**	**291.931**

Other long term payables

As at 31 December, other long-term payables comprised the following:

	31 December 2013	31 December 2012
Due to related parties	--	483
Due to third parties	95.824	93.662
	95.824	**94.145**

As at 31 December, other long-term payables to third parties comprised the following:

	31 December 2013	31 December 2012
Deposits and guarantees received (*)	95.824	83.791
Other various receivables	--	10.354
Total	**95.824**	**94.145**

(*) As at 31 December 2013 and 2012, the deposits and guarantees received mainly consist of indemnification fees received by the electricity distribution and retail sale companies of the Group from their consumers.

13 Inventories

As at 31 December, inventories comprised the following:

	31 December 2013	31 December 2012
Trading goods (*)	757.045	402.117
Raw materials	166.943	189.891
Semi finished goods in production	9.224	12.578
Finished goods	32.128	37.785
Television programs (**)	--	66.894
Other inventories	2.036	34.967
Allowance for impairment of inventories	(29.175)	(5.379)
Total	**938.201**	**738.853**

(*) Trading properties comprise residential and office building under development in various areas of Istanbul for selling.

(**) As at 31 December 2013, television programs held by the Group's subsidiaries operating in media sector have been reclassified to assets held for sale as the Group's media sector subsidiaries are considered as discontinued operation starting from 31 December 2013.

Movements of provision for inventories for the year ended at 31 December were as follows:

	31 December 2013	31 December 2012
Beginning balance	5.379	8.928
Current year provision	23.027	212
Recoveries/ reversal	--	(3.261)
Translation difference	769	(500)
	29.175	**5.379**

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14 Prepayments and deferred revenue

Current prepayments

As at 31 December, current portion of prepayments comprised the following:

	31 December 2013	31 December 2012
Advances given	410.903	186.383
Other	19.322	9.353
Total	**430.225**	**195.736**

Non current prepayments

As at 31 December, non current prepayments comprised the following:

	31 December 2013	31 December 2012
Advances given for properties and equipment purchases	1.420	1.216
Other	1.532	5.703
Total	**2.952**	**6.919**

Short term deferred revenue

As at 31 December, short term portion of deferred revenue comprised the following:

Short term deferred revenue	31 December 2013	31 December 12
Advances received (*)	1.467.691	189.977
Short term deferred income	332.965	136.560
Contract progress income (Note 20)	150.416	7.479
Total	**1.951.072**	**334.016**

As at 31 December, long term deferred revenue comprised the following:

Long term deferred revenue	31 December 2013	31 December 12
Long term deferred income	318.310	390.777
Total	**318.310**	**390.777**

(*) Advances received mainly comprised from advance payments received for the disposal of the Group's media subsidiaries and from the customers of the Group's subsidiaries operating in energy for which the Group constructs electricity power plant and electricity distribution lines.

15 Investments in equity-accounted investees

i) Joint ventures

KÇE

KÇE was established as a joint venture with a joint agreement of Çalık Enerji, ÇEDAŞ and Limak Yatırım on 17 September 2012 with the participation of these three companies by 25%, 25% and 50%, respectively, in the share capital of KÇE. On 8 May 2013, KÇE purchased all shares of the state-owned enterprise namely "Kompania Per Distribuim Dhe Fumizim Me Energji Elektrike SH.A ("KEKS") which is operating in electricity distribution and procurement in Kosovo in return for an amount of TL 61.976 (equivalent of EUR 26.300) to the Government of Republic of Kosovo as a result of a tender in the privatisation process. The portion of acquisition fee which is exceeding the net asset value recognised in the consolidated financial statements of KÇE at their fair values, amounting to TL 33.248 has been recognised as a bargain purchase gain in the profit or loss. KÇE's net profit after tax is TL 96.242 between the acquisition date and 31 December 2013.

Doğu Aras

Doğu Aras was established as a joint venture with a joint agreement of ÇED and Kiler Alışveriş on 5 May 2013 with the participation of these two companies by 49% and 51%, respectively, in the share capital of Doğu Aras.

On 28 June 2013, Doğu Aras purchased all share of Aras Elektrik Dağıtım A.Ş. ("EDAŞ") and EPAŞ by paying an amount of TL 247.337 (equivalent of USD 128.500 thousand) as a result of a tender in the privatisation process. After this acquisition, Doğu Aras's identifiable assets and liabilities have recognised based on their provisionally estimated fair values since the determination of fair values of Doğu Aras's identifiable assets and liabilities are pending for the completion of an independent valuation. The portion of acquisition fee which is exceeding the net asset value recognised in the consolidated financial statements of Doğu Aras, amounting to TL 28,722 has been recognised as goodwill.

Investments in equity-accounted joint ventures and the Group's share of control as follows:

	31December2013		31December2012	
Joint ventures	**Carrying value**	**% of ownership**	**Carrying value**	**% of ownership**
Assets				
KÇE	53.872	50.00	--	50.00
Çalık Limak Adı Ortaklığı	622	50.00	--	--
	54.494		**--**	
Liabilities				
Doğu Aras (*)	(37.208)	50.00	--	--
	(37.208)		**--**	
Total joint ventures	**17.286**		**--**	

(*) Since the Group's share of losses in Doğu Aras exceeds its interest in this joint venture, the Group recognised a liability of TL 37.208 as the Group is obligated to fund Doğu Aras's operations as at 31 December 2013 and this liability is included in "liabilities from equity accounted investees" account.

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15 Investments in equity accounted investees *(continued)*

i) Joint ventures (continued)

For the years ended 31 December, the movements in net investments in joint ventures were as follows:

	2013	2012
Balance at 1 January	--	--
Share of profit of equity accounted investees	11.413	--
Translation	5.691	--
Formation of joint ventures	182	--
Balance at 31 December	**17.286**	**--**

ii) Associates

Investments in equity-accounted Associates and the Group's share of control are as follows:

	31 December 2013		31 December 2012	
Associates	**Carrying value**	**% of ownership**	**Carrying value**	**% of ownership**
Assets				
Kazakhstan Ijara Company KIC Leasing.	8.475	14,31	--	50,00
IFM	100	5,00	--	--
VKŞ (*)	100	100,00	--	--
TJK	--	40,20	4.504	40,20
Albania Leasing (**)	3.524	29,99	--	--
TAPCO	631	49,90	3.097	49,87
Serdar Pamuk	--	10,00	4.494	10,00
Balkan Dokuma	--	31,00	21.685	31,00
Total	**12.830**		**33.780**	**--**

(*)Aktif Bank Sukuk Varlık Kiralama A.Ş. ("VKŞ") engages issuance of Sukuk. According to IFRS 10, a company shall have the major effect on the financial statements of the parent company. On the other hand, VKŞ does not have the major effect on the founder of the parent company's financial statements required to be consolidated power, variable power and variable returns to affect returns in order to considered in the consolidation. VKŞ does not meet with consolidation requirements of IFRS 10. Thus it has not been consolidated in the Group's consolidated financial statements as at 31 December 2013.

(**) In August 2013, the Group has participated in 29.99% shares of Albania Leasing with TL 3.524 thousand (equivalent to USD 1.651 thousand). Currently, Albania Leasing is pending for licence from Albania Bank in order to start its operations.

For the years ended 31 December, the movements in investments in associates were as follows:

	2013	2012
Balance at 1 January	33.780	35.185
Share of loss of equity accounted investees	(225)	(4.502)
Impairment	(33.116)	--
Capital contribution to share increase in associates	12.391	3.097
Balance at 31 December	**12.830**	**33.780**

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15 Investments in equity-accounted investees *(continued)*

Summary financial information for equity-accounted associates was presented below:

			31 December 2013										
Company name-Associates	Reporting period	Ownership rates (%)	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liabilities	Total liabilities	Net assets	Profit/ (loss)	Group's share of net assets	Carrying amount	Group's share of profit/ (loss)
Kazakhstan Ijara Company Jsc.	31 December	14.31	59.224	--	59.224	--	--	--	59.224	568	8.475	8.475	81
İstanbul Finans Merkezi	31 December	5.00	238.528	--	238.528	243.970	--	243.970	(5.442)	(6.389)	(272)	100	(319)
VKŞ	31 December	100.00	206.381	--	206.381	206.265	--	206.265	116	16	116	100	16
Albania Leasing Company	31 December	29.99	3.524	--	3.524	--	3.524	3.524	--	--	--	3.524	--
TAPCO	31 December	49.90	1.591	1.569	3.160	1.913	--	1.913	1.247	(7)	622	631	(3)
Total												12.830	(225)

Summary financial information for equity-accounted joint ventures was presented below:

Company name-Joint ventures	Reporting period	Ownership rates (%)	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liabilities	Total liabilities	Net assets	Revenue	Total expenses	Profit/ (loss)	Group's share of net assets	Carrying amount	Group's share of profit/ (loss)
KÇE	31 December	50,00	184.406	226.249	410.655	107.373	195.509	302.882	107.773	473.106	(387.126)	96	53.886	53.872	48.121
Doğu Aras	31 December	50,00	13.311	309.130	322.441	157.179	278.864	436.043	(113.602)	--	(113.851)	(114)	(56.801)	(37.208)	(37.330)
Çalık Limak Adı Ortaklığı	31 December	50,00	7.552	--	7.552	6.308	--	6.308	1.244	5.805	(4.561)	1	622	622	622
Total														17.286	11.413

The following table summarises cash and cash equivalents, depreciation and amortisation expenses, interest income and interest expenses of significant joint venture before consolidation eliminations and adjustments:

Company name	31 December 2013			
	Cash and cash equivalents	Depreciation and amortisation	Interest income	Interest expense
KÇE	40.406	(12.751)	113	(5.837)

16 Property, plant and equipment

Movements of property, plant and equipment, and related accumulated depreciation during the years ended 31 December were as follows:

	Land and Buildings	Machinery and equipment	Vehicles	Furniture and fixtures	Other tangible assets	Construction in progress	Leasehold improvements	Total
Cost								
Balance at 1 January 2012	**329.942**	**1.123.417**	**48.921**	**102.642**	**5.725**	**154.054**	**44.293**	**1.808.994**
Additions	25.850	43.505	2.943	15.680	506	59.530	2.360	150.374
Transfers from investment property	9.051	--	--	--	--	--	--	9.051
Transfers	866	30.920	--	601	--	(32.575)	188	--
Foreign currency translation differences	(11.377)	(21.920)	(2.143)	(2.104)	--	(2.184)	2	(39.726)
Disposals	(15.009)	(188.525)	(26.623)	(10.250)	(67)	--	(747)	(241.221)
Balance at 31 December 2012	**339.323**	**987.397**	**23.098**	**106.569**	**6.164**	**178.825**	**46.096**	**1.687.472**
Balance at 1 January 2013	**339.323**	**987.397**	**23.098**	**106.569**	**6.219**	**178.770**	**46.096**	**1.687.472**
Additions	19.247	94.287	5.354	26.882	50.080	190.454	1.539	387.843
Transfers from investment property	640	--	--	--	--	--	--	640
Transfers	12.054	179.548	69	2.815	--	(194.486)	--	--
Foreign currency translation differences	29.113	97.029	3.018	8.838	4	7.390	14	145.406
Acquired through business combinations	--		--	22		--	--	22
Disposals	(2.295)	(31.460)	(1.690)	(5.897)	(88)	(9.394)	(1.861)	(52.685)
Transfer to disposal group held for sale (**)	(110.052)	(262.527)	(2.220)	(21.236)	(5.172)	(137)	(14.556)	(415.900)
Balance at 31 December 2013	**288.030**	**1.064.274**	**27.629**	**117.993**	**51.043**	**172.597**	**31.232**	**1.752.798**

16 Property, plant and equipment *(continued)*

	Land and Buildings	Machinery and equipment	Vehicles	Furniture and fixtures	Other tangible assets	Construction in progress	Leasehold improvements	Total
Accumulated depreciation								
Balance at 1 January 2012	**(75.329)**	**(519.325)**	**(35.966)**	**(56.018)**	**(2.617)**	**--**	**(23.917)**	**(713.172)**
Current year depreciation	(13.632)	(73.093)	(4.697)	(15.472)	(900)	--	(7.028)	(114.822)
Transfers from investment property	(364)	--	--	--	--	--	--	(364)
Foreign currency translation differences	3.716	8.842	1.677	(1.077)	--	--	(86)	13.072
Disposal	2.064	140.095	24.764	6.012	45	--	245	173.225
Balance at 31 December 2012	**(83.545)**	**(443.481)**	**(14.222**	**(66.555)**	**(3.472)**	**--**	**(30.786)**	**(642.061)**
Balance at 1 January 2013	**(83.545)**	**(443.481)**	**(14.222)**	**(66.555)**	**(3.472)**	**--**	**(30.786)**	**(642.061)**
Current year depreciation	(13.674)	(86.532)	(5.914)	(14.910)	(808)	--	(7.292)	(129.130)
Transfers to investment property	(298)	--	--	--	--	--	--	(298)
Foreign currency translation differences	(10.437)	(20.012)	(508)	(4.998)	5	--	(151)	(36.101)
Disposal	703	5.016	424	2.537	11	--	1.091	9.782
Transfer to disposal group held for sale (**)	7.685	145.083	2.220	10.376	3.543	--	9.626	178.533
Balance at 31 December 2013	**(99.566)**	**(399.926)**	**(18.000)**	**(73.550)**	**(721)**	**--**	**(27.512)**	**(619.275)**
Net carrying value at 1 January 2012	**254.613**	**604.092**	**12.955**	**46.624**	**3.108**	**154.054**	**20.376**	**1.095.822**
Net carrying value 31 December 2012	**255.778**	**543.916**	**8.876**	**40.014**	**2.692**	**178.825**	**15.310**	**1.045.411**
Net carrying value at 31 December 2013	**188.464**	**664.348**	**9.629**	**44.443**	**50.322**	**172.597**	**3.720**	**1.133.523**

(*) As at 31 December 2013, construction of Hydro Electric Power Plant located in Adacami, Rize, has been completed and transferred to the machinery and equipment and building.

(**) Please refer to Note 5.

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17 Intangible assets

Movements of intangible assets and related accumulated amortisation during the years ended 31 December 2013 and 2012 were as follows

	Goodwill	Licences & software	Electric distribution rights	Brand names	Other intangibles	Total
Cost						
Balance at 1 January 2012	**167.406**	**83.450**	**499.073**	**957.950**	**57.116**	**1.764.995**
Additions	--	8.436	--	--	14.722	23.158
Foreign currency translation effect	--	(295)	--	--	--	(295)
Disposals	--	--	--	--	(173)	(173)
Balance at 31 December 2012	**167.406**	**91.591**	**499.073**	**957.950**	**71.665**	**1.787.685**
Balance at 1 January 2013	**167.406**	**91.591**	**499.073**	**957.950**	**71.665**	**1.787.685**
Additions	3.796	7.101	--	--	5.144	16.041
Foreign currency translation effect	--	24.782	--	--	46	24.828
Acquisition through business combinations	--	6	--	--	--	6
Disposals	--	(9.071)	--	--	(3.109)	(12.180)
Transfer to assets held for sale	(167.406)	(10.966)	--	(957.950)	(7.596)	(1.143.918)
Balance at 31 December 2013	**3.796**	**103.443**	**499.073**	**--**	**66.150**	**672.462**
Accumulated amortisation						
Balance at 1 January 2012	**--**	**(18.161)**	**(19.300)**	**--**	**(9.831)**	**(47.292)**
Current year amortisation	--	(8.266)	(19.195)	--	(6.848)	(34.309)
Foreign currency translation effect	--	211	--	--	--	211
Disposals	--	--	--	--	173	173
Balance at 31 December 2012	**--**	**(26.216)**	**(38.495)**	**--**	**(16.506)**	**(81.217)**
Balance at 1 January 2013	**--**	**(26.216)**	**(38.495)**	**--**	**(16.506)**	**(81.217)**
Current year amortisation	--	(36.947)	(19.195)	--	(4.915)	(61.057)
Foreign currency translation effect	--	(181)	--	--	794	613
Disposals	--	450	--	--	104	554
Transfer to assets held for sale	--	5.507	--	--	5.988	11.495
Balance at 31 December 2013	**--**	**(57.387)**	**(57.690)**	**--**	**(14.535)**	**(129.612)**
Net carrying value at 1 January 2012	**167.406**	**65.289**	**479.773**	**957.950**	**47.285**	**1.717.703**
Net book value at 31 December 2012	**167.406**	**65.375**	**460.578**	**957.950**	**55.159**	**1.706.468**
Net book value at 31 December 2013	**3.796**	**46.056**	**441.383**	**--**	**51.615**	**542.850**

(*) Please refer to Note 5.

18 Investment property

	31 December 2013	31 December 2012
Investment property under development	15.379	376.215
Investment property in use	287.874	269.171
	303.253	**645.386**

For the years ended 31 December, movements in investment property were as follows:

	31 December 2013	31 December 2012
Balance at 1 January 2013	645.386	366.525
Additions	41.469	2.085
Changes in fair value	(8.075)	22.042
Transfers to trading properties	(375.185)	--
Transfers from trading properties	--	263.421
Transfers to property, plant and equipment	(342)	(8.687)
Total	**303.253**	**645.386**

The Group obtained independent appraisal reports for each item of investment property and measured them at their fair values. Fair value information for all investment property within the scope of IFRS 13 based on fair value hierarchy are as follows:

2013	Level 1	Level 2	Level 3	Total
Investment property	--	303.253		
Total	--	303.253		

2012	Level 1	Level 2	Level 3	Total
Investment property	--	645.386		
Total	--	645.386		

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18 Investment property *(continued)*

As at 31 December, fair value of the investment properties is calculated by using the discounted cash flow method and a peer comparison by independent appraisal.

Peer comparison method determines recently listed or sold properties in market and takes into consideration of other factors for the adjustment of value based on size of land of property with current condition and location. For current market outlook the appraisers contact with the property sale intermediaries.

The following table shows the discounted cash flow valuation technique used in measuring the fair value of investment property, as well as the significant unobservable inputs used.

Valuation technique	Significant unobservable inputs
Discounted cash flows: The valuation model considers the present value of net cash flows to be generated from the property, taking into account expected rental growth rate, void periods, occupancy rate, lease incentive costs such as rent-free periods and other costs not paid by tenants. The expected net cash flows are discounted using risk-adjusted discount rates. Among other factors, the discount rate estimation considers the quality of a building and its location (prime vs secondary), tenant credit quality and lease terms.	❖ Expected market rental growth, 3% ❖ Occupancy rate (100%) ❖ Risk-adjusted discount rates (13%).

19 Other assets and liabilities

Other current assets

As at 31 December, other current assets comprised the following:

	31 December 2013	31 December 2012
Reserve Deposits at Central Banks (*)	773.180	801.221
Value Added Tax ("VAT") receivables	102.200	78.248
Other income accruals	16.153	52.391
Other current assets	32.210	25.149
	923.743	**957.009**

As at 31 December 2013 and 2012, this amount only consist only of reserve deposits, which represents the mandatory deposit and is not available in the Group's day-to-day operations.

Other short term liabilities

As at 31 December, other short term liabilities comprised the following:

	31 December 2013	31 December 2012
Taxes and funds payable	46.472	33.224
VAT payable	23.978	--
Other current liabilities	57.718	10.862
	128.168	**44.086**

20 Due from/due to customers for contract work

Due from customers for contract work and due to customers for contract work were included in the accompanying consolidated statement of financial position under the following captions:

	2013	2012
Due from customers for contract work (Note 10)	708.357	238.535
Due to customers for contract work (Note 14)	(150.416)	(7.479)
Total	**557.941**	**231.056**

As at 31 December 2013, the details of uncompleted contracts were as follows:

	2013	2012
Total costs incurred on uncompleted contracts	2.264.806	1.497.493
Estimated earnings/(costs)	241.584	235.139
Total estimated revenue on uncompleted contracts	**2.506.390**	**1.732.632**
Less: Billings to date	(1.948.449)	(1.501.576)
Net amounts due from customers for contract work	**557.941**	**231.056**

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21 Loans and borrowings

As at 31 December 2013, loans and borrowings comprised the following:

Short term loans and borrowings	31 December 2013	31 December 2012
Bank loans	90.255	131.239
Current portion of long term loans and borrowings	624.370	417.123
Lease obligations	40.161	2.421
Factoring payables	2.836	819
Funds borrowed by the Group's banking subsidiaries	1.050.039	608.573
Securities issued	1.917.003	1.501.596
Other financial liabilities	669	39
Total	**3.725.333**	**2.661.810**

Long term loans and borrowings	31 December 2013	31 December 2012
Bank loans	832.177	1.510.638
Lease obligations	14.514	1.137
Subordinated liabilities	29.447	23.522
Deferred lease interest payables	(1.197)	(210)
Funds borrowed by the Group's banking subsidiaries	60.612	68.326
Total	**935.553**	**1.603.413**

As at 31 December 2013, the terms and conditions of outstanding loans and borrowings comprised the following:

31 December 2013	Currency	Nominal interest rate (%)	Year of maturity	Face value	Carrying amount
Unsecured bank borrowings	TL	7,8-11,3	2026-2031	996.015	922.236
Secured bank borrowings	EUR	1,8-6,5	2014	30.000	29.447
Unsecured bank borrowings	USD	1,5-13,5	2014	1.492.679	1.735.217
Debt securities issued	USD	7,7-11,5	2014	1.775.900	1.655.128
Debt securities issued	EUR	3,2-6,4	2014	300.000	261.875
				4.975.984	**4.603.903**

At 31 December, the terms and conditions of outstanding loans and borrowings were as follows:

31 December 2012	Currency	Nominal interest rate (%)	Year of maturity	Face value	Carrying amount
Unsecured bank borrowings	TL	8,2-10,0	2013-2020	1.249.490	1.156.935
Unsecured bank borrowings	EUR	2,5-7,7	2013	1.682.610	1.578.964
Secured bank borrowings	EUR	2,0-8,2	2013	24.000	23.522
Debt securities issued	USD	7,0-11,0	2013	1.450.000	1.343.932
Debt securities issued	EUR	3,2-6,3	2013	180.000	157.664
				4.586.100	**4.261.017**

21 Loans and borrowings *(continued)*

There are mortgages on investment properties under construction which belong to Gap İnşaat Yatırım ve Dış Ticaret A.Ş. amounting to TL 292,087 against the bank borrowings used.

There are pledges over the 85 (TL 0,85), 115 (TL 1,15) and 192.780.000 (TL 192.780.000) shares of YEDAŞ, YEPAŞ and ÇEDAŞ, respectively, which are owned by the Group as a guarantee for the bank borrowings used and will be used by Çalık Holding, ÇEDAŞ, YEDAŞ and YEPAŞ.

22 Derivatives

The carrying values of derivative instruments held at 31 December, were as follows:

	2013		2012	
	Assets	Liabilities	Assets	Liabilities
Forward transactions	2.407	(33.180)	4.122	(3.244)
Swap transactions	35	--	51	--
Currency options	40	(54)	2	--
	2.482	**(33.234)**	**4.175**	**(3.244)**

All derivatives in a net receivable position (positive fair value) are reported as derivative assets. All derivatives in a net payable position (negative fair value) are reported as derivative liabilities.

Further disclosure regarding the derivative contracts of the Group are explained at Note 33.

23 Payables related to employee benefits

As at 31 December, payables related to employee benefits comprised the following:

	31 December 2013	31 December 2012
Due to personnel	4.855	15.058
Social security premiums payable	4.279	3.814
	9.134	**18.872**

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24 Provisions

As at 31 December, provisions comprised the following items:

	31 December 2013	31 December 2012
Short term provisions		
Short term employee benefits	30.453	31.207
Other short term provisions	35.640	44.093
Total short term provisions	**66.093**	**75.300**
Long term provisions		
Long term employee benefits	26.752	71.619
Other short term provisions	881	25.000
Total long term provisions	**27.633**	**96.619**
Total provisions	**93.726**	**171.919**

As at 31 December, short-term and long term employee benefits comprised the following items:

	31 December 2013	31 December 2012
Short-term		
Vacation pay liability	10.435	15.805
Bonus provisions	20.012	15.402
Other employee benefits	6	--
	30.453	**31.207**
Long term		
Employee termination benefits	26.752	71.619
	26.752	**71.619**

As at 31 December, other provisions comprised the following items:

Short-term	31 December 2013	31 December 2012
Provisions for expenses	21.385	543
Provision for litigations	14.076	14.603
Other current provisions	179	10.472
Penalty provision	--	18.475
	35.640	**44.093**
Long-term		
Other	881	25.000
	881	**25.000**

24 Provisions *(continued)*

Reserve for employee severance indemnity

In accordance with the existing labour law in Turkey, the Group entities operating in Turkey are required to make lump-sum payments to employees who have completed one year of service and whose employment is terminated without cause or who retire (age of 58 for women, age of 60 for men) or completed service years of 20 for women or 25 for men, are called up for military service or die. According to change of regulation, dated 8 September 1999, there are additional liabilities for the integration articles.

For the years ended 31 December, the movements in the reserve for employee severance indemnity were as follows:

	2013	2012
Balance at the beginning of the year	71.620	43.731
Interest cost	3.803	3.138
Cost of services	21.740	36.503
Paid during the year	(11.166)	(5.558)
Actuarial difference	(6.594)	(6.195)
Transfer to liabilities held for sale	(52.651)	--
Balance at the end of the year	**26.752**	**71.619**

The reserve has been calculated by estimating the present value of future probable obligation of the Group arising from the retirement of the employees.

Actuarial valuation methods were developed to estimate the Group's obligation under defined benefit plans. Accordingly, the following actuarial assumptions were used in the calculation of the total liability:

	2013	2012
	%	%
Discount rate	1,22	0,57
Interest rate	8,04	7,96
Expected rate of salary/limit increase	6,0-8,0	8,0
The range of turnover rate to estimate the probability retirement	1,0-6,0	1,0-6,0

The computation of the liability is predicated upon retirement pay ceiling announced by the Government. As at 31 December 2013, the ceiling amount was TL 3,25 thousand (31 December 2012: TL 3,03 thousand).

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25 Commitments and contingencies

Guarantee, pledge and mortgages ("GPM") in respect of commitment and contingencies realised in the ordinary course of business were given as at 31 December 2013 are as follows:

31 December 2013	Original currency			
	USD	TL	Others	Total
A Total amount of GPMs given in the name of its own legal personality	189.050	390.825	128.177	708.052
B Total amount of GPMs given in the name of the consolidated subsidiaries and joint ventures	--	192.780	--	*192.780*
- Total amount of GPMs given in the name of the consolidated subsidiaries	--	--	--	--
C Total amount of GPMs given to be able to conduct ordinary business transactions to secure payables of third parties	--	--	--	--
D Other GPMs given	--	--	--	--
Total	**189.050**	**583.605**	**128.177**	**900.832**

GPMs in respect of commitment and contingencies realised in the ordinary course of business were given as at 31 December 2012 are as follows:

31 December 2012	Original currency			
	USD	TL	Others	Total
A Total amount of GPMs given in the name of its own legal personality	179.500	340.525	95.927	615.952
B Total amount of GPMs given in the name of the consolidated subsidiaries and joint ventures	--	192.780	--	*192.780*
- Total amount of GPMs given in the name of the consolidated subsidiaries	--	--	--	--
C Total amount of GPMs given to be able to conduct ordinary business transactions to secure payables of third parties	--	--	--	--
D Other GPMs given	--	--	--	--
Total	**179.500**	**533.305**	**95.927**	**808.732**

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25 Commitments and contingencies *(continued)*

Details of the commitments and contingent liabilities arising in the ordinary course of the business of the Group comprised the following items as at 31 December:

	31 December 2013	31 December 2012
TETAŞ and TEİAŞ	165.530	118.722
Given to employers of the engineering, procurement, construction projects	634.760	601.960
Given to banks	94.338	64.366
Given to EMRA	3.280	10.657
Given to others	2.924	13.027
Total letter of guarantees	**900.832**	**808.732**
Pledge on shares (Note 18)	192.780	192.780
Total contingent liabilities	**1.093.612**	**1.001.512**

Litigation and claims

As at 31 December 2013, the expected cash outflow amount for the pending claims filed against to the Group is TL 14.076 (31 December 2012: TL 14.603). As at 31 December 2013, the provision for litigation and claims are mainly related to the labor cases against the Group. The Group made a provision for the whole amount related to these claims.

Pending tax audits

In Turkey, the tax and other government authorities (Social Security Institution) have the right to inspect the Group's tax returns and accounting records for the past five fiscal years. The Group has not recorded a provision for any additional taxes for the fiscal years that remained unaudited, as the amount cannot be estimated with any degree of uncertainty. The Group's management believes that no material assessment will arise from any future inspection for unaudited fiscal years.

Lease commitments

As at 31 December, non cancellable operating lease commitments are payable as follows:

Operating lease commitment – Group as lessee and rent commitments	***2013***	***2012***
Within one year	405	4.701
After one year not more than five years	1.222	14.727
More than five years	12.977	13.122
Total	**14.604**	**32.550**

26 Taxation

Turkey

Corporate income tax is levied on the statutory corporate income tax base, which is determined by modifying income for certain tax exclusions and allowances.

Corporate income tax is levied at the rate of 20% (2012: 20%) and advance tax returns are filed on a quarterly basis.

According to the new Corporate Tax Law, 75% (2012: 75%) of the capital gains arising from the sale of properties and investments owned for at least two years are exempted from corporate tax on the condition that such gains are reflected in the equity with the intention to be utilized in a share capital increase or kept under equity as restricted funds within five years from the date of the sale. The remaining 25% of such capital gains are subject to corporate tax.

There is also a withholding tax on the dividends paid and is accrued only at the time of such payments. According to the amendments in the tax legislations, which became effective from 24 April 2003, dividends that are paid to the shareholders from the profits of the years between 1999 and 2002 are immune from the withholding tax, if such profits are exempted from corporation tax bases of the companies. As per the decision no.2006/10731 of the Council of Ministers published in the Official Gazette no.26237 dated 23 July 2006, certain duty rates included in the articles no.15 and 30 of the new Corporate Tax Law no:5520 revised. Accordingly, the withholding tax rate on the dividend payments other than the ones paid to the non resident institutions generating income in Turkey through their operations or permanent representatives and the resident institutions, was increased from 10% to 15%. In applying the withholding tax rates on dividend payments to the non resident institutions and the individuals the withholding tax rates covered in the related Double Tax Treaty Agreements are taken into account.

In Turkey, the tax legislation does not permit a parent company and its subsidiaries to file a consolidated tax return. Therefore, provision for taxes shown in the consolidated financial statements reflects the total amount of taxes calculated on each entity that are included in the consolidation.

Under the Turkish taxation system, tax losses can be carried forward to be offset against future taxable income for up to five years. Tax losses cannot be carried back.

In Turkey, there is no procedure for a final and definitive agreement on tax assessments. Companies file their tax returns within four months following the close of the accounting year to which they relate. Tax returns are open for five years from the beginning of the year that follows the date of filing during which time the tax authorities have the right to audit tax returns, and the related accounting records on which they are based, and may issue reassessments based on their findings.

Transfer pricing regulations

In Turkey, the transfer pricing provisions have been stated under the Article 13 of Corporate Tax Law with the heading of "disguised profit distribution via transfer pricing". The General Communiqué on disguised profit distribution via Transfer Pricing, dated 18 November 2007 sets details about implementation.

If a tax payer enters into transactions regarding sale or purchase of goods and services with related parties, where the prices are not set in accordance with arm's length principle, then related profits are considered to be distributed in a disguised manner through transfer pricing. Such disguised profit distributions through transfer pricing are not accepted as tax deductible for corporate income tax purposes.

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)

26 Taxation *(continued)*

Tax applications for foreign subsidiaries and joint ventures of the Group

Republic of Albania

The applicable corporate tax rate in Republic of Albania is 10% (31 December 2012: 10%). Tax base is by modifying accounting income for certain exclusions and allowances in accordance with the related tax legislations. Non-documented expenses, repayments of loans and borrowings which are four times higher than equity, pre-payments, representation and accommodation expenses and fringe benefits over a certain limit are not subject to reduction for tax purposes.

Republic of Kosovo

The applicable corporate tax rate in Republic of Kosovo is 10% (31 December 2012: 10%).

Under Kosovo tax legislation system, tax losses can be carried forward to be offset against future taxable income for up to seven years.

Republic of Iraq

As at 31 December 2013, the applicable corporate tax rate for the subsidiaries and branches operating in Iraq is 15% (31 December 2012: 15%). Tax losses can be carried forward to be offset against future taxable income for up to five years to the extent of the half of the current year profit when the financial profit is reported. As at 31 December 2013, profit generated from Group's operations in Iraq is not subject to corporate tax.

Arab Republic of Egypt

The applicable corporate tax rate for the subsidiaries operating in Egypt is 20% (31 December 2012: 20%). Since the Group is operating in free trade zone of Egypt, the Group is not subject to corporate tax.

United Arab Emirates

As at 31 December 2013, the Group has subsidiaries in the United Arab Emirates located in Dubai. There is no federal corporate tax in United Arab Emirates. However, similar taxes are implemented in different sectors in different emirates. As at 31 December 2013, the Group's subsidiaries operating in Dubai are not subject to corporate tax.

USA

As at 31 December 2013, the applicable corporate tax rate for the subsidiary operating in USA is 40% (31 December 2012: 40%) but additional tax applications up to 12% could be charged.

Georgia

According to Georgian law, the corporate income tax rate was reduced to 15% from 20% beginning from 1 January 2008.

Turkmenistan

According to Turkmenistan law, while the corporate tax rate is 8% for local companies, it is 20% for branches of foreign companies and for local companies which have foreign partner. Parent company of branches located in Turkmenistan is tax-exempt due to income generated from construction projects outside Turkey is tax exempt in Turkey. Besides, revenue arising from sales of machinery and equipment which are exported from Turkey and included in construction cost in those countries are subject to corporate tax in Turkey.

26 Taxation *(continued)*

Tax applications for foreign subsidiaries and joint ventures of the Group (continued)

Uzbekistan

According to Uzbekistan law, while the corporate tax rate is 9% for local companies, it is applied as 10% for Uzbekistan branches of foreign companies.

Tax recognised in profit or loss

Income tax expense for the years ended 31 December comprised the following items:

Reconciliation of effective tax rate

	Continuing operations		*Discontinued operations*			*Total*
	2013	**2012**	**2013**	**2012**	**2013**	**2012**
Current corporation and income taxes	59.159	89.370	906	586	60.065	89.956
Deferred tax expense/(benefit)	(21.722)	6.119	32.427	(25.865)	10.705	(19.746)
Total income tax expense	**37.437**	**95.489**	**33.333**	**(25.279)**	**70.770**	**70.210**

The reported income tax expense for the years ended 31 December are different than the amounts computed by applying statutory tax rate to profit before tax as shown in the following reconciliation:

	2013		**2012**	
	Amount	**%**	**Amount**	**%**
Reported (loss)/ profit before taxation	(479.323)		236.887	
Taxes on reported profit per statutory tax rate of the Company	95.865	20,00	(47.377)	20,00
Permanent differences:				
Disallowable expenses	(20.599)	(4,30)	(7.874)	3,32
Unrecognised deferred tax assets on temporary differences	(22.049)	(4,60)	(8.636)	3,65
Tax exempt income	25.943	5,41	14.361	(6,06)
Derecognition of previously recognised deferred tax asset on tax losses	(11.140)	(2,32)	--	--
Effect of different tax rates in foreign jurisdictions	2.951	0,62	2.666	(1,13)
Investment incentives effect	17.061	3,56	7.930	(3,35)
Recognition of previously unrecognized tax losses	--	--	10.494	(4,43)
Effect of share of profit of equity-accounted investees	(4.386)	(0,92)	(901)	0,38
Current-year losses for which no deferred tax asset is recognised	(123.637)	(25,79)	(63.757)	0,27
Utilisation of previously unrecognised tax losses	1.789	0,37	12	(0,00)
Current-year amortisation expense of electricity distribution rights for which no deferred tax asset is recognized	(3.839)	(0,80)	(3.839)	0,02
Others, net	4.604	0,96	1.432	(0,01)
Tax benefit	**(37.437)**	**(7,81)**	**(95.489)**	**12,66**

26 Taxation *(continued)*

Current tax assets/liabilities

As at 31 December, current tax assets and liabilities comprised the following:

	2013	2012
Taxes on income	37.437	95.489
Less: Deferred tax (benefit)/expense	(21.722)	6.119
Corporation taxes paid in advance	(67.633)	(76.913)
Current tax liabilities/(assets), net	**(8.474)**	**12.456**

As at 31 December 2013, current tax liabilities on income amounting to TL 11.617 (31 December 2012: TL 23.092) is not offset with prepaid taxes amounting to TL 20.091 (2012: TL 10.636) since they are related to different tax jurisdictions.

Deferred tax assets and liabilities

Deferred tax is provided in respect of taxable temporary differences arising between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes, except for the differences relating to goodwill not deductible for tax purposes and the initial recognition of assets and liabilities which affect neither accounting nor taxable profit.

Unrecognised deferred tax assets and liabilities

As at 31 December 2013, deferred tax assets amounting to TL 385.064 (31 December 2012: TL 127.904) have not been recognised with respect to the statutory tax losses carried forward and deductible temporary differences amounting to TL 260.529 and TL 124.535, respectively (31 December 2012: TL 127.541 and TL 363, respectively). Such losses carried forward expire until 2018. Deferred tax assets have not been recognised in respect of these items because it is not probable that future taxable profit will be available against which the Group can utilise the benefits therefrom.

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26 Taxation *(continued)*

Recognised deferred tax assets and liabilities

Deferred tax assets and deferred tax liabilities at 31 December are attributable to the items detailed in the table below:

	2013		2012	
	Asset	Liability	Asset	Liability
Vacation pay liability	1.137	--	3.592	--
Employee severance indemnity	3.617	--	7.508	--
Loans and receivables impairment provision	--	(6.782)	--	(5.539)
Financial assets at fair value through profit or loss	--	(13.770)	--	(23.690)
Available for sale investment securities	319	(2.104)	465	(640)
Derivative financial instruments	295	(496)	649	(835)
Provisions	5.675	--	8.691	--
Inventories	21.061	--	362	--
Deferred income	2.624	--	3.041	(2)
IAS 39 effect on loans and borrowings	1.522	(12)	73	(436)
Investment property	43.976	(135.522)	--	(76.512)
Property, plant and equipment and intangible assets	131.429	(5.646)	113.198	(12.090)
Investment incentives	24.991	--	7.930	--
Tax losses carried forward	6.039	--	129.160	--
Loss provision	4.053	--	443	--
Effect of percentage of completion method	7.173	--	--	--
Service concession receivables	--	(66.653)	--	(48.106)
Allowance for doubtful receivables	5.068	--	358	--
Security deposits	4.578	--	3.342	--
Other temporary differences	5.465	(4.853)	2.417	(3.070)
Total deferred tax assets/(liabilities)	**269.022**	**(235.838)**	**281.229**	**(170.920)**
Set off of tax	(120.908)	120.908	(98.982)	98.982
Deferred tax assets/(liabilities), net	**148.114**	**(114.930)**	**182.247**	**(71.938)**

According to the Tax Procedural Law in Turkey, statutory losses can be carried forward maximum for five years. Consequently, 2018 is the latest year for recovering the deferred tax assets arising from such tax losses carried forward. The table below shows the expiration date of the tax losses carried forward for which no deferred asset has been recognised:

	2013	2012
2013	--	19.687
2014	26.059	24.133
2015	70.937	55.524
2016	297.059	284.421
2017	184.336	253.941
2018	724.255	--
	1.302.646	**637.706**

26 Taxation *(continued)*

Movements in deferred tax balances during the year :

	1 January 2013	*Effects of translation*	*Recognised in profit or loss*	*Discontinued operations(*)*	*Recognised in other comprehensive income*	*31 December 2013*
Vacation pay liability	3.592	--	636	(3.091)	--	1.137
Employee severance indemnity	7.508	--	1.969	(5.860)	--	3.617
Loan impairment provision	(5.539)	(1.171)	(72)	--	--	(6.782)
Financial assets at fair value through profit or loss	(23.690)	--	9.920	--	--	(13.770)
Available for sale investment securities	(175)	(3.460)	(5.298)	--	7.148	(1.785)
Derivative financial instruments	(186)	--	(15)	--	--	(201)
Provisions	8.691	80	(3.096)	--	--	5.675
Inventories	362	--	20.699	--	--	21.061
Deferred income	3.039	146	407	(968)	--	2.624
IAS 39 effect on borrowings	(363)	--	1.873	--	--	1.510
Investment property	(76.512)	--	(15.034)	--	--	(91.546)
Property, plant and equipment and intangible assets	101.108	170	17.483	7.022	--	125.783
Investment incentives	7.930	--	17.061	--	--	24.991
Tax losses carried forward	129.160	--	(30.098)	(93.023)	--	6.039
Loss provision	443	--	3.610	--	--	4.053
Effect of percentage of completion method	--	--	7.173	--	--	7.173
Service concession receivables	(48.106)	--	(18.547)	--	--	(66.653)
Allowance for doubtful receivables	358	--	4.710	--	--	5.068
Security deposits	3.342	--	1.236	--	--	4.578
Other temporary differences	(653)	(5.840)	7.105	--	--	612
Total deferred tax assets/(liabilities)	**110.309**	**(10.075)**	**21.722**	**(95.920)**	**7.148**	**33.184**

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27 Capital and reserves

Paid in capital

At 31 December 2013, the Group's statutory nominal value of authorised and paid-in share capital is TL 240.852 (31 December 2012: TL 240.852) comprising of 240.852.000 registered shares (31 December 2012: 240.852.000) having par value of full TL 1 (31 December 2012: full TL 1) each.

At 31 December, the shareholding structure of Çalık Holding based on the number of shares is presented below:

	2013 Thousand of shares	*%*	*2012 Thousand of shares*	*%*
Ahmet Çalık	240.828	99,99	240.828	99,99
Other	24	0,01	24	0,01
	240.852	**100,00**	**240.852**	**100,00**

Restricted reserves

The legal reserves are established by annual appropriations amounting to 5% of income disclosed in the Group's statutory accounts until it reaches 20% of paid-in share capital (first legal reserve). Without limit, a further 10% of dividend distributions in excess of 5% of share capital is to be appropriated to increase legal reserves (second legal reserve). The first legal reserve is restricted and is not available for distribution as dividend unless it exceeds 50% of share capital. In the accompanying consolidated financial statements, the total of the legal reserves included in the restricted reserves of the consolidated entities amounted to TL 170.153 as at 31 December 2013 (31 December 2012: TL 154.741).

Non-controlling interests

For the years ended 31 December, movements of the non-controlling interest were as follows:

	2013	*2012*
Non controlling interest at the beginning of the year	105.436	100.893
Net loss for the year attributable to non controlling interest	(48.474)	(861)
Net fair value change in financial assets available for sale	(72)	--
Foreign currency translation differences	(782)	--
Capital contribution by non-controlling interest in subsidiaries	--	6.908
Dividend distribution	(18)	(1.504)
Balance at the end of the year	**56.090**	**105.436**

Translation reserve

The translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations.

28 Revenue

For the years ended 31 December, revenue comprised the following:

	2013	2012
Domestic sales	1.663.241	1.681.758
Export sales	1.573.317	1.782.492
Other sales	3.214	1.242
Sales discounts (-)	(10.739)	(31.623)
Subtotal	**3.229.033**	**3.433.869**
Cost of sales (-)	(2.673.796)	(2.862.655)
Gross profit from non-finance operations	**555.237**	**571.214**
Revenue from finance sector activities	643.692	549.836
Cost of revenues from finance sector activities (-)	(267.084)	(231.669)
Gross profit from finance sector activities	**376.608**	**318.167**
Gross profit	**931.845**	**889.381**

29 General and administrative expenses, selling, marketing and distribution expenses, and research and development expenses

For the years ended 31 December, general and administrative expenses comprised the following:

	2013	2012
Personnel expenses	226.655	169.336
Depreciation and amortisation expenses	56.245	45.278
Consulting expenses	31.669	18.189
Rent expense	20.815	20.002
Travel and accommodation expenses	17.968	11.649
Taxes, duties and fees other than on income	13.820	9.373
Maintenance and repair expenses	12.573	7.563
Communication and information expenses	10.205	7.423
Representation expenses	7.070	4.658
Insurance expenses	5.995	4.227
Utilisation expenses	3.115	1.392
Office expenses	3.045	5.903
Security expenses	2.772	1.693
Provision for employee severance payment indemnity	1.189	513
Cleaning expenses	1.108	294
Other	27.146	27.665
	441.390	**335.158**

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29 General and administrative expenses, selling, marketing and distribution expenses, and research and development expenses *(continued)*

For the years ended 31 December, selling, marketing and distribution expenses comprised the following:

	2013	2012
Personnel expenses	60.380	44.436
Advertising and promotion expenses	39.363	37.116
Maintenance and repair expenses	31.843	28.997
Transportation expenses	23.340	23.937
Commission expense	10.736	7.082
Depreciation and amortization expenses	6.098	2.791
Consulting expenses	3.909	949
Rent expense	3.413	1.316
Travel and accommodation expenses	3.194	1.721
Taxes, duties and fees	2.725	527
Communication and information expenses	2.460	1.448
Fair expenses	1.407	1.020
Security expenses	1.250	1.546
Office expenses	1.169	677
Other	19.245	32.810
	210.532	**186.373**

For the years ended 31 December, research and development expenses comprised the following:

	2013	2012
Personnel expenses	4.690	3.363
Consulting expenses	3.544	8.396
Travel and accommodation expenses	2.196	242
Other	9.903	1.138
	20.333	**13.139**

30 Other income and expenses

For the years ended 31 December, other income comprised the following:

	2013	2012
Fair value gain on revaluation of investment properties	56.119	22.042
Rediscount interest income	31.457	86.512
Recoveries/reversals of provisions made	33.088	4.525
Interest income	2.184	53.110
Foreign exchange gains	44	224.665
Other income from operating activities	42.460	107.183
	165.352	498.037

For the year ended 31 December, other operating expenses comprised the following

	2013	2012
Foreign exchange losses	56.913	228.644
Fair value loss on revaluation of investment properties	64.194	--
Provision for doubtful receivables	39.782	63.970
Impairment of loans and receivables of finance sector entities	62.040	18.633
Credit, securities and provisions for impairment of other receivables	11.787	7.513
Provision expenses	10.526	18.570
Rediscount interest expense	962	3.520
Interest expense from related parties	288	2.221
Other expense from operating activities	137.908	15.701
	384.400	358.772

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31 Gains and losses from investing activities

For the years ended 31 December, gains from investing activities comprised the following:

	2013	2012
Gain on sale of property, plant and equipment	23.361	1.804
Fair value gain on investment securities	16.143	--
Dividend income from equity securities	9.053	10.112
Net gain on other investment activities	5.549	426
Foreign exchange gains	5.363	--
Other	2.843	21.432
	62.312	33.774

For the years ended 31 December, losses from investing activities comprised the following:

	2013	2012
Loss on sale of derivative financial instruments	45.374	--
Loss on financial assets at fair value through profit or loss	42.103	15.700
Loss on other investment activities	10.740	350
Foreign exchange losses	28	--
Loss on sale of property, plant and equipment	--	37.233
Other	9.008	1.503
	107.253	54.786

32 Finance income and finance costs

For the years ended 31 December, finance income comprised the following:

	2013	2012
Foreign exchange gains on borrowings	51.826	87.405
Other	337	180
	52.163	87.585

For the years ended 31 December, finance costs comprised the following:

	2013	2012
Foreign exchange losses on borrowings	261.224	101.079
Interest expense on borrowings	186.584	187.320
Other interest expenses	40.971	15.362
Expenses on letters of guarantees	12.815	14.413
Financing expenses on factoring activities	3.565	1.086
Total	**505.159**	**319.260**

33 Financial instruments – Fair values and risk management

Financial risk management

Overview

The Group has exposure to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk
- Operational risk

This note presents information about the Group's exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing risks, and the Group's management of capital. Further quantitative disclosures are included throughout these consolidated financial statements.

Risk management framework

Risk management activities are conducted by a realistic organizational structure and it is fully supported with the commitment of top level management.

Group acts proactively in terms of risk management in order to ensure that its business operations in different industries and regions are not adversely affected as a result of market, operational, liquidity and counterparty risks. Risk Management and internal audit departments within each sector and at the Group level provide and maintain awareness for different types of risks, including emerging risks, and ensure that appropriate risk management mechanisms are in place.

Banking:

Risk management framework

For the Group's banking group, Aktifbank and BKT actively use collateral management as the major risk mitigation mechanism. The Board of Directors of the Group's banking group has overall responsibility for the establishment and oversight of the risk management framework. The Board has established the Audit Committee and Risk Management Department, which are responsible for developing and monitoring the Group's banking group's risk management policies in their specified areas. The Audit Committee has non-executive members and report regularly to the Board of Directors on their activities.

The Group's banking group's risk management policies are established to identify and analyse the risks faced, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions, products and services offered. The Group's banking group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment, in which all employees understand their roles and obligations.

The Audit Committee is responsible for monitoring compliance with the risk management policies and procedures, and for reviewing the adequacy of the risk management framework in relation to the risks faced by the Bank. The Audit Committee is assisted in these functions by Internal Audit. Internal Audit undertakes both regular and ad-hoc reviews of risk management controls and procedures, the results of which are reported to the Audit Committee.

33 Financial instruments – Fair values and risk management *(continued)*

Financial risk management *(continued)*

Credit risk:

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from customers and investment securities.

The Group's principal financial assets are cash and cash equivalents, financial investments, trade receivables and other receivables. The Group requires a certain amount of collateral in respect of its account receivable. Credit evaluations are performed on all customers requiring credit over a certain amount on individual level.

At reporting date, there were no significant concentrations of credit risk. The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the consolidated statement of financial position.

Banking:

Impaired loans and advances to customers and investment securities

Impaired loans and advances to customers and investment debt securities are those for which the Group's banking group determines that it is probable that it will be unable to collect all principal and interest due to according to the contractual terms of the loans and investment debt securities.

Allowance for impairment

The Group's banking group establishes an allowance for impairment losses on assets carried at amortised cost that represents its estimate of incurred losses in its loan and investment debt security portfolio. This allowance is a specific loss component that relates to individually significant exposures.

Due to the increase in the consumer loan portfolio of Aktifbank and the availability of the historical trends of the probability of default, starting from 1 January 2012, Aktifbank started to provide collective loan loss allowance established for groups of homogeneous assets in respect of losses that have been incurred but have not been identified except for loans and receivables subject to individual assessment for impairment.

Write-off policy

The Group's banking group writes off a loan or investment debt security balance, and any related allowances for impairment losses, when the Group's banking group determines that the loan or security is uncollectible. This determination is reached after considering information such as occurrence of significant changes in the borrower's / issuer's financial position such that the borrower / issuer can no longer pay the obligation, or that proceeds from collateral will not be sufficient to pay back the entire exposure.

Loans with renegotiated terms

Loans with renegotiated terms are loans that have been restructured due to deterioration in the borrower's financial position and where the Group's banking group has made concessions that it would not otherwise consider. Once the loan is restructured it remains in this category independent of satisfactory performance after restructuring.

33 Financial instruments – Fair values and risk management *(continued)*

Credit risk *(continued)*:

Exposure to credit risk:

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at 31 December was:

31 December 2013	Receivables: Trade receivables: Related party	Receivables: Trade receivables: Third party	Receivables: Other receivables: Related party	Receivables: Other receivables: Third party	Cash at banks	Receivables from finance sector operations	Derivatives
Maximum credit risk exposure at reporting date (A+B+C+D)	157.277	1.967.221	30.530	315.040	598.455	3.805.626	2.482
Portion of maximum risk covered by guarantees	--	--	--	--	--	--	--
A. Carrying value of financial assets that are neither past due nor impaired	157.277	1.896.384	30.530	315.040	598.455	3.780.010	2.482
B.Carrying value of financial assets that are past due but not impaired	--	70.837	--	--	--	--	--
C. Carrying value of impaired assets	--	--	--	--	--	25.616	--
Past due (gross carrying amount)	--	163.523	--	7.292	--	145.310	--
- Impairment (-)	--	(163.523)	--	(7.292)	--	(119.694)	--
- The part of net value under guarantee with collateral etc	--	--	--	--	--	--	--
- Not past due (gross carrying amount)	--	--	--	--	--	--	--
- Impairment (-)	--	--	--	--	--	--	--
D. Elements including credit risk on off satatment of financial position	--	--	--	--	--	--	--

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33 Financial instruments – Fair values and risk management *(continued)*

Credit risk *(continued)*:

***Exposure to credit risk** (continued):*

31 December 2012	Receivables: Trade receivables: Related party	Receivables: Trade receivables: Third party	Receivables: Other receivables: Related party	Receivables: Other receivables: Third party	Cash at banks	Receivables from finance sector operations	Derivatives
Maximum credit risk exposure at reporting date (A+B+C+D)	18.229	1.587.080	116.334	417.131	347.031	2.893.680	4.175
Portion of maximum risk covered by guarantees	--	--	--	--	--	--	--
A. Carrying value of financial assets that are neither past due nor impaired	18.229	1.539.696	116.334	384.806	347.031	2.877.680	4.175
B.Carrying value of financial assets that are past due but not impaired	--	47.384	--	32.325	--		--
C. Carrying value of impaired assets	--	--	--	--	--	16.000	--
Past due (gross carrying amount)	--	177.295	--	1.441	--	69.987	--
- Impairment (-)	--	(177.295)	--	(1.441)	--	(53.987)	--
- The part of net value under guarantee with collateral etc	--	--	--	--	--	--	--
- Not past due (gross carrying amount)	--	--	--	--	--	--	--
- Impairment (-)	--	--	--	--	--	--	--
D. Elements including credit risk on off satatment of financial position	--	--	--	--	--	--	--

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33 Financial instruments – Fair values and risk management *(continued)*

Credit risk *(continued)*:

Impairment losses

The aging of trade receivables at the reporting date was:

	2013		2012	
	Gross	Impairment	Gross	Impairment
Not past due	2.053.661	--	1.557.925	--
Past due 0-30 days	44.223	--	47.384	--
Past due 31-120 days	25.481	--	--	--
Past due 121-365 days	1.133	--	--	--
More than one year	163.523	(163.523)	177.295	(177.295)
Total	**2.301.793**	**(163.523)**	**1.782.604**	**(177.295)**

Liquidity risk

Liquidity risk arises in the general funding of the Group's activities and in the management of positions. It includes both risk of being unable to fund assets at appropriate maturities and rates and risk of being unable to liquidate an asset at a reasonable price and in an appropriate time frame. The Group has access to funding sources from banks and keeps certain level assets as cash and cash equivalents. The Group continuously assesses liquidity risk by identifying and monitoring changes in funding required in meeting business goals and targets set in terms of the overall Group strategy.

Banking:

Management of liquidity risk

The Group's banking group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to their reputation.

The Group's banking group funds its short-term liquidity with interbank. In the case of long-term liquidity need, the Group's banking group utilises capital market instruments. Additionally, the Group's banking group also funds itself from the domestic and foreign market when it needs additional funds.

Exposure to liquidity risk

The key measure used by the Group's banking group for managing liquidity risk is the ratio of net liquid assets to short-term funds borrowed. For this purpose net liquid assets are considered as including cash and cash equivalents and trading debt securities for which there is an active and liquid market less any short-term funds borrowed and commitments.

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33 Financial instruments – Fair values and risk management *(continued)*

Liquidity risk *(continued)*

As at 31 December, the followings are carrying amounts, contractual cash flows and the contractual maturities of financial liabilities are as follows:

2013	Carrying amount	Contractual cash flows	3 months or less	3-12 Months	1-5 Years	More than five year
Non-derivative financial liabilities						
Payables related to finance sector operations	6.110.855	6.504.648	3.967.072	2.148.527	364.141	24.907
Borrowings	4.660.886	4.731.517	3.936.073	795.444	--	--
	10.771.741	**11.236.165**	**7.903.145**	**2.943.971**	**364.141**	**24.907**
	Carrying amount	**Expected cash flows**	**3 months or less**	**3-12 Months**	**1-5 Years**	**More than five year**
Trade payables	920.284	920.284	366.180	398.767	155.336	--
Other payable	430.822	430.822	265.656	165.166	--	--
Payable related to employee benefits	9.134	9.134	3.430	5.704	--	--
	1.360.240	**1.360.240**	**635.266**	**569.637**	**155.336**	**--**
Derivative financial liabilities						
Currency forwards						
Outflow	(33.234)	(363.032)	(348.793)	--	--	--
Inflow	2.482	382.034	567.695	--	--	--
Total	**12.101.229**	**12.615.407**	**8.757.313**	**3.513.608**	**519.477**	**24.907**

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33 Financial instruments – Fair values and risk management *(continued)*

Liquidity risk *(continued)*

2012	Carrying amount	Contractual cash flows	3 months or less	3-12 Months	1-5 Years	More than five year
Non-derivative financial liabilities						
Payables related to finance sector operations	4.654.317	4.724.856	2.808.915	1.689.879	212.138	13.924
Borrowings	4.265.223	4.327.962	2.462.838	1.865.123	--	--
	8.919.540	**9.052.818**	**5.271.753**	**3.555.002**	**212.138**	**13.924**
	Carrying amount	**Expected cash flows**	**3 months or less**	**3-12 Months**	**1-5 Years**	**More than five year**
Trade payables	1.745.255	1.745.255	924.767	820.488	--	--
Other payable	386.076	386.076	81.898	219.905	84.273	--
Payables related to employee benefits	18.872	18.872	4.970	13.902	--	--
	2.150.203	**2.150.203**	**1.011.635**	**1.054.295**	**84.273**	**--**
Derivative financial liabilities						
Currency forwards						
Outflow	(4.175)	(589.495)	(518.038)	(71.457)	--	--
Inflow	3.244	588.818	517.765	71.053	--	--
Total	**11.068.812**	**11.202.344**	**6.283.115**	**4.608.893**	**296.411**	**13.924**

Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices, will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

33 Financial instruments – Fair values and risk management *(continued)*

Interest rate risk

The Group's operations are subject to the risk of interest rate fluctuations to the extent that interest-earning assets and interest-bearing liabilities mature or reprise at different times or in differing amounts. In the case of floating rate assets and liabilities the Group is also exposed to basis risk, which is the difference in reprising characteristics of the various floating rate indices, such as six months Libor and different types of interest. Risk management activities are aimed at optimizing net interest income, given market interest rate levels consistent with the Group's business strategies.

Profile

As at 31 December, the interest rate profile of the Group's interest-bearing financial instruments was as follows:

	2013	2012
Fixed rate instruments		
Financial assets	8.241.348	6.850.654
Financial liabilities	10.329.030	8.919.540

Fair value sensitivity analysis for fixed rate instruments

The Group does not account for any fixed rate financial assets and liabilities at fair value through profit or loss and the Group does not designate derivatives (interest rate swaps) as hedging instruments under fair value hedge accounting model. Therefore, a change in interest rate as of the reporting date would not affect profit or loss and equity.

33 Financial instruments – Fair values and risk management *(continued)*

Currency risk

The Group is exposed to currency risk on sales, purchases and borrowings that are denominated in a currency other than the respective functional currencies of Group entities. The currencies in which these transactions primarily are denominated are Euro and USD.

In respect of other monetary assets and liabilities denominated in foreign currencies, the Group ensures that its net exposure is kept to an acceptable level by buying or selling foreign currencies at spot rates when necessary to address short-term imbalances.

The Group is exposed to currency risk through the impact of rate changes on the translation of foreign currency denominated payables and bank borrowings from financial institutions. Such risk is monitored by the Board of Directors and limited through taking positions within approved limits as well as using derivative instruments where necessary.

To minimise risk arising from foreign currency denominated statement of financial position items, the Group sometimes utilises derivative instruments as well as keeping part of its idle cash in foreign currencies.

At 31 December 2013, the currency risk exposures of the Group in TL equivalents are as follows:

	31 December 2013			
	Total	USD	EUR	Other Currencies
Foreign currency monetary assets				
Cash and cash equivalents	474.162	100.078	364.802	9.282
Financial investments	945.327	294.410	431.790	219.127
Receivables from finance sector operations	1.803.321	494.037	1.308.095	1.189
Trade receivables	452.065	403.835	48.053	177
Other receivables	95.649	15.925	66.698	13.025
Total foreign currency monetary assets	3.770.523	1.308.286	2.219.438	242.800
Foreign currency monetary liabilities				
Borrowings	(1.520.067)	(1.024.095)	(495.972)	--
Payables from finance sector operations	(3.111.554)	(592.755)	(2.405.315)	(113.484)
Trade payables	(453.845)	(221.425)	(217.515)	(14.905)
Other payables	(52.324)	(9.396)	(17.876)	(25.053)
Total foreign currency liabilities	(5.137.791)	(1.847.671)	(3.136.677)	(153.442)
Net statement of financial position	(1.367.267)	(539.386)	(917.239)	89.358
Currency forwards	153.433	78.701	74.732	--
Net off statement of financial position	153.433	78.701	74.732	--
Net foreign currency position	(1.213.834)	(460.685)	(842.507)	89.358

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33 Financial instruments – Fair values and risk management *(continued)*

At 31 December 2012, the currency risk exposures of the Group in TL equivalents are as follows:

	31 December 2012			
	Total	USD	EUR	Other Currencies
Foreign currency monetary assets				
Cash and cash equivalents	339.880	125.949	41.485	164.651
Financial Investments	1.563.049	161.362	293.253	1.025.855
Derivative financial instruments	4.175	4.175	--	--
Receivables from finance sector operations	2.444.386	580.447	1.101.405	730.806
Trade receivables	1.017.486	897.100	63.507	53.041
Other receivables	506.886	136.330	322.435	48.120
Total foreign currency monetary assets	5.875.862	1.905.364	1.822.085	2.022.472
Foreign currency monetary liabilities				
Borrowings	(2.495.877)	(2.310.558)	(185.319)	--
Derivative financial liabilities	--	--	--	--
Payables from finance sector operations	(4.646.663)	(600.538)	(2.050.587)	(1.916.322)
Trade payables	(895.614)	(620.278)	(255.160)	(19.411)
Other payables	(365.465)	(319.174)	(3.783)	(36.859)
Total foreign currency liabilities	(8.403.619)	(3.850.548)	(2.494.848)	(1.972.592)
Net statement of financial position position	(2.527.756)	(1.945.183)	(672.763)	49.880
Currency forwards	--	--	--	--
Net off statement of financial position position	--	--	--	--
Net foreign currency position	(2.527.756)	(1.945.183)	(672.763)	49.880

33 Financial instruments – Fair values and risk management *(continued)*

***Currency risk** (continued)*

Sensitivity analysis

A strengthening/weakening of the TL against the other currencies below would have increased/ (decreased) the comprehensive income and profit/loss (excluding the tax effect) as of 31 December 2013 and 2012 as follows

	Profit / (Loss)		Equity	
31 December 2013	**Strengthening of TL**	**Weakening of TL**	**Strengthening of TL**	**Weakening of TL**
Increase/(decrease) 10% of US Dollar parity				
1-US Dollar net asset / liability	(46.069)	46.069	--	--
2-Hedged portion of US Dollar amounts(-)	--	--	--	--
3-Net effect of US Dollar (1+2)	**(46.069)**	**46.069**	**--**	**--**
Increase/(decrease) 10% of EUR parity				
4-EUR net asset / liability	(84.251)	84.251	--	--
5-Hedged portion of EUR amounts(-)	--	--	--	--
6-Net effect of EUR (4+5)	**(84.251)**	**84.251**	**--**	**--**
Increase/(decrease) 10% of other parities				
7-Other foreign currency net asset / liability	8.936	(8.936)	--	--
8-Hedged portion of other foreign currency amounts(-)	--	--	--	--
9-Net effect of other foreign currencies (7+8)	**8.936**	**(8.936)**	**--**	**--**
TOTAL (3+6+9)	**(121.383)**	**121.383**	**--**	**--**

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33 Financial instruments – Fair values and risk management *(continued)*

***Currency risk** (continued)*

	Profit / (Loss)		Equity	
31 December 2012	**Strengthening of foreign currency**	**Weakening of foreign currency**	**Strengthening of foreign currency**	**Weakening of foreign currency**
Increase/(decrease) 10% of US Dollar parity				
1-US Dollar net asset / liability	(194.518)	194.518	--	--
2-Hedged portion of US Dollar amounts(-)	--	--	--	--
3-Net effect of US Dollar (1+2)	**(194.518)**	**194.518**	**--**	**--**
Increase/(decrease) 10% of EUR parity				
4-EUR net asset / liability	(67.276)	67.276	--	--
5-Hedged portion of EUR amounts(-)	--	--	--	--
6-Net effect of EUR (4+5)	**(67.276)**	**67.276**	**--**	**--**
Increase/(decrease) 10% of other parities				
7-Other foreign currency net asset / liability	49.880	(49.880)	--	--
8-Hedged portion of other foreign currency amounts(-)	--	--	--	--
9-Net effect of other foreign currencies (7+8)	**49.880**	**(49.880)**	**--**	**--**
TOTAL (3+6+9)	**(211.915)**	**211.915**	**--**	**--**

Capital management

The Group's objectives when managing capital include:

- To comply with the capital requirements required by the regulators of the financial markets where the Group operates;
- To safeguard the Group's ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders; and
- To provide an adequate return to shareholders.

33 Financial instruments – Fair values and risk management *(continued)*

Capital management *(continued)*

Banking:

Aktifbank

The Aktifbank's lead regulator, BRSA sets and monitors capital requirements for the Aktifbank as a whole.

The capital adequacy ratio calculations are made in accordance with the "Regulation on Measurement and Evaluation of Capital Adequacy of Banks" published in Official Journal No 28337 of 28 June 2012 from 1 July 2012. Standard Method is used to calculate market risk which is included in computation of capital adequacy ratio.

In implementing current capital requirements of BRSA requires the Aktifbank to maintain an 8% ratio of total capital to total risk-weighted assets.

As at 31 December 2013, the Aktifbank's capital adequacy ratio is 13.23% (31 December 2012: 12.34%).

BKT

BKT's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The impact of the level of capital on shareholder's return is also recognised and BKT recognises the need to maintain a balance between the higher returns that might be possible with greater gearing and the advantages and security afforded by a sound capital position. There have been no material changes in BKT's management of capital during the period.

Regulatory capital: BKT monitors the adequacy of its capital using, among other measures, the rules and ratios established by the Albanian regulator, the Bank of Albania ("BoA"), which ultimately determines the statutory capital required to underpin its business. The regulation "On capital adequacy" is issued pursuant to Law No. 8269 date 23.12.1997 "On the Bank of Albania", and Law No. 9662 date 18.12.2006 "On Banks in the Republic of Albania".

Capital Adequacy Ratio: The Capital Adequacy Ratio is the proportion of the regulatory capital to risk weighted assets and 'off balance-sheet' items, expressed as a percentage. The minimum Capital Adequacy Ratio required by Bank of Albania is 12%, while BKT has maintained this ratio at 14.6% as at 31 December 2013 (2012: 14.3%).

The Modified Capital Adequacy Ratio is the proportion of the base capital to risk-weighted assets and 'off balance-sheet' items, expressed as a percentage. The minimum modified capital adequacy is 6%, while BKT has maintained this ratio at 13.5% as at 31 December 2013 (2012: 13.0%).

Risk-Weighted Assets (RWAs): Assets are weighted according to broad categories of notional risk, being assigned a risk weighting according to the amount of capital deemed to be necessary to support them. Five categories of risk weights (0%, 20%, 50%, 100%, 150%) are applied; for example cash and money market instruments with Bank of Albania have a zero risk weighting, which means that no capital is required to support the holding of these assets. Property and equipment carries a 100% risk weighting, meaning that capital equal to 12% of the carrying amount must support it. Off-balance-sheet credit related commitments are taken into account. The amounts are then weighted for risk using the same percentages as for on-balance-sheet assets.

Compliance: BKT and its individually regulated operations have complied with all internally and externally imposed capital requirements throughout the year.

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33 Financial instruments – Fair values and risk management *(continued)*

Operational risk

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the Group's processes, personnel, technology and infrastructure, and from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of corporate behaviour. Operational risks arise from all of the Group's operations.

The Group's objective is to manage operational risk so as to balance the avoidance of financial losses and damage to the Group's reputation with overall cost effectiveness and to avoid control procedures that restrict initiative and creativity.

The primary responsibility for the development and implementation of controls to address operational risk is assigned to senior management within each business unit. This responsibility is supported by the development of overall Group standards for the management of operational risk in the following areas:

- Requirements for appropriate segregation of duties, including the independent authorisation of transactions,
- Requirements for the reconciliation and monitoring of transactions,
- Compliance with regulatory and other legal requirements,
- Documentation of controls and procedures,
- Requirements for the periodic assessment of operational risks faced, and the adequacy of controls and procedures to address the risks identified,
- Requirements for the reporting of operational losses and proposed remedial action,
- Development of contingency plans,
- Training and professional development,
- Ethical and business standards,
- Risk mitigation, including insurance where this is effective.

Compliance with Group standards is supported by a programme of periodic reviews undertaken by Internal Audit. The results of Internal Audit reviews are discussed with the management of the business unit to which they relate, with summaries submitted to the senior management of the Group.

Fair value information

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or in its absence, the most advantageous market to which the Group has access at that date.

When available, the Group measures the fair value of an instrument using the quoted price in an active market for that instrument. A market is regarded as active if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis. If there is no quoted market price in an active market, then the Group uses valuation techniques that maximise the use of relevant observable inputs and minimise the use of unobservable inputs.

33 Financial instruments – Fair values and risk management *(continued)*

***Fair value information** (continued)*

The table below provides reconciliation between line items in the consolidated statement of financial position and categories of financial instruments.

31 December 2013	Loans and receivables	Held trading	Designated at fair value	Available for sale	Held to maturity	Other liabilities	Total carrying amount
Cash and cash equivalents	761.556	--	--	--	--	--	761.556
Receivables related to finance sector operations	3.805.626	--	--	--	--	--	3.805.626
Financial investments	--	--	356.151	2.631.930	464.756	--	3.452.837
Trade receivables	2.124.498	--	--	--	--	--	2.124.498
Other receivables	345.570	--	--	--	--	--	345.570
Derivatives	--	2.482	--	--	--	--	2.482
Other assets (*)	773.180	--	--	--	--	--	773.180
Total assets	**7.810.430**	**2.482**	**356.151**	**2.631.930**	**464.756**	**--**	**11.265.749**
Borrowings	--	--	--	--	--	(4.660.886)	(4.660.886)
Derivatives	--	(33.234)	--	--	--	--	(33.234)
Trade payables	--	--	--	--	--	(920.284)	(920.284)
Payables related to finance sector operations	--	--	--	--	--	(6.110.855)	(6.110.855)
Other payables (**)	--	--	--	--	--	(214.130)	(214.130)
Total liabilities	**--**	**(33.234)**	**--**	**--**	**--**	**(11.906.155)**	**(11.939.389)**

(*) Non financial assets like assets held for sale, income accruals, VAT receivables and advance payments are excluded from other assets.
(**) Deposits and guarantees given are excluded from other liabilities.

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33 Financial instruments – Fair values and risk management *(continued)*

***Fair value information** (continued)*

The table below provides reconciliation between line items in the consolidated statement of financial position and categories of financial instruments.

31 December 2012	Loans and receivables	Held trading	Designated at fair value	Available for sale	Held to maturity	Other liabilities	Total carrying amount
Cash and cash equivalents	474.571	--	--	--	--	--	474.571
Receivables related to finance sector operations	2.893.680	--	--	--	--	--	2.893.680
Financial investments	--	--	451.281	1.775.472	396.939	--	2.623.692
Trade receivables	1.605.309	--	--	--	--	--	1.605.309
Other receivables	533.465	--	--	--	--	--	533.465
Derivatives	--	4.175	--	--	--	--	4.175
Other assets (*)	801.221	--	--	--	--	--	801.221
Total assets	**6.308.246**	**4.175**	**451.281**	**1.775.472**	**396.939**	**--**	**8.936.113**
Borrowings	--	--	--	--	--	(4.265.233)	(4.265.233)
Derivatives	--	(3.244)	--	--	--	--	(3.244)
Trade payables	--	--	--	--	--	(1.745.255)	(1.745.255)
Payables related to finance sector operations	--	--	--	--	--	(4.654.317)	(4.654.317)
Other payables (**)	--	--	--	--	--	(181.417)	(181.417)
Total liabilities	**--**	**(3.244)**	**--**	**--**	**--**	**(10.846.222)**	**(10.849.466)**

(*) Non financial assets like assets held for sale, income accruals, VAT receivables and advance payments are excluded from other assets.
(**) Deposits and guarantees given are excluded from other liabilities.

33 Financial instruments – Fair values and risk management *(continued)*

***Fair value information** (continued)*

Fair value hierarchy

The fair value hierarchy consists of three levels, depending upon whether fair values are determined based on quoted prices in an active market (Level 1), valuation techniques with observable inputs (Level 2) or valuation techniques that incorporate inputs which are unobservable and which have significant impact on the fair value of the instrument (Level 3):

Valuation models

The Group measures fair values using the following fair value hierarchy, which reflects the significance of the inputs used in making the measurements.

- Level 1: This category includes inputs that are quoted market prices (unadjusted) in active markets for identical instruments. These are instruments where the fair value can be determined directly from prices which are quoted in active, liquid markets and where the instrument observed in the market is representative of that being priced in the Group's portfolio.
- Level 2: This category includes inputs other than quoted prices included within Level 1 that are observable either directly (i.e. as prices) or indirectly (i.e. derived from prices). This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques in which all significant inputs are directly or indirectly observable from market data.
- Level 3: This category includes all instruments where the valuation technique uses inputs based on unobservable data, which could have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments where significant, unobservable adjustments or assumptions are required to reflect differences between instruments. Unobservable in this context means that there is little or no current market data available from which the price at which an arm's length transaction would be likely to occur can be derived.

The Group uses following assumptions to estimate the fair value of financial instruments:

Equity securities: Fair values of publicly traded equity securities are based on quoted market prices where available. In the case of where no quoted market is available, fair value is determined based on quoted prices for similar securities or other valuation techniques. Valuation techniques include discounted cash flow models and transaction multiple methods. Where equity securities are not traded in stock exchange and have no quoted market price, and their fair value cannot be reliably estimated by the alternative techniques, they are measured at cost less impairment, if any, and their fair values are expected to approximate to their costs.

Valuation of equity securities designated as at fair value through profit or loss was carried out by an independent appraiser firm as at 31 December 2013. Discounted cash flow method was used as valuation method and the fair value of this investment was assessed as TL 385.028 (equivalent to USD 180.400).

Debt securities: Fair values are based on quoted market prices, where available. Quoted market prices may be obtained from an exchange, dealer, broker, pricing service or regulatory service. If quoted prices in an active market are not available, fair value is based on an analysis of available market inputs, which may include values obtained from one or more pricing services or by a valuation technique that discounts expected future cash flows using a market interest rate curves, referenced credit spreads and maturity of the investment.

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33 Financial instruments – Fair values and risk management *(continued)*

***Fair value information** (continued)*

Valuation models (continued)

Derivative assets and liabilities: Derivatives are valued using valuation techniques. The valuation techniques and inputs depend on the type of derivative and the nature of the underlying instruments. Observable prices or model inputs are usually available in the market for exchange-traded derivatives and simple over-the-counter derivatives.

Availability of observable market prices and model inputs reduces the need for management judgement and estimation and also reduces the uncertainty associated with determining fair values. The principal technique used to value these instruments are based on discounted cash flows. These valuation models calculate the present value of expected future cash flows. Inputs to valuation models are determined from observable market data where possible. The inputs used include prices available from exchanges, dealers, brokers or providers of consensus pricing, yield curves, credit spreads, default rates, recovery rates, volatility of underlying interest rates, equity prices and foreign currency exchange rates. These inputs are determined with reference to quoted prices, recently executed trades, independent market quotes, where available.

Fair value estimates obtained from models are adjusted for any other factors, such as liquidity risk or model uncertainties; to the extent that the Group believes that a third party market participant would take them into account in pricing a transaction. Fair values reflect the credit risk of the instrument and include adjustments to take account of the credit risk of the Group entity and the counterparty where appropriate. For measuring derivatives, fair values taken into account both credit valuation adjustments and debit valuation adjustments.

Financial instruments measured at fair value

The table below analyses financial instruments measured at fair value, by the level in the fair value hierarchy into which the fair value measurement is categorised. The amounts are based on the values recognised in the consolidated statement of financial position.

31 December 2013	Level 1	Level 2	Level 3	Total
Financial assets				
Equity securities designated as at fair value through profit or loss	--	--	356.151	356.151
Financial assets available for sale	2.631.930	--	--	2.631.930
Derivatives	--	2.482	--	2.482
	2.631.930	2.482	356.151	2.990.563
Financial liabilities				
Derivatives	--	(33.234)	--	(33.234)
	--	(33.234)	--	(33.234)

33 Financial instruments – Fair values and risk management *(continued)*

***Fair value information** (continued)*

Financial instruments measured at fair value (continued)

31 December 2012	Level 1	Level 2	Level 3	Total
Financial assets				
Equity securities designated as at fair value through profit or loss	--	--	451.281	451.281
Financial assets available for sale	1.175.472	--	--	1.175.472
Derivatives	--	4.175	--	4.175
	1.175.472	4.175	451.281	1.630.928
Financial liabilities				
Derivatives	--	(3.244)	--	(3.244)
	--	(3.244)	--	(3.244)

No securities were transferred from Level 1 to Level 2 of the fair value hierarchy in 2013 (2012: None).

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33 Financial instruments – Fair values and risk management *(continued)*

***Fair value information** (continued)*

Financial instruments not measured at fair value

The following table compares the carrying amount of financial assets and liabilities not measured at fair value and analyses them by the level in the fair value hierarchy.

	Level 1	Level 2	Level 3	Total fair value	Total carrying amount
31 December 2013					
Financial assets					
Cash and cash equivalents	--	761.556	--	761.556	761.556
Receivables related to finance sector operations	--	--	3.805.626	3.805.626	3.658.442
Financial investments	--	464.756	--	464.756	464.756
Trade receivables	--	--	2.124.498	2.124.498	2.115.629
Other receivables	--	--	345.570	345.570	345.570
Other assets (*)	--	--	773.180	773.180	773.180
	--	**1.226.312**	**7.048.874**	**8.275.186**	**8.119.133**
Financial liabilities					
Borrowings	--	--	(4.660.886)	(4.660.886)	(4.943.825)
Trade payables	--	--	(920.284)	(920.284)	(916.927)
Payables related to finance sector operations	--	--	(6.110.855)	(6.110.855)	(6.110.855)
Other payables (**)	--	--	(214.130)	(214.130)	(214.130)
	--	**--**	**(11.906.155)**	**(11.906.155)**	**(12.185.737)**

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)

33 Financial instruments – Fair values and risk management *(continued)*

***Fair value information** (continued)*

Financial instruments not measured at fair value (continued)

31 December 2012					
Financial assets					
Cash and cash equivalents	--	474.571	--	474.571	474.571
Receivables related to finance sector operations	--	--	2.893.680	2.893.680	2.893.735
Financial investments	--	396.939	--	396.939	396.939
Trade receivables	--	--	1.605.309	1.605.309	1.591.467
Other receivables	--	--	533.465	533.465	533.465
Other assets (*)	--	--	801.221	801.221	801.221
	--	**871.510**	**5.833.675**	**6.705.185**	**6.691.398**
Financial liabilities					
Borrowings	--	--	(4.265.233)	(4.265.233)	(4.268.721)
Trade payables	--	--	(1.745.255)	(1.745.255)	(1.654.029)
Payables related to finance sector operations			(4.584.110)	(4.584.110)	(4.584.110)
Other payables	--	--	(181.417)	(181.417)	(181.417)
	--	**--**	**--**	**(10.776.015)**	**(10.688.277)**

34 Group enterprises

The consolidated financial statements aggregate financial information from the following entities:

Subsidiaries

The table below sets out all the subsidiaries and shows their shareholding structure at 31 December:

	Direct controlling interest of Çalık Holding		*Effective ownership interest of Çalık Holding and its Subsidiaries*	
Company Name	***2013***	***2012***	***2013***	***2012***
Adacami Enerji [1]	--	99,67	99,47	99,89
Akçay Enerji	99,67	99,67	99,78	99,78
Aktif Doğalgaz[1]	1,00	1,00	96,03	96,03
Aktifbank	99,86	99,86	99,65	99,65
Albtelecom[5]	--	--	60,60	60,60
Ant Enerji[1]	--	--	49,84	49,84
Atayurt İnşaat[1]	0,25	0,25	99,34	99,34
Atlas Petrol[1]	--	--	99,69	99,69
Ayas Rafineri	99,67	99,67	99,79	99,79
Başak Yönetim	100,00	100,00	100,00	100,00
BKT[9]	--	--	100,00	100,00
Çalık Alexandria[3]	3,00	3,00	53,07	53,07
Çalık Elektrik[1]	--	--	99,69	99,69
Çalık Enerji	99,69	99,69	99,80	99,80
Çalık Enerji Dubai[1]	--	--	99,69	99,69
Çalık Finansal Hizmetler	100,00	100,00	100,00	100,00
Çalık Gayrimenkul[2]	5,00	5,00	67,31	67,31
Çalık Hava	100,00	100,00	100,00	100,00
Çalık Korea[3]	--	--	50,23	50,23
Çalık NTF[1]	--	--	89,71	89,71
Çalık Pamuk[3]	--	--	27,63	27,63
Çalık Petrol[1]	--	--	99,69	99,69
Çalık Rüzgar[1]	--	--	94,70	94,70
Çalık Solar Enerji[1]	--	--	49,84	49,84
Çalık Turizm	83,07	83,07	92,08	92,08
Çalık USA[3]	--	--	50,23	50,23
Çalık Yönetim[7]	--	--	99,43	99,43
ÇED[1]	49,00	49,00	99,84	99,84
ÇEDAŞ[1]	49,00	49,00	50,84	50,84
ÇEP Petrol[1]	0,25	0,25	99,11	99,11
Cetel Çalık[7]	--	--	99,66	99,66
Cetel Telekom[6]	--	--	81,00	81,00
Doğu Akdeniz Petrokimya	0,10	0,10	83,99	83,99
Dore Altın	--	--	99,27	99,27
E-Kent(8)	--	--	98,69	98,69
E-Post(8)	--	--	99,43	99,43
Emlak Girişim (8)	--	--	99,86	99,86
Gap İnşaat Dubai(2)	--	--	66,29	66,29
Gap Elektrik	89,96	89,96	94,98	94,98
Gap Güneydoğu	100,00	100,00	90,35	90,35
Gap Güneydoğu FZE(3)	--	--	50,23	50,23
Gap İnşaat	66,29	66,29	99,19	99,19

34 Group enterprises *(continued)*

***Subsidiaries** (continued)*

	Direct controlling interest of Çalık Holding		*Effective ownership interest of Çalık Holding and its Subsidiaries*	
Company Name	*2013*	*2012*	*2013*	*2012*
Gap Inşaat Cons.(2)	--	--	66,29	66,29
Gap Pazarlama	95,00	95,00	95,00	95,00
Gap Pazarlama FZE(4)	--	--	95,00	95,00
Gap İnşaat Ukraine(2)	--	--	65,62	65,62
GapYapı	99,75	--	99,75	--
Gappa(4)	--	--	95,00	95,00
İkideniz Petrol(1)	--	--	99,69	99,69
Irmak Yönetim	5,00	5,00	67,31	67,31
Japan International(1)	--	--	24,92	24,92
Kızılırmak(1)	0,10	0,10	98,86	98,86
Lidya Maden	99,28	99,28	99,28	99,28
Momentum Enerji(1)	--	--	99,69	99,69
Ortur Elektrik(1)	--	--	89,72	89,72
Pavo (8)	--	--	79,31	--
Petrotrans Enerji	99,75	99,75	99,84	99,84
Sembol Enerji(1)	--	--	99,69	99,69
Sigortayeri (8)	--	--	98,69	98,69
Telemed	99,89	99,89	99,78	99,78
Tura	--	--	99,27	99,27
Türkmen Elektrik(1)	1,50	1,50	96,57	96,57
Turkuvaz Aktif	33,00	33,00	53,77	53,77
Turkuvaz ATV	58,00	58,00	78,77	78,77
Turkuvaz Dağıtım	58,00	58,00	78,77	78,77
Turkuvaz Filmcilik	58,00	58,00	78,77	78,77
Turkuvaz Gazete	58,00	58,00	78,77	78,77
Turkuvaz Görsel	58,00	58,00	78,77	78,77
Turkuvaz Haber	58,00	58,00	78,77	78,77
Turkuvaz Hizmet	58,00	58,00	78,77	78,77
Turkuvaz İzmir Gazete	58,00	58,00	78,77	78,77
Turkuvaz İzmir TV	88,32	88,32	94,10	94,10
Turkuvaz Kitapçılık	58,00	58,00	78,77	78,77
Turkuvaz Matbaacılık	58,00	58,00	78,77	78,77
Turkuvaz Medya	58,00	58,00	78,77	78,77
Turkuvaz Mobil	58,00	58,00	78,77	78,77
Turkuvaz Motor	--	--	58,00	58,00
Turkuvaz Radyo	33,00	33,00	53,77	53,77
Turkuvaz Reklam	58,00	58,00	78,77	78,77
Turkuvaz Sabah GmbH	--	--	58,00	58,00
Turkuvaz Teknik	58,00	58,00	78,77	78,77
Turkuvaz TV	33,00	33,00	53,77	53,77
Turkuvaz Yayın	58,00	58,00	78,77	78,77
Turkuvaz Yeniasır	58,00	58,00	78,77	78,77
Vadi Elektrik(1)	--	--	98,69	98,69

ÇALIK HOLDİNG ANONİM ŞİRKETİ AND ITS SUBSIDIARIES
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34 Group enterprises *(continued)*

***Subsidiaries** (continued)*

	Direct controlling interest of Çalık Holding		*Effective ownership interest of Çalık Holding and its Subsidiaries*	
Company Name	*2013*	*2012*	*2013*	*2012*
YEDAŞ(1)	--	--	50,84	50,84
Yenikom(1)	--	--	99,67	99,67
YEPAŞ(1)	--	--	49,00	49,00

1 *First consolidated under Çalık Enerji, then consolidated under the Group*
2 *First consolidated under Gap İnşaat, then consolidated under the Group*
3 *First consolidated under Gap Tekstil, then consolidated under the Group*
4 *First consolidated under Gap Pazarlama, then consolidated under the Group*
5 *First consolidated under Çetel Telekom, then consolidated under Çetel Çalık, then consolidated under Telemed, then consolidated under the Group*
6 *First consolidated under Çetel Çalık, then consolidated under Telemed, then consolidated under the Group*
7 *First consolidated under Telemed, then consolidated under the Group*
8 *First consolidated under Aktifbank, then consolidated under the Group*
9 *First consolidated under Çalık Finansal Hizmetler, then consolidated under the Group*

Joint ventures

The table below sets out the joint ventures and their shareholding structure at 31 December:

	Direct controlling interest of Çalık Holding		*Effective ownership interest of Çalık Holding and its Subsidiaries*	
	2013	*2012*	*2013*	*2012*
Çalık Limak Adi Ortaklığı	--	--	49,92	49,92
Doğu Aras	--	--	--	--
KÇE	--	--	37,17	37,17

Joint operation

The table below sets out the joint operation and their shareholding structure at 31 December:

	Direct controlling interest of Çalık Holding		*Effective ownership interest of Çalık Holding and its Subsidiaries*	
	2013	*2012*	*2013*	*2012*
Varyap-Gap Ortak Girişimi	--	--	33,14	33,14

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)

34 Group enterprises *(continued)*

Associates

The table below sets out the associates and their shareholding structure at 31 December:

	Direct controlling interest of Çalık Holding		*Effective ownership interest of Çalık Holding and its Subsidiaries*	
	2013	*2012*	*2013*	*2012*
Albania Leasing	0,00	0,00	26,25	26,25
Balkan Dokuma	31,00	31,00	31,00	31,00
IFM	--	--	4.99	4.99
Kazakhstan Ijara Company KIC Leasing.	0,00	0,00	16,68	16,68
Serdar Pamuk	10,00	10,00	10,00	10,00
TAPCO	50,00	50,00	0,00	0,00
TJK	0,00	0,00	17,48	17,48
TTK	32,00	32,00	32,00	32,00
VKŞ	--	--	100.00	100.00

35 Subsequent events

On 22 April 2014, Çalık Holding and its subsidiaries holding the shares of the Group's media subsidiaries have sold their all interest for a total consideration of TL 623.859 (equivalent to USD 292.301) which results the Group to lose the control of these entities after the reporting date.

The USD amounts shown in the consolidated statement of financial position and consolidated statement of profit or loss and other comprehensive income on the following pages have been included solely for the convenience of the reader. For the current year's consolidated financial statements, USD amounts are translated from TL consolidated financial statements using the official TL exchange rate of 2,1343 TL/USD prevailing on 31 December 2013. For the prior year's consolidated financial statements, USD amounts are translated from TL consolidated financial statements using the official TL exchange rate of 1,7826 TL/USD prevailing on 31 December 2012.

Such translation should not be construed as a representation that the TL amounts have been converted into USD pursuant to the requirements of IFRSs or Generally Accepted Accounting Principles in the United States of America or in any other country.

ÇALIK HOLDİNG ANONİM ŞİRKETİ AND ITS SUBSIDIARIES
AS AT 31 DECEMBER 2013
CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)

ASSETS	31 December 2013	31 December 2012	1 January 2012
Current assets			
Cash and cash equivalents	356.818	266.224	272.182
Financial investments	841.320	892.025	876.780
Trade receivables	807.807	730.075	955.935
- Due from related parties	*73.690*	*10.225*	*6.992*
- Due from third parties	*734.117*	*719.850*	*948.943*
Receivables from finance sector operations	*666.955*	*1.071.506*	*596.376*
Due from third parties	*666.955*	*1.071.506*	*596.376*
Other receivables	153.884	293.012	185.312
- Due from related parties	*14.304*	*65.260*	*13.605*
- Due from third parties	*139.580*	*227.752*	*171.707*
Inventories	439.583	414.481	279.204
Derivative financial instruments	1.163	2.342	--
Prepayments	201.577	109.804	51.302
Current tax assets	9.413	5.967	6.054
Other current assets	432.807	536.859	275.278
Total current assets	**3.911.327**	**4.322.295**	**3.498.423**
Assets held for sale	1.025.178	41.357	--
Total current assets	**4.936.505**	**4.363.652**	**3.498.423**
Non-current assets			
Trade receivables	187.601	170.468	98.133
- Receivables from third parties	*187.601*	*170.468*	*98.133*
Receivables from finance sector operations	1.116.124	551.787	846.931
-Due from third parties	1.116.124	551.787	846.931
Other receivables	8.028	6.249	887
- Due from third parties	*8.028*	*6.249*	*887*
Financial investments	776.464	579.961	276.392
Investments in equity accounted investees	31.544	18.950	18.627
Investment property	142.085	362.048	194.042
Property, plant and equipment	531.098	586.453	580.138
Intangible assets	254.346	957.292	909.367
Goodwill	*1.779*	*93.912*	*88.626*
Other intangible assets	*252.567*	*863.380*	*820.741*
Prepayments	1.383	3.881	9.734
Deferred tax assets	69.396	102.237	5.038
Other non-current assets	6	361	5.458
Total non-current assets	**3.118.075**	**3.339.687**	**2.944.747**
Total assets	**8.054.580**	**7.703.339**	**6.443.170**

ÇALIK HOLDİNG ANONİM ŞİRKETİ AND ITS SUBSIDIARIES
AS AT 31 DECEMBER 2013
CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)

	31 December 2013	31 December 2012	1 January 2012
LIABILITIES			
Current liabilities			
Short term borrowings	1.452.918	1.259.221	623.600
Short term portion of long term borrowings	292.541	233.997	494.443
Derivative financial liabilities	15.571	1.820	--
Trade payables	358.481	979.050	558.075
- Due to related payables	*260*	*180*	*1.732*
- Due to third payables	*358.221*	*978.870*	*556.343*
Payables from finance sector operations	2.704.279	2.505.255	2.292.140
Employee benefit liabilities	4.280	10.587	8.465
Other payables	156.959	163.767	149.429
- Due to related parties	*41.300*	*56.323*	*48.140*
- Due to third payables	*115.659*	*107.444*	*101.289*
Deferred revenue	914.151	187.376	79.180
Current tax liabilities	5.443	12.954	7.070
Short term provisions	30.967	42.242	22.336
- Short term employee benefits	*14.268*	*17.508*	*11.364*
- Other short term provisions	*16.699*	*24.734*	*10.972*
Other short term liabilities	60.051	24.730	33.819
Liabilities from equity accounted investees	17.433	--	--
Total current liabilities	**6.013.074**	**5.420.999**	**4.268.557**
Liabilities held for sale	861.967	6.881	--
Total short term liabilities	**6.875.041**	**5.427.880**	**4.268.557**
Non-current liabilities			
Long term borrowings	438.342	899.480	750.629
Trade payables	72.707	--	--
- Due to third payables	*72.707*	--	--
Payables from finance sector operations	*158.887*	*105.717*	*101.428*
Due to third payables	*158.887*	*105.717*	*101.428*
Other payables	44.897	52.813	143.607
- Due to related parties	--	*271*	--
- Due to third parties	*44.897*	*52.542*	*143.607*
Deferred revenue	*149.140*	*219.217*	*148.517*
Long term provisions	12.947	54.202	45.764
- Long term employee benefits	*12.534*	*40.178*	*23.152*
- Other long term provisions	*413*	*14.024*	*22.612*
Deferred tax liabilities	53.849	40.356	--
Other long term liabilities	78	94	--
Total non-current liabilities	**930.847**	**1.371.879**	**1.189.945**
Total liabilities	**7.805.888**	**6.799.759**	**5.458.502**

ÇALIK HOLDİNG ANONİM ŞİRKETİ AND ITS SUBSIDIARIES
AS AT 31 DECEMBER 2013
CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)

EQUITY			
Equity attributable to owners of the Company			
Share capital	127.509	127.509	127.509
Other comprehensive income	66.713	43.823	144.619
reclassified to profit or loss	--	--	--
Adjustment	--	--	--
to share capital	3.388	3.388	3.388
Translation reserve	(15.226)	46.675	(11.751)
Restricted reserves	90.494	82.388	73.248
Retained earnings	426.578	538.234	492.464
Loss / (profit) for the year	(480.758)	5.616	101.778
Total equity attributable to owners of the Company	**218.698**	**847.633**	**931.255**
Total non controlling interest	**29.994**	**55.947**	**53.413**
Total equity	**248.692**	**903.580**	**984.668**
Total equity and liabilities	**8.054.580**	**7.703.339**	**6.443.170**

ÇALIK HOLDİNG ANONİM ŞİRKETİ AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2013

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)

	2013	*2012*
Revenue	1.696.544	1.916.008
Cost of sales	(1.404.821)	(1.597.285)
Gross profit	**291.723**	**318.723**
Revenues from financial activities	338.198	306.794
Cost of revenues from financial activities	(140.327)	(129.265)
Gross profit from financial activities	**197.871**	**177.529**
Gross profit	**489.594**	**496.252**
Other income from operating activities	86.876	277.891
Administrative expenses	(231.908)	(187.009)
Selling, marketing and distribution expenses	(110.614)	(103.991)
Research and development expenses	(10.683)	(7.331)
Share of loss of equity accounted investees, net of taxes	(11.521)	(2.512)
Other expense from operating activities	(201.963)	(200.187)
Operating profit	**9.781**	**273.113**
Income from investing activities	32.739	18.845
Expense from investing activities	(56.350)	(30.569)
Operating profit before finance cost	**(13.830)**	**261.389**
Finance income	27.407	48.870
Finance costs	(265.414)	(178.082)
Net finance costs	**(238.007)**	**(129.212)**
Profit before tax	**(251.837)**	**132.177**
Tax expense		
Current tax expense	(31.082)	(49.866)
Deferred tax expense	11.412	(3.414)
Total tax expense	**(19.670)**	**(53.280)**
(Loss) /profit from continuing operations	**(271.507)**	**78.897**
Loss from discontinued operations	(209.251)	(73.281)
Profit for the year	**(480.758)**	**5.616**

ÇALIK HOLDİNG ANONİM ŞİRKETİ AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2013

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)

	2013	2012
(Loss)/profit for the year	(480.758)	5.616
Items that are or may be reclassified to profit or loss		
Foreign currency translation differences for foreign operations and reporting currency translation differences	42.993	(28.830)
The revaluation of financial assets available for sale	(24.332)	26.624
Deferred tax expense	3.756	(3.722)
Total comprehensive income	**22.417**	**(5.928)**
Total comprehensive income	**(458.341)**	**(312)**
Total other comprehensive income loss attributable to:		
Owners of the Company	(455.291)	6.096
Non-controlling interests	(25.468)	(480)
Net profit / (loss) for the year	**(480.759)**	**5.616**
Total comprehensive expense attributable to:		
Owners of the Company	(432.425)	168
Non-controlling interests	(25.917)	(480)
Total other comprehensive expense	**(458.342)**	**(312)**

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ÇALIK ENERJİ FZE
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MINING

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