The future will be shaped by our energy!

ÇALIK ENERJi

ANNUAL REPORT 2018

CONTENTS

OUR MISSION

Building a better future with all our energy across various regions in cooperation with our employees.

OUR VISION

Growing into the most commercially successful and preferred energy company in target countries.

OUR CORPORATE VALUES

Fairness At work and in our principles, we are a family that is motivated by what is right and fair.

People-Oriented We devote all our energy to improving people's lives. Our priority is always the development and happiness not only of our employees and customers but of all the people touched by the value we generate.

Reputation Our good reputation comes before anything else.

Work from the Heart No matter what, we put our hearts into what we do for our company, to achieve our goals and to realize projects we firmly believe will add value to people's lives.

Innovation We continuously develop and improve our solutions and business models, identifying those that will differentiate us.

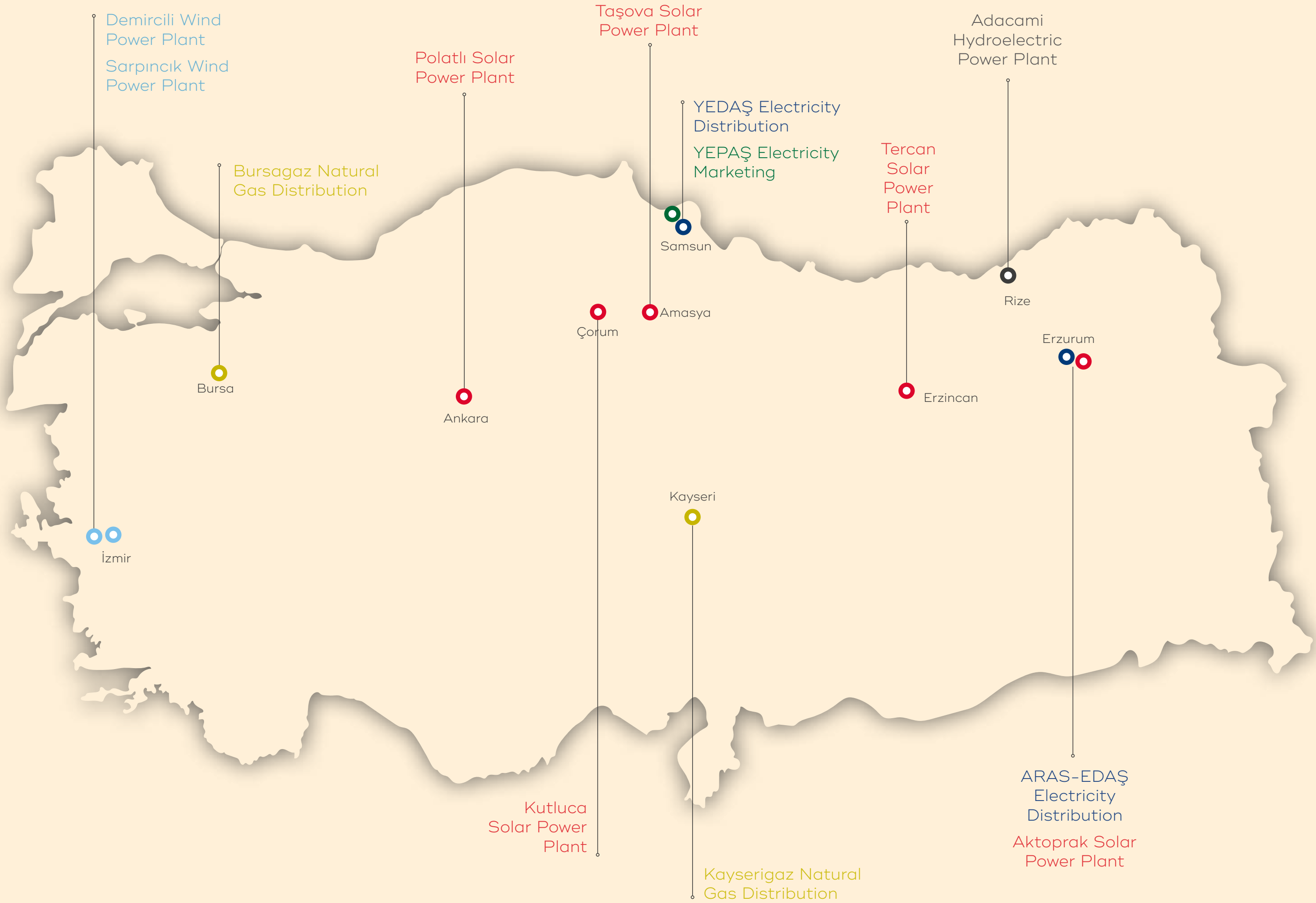
Agility We have the flexibility and speed to meet every challenge.

Sustainability We value long-term, continuous success and respect the environment.

OUR COMPETITIVE ADVANTAGES

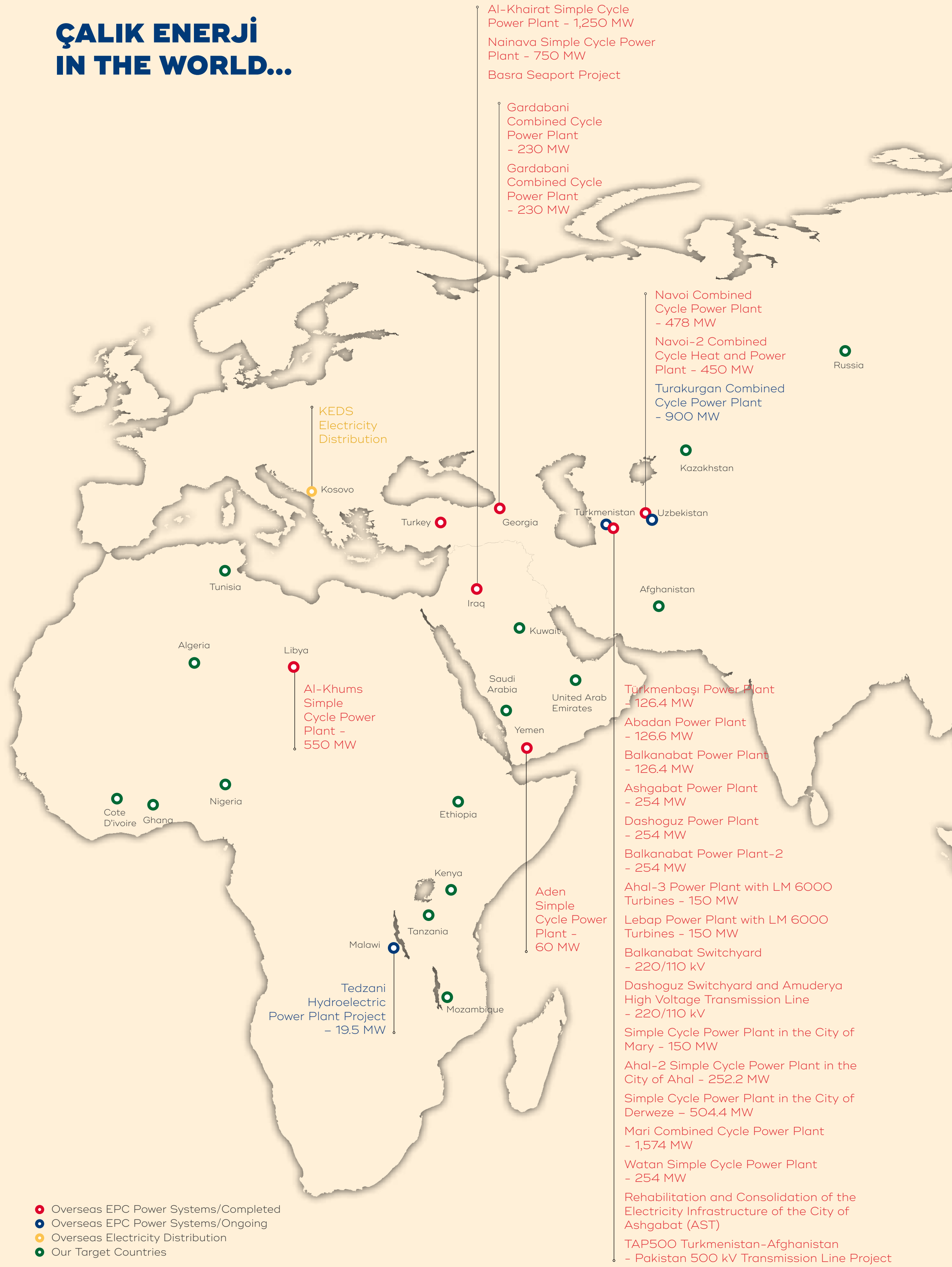
- Highly qualified workforce,
- Capacity of doing business in challenging regions,
- Embracing the principles of reliability and transparency in all business relations,
- Targeting high levels of customer satisfaction,
- World-class quality standards,
- Fast decision-making,
- Effective management of business processes and connections,
- Strong international business partnerships in the sector.

ÇALIK ENERJİ IN TURKEY...



- Electricity Distribution
- Electricity Marketing
- Natural Gas Distribution
- Hydroelectric Power Plant
- Solar Power Plant
- Wind Power Plant

ÇALIK ENERJİ IN THE WORLD...



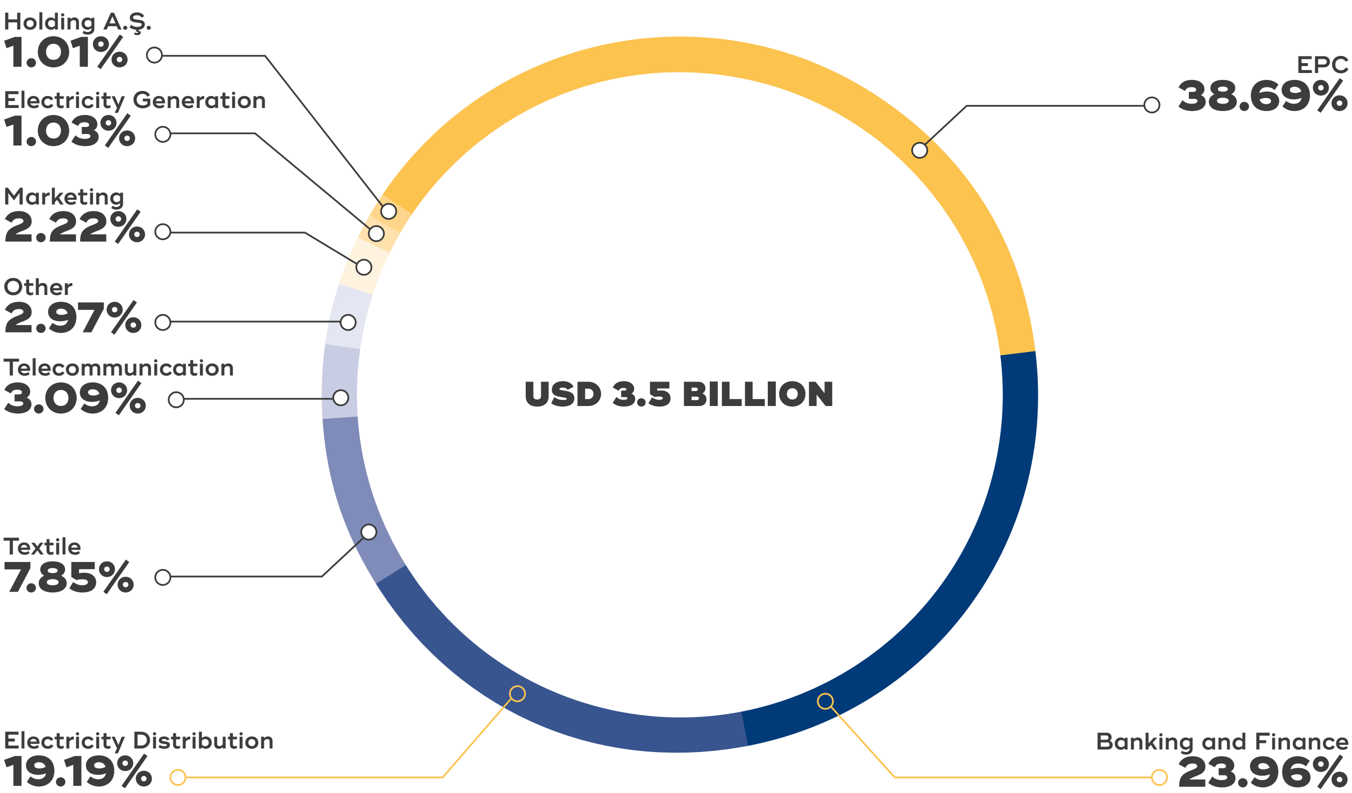
With technology evolving at an unimaginable pace, we are rapidly approaching the future. As all aspects of life change at unprecedented speed, we are rapidly transforming ourselves for the cities and lives of the future.

We create value at every stage of the energy value chain, from generation to distribution. We offer invisible power to people with a visible difference. We take steps to ensure that technology enhances service quality and customer satisfaction today, while shaping the world of tomorrow.

ÇALIK HOLDİNG IN BRIEF

Çalık Holding operates in 22 countries in Central Asia, Balkans, Middle East and North Africa (MENA) and employs 28 thousand people.

BREAKDOWN OF INCOME BY SECTOR



Presence in 7 sectors in more than 20 countries...

Number of Employees
28 thousand

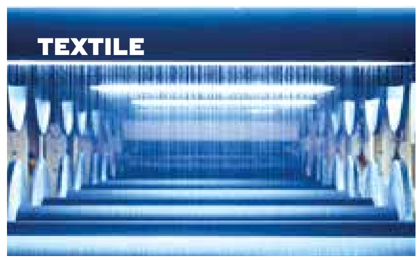
Total Assets
TL 47.4 billion

Total sales in 2018
TL 11.3 billion

Founded by Ahmet Çalık in 1981, Çalık Holding operates in energy, construction and real estate, mining, textile, finance, and telecommunications. The Group conducts operations in 22 countries in Central Asia, Balkans, Middle East and North Africa (MENA) and employs 28 thousand people.

Çalık Holding is a strong player both in Turkey and overseas. The Holding operates the following companies: Çalık Enerji in energy; Çalık Petrol in oil exploration; YEDAŞ, YEPAŞ, KEDS in partnership with Limak, and ARAS EDAŞ and ARAS EPAŞ in partnership with Kiler in electricity distribution; Lidya Madencilik in mining; Gap İnşaat and Çalık Gayrimenkul in construction; Aktif Bank, Albania BKT (Banka Kombetare Tregtare) and Kosovo BKT in finance; Çalık Denim and Gap Pazarlama in textiles; ALBtelecom in telecom; and Çalık Digital in the digital arena.

Çalık Holding is widely recognized globally thanks to its strong reputation, credibility, sound financial structure and long-standing partnerships with international companies as part of its operations in different regions of the world. The Holding develops innovative business models and achieves sustainable growth in its core areas of activity. Driven by the principle of creating lasting value everywhere it operates, Çalık Holding is focused on digitizing its business processes, services and products in order to tap into the new opportunities that Industry 4.0 presents.



A sustainable future...

We work to create a better and sustainable future. We are committed to achieving continuous and long-term success while acting responsibly for the environment and human health. Thanks to our environmentally friendly production, we continue to create value for the future.

ÇALIK ENERJİ IN BRIEF

Çalık Enerji's expert and highly experienced staff develops creative and innovative solutions across all areas of the global energy business with the use of emerging technologies.

ESTABLISHMENT DATE

1998

Çalık Holding

95.42%

Kırmızı Elmas En. ve Altyapı Yat. A.Ş.

4.48%

Ahmet Çalık

0.10%

NUMBER OF EMPLOYEES

4,498

www.calikenerji.com

A prominent global energy company thanks to its successful projects, Çalık Enerji operates across a wide geographic region encompassing the Middle East, Central Asia, Africa and the Balkans. The Company is committed to creating a better and sustainable future and providing people with energy originating from nature. Çalık Enerji's expert and highly experienced staff develops creative and innovative solutions across all areas of the global energy business by using emerging technologies. Currently, Çalık Enerji operates in Turkey, Turkmenistan, Uzbekistan, Iraq, Georgia, Libya, Russia, Dubai, Afghanistan, Yemen, Malawi, and Kosovo.

Çalık Enerji boasts a strong presence in energy and energy infrastructure projects in fast-growing markets including Africa and the Middle East. The Company has also further expanded its operations, venturing into the transport, desalination and hybrid energy sectors. Çalık Enerji partnered with Mitsubishi Corporation to work in transportation in new regions and re-entered the Iraqi market. Accordingly, the Company joined the Basra Seaport Project, its first transport project, in 2018.

To further broaden its reach, Çalık Enerji is expanding to new markets in Sub-Saharan Africa. In addition, the Company initiated the process to establish a branch in Saudi Arabia in order to better capitalize on its potential in the Middle East region. Çalık Enerji also partnered with Sonatrach in Algeria for various projects via the goodwill agreement it signed. The Company plans to see the outcomes of its bids in the sector in 2019.

Hybrid distributed energy, an emerging trend in the energy industry, is a new operational area for Çalık Enerji, which is undertaking projects in this burgeoning field. The Company commenced work in the electricity, oil and natural gas sectors in Russia – a new market with enormous potential. Çalık Enerji also commissioned the largest combined cycle power plant (1,574 MW) in the CIS (Commonwealth of Independent States) region in Mary, Turkmenistan.

In light of its many achievements and deep experience, Çalık Enerji continues its renewable energy and oil-gas operations in Turkey. To date, the Company has completed the following projects: Adacami Hydroelectric Power Plant (30 MW) commissioned in 2013 in Güneysu,

Rize; Demircili and Sarpıncık Wind Power Plants (72 MW) commissioned in 2016 in İzmir; Çorum (9.25 MW), Amasya (5 MW), Erzincan (5 MW), Erzurum (5 MW), Polatlı (1 MW) Solar Power Plant Projects commissioned in 2016 and 2017.

In 2017, Çalık Enerji focused on capacity expansion at its solar power plants. The Company has invested in 25 MW of installed solar capacity in Turkey.

Thanks to its effective human resources management policy, Çalık Enerji boasts a strong executive team and highly competent employees. Çalık Enerji's human capital enables the company to successfully achieve all its strategic goals and performance targets.

Despite the many difficulties and challenges it faces by conducting operations across various geographic regions of the world, Çalık Enerji remains committed to achieving its ambitious objectives. The Company continues to move forward under all circumstances and successfully implements pioneering projects. Adopting a win-win approach to investments and services, Çalık Enerji always aims to significantly contribute to the regions where it operates.

Boasting a highly efficient procurement and logistics organization, Çalık Enerji also consistently delivers high levels of supplier satisfaction. Strong, long-term relationships with suppliers help bolster the Company's competitive position, especially in challenging markets. Additionally, Çalık Enerji places great importance on improving its relations with local authorities in the countries where it invests with the aims of becoming a key player in these local markets.

IQB Solutions

IQB Solutions (Akılcı Bilişim Çözümleri ve Danışmanlık A.Ş.), a Çalık Elektrik Dağıtım A.Ş. subsidiary, was established in May 2017, to provide technology, software and consulting services to both domestic and international markets. IQB Solutions has adopted the mission of providing customers with quality, reliable, fast and scalable solutions featuring advanced technologies. Its primary field of activity is big data analytics, IoT technologies and digitalization solutions.

As of 2018, the Company continues to develop the following products:

- IQBig Big Data and IoT Platform,
- EDAŞ Online New Connection Management Solution,
- IQN Energy Sales and Trade Management Solution,
- EDVARS - Electricity Distribution Data Warehouse and Reporting Product.

Çalık Enerji's Quality Standards and Certifications

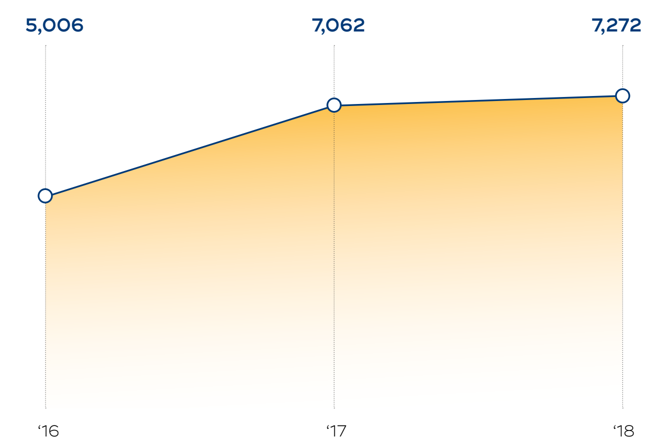
- ISO 9001:2015 Quality Management System
- ISO 14001:2015 Environmental Management System
- OHSAS 18001 Occupational Health and Safety Management System
- ASME A, S, U Stampler Boiler and Pressure Vessel Directive

KEY FINANCIAL AND OPERATIONAL INDICATORS

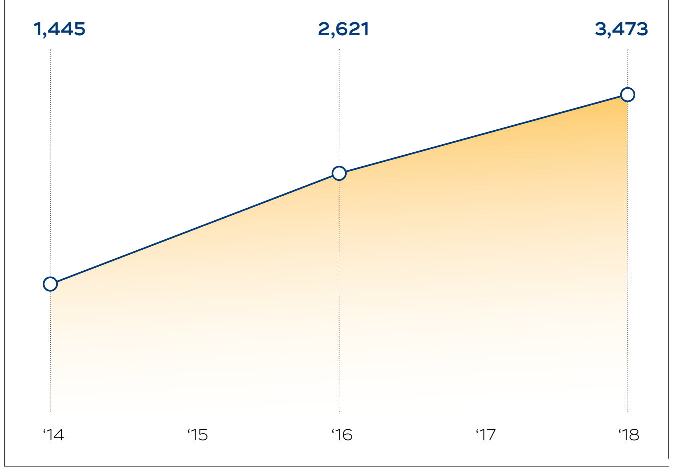
Çalık Enerji maintained its strong financial performance also in 2018, increasing net sales to TL 5 billion and total assets to TL 7.3 billion.

Financial Summary (TL million)	2016	2017	2018
Total Assets	5,006	7,062	7,272
Net Sales	3,552	4,807	4,959
Total Equity	1,445	2,621	3,473
EBITDA	894	1,270	1,440
EBITDA Margin (%)	25	26	29

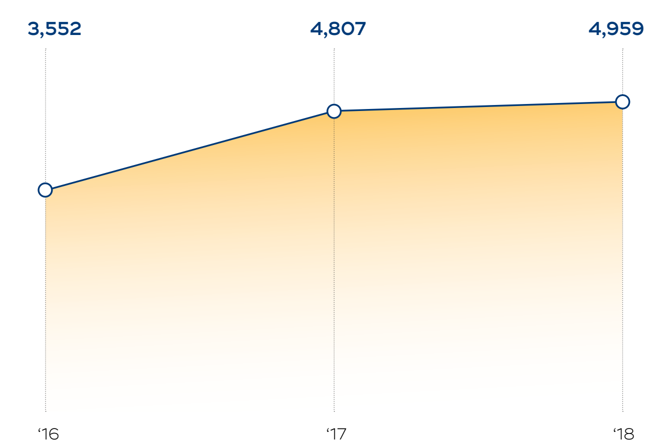
Total Assets (TL million)



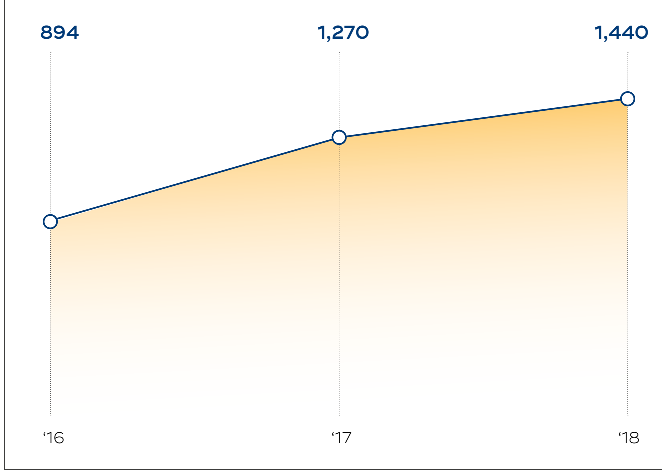
Total Equity (TL million)



Net Sales (TL million)



EBITDA (TL million)



DEVELOPMENTS IN 2018

Çalık Enerji is well aware that a sustainable future can only be achieved by unleashing new business opportunities. As a result, the Company places great importance on its operations in target markets.

New Projects

Turkmenistan-Afghanistan-Pakistan Transmission Line Project (TAP500)

Considered the most important high voltage transmission line project in Asia, the TAP500 project will proceed in parallel with the Turkmenistan-Afghanistan-Pakistan-India (TAPI) Natural Gas Pipeline project. The initial agreement for TAP500 was signed in Kabul, Afghanistan, with the participation of representatives from relevant countries. The USD 1.6 billion project, which will be managed by Çalık Holding, is one of the most important investment projects undertaken by a Turkish company in Asia. Turkmenistan, currently exporting electricity to Afghanistan and Iran, will be able to sell electricity to countries in Southeast Asia once the TAP500 Project is finalized. TAP500 is expected to be finalized in three years following the start of construction.

Mary-3 Project

Turkmenistan's largest combined cycle power plant, the Mary-3 project commenced operations after construction was completed and an opening ceremony was held. The facility has a capacity of 1,574 MW with central generation systems consisting of four gas turbines, four boilers and two steam turbines from GE. Mary-3 is the largest combined cycle power plant featuring advanced technologies constructed in a single stage after the independence of Turkmenistan. Çalık Enerji continues to operate the facility.

Basra Seaport Project

Çalık Enerji entered into an agreement to renovate and rehabilitate Basra Seaport, Iraq's most important sea gateway. The project will be implemented in partnership with Mitsubishi Corporation. Basra Seaport project will expand the oil products dock at Khor Al-Zubair Port, where the existing industrial port facilities surrounding Basra will be located. The project will also deploy a new seaport for the vessels and service boats operating at Umm Qasr Port.

Tedzani-4 Hydroelectric Power Plant Project

Çalık Enerji's first renewable EPC project, Tedzani-4 Hydroelectric Power Plant has an installed capacity of 19.5 MW. Tedzani-4 is the first power plant to be commissioned in partnership with Çalık Enerji and Mitsubishi Corporation in Sub-Saharan Africa. Construction work commenced on June 11, 2018 and is scheduled for completion in September 2021. The construction stage of the project is planned to be finalized in 40 months. Çalık Enerji undertook turnkey construction of the project, including construction work and the design, procurement, transport, production and assembly of turbines, generators and peripheral systems, 66 kV switchyard, energy transmission line and hydromechanical equipment.

Integrated PV Panel Manufacturing Plant

In April 2018, Atayurt İnşaat A.Ş., a Çalık Enerji subsidiary, was granted a state subsidy for the 500 MW Integrated PV Panel Manufacturing Plant. Feasibility and preliminary project design efforts are ongoing.

Ongoing Projects

Turakurgan Combined Cycle Power Plant

The Turakurgan project, the contract process of which commenced in January 2017, is located in the village of Turakurgan in Namangan, Uzbekistan's second largest city. With a total capacity of 900 MW, the project comprises two blocks, each holding 450 MW, in a configuration of 2+2. As of December, the overall progress for the project has reached 69.95%. According to the schedule, assembly of the first gas turbine and first ignition will take place in July 2019.

Navoi-2 Combined Cycle Natural Gas and Heat Power Plant Project

After completing and delivering the Navoi Combined Cycle Power Plant in Uzbekistan in 2012, Çalık Enerji commenced work on the second project (450 MW) in January 2017. The total capacity of the project is 450 MW. As of December, the overall progress for the project has reached 79.39%. The gas turbine assembly is scheduled for completion in May 2018 with deployment at year-end 2018. Comprising a configuration of 1+1, the Navoi-2 Combined Cycle Heat and Power Plant will be delivered in January 2020, in accordance with the time schedule stated in the contract.

Gardabani Combined Cycle Power Plant

Construction of the 230 MW combined cycle power plant was completed in Gardabani, Georgia; operating activities for this project are ongoing.

Capacity Increases

Project design and permit efforts are ongoing for the capacity increases (2 x 12 MW) of Demircili Wind Power Plant (40MW) in Urla, İzmir and Sarpıncık Wind Power Plant in Karaburun, Çeşme. The construction stage will commence upon obtaining a permit from the relevant Ministry.

AWARDS IN 2018

- According to results of Turkey's Top 500 Exporters survey, conducted by Turkish Exporters' Assembly (TİM) based on 2017 data, Çalık Enerji ranked fifth in the construction and engineering industry and 15th overall in Turkey.
- Çalık Enerji ranked 104th out of 250 companies in the annual list compiled by ENR (Engineering New Record), a world renowned international contracting trade publication.
- According to the Platin Global 100 Index, created by Platin magazine and independent market research firm Ipsos to identify Turkey's top contributors in terms of exports and overseas initiatives, Çalık Enerji ranked sixth in the industry and 31st overall.

ÇALIK ENERJİ'S
"FIRSTS" AND "MAJOR ACHIEVEMENTS"
IN THE INDUSTRY

Construction of the "**478 MW Navoi Combined Cycle Power Plant"** in Uzbekistan in 2012, the biggest power plant built in Central Asia after the country's independence.

The "230 MW Gardabani Combined Cycle Power Plant," the first combined cycle power plant and the largest investment project to date in Georgia, is also Çalık Enerji's first turnkey natural gas combined cycle power plant project.

The "**Adacami HEPP investment,"** which features the longest tunnel (12 km) among hydroelectric power plants with regulators.

Construction of the **"1,250 MW Al-Khairat Simple Cycle Power Plant"** and "**750 MW Nainawa Simple Cycle Power Plant"** in Iraq in 2013 – the biggest power plants in the country.

Construction of the **450 MW LM6000 gas turbines** in Turkmenistan's Ahal-Mary-Lebap provinces, advanced technology used for the first time in the country.

Completed by Çalık Enerji, the **"AST Project (Provision of Continuous Electricity to the City of Ashgabat)"** is the first-of-its-kind project in the world with the largest budget; the entire electrical energy infrastructure of a city was replaced and revamped under a single contract.

The "1,574 MW Mary-3 Combined Cycle Power Plant," the largest power plant constructed after Turkmenistan's independence; the facility was commissioned in 2018.

Construction of the "**550 MW Al-Khums Fast Track Simple Cycle Power Plant,"** the first project that Çalık Enerji completed in Libya.

The "**60 MW Aden Fast-Track Mobile Power Plant"** is Çalık Enerji's third project in the Middle East, the first mobile power plant contract and the Company's first project in Yemen.

"Demircili and Sarpıncık Wind Power Plants," which consist of 29 turbines with an aggregate installed capacity of 72 MW, are the first WPPs built by Çalık Enerji.

Çalık Enerji **ranks among the world's top 10 companies** in constructing fossil fuel power plants.

The "**Turkmenistan-Afghanistan-Pakistan (TAP500) Transmission Line,"** which is one of the most important investment projects ever undertaken by a Turkish company in Asia.

"Basra Seaport" is Çalık Enerji's first project in the transport sector in the Middle East and North Africa (MENA) region.

MILESTONES

In 2018, the Mary-3 Combined Cycle Power Plant commenced operations in the Mary province of Turkmenistan as the largest combined cycle power plant of Central Asia after independence.

1998
- Çalık Enerji was established.

2002
- The first power plant contract for Turkmenistan was signed.

2003
- The first power plant project was completed in Turkmenistan.

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

2007
- Çalık Enerji acquired Kayserigaz, a natural gas distribution company operating in Kayseri.

2008
- In line with its growth strategy and restructuring initiative, Çalık Enerji sold off majority shares in Bursagaz and Kayserigaz to the Germany-based international energy company EWE.

2009
- A contract was signed for the construction of the first combined cycle power plant in Uzbekistan.

2010
- YEDAŞ, distributing electricity to the provinces of Samsun, Ordu, Çorum, Amasya and Sinop in the central Black Sea region, was acquired, which constituted yet another first for the Company in the field of electricity distribution services.

2011
- A contract was signed for the construction of a total of 2,000 MW power plants in Mosul and Karbala regions of Iraq.

2012
- The venture of Çalık Holding and Limak Holding acquired the electricity distribution services of Kosovo, as a first in electricity distribution outside Turkey.
- The first combined cycle power plant in Navoi, Uzbekistan constructed after the independence in Central Asia, was opened.
- The Company ranked among 250 global companies in the list of ENR Engineering News Record, which ranks the world's largest international companies.

2013
- The 1,250 MW Al-Khairat Power Plant, the largest power plant of Iraq, was constructed and commenced operation in 2013.
- The Adacami Hydroelectric Power Plant, the Company's first investment contract in Turkey, was opened.
- Çalık Holding, in partnership with Kiler Holding, acquired Aras Electricity Distribution, which distributes electricity to seven provinces in Eastern Anatolia.

2014
- The 1,250 MW Al-Khairat Power Plant project, completed in Iraq, was selected by ENR as the best industrial project of the world.
- The 750 MW Nainawa Power Plant, the second largest power plant in Iraq, was opened in Mosul.

2015

- The Company partnered with Mitsubishi Corporation.
- Çalık Enerji completed and delivered the Gardabani Natural Gas Combined Cycle Power Plant. The Company also carried out the operation of the facility, thereby venturing into the area of combined cycle power plant operation.

2016

- Comprising 29 turbines and 72 MW installed capacity, Demircili and Sarpıncık WPPs, the first WPP investment of the Company, started generation activities.
- The AST Project (Provision of Continuous Electricity to the City of Ashgabat) was completed as the largest single-stage electricity infrastructure replacement project undertaken by the Company.
- Çalık Enerji constructed its first solar power plant in Polatlı, Ankara.

2017

- The 550 MW Al-Khums Fast Track Simple Cycle Power Plant, the first project the company completed in Africa (Libya) commenced operations.
- A contract was signed for the 18 MW Tedzani-4 plant, the first power plant project undertaken by the Company in partnership with Mitsubishi Corporation in Sub-Saharan Africa.
- Construction works were initiated for the largest two projects in Uzbekistan, the 900 MW Turakurgan Combined Cycle Power Plant and the 450 MW Navoi-2 Natural Gas Combined Cycle and Heat Power Plant.
- The Company invested in 30 MW of solar power plants in Turkey.

2018

- The 1,574 MW Mary-3 Combined Cycle Power Plant was commenced operations in the Mary province of Turkmenistan as the largest combined cycle power plant of Central Asia after independence.
- In Afghanistan, a contract was signed for the TAP500 500 kV transmission line, with the participation of energy ministers and executives. The project will be the first international transmission line project of the Company and enable the sales of Turkmenistan's electricity to Afghanistan and Pakistan.
- Atayurt İnşaat A.Ş., a Çalık Enerji subsidiary, was entitled to state subsidy for the 500 MW Integrated PV Panel Manufacturing Plant.
- Çalık Enerji entered into an agreement for the renovation and rehabilitation of the Basra Seaport, Iraq's most important gateway at sea.
- A groundbreaking ceremony for the Tedzani-4 Hydroelectric Power Plant in Malawi was held. Construction works started afterwards.

Rehearsals for the future...

We break new ground for the future, driven by the approach that **“today is the foundation for tomorrow.”** We actively use SCADA, OSOS, and Smart Feeder in electricity distribution, for smart grid management, in particular. This is how we take action quickly and provide the best quality service with the least interruption.

MESSAGE FROM THE CHAIRMAN

Çalık Enerji ranked 104th in the "Top 250 Contractors" list compiled by ENR – the world's most prestigious architecture and contracting publication – thereby recording yet another major achievement as an industry leader.

Number of Employees

4,498

Total Assets

TL 7.3 billion

Net Sales

TL 5.0 billion

Equity

TL 3.5 billion

Esteemed Business Partners and Valued Employees,

We strongly felt the repercussions of uncertainties derailing the course of the global economy, trade wars, and fluctuations in financial markets as we concluded 2018. US economic data, which is eagerly followed, coupled with the highest-ever spike in bond yields since 2011 hampered the inflow of capital to developing countries, steering hot money to the US. Ongoing trade wars between the US and China resulted in severe tension in the world's leading economies. Although there was some relief when the final decision of the G20 summit in Argentina was to keep negotiations going, uncertainty caused by this tension over economic activity lingers and saps the momentum of China's economy. In the Eurozone, Brexit remains at a gridlock, and is expected to drag on unless the EU and UK government reach consensus.

In Turkey, we went through an economic rough patch in 2018. The Turkish lira depreciated significantly, delivering a negative performance even against other emerging market currencies, starting from August. However, thanks to rapid action taken, effective policies adopted by the economic administration, and implementation of the New Economic Plan which met market expectations significantly, allowed the TL to appreciate and rebound in the last months of the year. The country's foreign trade deficit narrowed rapidly despite the challenges faced, aided especially by the contributions of tourism revenue. This enabled Turkey to record a current account surplus for three consecutive months as of August.

Rising energy demand in the world

The advent of emerging advanced technologies significantly impacts every major industry around the world, including energy, and requires digitalization of the business models in energy trade. Demand for energy steadily rises, driven by more prosperity and rapid urbanization. Meanwhile, the shift in geographical and economic balances in the field of energy makes it essential for industry stakeholders to develop long-term solutions. Renewable energy also becomes increasingly important due to climate change.

Turkey's energy market isregulated in parallel with the EU model. Steps taken to respond to these macro trends helped deepen the Turkish energy market. Subsidies for local and renewable sources in generation helped reduced the country's energy import. Furthermore, the recent pro-active approach of the public and private sectors smoothed Turkey's way for regional trade.

We undertook major initiatives in 2018

In 2018, we invested in, and delivered, outstanding mega projects across the globe via Çalık Enerji. We opened the 1,574 MW Mary-3 Combined Cycle Power Plant in Turkmenistan. This facility is the largest combined cycle power plant built in Central Asia in a single stage. Featuring advanced technologies, Mary-3 is also the largest project of its type undertaken in the world. During the year, we broke the ground for and began construction of the Tedzani-4 Hydroelectric Power Plant, the first power plant to be built in Sub-Saharan Africa. Construction work for Navoi-2 Electricity and Heat Power Plant and Turakurgan Power Plant in Uzbekistan continued. In partnership with Mitsubishi Corporation, we won the tender for Basra Seaport Rehabilitation Project, Çalık Enerji's first seaport venture to be completed in Iraq's Basra region. Çalık Enerji and Gap İnşaat, two of our Group companies, joined forces and played a key role in the EPC section of this tender.

Çalık Enerji also ventured into Asia's most important energy project: TAP500. Our Company undertook the finance, engineering, construction, maintenance and repair work of the mega project. Under this major effort, electricity generated in Turkmenistan will be exported to Afghanistan and Pakistan. Çalık Enerji ranked 104th in the "Top 250 Contractors" list compiled by ENR, the most prestigious architecture and contracting publication, thereby recording yet another achievement as an industry leader.

Our focus in 2019: Innovation and digitalization

At Çalık Group, we aim to create global brands, capitalize on opportunities worldwide and offer innovative solutions across all our business lines. We are a major player in the global market. However, we need to undertake effective initiatives to become more competitive in an ever-changing world. For this

reason, we continue investing in digital transformation – one of our most important "weapons" – to renew ourselves and move forward in 2019. Meanwhile, we plan to maintain and expand our presence in our sectors and regions of operation, driven by continuous innovation. With the contributions of our firm Çalık Digital, which commenced operation as an indispensable component of our vision for digitalization, we aim to make the most of opportunities presented by the digital revolution.

Our solid financial performance in 2018 is due to the selfless and committed work of our colleagues and partners. I would like to express my firm belief that their contributions will expand even further. In addition, I would like to thank all our stakeholders and colleagues for their input and support.

Let me emphasize that we conduct all our projects with utmost sensitivity to society and the environment while working ambitiously to achieve our vision and objectives. Next year, I hope to continue undertaking new projects and creating value for everyone, hand in hand with you.

Kind regards,

Ahmet ÇALIK
Chairman of the Board

MESSAGE FROM THE GENERAL MANAGER

In 2018, the significant value we create for our country was recognized once again. On the “Top 500 Exporters of Turkey” list, compiled by Turkish Exporters’ Assembly, we ranked fifth in the “Construction and Contracting” sector and 15th overall in Turkey.

Esteemed Business Partners and Valued Employees,

Çalık Enerji’s approach to management is based on the core principles of reliability and transparency in its relations with all stakeholders. Exceeding expectations in customer satisfaction is a strategic priority for us. As a result, we execute all our projects by delivering outstanding quality, while duly fulfilling all our commitments on time. In 2018, we recorded a successful performance in parallel with our objectives and strategies across all our ongoing and prospective projects, the details of which are provided in this first annual report of ours. At Çalık Enerji, we are committed to making our achievements in Turkey and abroad sustainable. We actively pursue new markets to be a major global player and bolster our competitive edge, while leveraging investment opportunities to generate revenue domestically and internationally.

As we undertook initiatives that will shape our future, the results we achieved paralleled our sustainable growth and profitability targets. At year’s end, Çalık Enerji reported total assets of TL 7.3 billion and total equity of TL 3.5 billion. Meanwhile, total turnover for 2018 neared TL 5 billion. Our EBITDA amounted to TL 1.4 million, as we achieved profit growth even in an environment of growing risks and pronounced volatility both in Turkey and worldwide.

We continue crossing national borders

At Çalık Enerji, our target market is the entire world. Today, we are a global brand thanks to successful projects in numerous countries across the globe. In 2018, the significant value we create for our country was recognized once again. On the “Top 500 Exporters of Turkey” list, compiled by Turkish Exporters’ Assembly, we ranked fifth in the “Construction and Contracting” sector and 15th overall in Turkey. We also climbed on ENR (Engineering News Record)’s list, where the world’s most prestigious contracting publication ranked us 104th among 250 companies. Additionally, we rose to sixth place in sector (energy and oil) rankings and jumped to 31st in overall rankings on the Platin Global 100.

Çalık Enerji is committed to creating value by providing significant benefits to customers, particularly in the communities where it operates. This approach has made us a leading global contracting firm. In 2018, we undertook the investment and construction of TAP500 Electricity Transmission Line, which will proceed in parallel with the Turkmenistan-Afghanistan-Pakistan-India Natural Gas Pipeline Project (TAPI). Our participation in this mega project demonstrates that we are a company that first comes to mind in the global arena. Furthermore, in fiscal year 2018, we completed the assembly of, and commissioned, Mary-3, another major venture in Turkmenistan – the largest combined cycle power plant in Central Asia featuring advanced technologies.

We differentiate from the competition by undertaking and successfully completing projects based on our approach: guaranteeing unconditional customer satisfaction and organizational capability. The Navoi-1 project, which we completed in Uzbekistan, helped us establish deep relations based on trust, paving the way for two new projects in 2016. During the year, we broke ground for these projects – Turakurgan and Navoi-2 Power Plants.

In addition to our focused efforts in the Middle East, Central Asia and North Africa, we recently started to pursue opportunities in Russia, Eastern Europe and Sub-Saharan Africa. Power plants based on renewables is now one of our core fields of activity in addition to our portfolio of combined cycle natural gas plants. We place great importance on Tedzani-4 Hydroelectric Power Plant, which we commenced in 2018 in Malawi. This is our first renewable energy investment in a region with restricted access to electricity.

In 2018, we once again turned toward the Iraq market, where we have achieved numerous milestones throughout the history of our Company. In partnership with Mitsubishi Corporation, our Group company Gap İnşaat won the Basra Seaport renovation and rehabilitation project worth USD 110 million. Basra Seaport project is Çalık Enerji's first seaport project.

We geared up our renewable energy investments

One of the tenets of the National Energy and Mining Policy, initiated by the government to help reduce reliance on foreign resources, is expanding the share of renewable energies in electricity generation. At Çalık Enerji, we support initiatives taken by Turkey and work to duly fulfill our responsibility with local investments to help the country achieve its strategic goals. In 2018, we submitted applications to expand the capacity of our Demircili and Sarpıncık WPPs based in İzmir.

We have reached the final stage of our work as part of the 50 MW Wind Investment project in Georgia, which will come with a 10-year procurement guarantee within Georgia. The plan is to commence the project in 2019.

Çalık Enerji plans to continue conducting activities in all fields related to solar energy. In addition to our ongoing efforts to boost the number and capacity of existing investment projects in Turkey, we have ventured into the operation and maintenance arena.

We are engaged in solar power plants particularly in Sub-Saharan Africa both as investor and EPC contractor. We anticipate that these projects will begin in 2019.

The promotion of domestic and national energy encompasses not only resource use in production but also domestic technology. Accordingly, we started work to establish a renewable energy sector with high rates of domestic participation. In April 2018, our subsidiary Atayurt İnşaat obtained the Project-Based Investment Incentive Certificate for the 500MW Integrated PV Panel Manufacturing Plant slated to be built in Malatya.

Our distribution and sales companies continue to focus on efficiency

Turkey's largest electricity distribution companies in terms of their scale, investments and value creation, YEDAŞ and Aras EDAŞ work to provide the highest quality electricity to customers in the regions where they operate. Following suit after YEDAŞ, which utilized the first remote-monitoring and control systems in the sector, Aras EDAŞ completed its SCADA integration and took a major step toward digitalization in 2018. KEDS, our joint venture with Limak Holding, continued its investments

In addition to the employment opportunities and value creation in our regions, we promote sustainable development with corporate social responsibility projects that extend well beyond mere philanthropy.

in Kosovo in order to establish a modern and reliable network for all citizens of that country.

YEPAŞ, Çalık Enerji's retail electricity company, tapped into this period of electricity market fluctuations and higher financial risks to maximize customer satisfaction, by improving its customer services centers and collection channels.

Bursagaz, a natural gas distribution company where we are a shareholder, has reached a 6,447 km grid and over 1 million subscribers. As a result, Bursagaz is Turkey's third largest company in its field of operation as of year-end. Kayserigaz also made significant grid and system investments, reaching a grid length of 4,830 km and over 500 thousand subscribers.

We integrate all our business processes with digital technologies

At Çalık Enerji, we know that we can only move forward into the future by sharpening our entrepreneurial skills with digitalization. Our roadmap is aimed at implementing digital projects that help serve our Company's strategic priorities, where benefits outweigh costs. Established in 2017 as a subsidiary of Çalık Elektrik Dağıtım A.Ş., IQB Solutions has become a key initiative for us. Providing technology, software and consulting services in Turkey and across the globe, IQB Solutions has embraced big data analytics, IoT technologies and digitalization solutions as a core business. IQPower Suite is equipped with smart end point technology capable of processing millions of bits of data daily on site and creating relevant reports. In addition, we introduced its first module, IQWind – Wind Power Plant Analytic Reporting System, at the Microsoft Technology Summit. Our core objective in this journey is to create addedvalue for our customers, colleagues, shareholders, business partners and stakeholders. To boost efficiency and gain further competitive power, we closely monitor opportunities that will help us digitize internal processes and implement evolving technologies across our business lines. In fact, we see this as a continuous effort and ongoing cycle. All our Group companies follow this approach and steadily increase their investments in digital technologies.

Working to achieve a sustainable future is our core priority

As a pioneer in the energy industry, we act responsibly for a shared future across all our operating regions. In addition to the employment opportunities and addedvalue we create in our regions, we promote sustainable development via corporate social responsibility projects that go well beyond mere philanthropy. Our distribution companies, in particular, contribute significantly to the development of communities through initiatives they undertake in their respective regions.

Respect for the environment and community in every link of the value chain is critically important for Çalık Enerji companies. Therefore, Group companies are required to strictly observe environmental policies established in parallel with international and local regulations, ISO 14001 in particular. We also promote stakeholder participation in our sustainability approach as part of our relations based on transparency and shared understanding.

We are ready for the future

In 2019, we plan to ramp up our investments in renewable-based electricity generation and distribution. Our capital investments in grid improvement and capacity increases will also continue at our distribution companies. Meanwhile, we aim to develop a system solution for hybrid electricity generation – solar, storage, generator – and bolster our position in target markets.

Çalık Enerji is committed to be a company that does not simply witness market changes but rather sets the pace in the industry. We aim to achieve this by speeding up our efforts related to R&D, digitalization and Industry 4.0 while maintaining robust profit-driven growth. As we move forward to achieve these goals, we will never compromise on our mission to contribute to development and prosperity in all our regions, particularly our home country.

All the achievements we recorded in 2018 were made possible thanks to Çalık Enerji employees, who are open to innovation and change, and aware of the potential to develop themselves and their business. Allow me to thank our staff members, Çalık Holding and all our stakeholders who always serve as the greatest assurance and driving force for us.

Kind regards,

Onur YÜCEKAL
CEO

ORGANIZATIONAL CHART

CHAIRMAN OF THE BOARD
AHMET ÇALIK

BOARD OF DIRECTORS
OSMAN SAİM DİNÇ
MUSTAFA AKSOY
ORHAN GENİŞ

CEO
ONUR YÜCEKAL

EPC PROJECT EXECUTION DEPARTMENT
ÖZGÜR SARIKAYA

PROPOSALS & ENGINEERING DEPARTMENT
SAVAŞ KARAHAN

STRATEGY DEVELOPMENT DEPARTMENT
TAKAAKI TATEISHI

FINANCIAL AFFAIRS DEPARTMENT
BERKMAN ÖZATA

PROJECT CONTROL DEPARTMENT
AKIN BAĞLAN

UZBEKISTAN OFFICE
UMIDJON ALIMOV

BUSINESS DEVELOPMENT DEPARTMENT

ENERGY INVESTMENTS DEPARTMENT
HİKMET GÖKOĞLU

PROCUREMENT AND LOGISTICS DEPARTMENT
ORHAN ORHON

LEGAL AFFAIRS DEPARTMENT
SEMİH KUTLU SARISAKAL

HUMAN RESOURCES DEPARTMENT
NİLGÜN KİTAPCI

TURKMENISTAN OFFICE
MEHMET ÇIRAK

EXECUTIVE MANAGEMENT

ONUR YÜCEKAL
CEO

ÖZGÜR SARIKAYA
EPC PROJECT EXECUTIONS

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PROCUREMENT AND LOGISTICS

SAVAŞ KARAHAN
PROPOSALS & ENGINEERING

BERKMAN ÖZATA
FINANCIAL AFFAIRS

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HUMAN RESOURCES

AKIN BAĞLAN
PROJECT CONTROL

MEHMET ÇIRAK
TURKMENISTAN OFFICE

UMIDJON ALIMOV
UZBEKISTAN OFFICE

Environmentally friendly production on-site...

We follow a general-to-specific approach in energy generation to boost efficiency. We minimize the loss ratio through micro facilities and production intertwined with wellness centers. We will use resources more efficiently and reduce loss ratios much more significantly than today.

AN OVERVIEW OF THE ENERGY SECTOR IN 2018

The Middle East energy sector witnessed important developments in terms of prices, investment, generation speed, and infrastructure in 2018. Middle East countries are anticipated to maintain their financial and logistic support to the renewable energy sector in the upcoming years, so as to expand the share of renewables in electricity generation.

WORLD ENERGY MARKET

The advance of technology pushes the energy sector to go through rapid transition, which on the one hand unfolds new opportunities and on the other hand brings with it certain challenges. The global population growth, urbanization, and economic growth result in increased demand for energy. According to projections, significant part of this growth takes place in developing countries. More than 40% of the need for global energy came from Europe and North Africa, while 20% from the developing countries in Asia until 2000. And the projections by 2040 reveal that this picture has entirely reversed. Energy consumption in non-OECD countries, China and India in particular, outpaces the total energy consumption in OECD countries, and this gap is envisaged to widen in the upcoming years.

Renewable energy demand rises rapidly due to economy, environmental concerns and the need for energy security, while the demand for fossil-based power plants shrinks every passing day. Lower assembly costs for solar and wind plantsalso open the way for renewable energy. Solar and wind energy has become most affordable technologies in many countries. China and US stand for almost 50% of the growth in renewable energy generation.

Regulations in Europe helped minimize the number of gas and coal-based plants and the future of energy is renewable. Although China, one of the biggest countries in the world, still has gas power plants in its plans, solar and wind-based plants are higher in number than coal and gas-based plants. Still a promising market for gas power plants, the Middle East has also witnessed an impressive rise in renewable energies. The Middle East energy sector witnessed important developments in terms of prices, investment, generation speed, and infrastructure in 2018. Middle East countries are anticipated to maintain their financial and logistic support to the renewable energy sector in the upcoming years, so as to expand the share of renewables in electricity generation.

Meeting the existing demand for energy is still quite challenging in Africa. Reliable and sustainable energy provision for the entire African population is still yet to come. Insufficient grids have forced countries to seek unconventional solutions and concentrate on mini grids, a small-scale solution. Mini grids help countries get faster, more economic and easier results. Despite such solutions, large investments are needed in Africa to ensure everybody's access to electricity.

However, the sector still faces numerous challenges including fluctuating oil prices, rising security issues, and cyber threats that may hamper the development of the sector. Low oil prices continue to have a negative impact both on oil-related projects and the investment plans of the countries that rely on oil. Funding new coal projects is getting more difficult. Banks have reduced their loans for the coal sector by 44% since 2015. Large investors have drifted away from fossil fuel investments and leaned towards renewable sources.

ENERGY SECTOR IN TURKEY

Growth in population and income, industrialization and rising urbanization have all triggered the demand for energy strongly in Turkey, where the installed capacity rose by some 4% YoY to 88,551 MW as of the end of 2018. The share of natural gas combined plants shrank, while investments in solar and wind power plants maintain their momentum. As of the end of the year, hydroelectric stands for 32% in installed capacity; natural gas narrowed to 29%; and coal preserved its 22% share in 2017. The share of wind also remained intact, with 8%, while the share of solar increased to 6% up from 4% in 2017. This change in the breakdown of resources was highly thanks to the recent policies and steps Turkey started to implement so as to reduce reliance on foreign energy resources and increase the share of local and renewable resources.

In Turkey, electricity generation in 2018 rose to 293 TWh, up from 291 TWh at the end of 2017. Electricity consumption, on the other hand, was in parallel with generation, increasing to 292 TWh up from 290 TWh in 2017.

In order to overcome the handicap caused by its limited oil and natural gas reserves, Turkey exerts efforts to leverage its closeness to the region where majority of such reserves are located. In the meanwhile, it has become a central player in regional trade thanks to its strong economy and the relations established in energy diplomacy. Turkey has also come round important bends towards becoming the hub of energy trade through the start of gas stream in Trans Anatolian Natural Gas Pipeline (TANAP) and completion of the sea transit of TürkAkım. Breaking the grounds for the Akkuyu Nuclear Power Plant; bringing together Elektrik Üretim A.Ş. (EÜAŞ) and Türkiye Elektrik Ticaret ve Taahhüt A.Ş. (TETAŞ) under the umbrella of EÜAŞ; introduction of the Capacity Mechanism Regulation and the amendments thereto; as well as the opening of the STAR Refinery are also among the highlights of 2018.

More intensive efforts are made to liberalize the energy market in Turkey in parallel with the European model. One important development for the sector in 2018 was EMRA's reduction of the eligible consumer limit - 2,000 kWh of electricity per annum - to 1,600 kWh for 2019. Some 5 million additional subscribers became eligible consumers upon this step of EMRA.

EPC POWER SYSTEMS

Çalık Enerji has successfully completed numerous power plants in various regions including Turkmenistan, Iraq, Uzbekistan, Georgia, Libya and Yemen in 2018.

Çalık Enerji believes that advanced telecommunication, information technologies and program infrastructure allow for successful completion of its works. Furthermore, the Company proves its capacity of providing seamless engineering, procurement and construction (EPC) services through the projects it undertakes. The Company's EPC activities incorporate engineering, procurement, construction, operation and commissioning, warranty-period services, and spare part support.

Within this scope, the Company serves in the following areas of activity:

- Natural gas combined and simple cycle power plants;
- Renewable energy plants;
- Thermal plants;
- Switchyards and transformer substations; and
- High-voltage energy transmission lines.

Innovation and digitalization are indispensable for Çalık Enerji, which establishes the appropriate communication infrastructure between construction sites and control centers through innovative solutions based on artificial intelligence and neural systems. The investment and funding management program, SAP, and other special software programs provide the Company with sufficient capability to track technical progress, timetables, and the financial performance during the execution of a project.

Exclusive partnerships with well-known firms, including GE, Mitsubishi and Honeywell, have significantly contributed to the enhancement of the Company's EPC capacity.

Çalık Enerji has attained outstanding success through its engineering, construction, procurement and logistics skills in EPC projects it has undertaken in Turkmenistan since early 2000s. Propelled by this success, the Company has commissioned numerous projects in different countries in the world that range from power plants and transmission lines to electricity distribution and energy infrastructure projects.

Çalık Enerji has successfully completed numerous power plants in various regions including Turkmenistan, Iraq, Uzbekistan, Georgia, Libya and Yemen in 2018. The Mary-3 Combined Cycle Power Plant, one of the Company's completed projects, is the largest combined cycle power plant not only in Turkmenistan but also in Central Asia that was built in one stage and equipped with modern technologies. The 1,250 MW "Al-Khairat Power Plant" Çalık Enerji constructed in 2014 was selected the world's best "Industrial Project" by Engineering New Record (ENR), the most prestigious contracting and engineering magazine in the globe, being deemed worthy of the "World's Number One" award in the category of "Industrial Plants."

Meanwhile, Çalık Enerji completed the AST Project (Increasing the Reliability of Power Supply to the City of Ashgabat), replacing the entire infrastructure of the city in single stage with modern technologies for the first time in the world. This has become an outstanding achievement for the Company regarding energy infrastructure projects. Load dispatch centers, high voltage transmission lines and switchyards wereconstructed as part of the project. Çalık Enerji continues to carry out activities diligently, with the pride of having executed numerous important projects.

Activities in 2018

In 2018, Çalık Enerji signed the preliminary contract regarding the 500 kV electricity transmission line (TAP500), which will be conducted in parallel with the Turkmenistan, Afghanistan, Pakistan natural gas pipeline project, the most important energy project in Asia. The USD 1.6 billion project, which will be managed by Çalık Holding, is one of the most important projects undertaken by a Turkish company in Asia. Currently exporting electricity to Afghanistan and Iran, Turkmenistan will start selling electricity to Southeast Asian countries upon the completion of the electricity transmission project that will proceed in parallel with the natural gas pipeline. The TAP500 project is anticipated to be finalized in three years following the commencement of construction.

The Mary-3 Power Plant, the largest combined cycle power plant in Central Asia with a production capacity of 1,574 MW, was finalized in September 2018; electricity generation operations started. As part of the contract, processes regarding the handover of operations are ongoing.

After completing and delivering the Navoi Combined Cycle Power Plant in Uzbekistan in 2012, Çalık Enerji commenced work on the second project (450 MW) in January 2017. The overall progress for the 450 MW Project is 79.39% as of the end of 2018. The gas turbine assembly is planned to be completed in May 2019 and commissioned at the end of 2019. Comprising a configuration of 1 + 1, the Navoi-2 Combined Cycle Heat and Power Plant will be delivered to the Employer in January 2020, according to the time schedule set forth in the contract. As part of the Combined Cycle Natural Gas and Heat Power Plant undertaken by Mitsubishi Hitachi Power System (MHPS) and Mitsubishi Cooperation (MC), power island equipment will be provided by Mitsubishi Hitachi Power System (MHPS), while Mitsubishi Cooperation (MC) and Çalık Enerji will be in charge of general engineering

Total Installed Capacity

7,479 MW

Completed Projects

22

Completed Projects Total Contract Value

USD 6 billion

Plants with Completed Construction

20

Ongoing Projects

4

Ongoing Projects Total Contract Value

USD 750 million

Çalık Enerji aimed to have a pivotal role in energy and energy infrastructure projects in fast-growing markets including Africa and the Middle East in the past few years, and has this year expanded its operations venturing into transport, desalination and hybrid energy sectors.

works, provision of BOP equipment (water treatment, waste water treatment, industrial steam, central heating, transformers, switchyard), construction, mechanical and electronic assemblies, logistics and BOP commissioning works.

In 2018, Çalık Enerji won the tender for the "Seaport Rehabilitation Project" initiated by General Company for Ports of Iraq ("GCPI") in partnership with Mitsubishi Corporation that is slated to take place in the Basra Region of the Republic of Iraq. Çalık Enerji will play a vital role in the EPC section of the tender in partnership with Gap İnşaat as a subcontractor. Mitsubishi Corporation will be in charge of project coordination and provision of core products and services of Japanese origin as the main contractor.

The construction agreement for the 19.5 MW Tedzani-4 Hydroelectric Power Plant, which will be the first HEPP in Sub-Saharan Africa and jointly built by Çalık Enerji and Mitsubishi Corporation, was signed in Lilongwe, Malawi's capital, on July 18, 2017. Under this agreement, Çalık Enerji will deliver a turnkey project including engineering, construction, hydromechanics, electromechanical installation, and commissioning works. Construction works, which commenced on June 11, 2018 upon finalization of official permits, are ongoing at full speed. The project is intended to increase the total installed capacity of Tedzani 1, 2 and 3 Hydroelectric Power Plants, located 70 km from Blantrye, the second largest city of Malawi, by an additional 18 MW.

The contract phase of Turakurgan Project started in January 2017. It is based in the township of Turakurgan in Namangan, the second largest city in Uzbekistan. With a total capacity of 900 MW, the project comprises two blocks (in a configuration of 2 + 2), each standing for 450 MW. As of the 2018 year-end, the overall progress rate is 60.95%, and the completion of the first gas turbine assembly as well as the first ignition is scheduled to take place in July 2019. As part of the Project undertaken by Mitsubishi Hitachi Power System (MHPS) and Mitsubishi Corporation (MC), power island equipment will be provided by Mitsubishi Hitachi Power System (MHPS), while Mitsubishi Cooperation (MC) and Çalık Enerji will be in charge of general engineering works, provision of BOP equipment (water treatment, waste water treatment, water inlets, transformers, switchyard), construction, mechanical and electrical assemblies, logistics and BOP commissioning works. As of December, the overall progress for the project is 69.95%. According to the time schedule, the assembly of the first gas turbine and the first ignition will take place in July 2019.

Three electric power plants, the construction of which is currently ongoing overseas, have a total generation capacity of 1,392 MW as of 2019. These projects are as follows:

- Navoi-2 450 MW Combined Cycle Electric and Heat Power Plant in Uzbekistan,
- Turakurgan in Uzbekistan 900 MW Combined Cycle Power Plant,
- Tedzani-4 Hydroelectric Power Plant in Malawi.

Çalık Enerji aimed to have a pivotal role in energy and energy infrastructure projects in fast-growing markets including Africa and the Middle East in the past few years, and has this year expanded its operations venturing into transport, desalination and hybrid energy sectors. Within this scope, works in transportation are ongoing in new regions in partnership with Mitsubishi Corporation. Furthermore, Çalık Enerji has also commenced work in electricity, oil and natural gas sectors in Russia, a maiden country for the Company.

ONGOING PROJECTS

TURAKURGAN COMBINED CYCLE POWER PLANT

Installed Capacity: 900 MW
Equipment: Mitsubishi Hitachi Power Systems (MHPS) Gas Turbine (M701F4), MHPS Steam Turbine and HP & LP Waste Heat Boiler (2+2 configuration)
Voltage Level: 200 kV
Commencement Date: January 2017
Delivery Date: April 2020
Employer: Ministry of Energy, Uzbekistan (Uzbekenergo)
Scope: General Engineering Works, Provision of BOP Equipment, Construction, Mechanical and Electrical Assembly Works

NAVOI-2 NATURAL GAS COMBINED HEAT AND POWER PLANT

Installed Capacity: 473 MW + 100 gcal/h Industrial Steam + 100 gcal/h central heating
Equipment: Mitsubishi Hitachi Power Systems (MHPS) Gas Turbine, HP & LP Waste Heat Boiler (1+1 configuration)
Voltage Level: 200 kV
Commencement Date: January 2017
Delivery Date: January 2020
Employer: Ministry of Energy, Uzbekistan (Uzbekenergo)
Scope: General Engineering Works, Provision of BOP Equipment, Construction, Mechanical and Assembly Works

TEDZANI HYDROELECTRIC POWER PLANT CAPACITY INCREASE - TEDZANI-4

HPP Type: River
Location: Malawi
Status: Under Construction
River: Shire River
Installed Capacity: 19.3 MW
Start of Commercial Enterprise: December 2020

COMPLETED PROJECTS

MARY-3 COMBINED CYCLE POWER PLANT

Capacity: 1,574 MW
Equipment: 4 x GE F.03 Multi-Shaft Gas Turbines + 4 x HP-LP Waste Heat Boilers + 2 x Steam Turbines
Voltage Level: 500 kV & 220 kV
Commencement Date: July 2015
Delivery Date: December 2018
Employer: Ministry of Energy, Turkmenistan
Scope: Turnkey EPC Prime Contractor

WATAN SIMPLE CYCLE POWER PLANT

Capacity: 254 MW
Equipment: 2 x GE 9E PG9171
Voltage Level: 110 kV & 220 kV
Commencement Date: January 2015
Delivery Date: June 2016
Employer: Ministry of Energy, Turkmenistan
Scope: Turnkey EPC Prime Contractor

ADEN SIMPLE CYCLE POWER PLANT

Capacity: 60 MW
Equipment: 2 x GE TM2500+
Voltage Level: 33 kV
Commencement Date: January 2017
Delivery Date: May 2017
Employer: Republic of Yemen/ General Electricity Company “PEC”
Scope: Turnkey EPC Prime Contractor

INCREASING THE RELIABILITY OF POWER SUPPLY TO THE CITY OF ASHGABAT 2 & 3

Transformer Substations: 5 x 220 kV; 6 x 110 kV; 18 x 35 kV; 43 x 10 kV
Cabling Works: 0.95 km 220 kV, 22.43 km 220 kV Aerial Line, 8.45 km 110 kV, 27.2 km 110 kV Overhead Line, 93 km 35 kV, 2.35 km 35 kV Overhead Line, 418.72 km 10 kV
Monitoring and Management System: SCADA Communication System
Commencement Date: August 2014
Delivery Date: October 2016
Employer: Governorship of Ashgabat
Scope: Turnkey EPC Prime Contractor

In 2018, Çalık Enerji won the tender for the "Seaport Rehabilitation Project" initiated by General Company for Ports of Iraq ("GCPI") in partnership with Mitsubishi Corporation that is slated to take place in the Basra Region of the Republic of Iraq.

AL-KHUMS SIMPLE CYCLE POWER PLANT

Capacity: 550 MW
Equipment: 2 x GE 9FA MS9001 FA
Voltage Level: 200 kV
Commencement Date: June 2014
Delivery Date: February 2017
Employer: Libya General Electricity Company
Scope: Turnkey EPC Prime Contractor

GARDABANI NATURAL GAS COMBINED CYCYLE POWER PLANT PROJECT

Installed Capacity: 230 MW
Equipment: 2 x GE 6FA, 2 x Nooter Eriksen HRSG and Doosan-Skoda Steam Turbine
Voltage Level: 200 kV
Commencement Date: October 2013
Delivery Date: July 2015
Employer: Partnership Fund & GOGC
Main Contractor: Çalık Enerji Sanayi ve Ticaret A.Ş.
Scope: Turnkey EPC

DERWEZE SIMPLE CYCLE POWER PLANT

Capacity: 504.4 MW
Equipment: 4 x GE 9E PG9171-B (Frame 9E)
Voltage Level: 110 kV/220 kV
Commencement Date: July 2013
Delivery Date: September 2015
Employer: Ministry of Energy, Turkmenistan
Scope: Turnkey EPC Prime Contractor

AHAL-2 SIMPLE CYCLE POWER PLANT

Capacity: 252.2 MW
Equipment: 2 x GE 9E PG9171
Voltage Level: 110 kV & 220 kV
Commencement Date: July 2013
Delivery Date: December 2014
Employer: Ministry of Energy, Turkmenistan
Scope: Turnkey EPC Prime Contractor

LEBAP SIMPLE CYCLE POWER PLANT

Capacity: 149.2 MW
Equipment: 3 x GE LM6000
Voltage Level: 110 kV
Commencement Date: May 2013
Delivery Date: February 2014
Employer: Ministry of Energy, Turkmenistan
Scope: Turnkey EPC Prime Contractor

MARY-2 SIMPLE CYCLE POWER PLANT

Capacity: 146.7 MW
Equipment: 3 x GE LM6000
Voltage Level: 110 kV
Commencement Date: May 2013
Delivery Date: February 2014
Employer: Ministry of Energy, Turkmenistan
Scope: Turnkey EPC Prime Contractor

AHAL-3 SIMPLE CYCLE POWER PLANT

Capacity: 141.7 MW
Equipment: 3 x GE LM6000
Voltage Level: 110 kV
Commencement Date: May 2013
Delivery Date: February 2014
Employer: Ministry of Energy, Turkmenistan
Scope: Turnkey EPC Prime Contractor

INCREASING THE RELIABILITY OF POWER SUPPLY TO THE CITY OF ASHGABAT 1

Transformer Substations: 16 X 110 kV, 11 x 35 kV, 97 x 10 kV
Cabling Works: 111.3 km 110 kV, 31.5 km 110 kV Aerial line, 8 km 35 kV, 100 km 10 kV
Management and Monitoring System: 2 x SCADA and Control Facilities
Commencement Date: September 2012
Delivery Date: December 2015
Employer: Governorship of Ashgabat
Scope: Turnkey EPC Prime Contractor

NAINAWA SIMPLE CYCLE POWER PLANT

Capacity: 750 MW
Equipment: 6 x GE PG9161-E (Frame 9E)
Voltage Level: 132 kV & 400 kV
Commencement Date: March 2011
Delivery Date: January 2014
Employer: Ministry of Electricity, Iraq
Scope: Turnkey EPC Prime Contractor

AL-KHAIRAT SIMPLE CYCLE POWER PLANT

Capacity: 1,250 MW
Equipment: 10 x GE PG9161-E (Frame 9E)
Voltage Level: 132 kV & 400 kV
Commencement Date: April 2011
Delivery Date: November 2013
Employer: Ministry of Energy, Iraq
Scope: Turnkey EPC Prime Contractor

NAVOI COMBINED CYCLE POWER PLANT

Capacity: 478 MW
Equipment: Mitsubishi Heavy Industries (MHI) Steam Turbine (M701F4), Nooter Ericsen Steam Turbine (TC2F-40.5)
Voltage Level: 200 kV
Commencement Date: August 2009
Delivery Date: October 2012
Employer: Ministry of Energy, Uzbekistan (Uzbekenergo)
Scope: Turnkey Consortium Contractor

BALKANABAD-2 SIMPLE CYCLE POWER PLANT

Capacity: 254.2 MW
Equipment: Simple Cycle, 2xGE-PG9161-E (Frame 9E)
Voltage Level: 220kV
Commencement Date: July 2008
Delivery Date: April 2010
Employer: Ministry of Energy, Turkmenistan
Scope: Turnkey EPC Prime Contractor

DASHOGUZ SIMPLE CYCLE POWER PLANT

Capacity: 254.2 MW
Equipment: 2xGE-PG9161-E (Frame 9E)
Voltage Level: 110 kV
Commencement Date: February 2006
Delivery Date: October 2007
Scope: Turnkey EPC Prime Contractor

ASHGABAT SIMPLE CYCLE POWER PLANT

Capacity: 254.2 MW
Equipment: 2 x GE-PG9161-E (Frame 9E)
Voltage Level: 110 kV
Commencement Date: December 2004
Delivery Date: February 2006
Employer: Ministry of Energy, Turkmenistan
Scope: Turnkey EPC Prime Contractor

AMUDERYA HIGH VOLTAGE ELECTRICITY TRANSMISSION & DISTRIBUTION

Location: Turkmenabad - Turkmenistan
Commencement Date: January 2007
Delivery Date: March 2007
Employer: Ministry of Energy, Turkmenistan
Scope: Engineering, Procurement, Logistic and Assembly Supervisor

ABADAN SIMPLE CYCLE POWER PLANT

Capacity: 123.6 MW
Equipment: Simple Cycle, GE-PG9161-E (Frame 9E)
Commencement Date: February 2002
Delivery Date: October 2003
Employer: Ministry of Energy, Turkmenistan
Scope: Turnkey EPC Prime Contractor

BALKANABAD SIMPLE CYCLE POWER PLANT

Capacity: 126.4 MW
Equipment: Simple Cycle, 3 x GE-PG6581-B (Frame 6B)
Voltage Level: 35 kV & 110 kV
Commencement Date: November 2002
Delivery Date: October 2003
Employer: Ministry of Energy, Turkmenistan
Scope: Turnkey EPC Prime Contractor

TURKMENBASHY REFINERY SIMPLE CYCLE POWER PLANT

Capacity: 126.4 MW
Equipment: Simple Cycle, 3 x GE-PG6581-B (Frame 6B)
Voltage Level: 35 kV & 110 kV
Commencement Date: September 2001
Delivery Date: May 2003
Employer: Ministry of Oil and Natural Gas, Turkmenistan
Scope: Turnkey EPC Prime Contractor

ELECTRICITY GENERATION

As a global player of the energy sector, Çalık Enerji is driven by its extensive experience and knowledge in different regions while following a growth strategy built on viable, environmentally friendly projects comprising renewable resources. The Company expands its generation portfolio in target markets in line with this strategy.

Since the day it was founded, Çalık Enerji has established a valuable repository of knowledge and services by consolidating its experience in project development, engineering, procurement, construction and assembly, project management, operation, and maintenance. As a global player of the energy sector, Çalık Enerji is driven by its extensive experience and knowledge in different regions while following a growth strategy built on viable, environmentally friendly projects comprising renewable resources. The Company expands its generation portfolio in target markets in line with this strategy.

Deriving power from the achievements and experiences earned up to date, Çalık Enerji diligently continues to carry out renewable energy and oil&gas activities in Turkey. The Company completed the following projects: Adacami Hydroelectric Power Plant (30 MW) commissioned in Güneysu, Rize in 2013; Demircili Wind Power Plant (40 MW) and Sarpıncık Wind Power Plant (32 MW) commissioned in İzmir in 2016; and Solar Power Plants in Çorum (9.25 MW), Amasy(5 MW), Erzincan (5 MW), Erzurum (5 MW) and Polatlı (1 MW) commissioned in 2016 and 2017.

Çalık Enerji conducts operating and maintenance activities with its own teams partially in wind power plants and by 95% in hydro and solar power plants among the electric power plants that operate commercially. Çalık Enerji also operates the 230 MW Gardabani Natural Gas Combined Cycle Power Plant in Georgia.

The first power plant, for which the Company completed the project development, feasibility and construction phases and commenced operation, is Adacami HPP in Güneysu, Rize. Demircili WPP in Urla, İzmir, Sarpıncık WPP in Karaburun, İzmir and solar power plants

in five different cities all together generate 375 million kWh of energy. Propelled by this experience in renewable-based power plants, the Company has begun executing its own investment projects and providing the world's largest energy investors with EPC services.

As part of the strategy to ensure diversity in EPC works and expand the investment portfolio, Çalık Enerji has accelerated efforts regarding electricity generation from rooftop solar panels for industrial and commercial enterprises. Research was conducted regarding the sector and capacity for solar power plants on rooftops, examining self-consumption models; target markets were determined in the light of the business volume that would emerge upon amendments to existing regulations. Within this scope, technical and commercial business models were formulated.

Through energy generated on rooftops, the whole or part of the consumption will be covered by solar energy in the areas where the plant is based. This is how companies will have less reliance on the grid, get exemption from distribution fees and other costs in proportion to the amount of generation, reduce their carbon footprint, support renewable energies - which have a pivotal role for our country- and contribute to sustainability.

Çalık Enerji aims to achieve a 1,000 MW portfolio generating energy from mostly renewables by 2023. To achieve this goal, project development activities are ongoing in Turkey and other markets around the world.

Activities in 2018

- Construction works of Çalık Enerji's first renewable EPC project, Tedzani-4 Hydroelectric Power Plant with an installed capacity of 19.5 MW in Malawi, started in June 11, 2018.
- A Çalık Enerji subsidiary, Atayurt İnşaat A.Ş. obtained the Project-Based Investment Support Certificate for the 500 MW PV Panel Production Plant in a ceremony held at the Presidential Complex in Ankara in April 2018. The plant will produce silicon ingot, wafer, cell and photovoltaic solar panels.
- Project design and permit efforts are ongoing for the capacity expansion (2 x 12 MW) of the Demircili Wind Power Plant (40MW) in Urla, İzmir and the Sarpıncık Wind Power Plant (32 MW) in Karaburun, Çeşme.
- Preliminary contracts were signed for the 50 MW WPP in Georgia and 120 MW Solar PV Plant in Sub-Saharan Africa. The pre-construction works for these projects are ongoing; the projects are envisaged to be included in the portfolio in 2019.

Rize Adacami Hydroelectric Power Plant
30 MW

İzmir Sarpıncık Wind Power Plant
32 MW

İzmir Demircili Wind Power Plant
40 MW

Çorum/Kutluca Solar Power Plant
9 MW

Çalık Enerji aims to achieve a 1,000 MW portfolio generating energy from mostly renewables by 2023.

- Engineering works have been commenced for the pilot practice on the roof of Çalık Denim in Malatya.
- As part of portfolio expansion efforts, the Company also studies on-site generation plants. Strategies were formulated for the model, and hybrid (solar, diesel, storage) power station package systems were created. In addition to current power plant investments, this modular package provides custom solutions to address specific customer needs. The Company started to offer solutions in EPC/EPC-F/BOT/IPP business models to customers in potential countries, the African market in particular, through affordable financial solutions.

PROJECTS DEVELOPED

ADACAMİ HPP

Project Start Date: 2012
Project Delivery Date: August 2, 2013 (Unit 1 commissioning date), December 16, 2013 (Unit 2 commissioning date)
Installed Capacity: 2 x (14.951 MWm/14.652 MWe)

DEMİRCİLİ WPP

Project Start Date: September 2015
Project Commissioning Date: September 2016
Installed Capacity: 40 MW

SARPINCIK WPP

Project Start Date: November 2015
Project Commissioning Date: 12 turbines were commissioned in December 2016. The 13th Turbine will be commissioned on February 1, 2019.
Installed Capacity: 29.5 MWe/30 MWm

POLATLI SPP

Project Start Date: March 1, 2016
Project Commissioning Date: June 29, 2016
Installed Capacity: 1.07 MWp/0.93 MWe
Annual Energy Generated: 1,671 MWh

ERZİNCAN SPP

Project Start Date: June 8, 2017
Project Commissioning Date: November 13, 2016
Installed Capacity: 5.189 MWp/4.84 MWe
Annual Energy Generated: 8,583 MWh

ERZURUM SPP

Project Start Date: June 8, 2017
Project Commissioning Date: December 20, 2017
Installed Capacity: 5.096 MWp/4.79 MWe
Annual Energy Generated: 8,514 MWh

AMASYA SPP

Project Start Date: August 15, 2017
Project Commissioning Date: February 23, 2018
Installed Capacity: 5.35 MWp/5.00 MWe
Annual Energy Generated: 7,412 MWh

ÇORUM SPP

Project Start Date: August 1, 2017
Project Commissioning Date: February 7, 2018
Installed Capacity: 10.32 MWp/9.19 MWe
Annual Energy Generated: 15,852 MWh

ELECTRICITY AND NATURAL GAS DISTRIBUTION

YEDAŞ operates in the provinces and districts of Samsun, Ordu, Çorum, Amasya and Sinop, where it distributes some 5 million kWh of electricity to 2 million customers and over 3 million subscribers.

YEŞİLIRMAK ELEKTRİK DAĞITIM A.Ş. (YEDAŞ)

DATE OF ESTABLISHMENT
2005

NUMBER OF EMPLOYEES
1,286*

Çalık Elektrik Dağıtım A.Ş.
99.99%

Other
0.01%

*Including subcontracted employees

www.yesilirmakedas.com

About YEDAŞ

Founded in 2005, Yeşilırmak Elektrik Dağıtım Anonim Şirketi (YEDAŞ) was acquired by Çalık Elektrik Dağıtım A.Ş. at the end of 2010 within the scope of privatization efforts in Turkey, thereby joining the Holding under the name Çalık YEDAŞ. Following its privatization, YEDAŞ quadrupled its investment budget compared to the period of public management. YEDAŞ expended some TL 1,275 million in capital investment from 2011 to 2018, strengthening its distribution network and technology systems infrastructure. YEDAŞ continues to serve in a 39,367 km^2 field in Samsun, Ordu, Çorum, Amasya and Sinop as of the year-end 2018.

At year-end 2012, YEDAŞ obtained a Retail Sales license with the decision of the Energy Market Regulatory Board (EMRA) within the framework of the "Procedures and Principles Regarding the Legal Separation of Distribution and Retail Sales Operations." Subsequently in 2013, YEDAŞ split into two companies as Yeşilırmak Elektrik Dağıtım A.Ş. and Yeşilırmak Elektrik Perakende Satış A.Ş.

YEDAŞ operates in the provinces and districts of Samsun, Ordu, Çorum, Amasya and Sinop, where it distributes some 5 million kWh of electricity to 2 million customers and over 3 million subscribers. YEDAŞ operates with a staff of 1,302. YEDAŞ is among a handful of electricity distribution companies that boasts its own in-house software team.

YEDAŞ aims to provide reliable, consistent service; achieve high levels of employee and customer satisfaction; create value through social contributions; and become a pioneer in its operating region. Occupational health and safety, use of technology and innovative solutions are among the priorities of YEDAŞ.

In 2011, YEDAŞ integrated SAP business modules, which are key to delivering top-quality customer services, into its processes. It is the first and only electricity distribution company in Turkey to use the SAP system in the most effective and comprehensive manner. Furthermore, since early 2013, the Company is the first in Turkey to employ the SAP IS-U system, which runs in integration with GIS and AMR/OSOS throughout its live system.

In line with its strategic priorities and objectives, YEDAŞ continues to invest in digitalization. The company aims to reach more custom-

ers by establishing remote monitoring and control systems such as SCADA, AGIS (Low Voltage Grid Monitoring System), and Workforce Management System. YEDAŞ constantly improves its supply continuity and service quality by analyzing and correlating existing data and data collected in the field as part of its “Big Data” project.

YEDAŞ’s primary goal is to provide high quality, uninterrupted service to 2 million subscribers in its operating region by boosting efficiency in business processes. To this end, the company has adopted the vision of becoming one of Europe’s top 10 companies in terms of corporate and operational excellence by 2019. It is making steady progress towards this objective by investing in world-class technology to deliver high customer satisfaction.

2018 Highlights

YEDAŞ places great importance on effective use of new technologies in parallel with the developments in the digital world. Accordingly, the Company established EDAŞ Online, a portal for consumers to submit connection applications on the website, in 2018. The Company

Investment between 2011 and 2018
TL 1.3 billion

Users Receiving Electricity Distribution Services
+3 million

Number of Subscribers
2 million

Total Electricity Distributed
5 million kWh

In 2018, YEDAŞ continued its social responsibility efforts. The company expended TL 625 thousand to insulate the transmission lines and install bird guards on the migration routes of about 1 million birds to prevent collisions and electrocution of birdlife.

also completed SCADA, GIS, and SAP integration of WFM Mobile GIS - the third phase of the Mobile Workforce Management Project launched to help field teams instantly diagnose the grid status on tablets and quickly respond to any issues - and hence carried digitalization to the processes out on the field. As part of the AGIS project, YEDAŞ is able to remotely monitor over 12 thousand transformers and 120 thousand points on some 40 thousand low voltage feeders in its distribution network.

Use of DRONEs started in 2018 as a first practice to help determine failures on long lines within the field, make detailed field diagnostics, conduct more effective maintenance and investment activities, and effectively scan illegal use across the distribution grid.

In 2018, YEDAŞ continued its social responsibility efforts. The company expended TL 625 thousand to insulate the transmission lines and install bird guards on the migration routes of about 1 million birds to prevent collisions and electrocution of birdlife.

YEDAŞ strives to raise employees' awareness for occupational health and ensure that compliance with safety rules is adopted as a life style. "Onboarding talks" are organized at the Company so as to help new recruits remember and observe the rules. Occupational health and safety teams based in all cities conduct on-site inspections and provide necessary information. Directors visit on-site teams while in action and make evaluations regarding the improvement and implementation of safety measures. Informative messages on such rules are sent during the day. Teams who comply with occupational health and safety rules are rewarded and selected as the "Golden Team of the Month."

Investments in 2018

During 2018, a total of TL 268.8 million of investment was made, comprising TL 239.3 in the grid; TL 5.6 million in the grid operating system; TL 6.6 million in counters and TL 17.3 million in environment, safety and other areas of investment. Within this scope, 385 transformers, a 213 km energy transmission line, 1,970 rural/village grids, a 104 km underground grid, a 81 km stand-alone illumination, and 63 distribution centers/Breaker Measuring Cubicles were procured.

As part of the investments in 2018, renewals were made and additional grids were established in 2.9% of the transformers of YEDAŞ and 3.3% of the distribution lines. YEDAŞ has implemented its plans regarding electricity provision continuity, and increased technical quality, hence achieving improvements in the number of electricity outages and outage durations by 35% and 48% respectively in the regions of investment.

Quality Standards and Certifications

- ISO 9001 Quality Management System
- ISO 14001 Environmental Management System
- OHSAS 18001 Occupational Health and Safety Management System
- ISO 27001 Information Security Management System
- ISO 10002 Customer Satisfaction and Complaints Handling
- ISO 18295-1 Customer Contact Centers Management System

Awards in 2018

- YEDAŞ's Mobile GIS Project was deemed worthy of the "Mobile Award of the Year" at the SAP Now event on October 25, 2018.

Financial Summary (TL million)	2016	2017	2018
Total Assets	1,190	1,512	2,053
Net Sales	694	828	899
Total Equity	554	770	978
EBITDA	501	549	759
EBITDA Margin (%)	72	66	84

YEPAŞ provides customers with high quality, reliable, uninterrupted and reasonably-priced electricity, which is essential to daily life. It successfully continued to deliver fast and courteous customer service also in 2018.

YEŞİLIRMAK ELEKTRİK PERAKENDE SATIŞ A.Ş. (YEPAŞ)

DATE OF ESTABLISHMENT
2012

NUMBER OF EMPLOYEES
222

Çalık Elektrik Dağıtım A.Ş.
99.99%

Other
0.01%

www.yepas.com

Yeşilırmak Elektrik Perakende Satış A.Ş. (YEPAŞ) was established and registered with Samsun Trade Registry Office on November 16, 2012. On December 27, 2012, YEDAŞ obtained a Retail Sales License (numbered EPS/4207-2/2498) as per EMRA (Energy Market Regulatory Authority) Resolution No: 4207-2. The partial separation of retail sales operations within the framework of the Procedures and Principles Regarding the Legal Separation of Distribution and Retail Sales Operations was registered on December 31, 2012. Subsequently on January 1, 2013, YEDAŞ began its retail sales and service operations in Samsun, Ordu, Çorum, Amasya and Sinop (Yeşilırmak Distribution Region).

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

In addition to those services for eligible consumers within the liberalized electricity market, the Company creates solutions for customers, who either do not hold or use their eligible consumer status, as a provider authorized by the Electricity Market Legislation. Continuous improvements are made so as to issue customers' electricity bills correctly and timely, provide them with quick access to their bills, and enable fast, commission-free collections through alternative channels.

In 2018, YEPAŞ's sales volume increased 2.39%. Compared to the previous year, the Company saw reduction in its customer base and eligible consumer numbers by 4% and 99.31%, respectively. Meanwhile, electricity sales to eligible consumers declined 84%, amounting to a total 231,295,843 kWh.

YEPAŞ provides customers with high quality, reliable, uninterrupted and reasonably-priced electricity,

which is essential to daily life. Building customer satisfaction into its business processes, YEPAŞ successfully continued to deliver fast and courteous customer service in 2017. YEPAŞ always aims to deliver innovative, customer-focused services. Thanks to its advanced technology infrastructure, the company develops products, services and solutions that meet customers' needs. As a result of technology investments, YEPAŞ today boasts the most advanced IT systems and equipment in the electricity retailing industry. Even though price may seem the most important factor in electricity supply, the supplier's market experience, know-how, and service quality before and after sales are also very important. To that end, YEPAŞ offers its customers the right products and services to meet their needs after carefully analyzing and understanding the market conditions.

When selling electric power to industrial facilities and businesses that have eligible consumer status, YEPAŞ develops effective solutions and services by taking market dynamics into account and closely monitoring customers' needs. Focusing on customer satisfaction as much as it does on pricing, the Company supports customers in their areas of activity.

Number of Subscribers
2 million

Total Energy Consumption
5.10 GWh

In 2018, YEPAŞ managed costs effectively and improved solutions and business models continuously to achieve efficiency.

Competitive Advantages

- Advanced IT systems and infrastructure,
- High customer satisfaction thanks to its modern systems,
- Places great importance on technology investments,
- World-class service quality,
- Providing effective solutions and leading the service industry.

Quality Standards and Certifications

- ISO 9001:2015 Quality Management System
- ISO/IEC 27001:2013 Information Security Management System
- ISO 10002:2014 Customer Satisfaction Management System

2018 Highlights

YEPAŞ responded to the negative developments that hit the sector in 2018 quickly, through taking necessary measures and leveraging this period - which it called a transition period - as an opportunity to prepare the company for the future. YEPAŞ followed its vision to shift from a regional to a national electricity sales company, and hence made improvements in its IT infrastructure, customer services centers and collection channels.

In 2018, YEPAŞ managed costs effectively and improved solutions and business models continuously to achieve efficiency. Having succeeded in exporting electricity for the first time in this accounting period, the Company closely monitors the regional electricity markets and business opportunities thanks to its team of experts.

YEPAŞ also partnered with the subsidiaries of Çalık Holding to make the most of the synergy in the Group. As part of the project co-run with Aktif Bank N Kolay, all YEPAŞ transaction centers within the region were transformed into YEPAŞ N Kolay Authorized Transaction Centers so as to establish more accessible and efficient service channels. YEPAŞ N Kolay Authorized Transaction Centers have thus turned into platforms where electricity subscription transactions, collections, eligible consumer transactions and all other customer services are available alongside conventional N Kolay services. As an outcome of this partnership, 66 YEPAŞ N Kolay Authorized Transaction Centers and some 850 N Kolay Kiosks offer services to customers in the central cities and districts of Samsum, Sinop, Ordu, Çorum and Amasya.

In the meanwhile, YEPAŞ focused on the sales of non-electricity products and services in 2018. In partnership with some of the Group's subsidiaries - N Kolay, Sigortayeri and ÇEDAŞ - YEPAŞ started to provide customers with intermediation for the sales of TCIP insurance, which is mandatory for contract procedures. Important progress was made in the project which was launched with pilot practices and a significant number of policies was sold.

YEPAŞ also determined that various products and/or services could be successfully sold through the same channel once the amendments to current laws, which are inevitable and should be developed by the sector's regulator EMRA in the light of the changing market conditions, are completed.

The Company also aims to further improve the Customer Loyalty Program "YEPAŞ World of Advantages" launched in 2016, and hence partnered with a lot of local and national brands to provide YEPAŞ customers with a host of advantages.

Financial Summary (TL million)*	2016	2017	2018
Total Assets	548	503	649
Net Sales	1,259	1,490	1,945
Total Equity	34	56	82
EBITDA	49	25	39
EBITDA Margin (%)	4	2	2

* Only includes data of YEPAŞ.

Kosova Çalık Limak Energy Sh.A. continued to increase the number of subscribers also in 2018, through determined efforts to innovate customer follow-up in a changing and evolving market.

KOSOVO ÇALIK LİMAK ENERGY SH.A. (KEDS)

DATE OF ESTABLISHMENT
2012

NUMBER OF EMPLOYEES
2,170

Çalık Enerji Sanayi ve Ticaret A.Ş.
50%

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

www.keds-energy.com

www.kesco-energy.com

Acquired by Çalık Holding and Limak Holding via tender in 2012, Kosovo Calik Limak Energy SH.A. provides electricity distribution and retail services in Kosovo-the youngest country in Europe- with 2,170 employees. The company owns Kosovo Electricity Distribution Company J.S.C. (KEDS), the only authorized electricity distributor in Kosovo, and Kosovo Electricity Supply Company J.S.C. (KESCo), the only authorized energy supplier to the public sector. The company meets 100% of Kosovo's net demand for electricity.

The company has made significant advances towards achieving its goals by capitalizing on the experience of Çalık and Limak Groups in the power industry. KEDS regularly adopts innovations under its Ten-Year Distribution System Operator Network Development Plan (2014-2023). The company designed the plan to provide reliable electric service with low prices and is implementing it step-by-step, In addition to reliable working systems and coordinated customer tracking. All these advantages and distinctive features enable the company to steadily expand its subscriber base.

Active in the sector since 2013, KEDS has successfully reduced technical and commercial losses; improved its access to energy significantly by restructuring its energy transfer operations; boosted operational efficiency through the use of new technologies and implementation of effective measures; and has taken important steps to provide education and employment opportunities to young people in line with its social responsibility principles. KEDS expanded its subscriber base to 561,812 in 2018, up from 470 thousand in 2013. This achievement was thanks to the fact that Kosovo has a young population and that the Company has carried out an ambitious investment drive since privatization. In 2018, total electricity distribution in Kosovo stood for 4,997 GWh.

In 2018, KEDS invested about EUR 23 million primarily to upgrade its grid infrastructure and step up modernization efforts.

KEDS successfully fulfilled the legal requirement of separate pricing at year-end 2014. As a result of this process, the license to provide electricity to the public sector and 250 KEDS employees were transferred to KESCo, a company established by Çalık Limak Group in 2015.

KESCo Call Center was upgraded to operate around the clock in order to respond to customer queries and resolve their issues. KESCo managed to provide electricity to its customers at low prices even when there was no electricity generation in the country. All electricity consumers in Kosovo are customers of KESCo.

Major Achievements in the Sector

- KEDS invested about EUR 100 million over the past three years to help reduce technical and commercial losses.
- Having restructured its electricity distribution operation entirely, KEDS improved its access to energy significantly. Currently, the Company works with about 60 commercial parties in terms of monthly, day-ahead and intraday pricing activities.
- Operational efficiency increased through the use of new technologies and implementation of effective measures.
- KEDS Academy, a social responsibility initiative aiming to provide young people around the world with access to higher education and employment opportunities, pioneers other organizations in similar social responsibility projects. The 5th generation of the training courses under KEDS Academy have been successfully completed and the 6th edition has begun.
- With the KEDS Academy project, the Company received the Best Corporate Social Responsibility award at the Best Business Awards.
- The company prepared its medium-and long-term investment program with a focus on maximizing the benefits offered to all stakeholders in Kosovo.

Competitive Advantages

- Sole supplier in the market,
- Positioned as a regional player,
- A huge workforce capable of undertaking extra projects,
- Independent decision making.

KEDS's Electricity Distribution and Retail Strategy

- To provide reliable electric service to its subscribers with low prices through business processes that focus on high productivity,
- To continue the planned maintenance and network renewal investments in order to meet the international standards in System Average Interruption Duration Index (SAIDI) and System Average Interruption Frequency Index (SAIFI) values with the purpose of improving supply security.

Financial Summary (TL million)	2016	2017	2018
Total Assets	664	864	1,159
Net Sales	928	1,296	1,706
Total Equity	448	645	922
EBITDA	154	146	208
EBITDA Margin (%)	17	11	12.2

Prioritizing grid improvement, quality and uninterrupted energy distribution, technological infrastructure and customer satisfaction in investments, Aras EDAŞ has made capital investments of over TL 1 billion since its privatization in July 2013.

ARAS ELEKTRİK DAĞITIM A.Ş. (ARAS EDAŞ)

DATE OF ESTABLISHMENT
2012

NUMBER OF EMPLOYEES
1,706

SHAREHOLDING STRUCTURE

Doğu Aras Enerji Yatırımları A.Ş.
100%

www.arasedas.com

Aras EDAŞ's Operating Region

The Company provides electricity services to 2.2 million residents in Erzurum, Ağrı, Ardahan, Bayburt, Erzincan, Iğdır and Kars –a total of seven provinces, in addition electricity distribution services to some 1 million customers.

Agriculture and livestock breeding are the major sources of income in the 70.457 km² region of Araş EDAŞ covering 11.1% of Turkey's surface area.

Province	Area (km²)
Ağrı	11,276
Ardahan	5,576
Bayburt	3,652
Erzincan	11,874
Erzurum	25,055
Iğdır	3,582
Kars	9,442
Total	**70,457**

Investment Activities

Having invested a total TL 188 million in 2018, Aras EDAŞ has made TL 1,045 million investment since its privatization in July 2013. Aras EDAŞ's investment priorities:

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

Investment Projects in 2018

ARAS EDAŞ continues to undertake upgrading, maintenance, improvement, and expansion efforts in the LV & HV (MV) power distribution systems in its operating region, covering the provinces of Ağrı, Ardahan, Bayburt, Erzincan, Erzurum, Iğdır and Kars, to ensure technical quality and continued power. Within this scope, the main investment projects of 2018 were as follows:

- Setting up a 200 km Energy Transmission Line,
- Setting up 185 new transformers,
- Renewing 50 village grids,
- Renewing grids in 15 cities and districts,
- Using PLC meters to prevent illegal electricity usage.

Competitive Advantages

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

"Firsts" and "Major Achievements" in the Sector

- Aras installed the SCADA infrastructure in its region of distribution, and has become 100% capable of remote monitoring and controls at the high voltage level of its distribution grid
- Araş EDAŞ Mobile app was launched.

Goals

- To become a leading, universal brand in the electricity distribution sector,
- To maintain steady growth in relation to distribution companies in Europe and achieving lasting success driven by a customer-focused strategy,
- To build a world-class technology infrastructure,
- To archive the zero-accident goal.

2018 Highlights

In 2018, Aras EDAŞ:

- obtained additional documentation (27019) to the 27001 Information Security Management System Certification.
- deployed the Supervisory Control and Data Acquisition (SCADA) system. installed a Geographical Information System database, Outage Management System (OMS), and Workforce Management System which runs in integration with the former.

- installed the Supervisory Control and Data Acquisition (SCADA) and Geographical Information system.
- conducted periodic satisfaction surveys with both internal and external customers.

New Practices, New Products, New Partnerships

- ARAS Academy, the academic institution of Araş EDAŞ, signed education and cooperation agreements with Ağrı İbrahim Çeçen University, an important university in its operating region, and thus completed the university leg of its education agreements.
- In addition to existing cooperation agreements with universities, Aras Academy made structural changes to its academic program through "Thematic High Schools" and began collaborating with "Secondary Education Institutions" as well. A common effort delivered together with Provincial Directorates of Education referred Aras Academy's working methods to institutions of secondary education.

Awards

- According to the results of Capital Magazine's "Turkey's Top 500 Private Companies" survey, Aras EDAŞ was selected as the "Company with the Highest Employment " in its industry.
- Under the National Employment Mobilization Program, initiated by President Recep Tayyip Erdoğan, Aras EDAŞ Ardahan Provincial Coordinating Office made the largest contribution to employment.

Quality Standards and Certifications

- ISO 9001 Quality Management System
- ISO 50001 Energy Management System
- ISO 14001 Environmental Management System
- OHSAS 18001 Occupational Health and Safety Management System
- ISO 27001 Information Security Management System
- ISO 10002 Customer Satisfaction and Complaints Handling

Financial Summary (TL million)	2016	2017	2018
Total Assets	881	1,022	1,150
Net Sales	551	621	726
Total Equity	298	399	491
EBITDA	162	220	252
EBITDA Margin (%)	29	35	35

Bursagaz, Turkey's third largest natural gas distribution company, is propelled by over 900 thousand subscribers and a technology-centered management approach in launching exemplary practices in Turkey.

BURSA ŞEHİRİÇİ DOĞALGAZ DAĞITIM TİCARET VE TAAHHÜT A.Ş. (BURSAGAZ)

DATE OF ESTABLISHMENT
1992

NUMBER OF EMPLOYEES
255

EWE AG Enerji
80%

Çalık Enerji
10%

Bursa Metropolitan Municipality
10%

www.bursagaz.com

Established by BOTAŞ in 1992 to sell natural gas, Bursagaz was acquired by Çalık Enerji in 2004 through a privatization tender. Çalık Enerji sold its majority stake at Bursagaz to EWE AG Enerji in 2008. Bursagaz, Turkey's third largest natural gas distribution company, is propelled by over 900 thousand subscribers and a technology-centered management approach in launching exemplary practices in Turkey.

Crowning its successful strategic management with the award "Hall of Fame for Executing Strategy" in 2015, Bursagaz diversifies its efforts on a daily basis in this field. The company has integrated technological developments into its strategic goals, which it associates with sustainable development, while controlling the grid and managing distribution lines effectively through SCADA, Yol-Bil and CBS systems.

After the Transformation Project for its HR processes it launched in 2012 as a pioneer, the Company sped up the efforts in IPP (Investors in People) standardization to have the outcomes of this project certified. In 2014, Bursagaz became the national energy network's first and only company holding IPP certification. In 2014, Great Place to Work (GPTW) chose the Company as the best employer of Turkey at the Best Employers of Turkey Awards.

Bursagaz implements Office-Free Service Business Model, an innovative approach in the structure of customer services, and comes up with solutions for all demands, suggestions and complaints of Bursa residents through a call center equipped with 55 expert customer representatives and most advanced technologies.

Expanding its license coverage every year and attaining 90% in customer satisfaction rates, the Company has increased the grid length to 6,447 km and expanded the distributed gas volume to 2.43 billion m^3 as of the end of 2018. In addition to European Quality Award granted by EFQM in 2008, Bursagaz was also deemed worthy of Platinum LEED (Leadership in Energy and Environmental Design) Certification, the highest existing level, with its environmentally sensitive head office building. As part of its vision to "become a world-class company," Bursagaz executes corporate strategies in parallel with international standards, which are already incorporated in its current management systems. Along with its operational activities, Bursagaz

implements corporate social responsibility projects in education, culture and sports to help support social development.

Bursagaz's Distribution Network
- Bursa (City Center)
- İznik
- Kestel
- Nilüfer
- Osmangazi
- Yıldırım
- Mudanya

Bursagaz's Competitive Advantages
- Bursagaz has strong systems in place for an effective grid management including but not limited to SCADA, GIS, Earthquake Risk Management System, SPRING etc.
- Boasting a robust financial structure, Bursagaz adds value to economy.
- Bursagaz, the pioneer of the sector with R&D projects developed through an innovative approach, has obtained EMRA's approval for six of its R&D projects up to date.
- Bursagaz boasts a positive brand perception at local and national scale.
- Despite serving in a monopole market, Bursagaz has adopted a private sector approach that is aligned with a competitive market (subscription services, call center, solution points, online services etc.)

Quality Standards and Certifications
- ISO 9001 Quality Management System
- ISO 14001 Environmental Management System
- OHSAS 18001 Occupational Health and Safety Management System
- ISO 10002 Customer Satisfaction and Complaints Handling
- ISO 27001 Information Security Management System
- ISO 22301 Societal Safety and Business Continuity Management System
- ISO 50001 Energy Management System

Playing a pivotal role in safe and uninterrupted energy provision for Kayseri, Kayserigaz has provided 619 million m^3 of natural gas to subscribers in 2018.

KAYSERİGAZ KAYSERİ DOĞALGAZ DAĞITIM PAZARLAMA VE TİCARET A.Ş (KAYSERİGAZ)

DATE OF ESTABLISHMENT
2003

NUMBER OF EMPLOYEES
136 Kayserigaz
92 Enervis

EWE AG Enerji
80%

Çalık Enerji
10%

Kayseri Metropolitan Municipality
10%

www.kayserigaz.com.tr

Kayserigaz was established in 2003 and commenced operations under the first natural gas distribution tender organized by EMRA in Turkey.

Kayserigaz reaches higher numbers of subscribers every year. Providing energy to each and every street and corner of Kayseri, the Company has a provision coverage in almost all developed lands.

Kayserigaz Solution Point and Call Center, now a global success story, enables the Company to communicate with subscribers and manage processes on a single, integrated platform.

Inquiries, requests and expectations from subscribers are handled by a single place; subscribers are able to reach the Call Center when in need 24/7. Furthermore, uninterrupted and interactive communication with customers is guaranteed through the Live Support Line and social platforms.

Playing a pivotal role in safe and uninterrupted energy provision for Kayseri, Kayserigaz has provided 619 million m^3 of natural gas to subscribers in 2018. Since the first day of providing natural gas services, Kayserigaz has contributed significantly to reduce air pollution in the city.

Kayserigaz's Distribution Network

- Kayseri (City Center)
- Kocasinan
- Bünyan
- İncesu
- Develi
- Hacılar
- Melikgazi
- Talas
- Tomarza
- Yahyalı
- Yemliha
- Yeşilhisar

"Firsts" and "Major Achievements" in the Sector

- The first natural gas company holding ISO 31000 certificate.
- The first natural gas distribution tender of the Energy Market Regulatory Authority (EMRA) in 2003
- Kayserigaz launched the Barcode System running in integration with SAP (Systems Analysis and Program Development), which has become a first in Turkey.
- Kayserigaz has started to exert efforts for transition to ISO 45001. The Kayserigaz team took the Lead Auditor Training under the ISO 45001 Occupational Health and Safety Man-

agement System and became Turkey's first lead auditors.

- In 2018, customer satisfaction rate reached 99%.
- In 2018, employee satisfaction rate reached 86%.

Quality Standards and Certifications

- ISO 9001 Quality Management System
- ISO 14001 Environmental Management System
- OHSAS 18001 Occupational Health and Safety Management System
- ISO 27001 Information Security Management System
- 10002 Customer Satisfaction and Complaints Handling
- ISO 31000 Corporate Risk Management System

2018 Operations by Numbers

- **2018 Investment Amount:** TL 62.3 million (Grid + Non-Grid)
- **2018 Length:** 556 km
- **2018 Year-End Total Length:** 4,830 km
- **2018 Year-End Subscriber Number:** 520,515 (number of independent sections)
- **2018 Consumptions (Sm^3)**

Household	351,628,111
Eligible	92,007,046
Transport	174,625,079
Total	**618,260,236**

R&D EFFORTS

Çalık Enerji places great emphasis on the evolving renewable energy sector and new trends that will shape the sector such as Industry 4.0, digitalization, storage systems, and smart grids.

Çalık Enerji envisages that the future of the energy sector will be defined by value-added, innovative and environmentally friendly technologies that will boost efficiency. It is through this vision that the Company shapes its operations and pioneers groundbreaking practices by making R&D and innovation investments in the light of emerging trends.

Placing great emphasis on the evolving renewable energy sector, the Company closely monitors new trends that will shape the sector such as Industry 4.0, digitalization, storage systems, and smart grids. Çalık Enerji tests the use of such technologies in its new projects, striving to create new business models and seeking ways to offer distinctive projects to its customers.

The common feature of all Çalık Enerji investments is that they adopt a human-oriented approach that puts high technology in the center. The Company successfully aligns its business processes with the transformation triggered by new technologies and digitalization. It is thanks to this approach that Çalık Enerji improves its competitive power, customer satisfaction, cost effectiveness and operational excellence.

Çalık Enerji's R&D Activities in 2018

Çalık Enerji invested in the establishment of IQB Solutions, which develops big data, IoT and digitalization solutions. 2018, IQB Solutions launched the Big Data platform IQBig and the IoT platform IQoT, both of which enabled customers to implement digital transformation projects at international standards.

Using these products at Çalık Enerji's wind power plants helps collect and make sense 45 million pieces of data daily on the site. Furthermore, analyses of power plant performance are much more effective thanks to IQWind, an Analytical Reporting Solution that interoperates with IQBig and IQoT. IQWind helped IQB provide business intelligence reports and AI analytics services end-to-end, from the source of data to the end user. IQB aims to offer custom solutions through IQBig and IQoT in various sectors such as smart grids and cities, power plants and factory automations. In the meanwhile, EDAŞ Online helped IQB entirely digitize new connection procedures of electricity distribution companies and enabled customers to perform all their transactions online. This transformation project also paved the way for improved customer satisfaction and operational efficiency. In 2018, IQB Solutions spent TL 1.2 million for R&D.

Çalık Enerji's electricity distribution companies also set the trend in their fields of activity through investments and projects undertaken in various areas. YEDAŞ, a leading electricity distribution company, achieved "firsts" through SAP and SCADA integrations, next-gen smart grid systems and digitalization investments, hence pioneering the electricity distribution sector in the areas that will shape the future of the sector.

Araş EDAŞ, which provides uninterrupted and quality electricity to 2 million people in its region of distribution, completed the SCADA integration in 2018, taking a significant turn in digital transformation. Furthermore, the Company diversified its outreach channels through the mobile application launched in the last account period, getting closer to customers.

Smart cities, a different future...

Cities of the future will become more digital, more environmentally friendly and more sustainable. Limited energy will be used more efficiently, and interruptions will not be tolerated. With these promises come great responsibilities. We think big on the path to the future and develop custom solutions from production to consumption.

ENVIRONMENTAL PRACTICES

Çalık Enerji considers sustainability an integral part of its corporate strategy, and therefore takes into account environmental performance as much as financial returns while deciding on investments, practices and service development processes.

Aware of its responsibility arising from its presence in an all-encompassing sector with a vast sphere of influence, Çalık Enerji considers sustainability an integral part of its corporate strategy. This is why the Company takes into account environmental performance as much as financial returns while deciding on investments, practices and service development processes.

The core objective of Çalık Enerji in environmental sustainability is i) conducting activities with minimum ecological footprint; ii) pioneering the development of innovative services and solutions of the future and increasing the value created for the environment through R&D efforts; and iii) engaging all the stakeholders in its value chain in this approach. Within this scope, the Company brings sustainability to the forefront in all business processes and manages its environmental impact in compliance with international management systems.

Carbon emission is a serious issue in all aspects of the environmental impact resulting from energy generation, a primary field of activity for Çalık Enerji. Therefore, the Company focuses on developing renewable energy projects so as to reduce use of fossil fuels. The recent solar power plant (SPP) projects undertaken by the Company pushed Çalık Enerji to take firmer steps to contribute to optimal use of natural resources. Clean energy generated through SPP investments of Çalık Enerji helped prevent 40.8 kilotons of CO_2 emissions as of the year-end 2018.

Çalık Enerji also established a waste management system to ensure full compliance with the Company's Environmental Policy and applicable laws regarding disposal of the waste resulting from its activities. In accordance with the management plans devised as part of the system, the Company tracks the waste at SPP sites. Waste is then sorted by their applicable class and either recovered or disposed as set forth in legal provisions. There is no hazardous waste at the SPPs of Çalık Enerji.

HUMAN RESOURCES

Çalık Enerji is well aware that its qualified human resources are among the key factors that help maintain its successful performance.

Çalık Enerji formulated its HR policies and practices based on the values of Çalık Holding. Ultimate care is taken to ensure that every employee adopts, and takes into consideration in each step taken, the values that apply to Çalık Holding and all Group companies: fairness, human centricity, reputation, working from the heart, innovation, agility and sustainability.

Çalık Enerji's Human Resources Policy

- Establishing an effective and efficient organization by taking Çalık Enerji's goals & strategies and employee motivation and loyalty into account;
- Creating equal opportunities for employees;
- Recruit right candidates through following effective measurement and assessment techniques;
- Formulating HR plans in alignment with the Company's policies and strategies;
- Addressing employees' social and cultural needs and thus raising awareness of the corporate culture to increase employee productivity;
- Creating a professional working place that provides employees with improvement and development opportunities consummating their skills;
- Updating employees' professional and personal competencies and hence helping them adopt a lifelong learning and development path;
- Internally raising the future leaders who will act as mentors to ensure continuity of Çalık Enerji's goals and future;
- Following career planning processes as per employees' competencies and goals and maximize their productivity.

Çalık Enerji is well aware that its qualified human resources are among the key factors that help maintain its successful performance. The Company regularly conducts activities in a wide range of areas from recruitment to professional and managerial training programs.

Recruitment

Çalık Enerji's selection and placement system is basically intended to recruit dynamic candidates who are eligible with their educational attainment, and open to change and apt at team work, in addition to the potential to develop themselves and their business and to teach as they learn. The Company's core principle in selecting and placing candidates is to provide, with no discrimination or privilege, equal opportunities to candidates who have the competencies required by the job and the capacity to embrace and live up to social values. Applications are examined diligently so as

At Çalık Enerji, there is an ongoing career planning process in place that provides each and every employee with equal opportunities. This process also helps employees improve themselves in their respective fields to achieve the future goals of the Company.

to recruit the best candidate who is capable of carrying Çalık Enerji to its corporate goals and is equipped with the basic competencies and professional skills. Selection tools, the validity and reliability of which are proven, are used to guarantee an impartial selection process. Personality Inventory and Language Proficiency tests are carried out so as to get further information about candidates' strengths, rooms for improvement and potentials.

Management of Remuneration and Fringe Benefits

Wages are paid monthly at Çalık Enerji. Monthly wages are determined by the Human Resources Department, which considers employees' assessment levels and experience required by their roles. In determining the wages, the HR Department takes the findings of the market research conducted at least once a year and current economic conditions into account.

Performance Assessment

Performance assessments are made every year to measure employees' productivity; identify promotion, career planning, rewarding and training requirements; and support employee development through feedback in rotations and organizational changes.

Training and Development

Equal opportunities are provided to human resources, who are capable of living up to the corporate goals of Çalık Enerji, in planning regular, effective, continuous and extensive training programs. The Company believes that employee development is only possible through continuous learning and training, and therefore aims to establish an environment where everybody can learn and flourish continuously.

Orientation

The primary goal of the Human Resources Department is to provide opportunities and guidance for employees to acquire extensive knowledge in their area of expertise and to use the same to develop themselves and their business. New recruits take orientation training, as part of which they are informed of the rules and procedures that help them comply with Çalık Enerji's vision, mission and organizational structure. During the training program, new recruits also acquire the capabilities to start their new job.

Career Management

At Çalık Enerji, there is an ongoing career planning process in place that provides each and every employee with equal opportunities. This process also helps employees improve themselves in their respective fields to achieve the future goals of the Company. Promotions are made to ensure alignment between the Company's future goals and employees' goals. Promotions also bring along more powers, more responsibilities and higher wages. Employees are expected to have the knowledge and experience required for a higher position in order to be promoted. Career opportunities across Çalık Holding and subsidiaries are also available for employees.

Çalık Enerji also acts as a guide for university students to determine their future. To come together with students, the Company participates in career days during which it shares its knowledge and experience so that students know what to pay attention to while looking for a job after graduation. Furthermore, job or internship applications are received from students, who are included in evaluations when the Company looks for interns or new graduates.

OCCUPATIONAL HEALTH AND SAFETY PRACTICES

Çalık Enerji creates value through continuously improving its services and communicating with stakeholders. The Company is has gained recognition in oil, gas and energy sectors with quality, creative projects that are sensitive to the environment and humans.

Çalık Enerji boasts recognition in oil, gas and energy sectors with quality, creative projects that are sensitive to the environment and humans. The Company creates value through continuously improving its services and communicating with stakeholders.

AT ÇALIK ENERGY

Leadership and Commitment

- Treating OHSE and related social responsibilities as a value;
- Targeting continuous improvement to guarantee sustainability;
- Determining and sharing roles and responsibilities;
- Supporting every employee in taking steps to guarantee OHSE;
- Belief in our zero-accident target and the determination to prevent environmental pollution and occupational diseases;
- Procuring the tools necessary for construction sites and working places; establishing a safe working environment.

Risk Management

- Adopting a risk-based thinking system;
- Monitoring preventive measures;
- Evaluating emergency risks and conducting mitigating activities;
- Identifying the environmental and social impacts of all threats and risks;
- Determining potential emergencies and accidents.

Planning

- Identifying internal and external factors;
- Determining risks and opportunities;
- Identifying OSHE targets and sharing them with relevant parties;
- Complying with all applicable laws, regulations and requirements in Turkey and other countries of operation;
- Preparing KPIs to reach those targets.

Competencies

- Informing employees on the OHSE policy and encouraging them to contribute to OHSE;
- Organizing OHSE training;
- Raising employees' OSHE awareness.

Implementation

- Carrying out all activities in compliance with OHSE management system;
- Using natural resources efficiently;
- Investing in protective equipment;
- Managing emergency situations and carrying out drills.

Monitoring and Review

- Monitoring OSHE targets and KPIs;
- Considering Management's Review Inputs;
- Assessing subcontractors' OHSE performance;
- Sharing acquired corporate knowledge.

Social Responsibilities

- Establishing good relations with the communities impacted by projects and raising their OSHE awareness,
- We care about, and are committed to, undertaking social responsibility activities to recover our losses on nature.

This policy will be communicated to Çalık Enerji employees, subcontractors, and suppliers carrying out activities on behalf of Çalık Enerji; and will be announced at all sites of operation working under the control or on behalf of Çalık Enerji.

SOCIAL RESPONSIBILITY PROJECTS

Social responsibility is a core and indispensable component of the management approach for all activities of Çalık Enerji, which adopts a corporate and strategic framework in the projects it develops. The Company has also implemented numerous projects contributing to societal development through its Group companies.

Çalık Enerji enhances the value it creates for society and stakeholders through not only investments and services but also the employment it creates and social responsibility projects it implements in all areas of activity. Driven by a sustainable development approach, the Company's social responsibility projects are implemented in various separate fields including education, innovation, social solidarity, environment, art and sports. The Company continued to develop social responsibility projects also in 2018 through identifying those areas and those countries in need of social responsibility projects.

2018 Projects

- Career Days
  - İTÜ Career Summit
  - ODTÜ Career Fair
  - Boğaziçi University P&R Days (Career Fair)
- March 8 International Women's Day Social Responsibility Project: Products purchased to support women's cooperatives were distributed on March 8.
- The Hydraulic Lab under the Engineering Faculty of Boğaziçi University was renovated and opened, as part of Çalık Holding's social responsibility principle to support education.

Social responsibility is a core and indispensable component of the management approach for all activities of Çalık Enerji, which adopts a corporate and strategic framework in the projects it develops. The Company has also implemented numerous projects contributing to societal development through its Group companies.

YEPAŞ

Social Solidarity

YEPAŞ collaborated with the Samsun Atakum Sports Club for the Hearing Disabled in the "Silent Map Project." Under this social responsibility project, a list of commercial enterprises employing staff with knowledge of sign language was created through a software program on web and mobile to help hearing-impaired individuals overcome communication barriers. The project was intended to help some 8 thousand hearing-impaired people residing in Samsun receive products and services from those enterprises without facing any barriers in communication, and to provide sign language training to enterprises where the staff do not know sign language.

Education

During the "World Children's Books Day," books collected through voluntary support of YEPAŞ employees were gifted to Kurupelik Primary School in Atakum, Samsun. The shelves of the school's library were painted again with the contributions of employees; colorful desks and chairs for every floor of the school were gifted. At the end of the project, unused library shelves stored at the basement of the school were moved to the corridors of the floors, libraries were created on all floors to provide easier access to books.

YEDAŞ

In 2018, YEDAŞ continued its social responsibility efforts. The company expended TL 625 thousand to insulate the transmission lines and install bird guards on the migration routes of about 1 million birds to prevent collisions and electrocution of birdlife.

KEDS

KEDS Academy, a social responsibility initiative aiming to provide young people around the world with access to higher education and employment opportunities, pioneers other organizations in similar social responsibility projects. The 5th generation of the training courses under KEDS Academy have been successfully completed.

KAYSERİGAZ

- Kayserigaz organized a theatre event under the theme energy saving at kindergartens during the Energy Saving Week.
- Kayserigaz employees visited the elderly at the Kayseri Nursing Home and Develi State Hospital during the Elderly Week.
- Kayserigaz sponsored the "8th International Barrier-Free Erciyes Days" held at the Erciyes Ski Center with the participation of hundreds of disabled citizens.
- Kayserigaz employees supported the Melikgazi Sports Club for the Physically-Handicapped and went to the club's wheelchair basketball games.
- Dolgi, the cute mascot of Kayserigaz, informed children on natural gas and its history, how to keep the environment clean, humanitarianism, and protection of nature and animals, in a theatre show organized at the Kayseri State Theatre on April 23 National Sovereignty and Children's Day.
- With the support of the Turkish Red Crescent Society, Kayserigaz organized a Blood Donation Campaign during the Health Month, and became a hope to those in need of blood.
- Clothing items were collected as part of the campaign led by Kayserigaz and supported by EWE Turkey Holding and Group Companies. Those items were sent to students in need at four schools in the districts which Kayserigaz included in its license coverage.
- Kayserigaz's mascot Dolgi and its friends visited kindergartens on the environment day. They informed children on how to protect the environment and the creatures in it, while giving each child a pine tree sapling to inspire them to love trees and forests, help them acquire planting habits, and contribute to environmental protection.
- At the Science Festival on September 2-30, participants learned how to save and use natural gas efficiently. Storybooks, puzzles, painting books and guides on safe use of natural gas were gifted to children.

REMARKS REGARDING INTERNAL CONTROL AND INTERNAL AUDIT

Çalık Holding A.Ş. The Audit Group Directorate (Audit Group) at Çalık Enerji carries out audit and consultancy activities in financial, operational, IT and technical areas.

The Group conducts process audits, financial audits, tax audits, financial and technical audits on EPC projects, and consultancy activities when needed.

Working in compliance with the International Standards for the Professional Practice of Internal Auditing, the Group evaluates and audits Çalık Enerji's and subsidiaries' Internal Control Systems' compliance with COSO standards and best practices.

The Audit Group aims to improve accuracy and reliability of financial and operational transactions, ensure compliance with legal regulations and corporate procedures, protect company's assets, and enhance efficiency and effectiveness of operational processes, through establishing an effective internal control system and developing corporate governance practices at Çalık Enerji.

The Group periodically reports to Çalık Enerji's Board of Directors and Audit Board on the findings of its audit activities.

Before reporting audit findings, the Audit Group recommends actions regarding the issues identified and communicates with the relevant department on those findings and action plans.

Action plans are developed upon mutual agreement with relevant departments. The Group is also in charge of ensuring effective implementation of the measures taken by the Management, monitoring the progress, and tracking the actions.

OUR QUALITY POLICY

Çalık Enerji has conducted activities without compromising its quality policy since the day of its founding. The Company emphasizes the importance of this policy at all sites conducting operations out on behalf of the Company.

Çalık Enerji is recognized in the energy sector with its quality, creative projects that are sensitive to the environment and humans. The Company creates value through continuously improving its services and communicating with stakeholders.

AT ÇALIK ENERGY

Customer-Centricity and Feedback

- Acting in alignment with customers regarding requirements and indicators;
- Responding quickly to customers' concerns and opinions;
- Focusing on maximizing customer satisfaction;
- Fulfilling applicable requirements.

Leadership and Management

- Encouraging the staff to identify quality issues;
- Maintaining an open-minded environment;
- Providing resources required for the quality management system;
- Taking responsibility to ensure effectiveness of the quality management system;
- Encouraging use of a process-based approach and risk-based thinking.

Processes and Procedures

- Implementing effective procedures, processes and training programs;
- Ensuring commitment to processes that have become part of the culture;
- Developing procedures in a timely manner;
- Encouraging feedback to improve processes;
- Improving the quality management system.

Transparency

- Exhibiting questioning behavior;
- Handling problems transparently;
- Encouraging stop of work when in doubt of quality;
- Encouraging employees to determine and solve quality problems.

Empowerment

- Not compromising on quality due to concerns around costs or work schedule;
- Being proud of the quality of the job done by employees; encouraging them to take responsibility, report, and provide feedback about, their quality concerns.

Monitoring and Communication

- Investigating and reporting problems with determination;
- Solving problems in a timely manner;
- Checking quality indicators;
- Sharing the experiences and best practices to make them part of the corporate culture.

Information and Sustainability

- We are committed to, and care about, protecting and preserving corporate information and culture; valuing and protecting Company's assets; identifying risks and opportunities with a potential impact on the quality management system; and encouraging employee competencies and career development.

This policy will be communicated to Çalık Enerji employees, subcontractors, and suppliers carrying out activities on behalf of Çalık Enerji; and will be announced at all sites of operation working under the control or on behalf of Çalık Enerji.

ÇALIK ENERJİ SANAYİ VE TİCARET ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2018 WITH INDEPENDENT AUDITOR'S REPORT

12 April 2019
This report includes 5 pages of independent auditor's report and 100 pages of consolidated financial statements together wtih their explanatory notes.

ÇALIK ENERJİ SANAYİ VE TİCARET ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

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Independent Auditor's Report

To the Board of Directors of Çalık Enerji Sanayi ve Ticaret Anonim Şirketi,

A) Audit of Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Çalık Enerji Sanayi ve Ticaret Anonim Şirketi ("the Company") and its subsidiaries (together "the Group"), which comprise the consolidated statement of financial position as at 31 December 2018, the consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2018, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRS").

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing ("ISAs"). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with International Ethics Standards Board for Accountants Code of Ethics for Professional Accountants ("IESBA Code") together with the ethical requirements that are relevant to our audit of the consolidated financial statements in Turkey and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matter

We draw attention to Note 2(c) of the consolidated financial statements. In accordance with IAS 21 "The effect of changes in foreign exchange rates", the Group management has changed the functional currency of Çalık Enerji A.Ş., from Turkish Liras to US dollars, effective from the reporting periods beginning from 1 July 2018 and prepared its consolidated financial statements as at 31 December 2018, accordingly. Our opinion is not modified in this respect.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

KPMG

Revenue recognition

Refer to Note 3 (k) for the relevant accounting policy and a discussion of significant accounting estimates.

The key audit matter	How the matter was addressed in our audit
The Group conducts mainly engineering, procurement and construction projects ("EPC") in Turkey and abroad. The revenue from the construction contracts amounting to US Dollar 319.536 thousands for a total construction cost amounting to US Dollar 459,785 thousands constituted a significant portion of the Group's total revenue as of and for the year ended 31 December 2018. The Due from customers and progress payment for contract works were US Dollar 12,880 thousands and US Dollar 72,378 thousands, respectively. The EPC projects are complex and exposes the Group to various business and financial reporting risks. The timing of the recognition of revenue in respect of EPC contracts is calculated using the percentage of completion method. Recognition of the results of the EPC projects including the recognition of revenue and specific project-specific requirements requires significant management estimates, in particular the estimation of the cost to be incurred in the completion of the projects and the addition of amounts related to the project change requests to the financial statements. Group considered the service concession contract and applied a model which is IFRIC 12 Financial Grup asset After that a financial asset is idenfied on financial statement. Group accounted income which is calculated by effective interest method on financial assets as interest income which is obtained by Service concession contract.In addition Group set asides provisions for its financial assets within the scope of IFRS 9 Financial instruments standards, as financial assets are considered as an asset which can be impaired. As at 31 December 2018 group has US Dollar 84,407 financial assets and US Dollar 54,667 interest income obtained by service concession contracts. Due to the complexity of the assumptions based on expectations on inflation and complications of implementation elements, which will be accounted under the scope of IFRIC 12, financial assets are designated as key audit matter. In scope of IFRS 12 details about financial assets which are carried are explained on dipnote 17 which is related to consolidated financial statements. EPC contracts with project specific terms require significant management judgement, in particular with respect to estimation of the cost to complete and the amounts of variation orders and claims to be recognised. Hence, we identified revenue from EPC contracts as a significant risk requiring special audit consideration.	Our audit procedures in this area include: - We obtained an understanding of and tested that the key controls (including general controls of information technologies) around the revenue recognition process are designed and implemented effectively, supporting the prevention, detection or correction of material errors in the reported contract revenue figures. - We inspected the terms and conditions of material EPC contracts in order to evaluate the estimates used by the management and to determine whether the revenue is recognized in the relevant periods. - We discussed on the status of projects under construction with finance and technical staff of the Group and evidenced our understanding with the supporting documents. - We recomputed contract revenue by using the percentage of completion method. - We tested the revenue recognised from the construction contracts by agreeing to the amounts invoiced to customers and by ensuring the subsequent receipt of payment from those customers. - The evaluation of the cost budgets of construction contracts and the historically correctness and prudence level of prospective estimates were made by us and current assumptions about the completion stages of the EPC projects and the change of cost budgets were examined by us. - We tested journal entries related to accounting of revenue and contract by focusing on unusual and non-continuous journal entries. - We tested the recoverability of the receivables from EPC contracts by assessing the historical collection performance of the Group, inspecting the relevant additional protocols and correspondences and discussing with the Group management. - We performed detailed cut off tests over revenue and revenue return accounts.

Service concession contracts

Please refer to Note 3 (c) for the relevant accounting policies and details of significant accounting evaluations, estimates and assumptions used related to service concession contracts.

The key audit matter	How the matter was addressed in our audit
Group considered the the terms of service concession contract and applied a model in accordance with IFRS 12 and recognize a financial asset in its consolidated financial statement. Group accounted the income which is calculated by effective interest method on financial assets as interest income from service concession contract. In addition Group makes provisions for its financial assets within the scope of IFRS 9 Financial instruments standards, as financial assets are considered as an asset which can be impaired. As at 31 December 2018 group has US Dollar 84,407 financial assets and US Dollar 54,667 interest income obtained by service concession contracts. Due to the complexity of the assumptions based on expectations on inflation and complications of implementation elements, which will be accounted under the scope of IFRIC 12, financial assets are designated as key audit matter. Details of financial assets carried as part of IFRIC 12 are disclosed in Note 17 of the consolidated financial statements.	Our audit procedures in this area include: - Service concession contract has been obtained and conditions of contract were read. - Releveance with legislation of related calculation model has been evaluated. - As interest income is calculated based on the internal rate of return, the calculation of the internal rate of return is checked. - As a result of the investments made, the amounts that the Energy Market Regulatory Authority ("EMRA") pledged to pay were controlled by means of income requirement notifications. - Reasonable rate of return was controlled from the communiqué published in the Official Gazette. - The period end financial asset figure formed in the service concession agreements model has been confirmed with the period end financial statements. - In addition in the context of aforementioned specifi accounting treatments, the convenience of the informations provided in in the financial statements and explanatory footnotes an the the adequacy of the information disclosed to the users of financial statement have been evaluated by us.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

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

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's consolidated financial reporting process.

KPMG

Auditor’s Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors’ report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group’s internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management’s use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group’s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors’ report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors’ report. However, future events or conditions may cause the Group to cease to continue as a going concern. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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

İsmail Önder Ünal
Partner
5 April 2019
İzmir, Turkey

ÇALIK ENERJİ SANAYİ VE TİCARET ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

AS AT 31 DECEMBER 2018
CONSOLIDATED STATEMENT OF FINANCIAL POSITION

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

	Note	31 December 2018	31 December 2017
ASSETS			
Current assets			
Cash and cash equivalents	5	35.799	24.591
Restricted amounts	6	27.244	47.591
Trade receivables		411.734	655.650
- Due from related parties	*8*	*102.398*	*265*
- Due from third parties	*8*	*309.336*	*655.385*
Other receivables		68.358	33.432
- Due from related parties	*9*	*60.198*	*30.077*
- Due from third parties	*9*	*8.160*	*3.355*
Inventories	10	6.243	9.809
Prepayments	11	38.796	79.717
Current tax assets	21	49	671
Other current assets	15	17.193	29.644
Total current assets		**605.416**	**881.105**
Non-current assets			
Trade receivables	8	303.953	425.681
- Due from third parties		*256.211*	*425.681*
- Due from related parties		*47.742*	
Other receivables		142.907	202.246
- Due from related parties	*9*	*139.163*	*194.099*
- Due from third parties	*9*	*3.744*	*8.147*
Financial investments	7	22.411	9.765
Equity accounted investees	12	125.179	108.652
Property, plant and equipment	13	108.826	136.377
Intangible assets	14	68.502	100.750
Prepayments	11	2.028	2.428
Deferred tax assets	21	3.708	5.348
Total non-current assets		**777.514**	**991.247**
Total assets		**1.382.930**	**1.872.352**

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

ÇALIK ENERJİ SANAYİ VE TİCARET ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

AS AT 31 DECEMBER 2018
CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

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

	Note	31 December 2018	31 December 2017
LIABILITIES			
Current liabilities			
Short term borrowings	17	32.436	33.080
Short term portion of long term borrowings	17	91.825	44.761
Trade payables		148.290	230.815
- Due to related parties	*8*	*3.248*	*4.621*
- Due to third parties	*8*	*145.042*	*226.194*
Payables related to employee benefits	18	4.966	4.529
Other payables		28.395	42.292
- Due to related parties	*9*	*22.475*	*30.161*
- Due to third parties	*9*	*5.920*	*12.131*
Deferred revenue	11	140.578	402.988
Current tax liabilities	21	2	15.155
Short term provisions		9.552	10.049
- Short term employee benefits	*19*	*1.508*	*1.788*
- Other short term provisions	*19*	*8.044*	*8.261*
Other current liabilities	15	24.821	9.773
Total current liabilities		**480.865**	**793.442**
Non-current liabilities			
Long term borrowings	17	173.967	258.750
Other payables	9	42.869	106.282
- Due to related parties		*11*	*56.619*
- Due to third parties		*42.858*	*49.663*
Long term provisions	19	1.490	2.456
- Long term employee benefits		*1.490*	*2.456*
Deferred revenue		--	--
Deferred tax liabilities	21	23.519	16.609
Total non-current liabilities		**241.845**	**384.097**
Total liabilities		**722.710**	**1.177.539**
EQUITY			
Equity attributable to owners of the Company			
Paid-in capital	22	58.570	58.570
Items that will or may be reclassified to profit or loss		(127.134)	12.145
Restricted reserves		177.715	152.271
Retained earnings		275.437	50.049
Net profit for the year		213.506	363.736
Total equity attributable to owners of the Company		**598.094**	**636.771**
Total non controlling interests	**22**	**62.126**	**58.042**
Total equity		**660.220**	**694.813**
Total equity and liabilities		**1.382.930**	**1.872.352**

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

ÇALIK ENERJİ SANAYİ VE TİCARET ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2018

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

	Note	2018	2017
Revenue	23	1.026.857	1.318.958
Cost of sales	24	(783.528)	(922.151)
Gross profit		**243.329**	**396.807**
Administrative expenses	24	(37.782)	(50.318)
Selling, marketing and distribution expenses	24	(18.904)	(40.097)
Research and development expenses	24	(4.523)	(7.782)
Share of profit of equity accounted investees	12	28.779	35.347
Other income from operating activities	25	258.912	181.769
Other expense from operating activities	25	(192.036)	(92.694)
Operating profit		**277.775**	**423.032**
Income from investing activities	26	658	475
Expenses from investing activities	26	(766)	(67)
Operating profit before finance cost		**277.667**	**423.440**
Finance income	27	38.806	24.373
Finance costs	27	(77.101)	(50.160)
Net finance costs		**(38.295)**	**(25.787)**
Profit before tax		**239.372**	**397.653**
Tax expense			
Current tax expense	21	(12.933)	(27.080)
Deferred tax benefit/(expense)	21	(12.842)	(7.427)
Profit for the year		**213.597**	**363.146**
Profit attributable to:			
Owners of the Company		213.506	363.736
Non-controlling interests		91	(590)
Profit for the year		**213.597**	**363.146**
Other comprehensive income			
Reclassified to profit or loss			
Foreign currency translation differences from foreign operations		(139.244)	74.599
Total other comprehensive income		**(139.244)**	**74.599**
Total comprehensive income		**74.353**	**437.745**
Total comprehensive income attributable to:			
Owners of the Company		74.227	438.260
Non-controlling interests		126	(515)
Total comprehensive income		**74.353**	**437.745**

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

ÇALIK ENERJİ SANAYİ VE TİCARET ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2018

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

			Other comprehensive income items that will or may be classified to profit or loss	Restricted reserves	Retained earnings				
	Note	**Paid in capital**	**Translation reserve**	**Legal reserves**	**Retained earnings**	**Net profit for the year**	**Total equity attributable to owners of the Company**	**Non-controlling interests**	**Total equity**
Balances at 1 January 2018		**58.570**	**12.145**	**152.271**	**50.049**	**363.736**	**636.771**	**58.042**	**694.813**
Impact of change in accounting policies and other adjustments	2.d	--	--	--	12.920	--	12.920	--	12.920
Balances at 1 January 2018		**58.570**	**12.145**	**152.271**	**62.969**	**363.736**	**649.691**	**58.042**	**707.733**
Total comprehensive income									
Profit for the year		--	--	--	--	213.506	213.506	91	213.597
Foreign currency translation differences for foreign operations		--	(139.279)	--	--	--	(139.279)	35	(139.244)
Total comprehensive income		**--**	**(139.279)**	**--**	**--**	**213.506**	**74.227**	**126**	**74.353**
Transaction with owners of the Company									
Dividends paid to non-controlling interests by subsidiaries		--	--	9	--	--	9	(115)	(106)
Participations to share capital increase by non controlling interests		--	--	--	--	--	--	3	3
Foundation of subsidiary with non-controlling interests		--	--	--	3.147	--	3.147	4.070	7.217
Dividends paid		--	--	25.435	(154.415)	--	(128.980)	--	(128.980)
Transfers		--	--	--	363.736	(363.736)	--	--	--
Total transaction with owners of the Company		**--**	**--**	**25.444**	**212.468**	**(363.736)**	**(125.824)**	**3.958**	**(121.866)**
Balances at 31 December 2018		**58.570**	**(127.134)**	**177.715**	**275.437**	**213.506**	**598.094**	**62.126**	**660.220**

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

ÇALIK ENERJİ SANAYİ VE TİCARET ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

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

		Other comprehensive income items that are or may be classified to profit or loss	Restricted reserves	Retained earnings/ (Accumulated losses)				
	Paid in capital	Translation reserve	Legal reserves	Retained earnings/ (accumulated losses)	Net profit for the year	Total equity attributable to owners of the Company	Non-controlling interests	Total equity
Balances at 1 January 2017	**58.570**	**(62.379)**	**120.458**	**(9.248)**	**246.194**	**353.595**	**57.111**	**410.706**
Total comprehensive income								
Profit for the year	--	--	--	--	363.736	363.736	(590)	363.146
Foreign currency translation differences for foreign operations	--	74.524	--	--	--	74.524	75	74.599
Total comprehensive income	**--**	**74.524**	**--**	**--**	**363.736**	**438.260**	**(515)**	**437.745**
Transaction with owners of the Company								
Dividends paid to non-controlling interests by subsidiaries	--	--	--	--	--	--	(33)	(33)
Participations to share capital increase by non controlling interests	--	--	--	--	--	--	834	834
Foundation of subsidiary with non-controlling interests	--	--	--	--	--	--	645	645
Dividends paid	--	--	--	(155.084)	--	(155.084)	--	(155.084)
Transfers	--	--	31.813	214.381	(246.194)	--	--	--
Total transaction with owners of the Company	**--**	**--**	**31.813**	**59.297**	**(246.194)**	**(155.084)**	**1.446**	**(153.638)**
Balances at 31 December 2017	**58.570**	**12.145**	**152.271**	**50.049**	**363.736**	**636.771**	**58.042**	**694.813**

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

ÇALIK ENERJİ SANAYİ VE TİCARET ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

CONSOLİDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2018

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

	Notes	2018	2017
A.CASH FLOWS FROM OPERATING ACTIVITIES		**196.982**	**348.352**
Profit for the year		**213.597**	**363.146**
Adjustments to reconcile cash flow generated from operating activities:		**51.493**	**33.259**
Adjustments for depreciation and amortisation	24	21.550	15.633
Adjustments for doubtful receivables	8	6.256	3.903
Adjustments for provision for long term employee benefits	19	458	672
Adjustments for provisions, net	19	2.122	3.268
Adjustments for vacation pay liability, net	19	225	319
Adjustments for share of profit of equity accounted investees	12	(28.779)	(35.347)
Adjustments for deposits and guarantee received	27	9.610	(3.976)
Adjustments for interest income and expenses		19.151	370
Adjustments for fair value changes of the service concession receivables	25	(54.666)	(51.694)
Adjustments for actual alternative investment income	25	(27.200)	(24.330)
Unrealised foreign currency (income) / loss		77.204	90.345
Adjustments for tax expense	21	25.775	34.507
Adjustments for the net gains on sales of property, plant and equipment and intangible assets	26	(213)	(411)
Changes in working capital		**(35.372)**	**(32.361)**
Change in inventories	10	3.566	4.742
Change in trade receivables	8	134.660	(188.621)
Change in payables related to employee benefits	18	1.183	1.155
Change in other receivables, other current assets and other non current assets related with operating activities	9	(488)	(9.328)
Change in trade payables	8	(18.731)	(7.110)
Change in prepayments	11	19.683	(34.275)
Change in deferred income		(161.582)	197.010
Change in other payables and other liabilities related with operating activities		(13.663)	4.066
Cash flows used in operating activities		**(32.736)**	**(15.692)**
Employee termination indemnity paid	19	(729)	(510)
Collections from doubtful receivables	25	1.343	2.859
Taxes paid		(33.350)	(18.041)
B. CASH FLOWS USED IN INVESTING ACTIVITIES		**(34.337)**	**(9.986)**
Proceeds from sales of property, plant and equipment and intangible assets		1.189	6.138
Participation of share capital increase of the available for sale financial investments	8	(16.742)	(946)
Proceeds from sales of available for sale financial investments	8	--	105
Acquisition of property, plant and equipment	13	(18.598)	(15.042)
Acquisition of intangible assets	14	(186)	(219)
Dividends received from equity accounted investees	12	--	162
Participation to share capital increase of joint ventures	12	--	(184)
C. CASH FLOWS USED IN FINANCING ACTIVITIES		**(151.437)**	**(321.089)**
Funds provided to related parties		(31.152)	(358.096)
Interest paid to related parties	27	(7.146)	(12.372)
Interest received from related parties	27	3.033	13.718
Dividend paid		(139.984)	(148.759)
Contribution to share capital increase of subsidiaries by non controlling interests		3	834
Acquisition of subsidiary with non-controlling interests		4.070	645
Change in restricted cash and cash equivalents	6	(20.347)	(36.495)
Proceeds from loans and borrowings	17	80.404	277.112
Repayment of loans and borrowings,	17	(49.490)	(66.977)
Deposits and guarantees paid		(1.052)	(1.716)
Interest paid		10.224	11.016
NET INCREASE IN CASH AND CASH EQUIVALENTS (A+B+C)		**11.208**	**17.277**
E. CASH AND CASH EQUIVALENTS AT THE BEGINING OF THE PERIOD		**24.591**	**7.314**
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD (A+B+C+E)		**35.799**	**24.591**

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

Notes to Consolidated Financial Statements

1 Reporting entity

Çalık Enerji Sanayi ve Ticaret Anonim Şirketi ("Çalık Enerji" or "the Company") was established in 1998 in Turkey for the purpose of engaging in the operation, exploration and production of natural gas and petroleum resources, shipment and selling of such resources to the international markets, production, distribution and retail sale of electricity energy or investing in the entities engaging in such operations. Çalık Enerji has eight branches, namely, Çalık Enerji Turkmenistan, Çalık Enerji Georgia, Çalık Enerji Uzbekistan, Çalık Enerji Libya, Çalık Enerji Iraq, Çalık Uzbekistan (TRC), Çalık Enerji Uzbekistan (NAV2) and Çalık Enerji Malawi.

Çalık Enerji is managed and owned by Çalık Holding Anonim Şirketi ("Çalık Holding"), the parent company of the Group, holding 95.42% of all Çalık Enerji's shares. As at 31 December 2018, the principal shareholders and their respective shareholding rates in Çalık Enerji are stated in Note 23. Çalık Enerji was established at its registered office address, Büyükdere Caddesi No: 163/A Zincirlikuyu, Istanbul.

As at 31 December 2018, Çalık Enerji has 29 (31 December 2017: 28) subsidiaries ("the Subsidiaries") and 4 (31 December 2017: 4) joint ventures ("the Joint Ventures") and 1 (31 December 2017: None) affiliate (referred to as "the Group" herein and after). The consolidated financial statements of the Group as at and for the year ended 31 December 2018 comprise Çalık Enerji, its subsidiaries and its interests in the joint ventures. As at 31 December 2018, the number of employees of the Group is 2.952 (31 December 2017: 1.503). The subsidiaries and the joint ventures included in the consolidation of Çalık Enerji, their country of incorporation and nature of business are as follows:

1 Reporting entity (continued)

Company name	Type of partnership	Country
Adacami Enerji Elektrik Üretim Sanayi ve Ticaret A.Ş.	Subsidiary	Turkey
Akılcı Bilişim Hizmetleri ve Danışmanlık A.Ş. (*)	Subsidiary	Turkey
Ant Enerji Sanayi ve Ticaret Limited Şirketi	Subsidiary	Turkey
Atayurt İnşaat A.Ş.	Subsidiary	Turkey
Çalık Yenilenebilir Enerji A.Ş.	Subsidiary	Turkey
Çalık Elektrik Dağıtım A.Ş.	Subsidiary	Turkey
Çalık Enerji Dubai FZE	Subsidiary	UAE – Dubai
Çalık Enerji Elektrik Üretim ve Madencilik A.Ş.	Subsidiary	Turkey
Calik Enerji Swiss AG (*)	Subsidiary	Switzerland
Çalık Georgia LLC (*)	Subsidiary	Georgia
Çalık Limak Adi Ortaklığı	Joint venture	Turkey
Çalık NTF Elektrik Üretim ve Madencilik A.Ş.	Subsidiary	Turkey
Çalık Rüzgar Enerjisi Elektrik Üretim Limited Şirketi	Subsidiary	Turkey
Çedaş Elektrik Dağıtım Yatırımları A.Ş.	Subsidiary	Turkey
Demircili Rüzgar Enerjisi Elektrik Üretim A.Ş.	Subsidiary	Turkey
Doğu Aras Enerji Yatırımları A.Ş.	Joint venture	Turkey
Enerji Sabz Arman Pars A.Ş.	Subsidiary	Iran
Enerji Sabz Pouya Pars A.Ş. (*)	Subsidiary	Iran
Granite Holding N.V. (*)	Subsidiary	Netherlands
Hamerz Green Energy (*)	Subsidiary	Iran
JSC Calik Georgia Wind	Subsidiary	Georgia
Kızılırmak Enerji Elektrik A.Ş.	Subsidiary	Turkey
Kosova Çalık Limak Energy SH.A.	Joint venture	Kosovo
LC Electricity Supply and Trading d.o.o.	Joint venture	Serbia
Mayestan Green Energy (*)	Subsidiary	Iran
Momentum Enerji Elektrik Üretim Sanayi ve Ticaret A.Ş.	Subsidiary	Turkey
Onyx Trading Innovation FZE	Subsidiary	UAE – Dubai
Technological Energy N.V.	Subsidiary	Netherlands
Technovision Mühendislik Danışmanlık ve Dış Ticaret A.Ş.	Subsidiary	Turkey
Türkmen'in Altın Asrı Elektrik Enerjisi Toptan Satış A.Ş.	Subsidiary	Turkey
Yeşilçay Enerji Elektrik Üretim Sanayi ve Ticaret A.Ş.	Subsidiary	Turkey
Yeşilırmak Elektrik Dağıtım A.Ş.	Subsidiary	Turkey
Yeşilırmak Elektrik Perakende Satış A.Ş.	Subsidiary	Turkey
Taşkent Merkez Park Gayrimenkul Yatırım A.Ş. (*).	Subsidiary	Turkey

(*) Akılcı Bilişim Hizmetleri ve Danışmanlık A.Ş., Çalık Georgia LLC, Calik Enerji Swiss AG, Enerji Sabz Pouya Pars A.Ş., Granite Holding N.V., Taşkent Merkez Park Gayrimenkul Yatırım A.Ş, Hamerz Green Energy and Mayestan Green Energy, subsidiaries of the Group, are in start up phase or non operating and are not consolidated due to the insignificance of their financial impact on the consolidated financial statements as at and for the period ended 31 December 2018.

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)

Akılcı Bilişim Hizmetleri ve Danışmanlık A.Ş ("Akılcı Bilişim")

Akılcı Bilişim, was established on 2 May 2017 in Istanbul. As at the reporting date, the Company is in start-up phase and non operating.

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.

Çalık Yenilenebilir Enerji A.Ş. ("Çalık Yenilenebilir 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.

Çalık Enerji Dubai FZE ("Çalık Enerji Dubai")

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

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

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

Enerji Sabz Arman Pars A.Ş. ("Sabz Arman Pars A.Ş.")

Enerji Sabz Arman Pars A.Ş. ("Enerji Sabz Arman Pars") was established in 2017 in Iran. The company was established to conduct all the commercial product trading of commercial and economic operations such as importing and exporting raw materials, industrial parts and equipment.

Çalık Enerji Swiss AG ("Calik Swiss")

Calik Swiss was established on 27 April 2017 in Switzerland for the purpose of the acquisition management and use of concessions other rights as well as construction and maintenance power plants and to provide services in the development of other group companies operating in the energy sector, especially in the electricity sector and in finding funding sources.

Çalık Georgia LLC ("Çalık Georgia")

Çalık Georgia was established in 2015 in Tbilisi for the purpose of engineering, procurement and constructions of hydroelectric power plant and trade of the electricity produced in Georgia. As of the reporting date the company is in start-up phase and non operating.

Çalık Limak Adi Ortaklığı

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

1 Reporting entity (continued)

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

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

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.

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.

Demircili Rüzgar Enerjisi Elektrik Üretim A.Ş. ("Demircili Rüzgar")

Demircili Rüzgar was established on 23 February 2017 in Istanbul, for the purpose of establishing electric production facility, operating, renting it and producing electric energy and / or selling it to customers.

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

Doğu Aras was founded in accordance with the energy market regulations as a joint venture with a joint agreement 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.

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

Enerji Sabz Pouya Pars A.Ş. ("Enerji Sabz Pouya Pars")

Enerji Sabz Pouya Pars was established in 2017 in Iran for the purpose of conducting commercial and economic activities including marketing, exporting and importing eligible trading goods such as raw materials, industrial parts and tools.

Granite Holding N.V. ("Granite")

Granite Holding N.V. was established on 3 March 2017 in Netherlands for the purpose of operating as a holding company.

1 Reporting entity (continued)

Hamerz Green Energy ("Hamerz Green Energy")

Hamerz Green Energy was established in 2016 in Iran for the purpose of conducting commercial and economic activities including marketing, exporting and importing eligible trading goods such as raw materials, industrial parts and tools.

JSC Çalık Georgia Wind ("JSC Georgia")

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

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

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

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

KÇLE was established as a joint venture with a joint agreement 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 KÇLE. In 2015, shares of KÇLE representing 25% of all shares, held by ÇEDAŞ, are transferred to Çalık Enerji.

On 8 May 2013, KÇLE purchased all shares of state-owned enterprise namely "Kompania Per Distribuim Dhe Fumizim Me Energji Elektrike SH.A" ("KEDS") which is operating in electricity distribution and procurement of electricity in Kosovo.

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

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

Mayestan Green Energy ("Mayestan Green Energy")

Mayestan Clean Energy was established in 2016 in Iran for the purpose of conducting commercial and economic activities including marketing, exporting and importing eligible trading goods such as raw materials, industrial parts and tools.

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

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

Onyx Trading Innovation FZE ("Onyx Trading Innovation FZE")

Onyx Trading Innovation FZE was established in 2016 in Dubai.

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

Technological N.V. was established on 8 June 2016 in the Netherlands. As at the reporting date, the Company is non operating.

1 Reporting entity (continued)

Technovision Mühendislik, Danışmanlık ve Dış Ticaret Ltd. Şti. ("Technovision")

Technovision was established in 1994, in Ankara to provide machinery and civil engineering and consulting services. 90,00% of the Company's shares were acquired by Çalık Enerji in 2015 for the purpose of providing engineering and consultancy services to Group entities.

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

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

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

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

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

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

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

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

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

Taşkent Merkez Park Gayrimenkul Yatırım Ortaklığı ("Taşkent Merkez")

Taşkent Merkez Park Gayrimenkul Yatırım Ortaklığı was established in 2018 and its main operation subject is building residence.

2 Basis of preparation

a) Statement of compliance

The Group's entities operating in Turkey keep their books of account in Turkish Lira ("TL") in accordance with the accounting principles per Turkish Uniform Chart of Accounts, the Turkish Commercial Code and Tax legislations.

The Group's foreign entities keep 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 5 April 2019. The general assembly and the other regulatory bodies have the power to amend the consolidated financial statements after their issue.

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

2 Basis of preparation (continued)

b) Basis of measurement

The consolidated financial statements have been prepared on the historical cost basis and for the Group's Turkish entities as adjusted for the effects of inflation that lasted by 31 December 2004, except for the derivative financial instruments that are measured at fair value.

c) Functional and presentation currency

The Company's functional currency was Turkish Lira (TL) until 30 June 2018. Due to changes in sales strategies and dividend policies as of 1 July 2018, the US Dollar began to reflect the economic bases of situations and events that are significant to Çalık Enerji. Therefore the functional currency of the Company has been changed to US Dollars as of 1 July 2018 in accordance with IAS 21 – "Effects of Changes in Foreign Exchange Rates". Equity items are translated to US Dollars at exchange rates at the dates of the transactions. All assets and liabilities are retranslated to US Dollars at the exchange rate at the reporting date. All profit or loss and other comprehensive income items are translated to US Dollars at historic exchange rates of the corresponding year.

The exchange rates against TL used by the Group at 31 December 2018 and 31 December 2017 are as follows:

	31 December 2018	31 December 2017(*)
US Dollar	5,2609	3,7719
Euro	6,0280	4,5155
British Sterling	6,6528	5,0803
Iraqi Dinar	0,0044	0,0032
Georgian Lari	1,9827	1,4551
Libyan Dinarı	3.7543	2,7655
Turkmenistan Manat	1,5058	1,0777
Uzbekistani Som	0,0006	0,0005

In accordance with IAS 21 "The Effect of Changes in Foreign Exchange Rates", the Group management has changed the functional currencies of Çalık Enerji Turkmenistan Branch and Çalık Enerji Uzbekistan Representative Office, from Turkmenistan Manat and Uzbekistani Som, respectively to US dollar, effective from the reporting periods as of 1 July 2017. The Group has started new engineering, procurement and construction projects in Turkmenistan and Uzbekistan and carries out these projects through its branches in these countries. Upon the signing of the new contracts, collections from contract revenues are mainly denominated in US Dollars while significant portion of the costs comprise expenditures in US Dollars.

In 2017, the effect of the branches' own currencies, Turkmenistan Manat and Uzbekistani Som, decreased in reflecting the basic economic environment of the Group in terms of market and operational conditions. Due to aforementioned reasons functional currencies of these branches were changed to US Dollars, effective from 1 July 2017.

2 Basis of preparation (continued)

d) Changes in accounting policies, estimates and error

Except as described below, the accounting policies applied in consolidated financial statements are the same as those applied in the Group's financial statements as at and for the year ended 31 December 2018.

The Group has initially adopted IFRS 9 Financial Instruments and IFRS 15 Revenue from Contracts with Customers from 1 January 2018. Although there are other standards which are effective from 1 January 2018, these standards do not have any significant effect on the Group's financial statements.

IFRS 15 Revenue from Contracts with Customers

IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaced IAS 18 Revenue, IAS 11 Construction Contracts and related interpretations. Under IFRS 15, revenue is recognized when a customer obtains control of the goods or services. Determining the timing of the transfer of control – at a point in time or over time – requires judgment.

The application of IFRS 15 did not have a significant impact on the Group's consolidated financial statements.

IFRS 9 Financial Instruments

IFRS 9 sets out requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. This standard replaces IAS 39 Financial Instruments: Recognition and Measurement

Classification and measurement of financial assets and financial liabilities

IFRS 9 contains three principal classification categories for financial assets: measured at amortised cost, FVOCI and FVTPL. The classification of financial assets under IFRS 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. IFRS 9 eliminates the previous IAS 39 categories of held to maturity, loans and receivables and available for sale. Under IFRS 9, derivatives embedded in contracts where the host is a financial asset in the scope of the standard are never separated. Instead, the hybrid financial instrument as a whole is assessed for classification.

IFRS 9 largely retains the existing requirements in IAS 39 for the classification and measurement of financial liabilities.

The adoption of IFRS 9 has not had a significant effect on the Group's accounting policies related to financial liabilities.

The following table and the accompanying notes below explain the original measurement categories under IAS 39 and the new measurement categories under IFRS 9 for each class of the Group's financial assets and financial liabilities as at 1 January 2018.

The effect of adopting IFRS 9 on the carrying amounts of financial assets at 1 January 2018 relates solely to the new impairment requirements.

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

2 Basis of preparation (continued)

d) Changes in accounting policies, estimates and error (continued)

Classification and measurement of financial assets and financial liabilities (continued)

	Original classification under IAS 39	New classification under IFRS 9	Original carrying amount under IAS 39	Original carrying amount under IFRS 9
Financial assets				
Trade and other receivables	Loans and receivables	Amortised cost	938.413	936.397
Cash and cash equivalents	Loans and receivables	Amortised cost	72.182	72.182
Financial Investment	Financial asset	FV Credit Loss	9.765	22.373
Total financial assets			**1.020.360**	**1.030.952**

(i) Impairment of financial assets

IFRS 9 replaces the 'incurred loss' model in IAS 39 with an 'expected credit loss' ("ECL") model. The new impairment model applies to financial assets measured at amortised cost, contract assets and debt investments at FVOCI, but not to investments in equity instruments. Under IFRS 9, credit losses are recognized earlier than under IAS 39.

The following table summarises the impact of transition to IFRS 9 on the opening balance of reserves, retained earnings.

	Impact of adopting IFRS 9 on opening balance
Retained earnings	
Recognition of expected credit losses under IFRS 9	(4.297)
Accounting of financial investment under IFRS 9	16.742
Related tax	475
Impact at 1 January 2018	**12.920**

e) Use of estimates and judgments

The preparation of the consolidated financial statements in conformity with IFRSs requires management to make judgments, 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 8 – Allowance for trade receivables: Allowances for the trade and other receivables are based on the Group management's assessment on the amount, historical performance and general economic environment. The Group monitors recoverability of its trade receivables periodically by considering the collection ratios in the previous years and recognises allowance for doubtful receivables for probable losses. Subsequently, if the economic conditions, collection trends and other significant sectorial trends accrued worse than the Group management's estimates, the allowance for doubtful receivables in the consolidated financial statements might not compensate the actual doubtful receivables.

When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately. Revenue measurements are based on estimates that are revised as events and uncertainties are resolved. Cost and revenues may be revised based on variations to the original contract, penalties on delays, cost escalation clauses and other similar items. These revisions are recognised in the consolidated financial statements as they are incurred. Revenue incentive are recognised as revenue to the extent that the amount can be measured reliably and its receipt is considered probable.

2 Basis of preparation (continued)

e) Use of estimates and judgments (continued)

When the outcome of a construction contract cannot be estimated reliably, revenue is recognised to the extent of costs incurred that are probable of recovery. Costs are recognised as an expense as they are incurred.

Note 4 - The Group management, classifies its other receivables from related parties under current/non-current assets considering their expected cash flows.

Note 13 and Note 14 – Useful lives of property, plant and equipment and other intangible assets: The Group management estimates the useful lives of property, plant and equipment and intangible assets through the experience of its technical team based on the management strategies and future marketing plans.

Note 19 – Provision for litigations: Group management estimates and recognizes provision for ongoing lawsuits by estimating the relevant cash outflows.

Note 21 – Deferred tax assets and liabilities: Deferred tax assets arising from taxable temporary differences and accumulated losses are recognised when it is probable that future taxable profits will be available. Significant estimations and judgments are required regarding future taxable profits to determine the recognised amount of the deferred tax assets.

Note 28 – Determination of fair value: Estimates are made for using observable and non-observable market data in determination of fair values.

3 Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements, and have been applied consistently by the Group.

(a) Basis of consolidation

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

i) Business combinations

Business combinations are accounted for using the acquisition method as at the acquisition date, which is the date on which control is transferred to the Group.

In assessing control, the Group takes into consideration potential voting rights that are currently exercisable.

The Group measures goodwill at the acquisition date as:

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

When the result of implementation is negative, a bargain purchase gain is recognised 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.

3 Significant accounting policies (continued)

(a) Basis of consolidation (continued)

i) Business combinations (continued)

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) Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls a business when exposure, or rights, to variable returns due to its involvement with the investee and the ability to use its power over the investee to affect the amount of the investor's returns. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

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

iii) Non-controlling interests

The Group measures any non-controlling interests in the acquiree at their proportionate share of the acquiree's identifiable net assets.

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.

iv) Loss of control

When the Group losses the control over the subsidiary, the Group derecognises the assets and liabilities of the subsidiary, any non controlling interests and the other components of equity related to the subsidiary. Any surplus or deficit arising on the loss of control is recognised in profit or loss. If the Group retains any interest in the previous subsidiary, then such interest is measured at fair value at the date that control is lost.

v) Acquisitions from entities under common control

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

vi) Joint arrangements

Joint arrangements are aggreements 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.

3 Significant accounting policies (continued)

(a) Basis of consolidation (continued)

vi) Joint arrangements (continued)

The accompanying 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.

vii) Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealised gains arising from transactions with equity accounted investees are eliminated against the investment to the extent of Group's interest in the investee.

Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment. Carrying value of shares owned by the Group and dividends arising from these shares has been eliminated in equity and profit or loss statement's accounts.

In consolidation of operating results and financial positions of subsidiaries whose functional currency is other than TL, main consolidation transactions are made such as elimination of related party balances and transactions. But, a-monetary asset (or liability) of related parties regardless of short-term or long-term (except for monetary items which are part of net investment of the Group in its subsidiaries whose functional currency is other than TL) can not be eliminated with related party liability (or related party asset) without presenting results of fluctuation of foreign currencies in consolidated financial statements. Because, a monetary item provides obligation of translation of any currency to other currency and makes the Group exposed to gain or losses arising from fluctuation of foreign currencies. Correspondingly, these kind of foreign exchange differences are recognised in profit or loss of consolidated financial statements of the Group.

(b) Foreign currency

i) Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of Group entities at exchange rates at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date. 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 and will not be subject to translation anymore.

Foreign currency differences arising from retranslate, recognized in profit or loss, except for exchange rate differences, which arise from the recycle in the following items and recorded in other comprehensive income.

- available-for-sale equity instruments (except for impairment, the foreign exchange differences recognized in other comprehensive income are reclassified to profit or loss);
- financial liabilities entered in order to hedge net investments in foreign operations recorded as other comprehensive income
- cash flow hedging instruments to the extent that hedging is effective

3 Significant accounting policies (continued)

(b) 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 functional currency of the Company US Dollars at exchange rates at the reporting date. The income and expenses of foreign operations are translated to US Dollars at historic exchange rates at the dates of the transaction.

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

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

(c) Financial instruments

i) Recognition and initial measurement

Trade receivables are initially recognized when they are originated. All other financial assets and financial liabilities are initially recognized when the Group becomes a party to the contractual provisions of the instrument.

A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

ii) Classification and subsequent measurement

On initial recognition, a financial asset is classified as measured at: amortised cost, FVOCI – equity investment, or FVTPL.

Financial assets are not reclassified subsequent to their initial recognition unless the Company changes its business model for managing financial assets in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- It is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- Its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

3 Significant accounting policies (continued)

(c) Financial instruments (continued)

ii) Classification and subsequent measurement (continued)

A non-recyclable preference can be made to introduce the Group's non-trading equity investment into the financial statements for the first time and present subsequent changes in its fair value in other comprehensive income. This selection is made separately for each investment.

All financial assets not classified as measured at amortised cost or FVOCI as described above are measured at FVTPL. On initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

On initial recognition of an equity investment that is not held for trading, the Group may irrevocably elect to present subsequent changes in the investment's fair value in other comprehensive income. This election is made on an investment-by-investment basis.

Financial assets: Business model assessment

The Group makes an assessment of the objective of the business model in which a financial asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes:

- The stated policies and objectives for the portfolio and the operation of those policies in practice. These include whether management's strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of any related liabilities or expected cash outflows or realizing cash flows through the sale of the assets;
- How the performance of the portfolio is evaluated and reported to the Group's management;
- The risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- How managers of the business are compensated – e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
- The frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and expectations about future sales activity.

Transfers of financial assets to third parties in transactions that do not qualify for derecognition are not considered sales for this purpose, consistent with the Group's continuing recognition of the assets.

Financial assets that are managed and whose performance is evaluated on a fair value basis are measured at FVTPL.

Financial assets: Assessment whether contractual cash flows are solely payments of principal and interest

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as a profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Group considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making this assessment, the Group considers:

- Contingent events that would change the amount or timing of cash flows;
- Terms that may adjust the contractual coupon rate, including variable-rate features;
- Prepayment and extension features; and
- Terms that limit the Group's claim to cash flows from specified assets (e.g. non-recourse features).

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

3 Significant accounting policies (continued)

(c) Financial instruments (continued)

ii) Classification and subsequent measurement (continued)

Financial assets: Assessment whether contractual cash flows are solely payments of principal and interest (continued)

A prepayment feature is consistent with the solely payments of principal and interest criterion if the prepayment amount substantially represents unpaid amounts of principal and interest on the principal amount outstanding, which may include reasonable additional compensation for early termination of the contract. Additionally, for a financial asset acquired at a significant discount or premium to its contractual par amount, a feature that permits or requires prepayment at an amount that substantially represents the contractual par amount plus accrued (but unpaid) contractual interest (which may also include reasonable additional compensation for early termination) is treated as consistent with this criterion if the fair value of the prepayment feature is insignificant at initial recognition.

Financial assets: Subsequent measurement and gains and losses.

Financial assets at FVTPL	These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognized in profit or loss.
Financial assets at amortised cost	Financial assets at amortised cost are comprised of cash and cash equivalents, trade receivables and other receivables. These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognized in profit or loss. Any gain or loss on derecognition is recognized in profit or loss.
Debt investments at FVOCI	These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognized in profit or loss. Other net gains and losses are recognized in OCI. On derecognition, gains and losses accumulated in OCI are reclassified to profit or loss.
Equity investments at FVOCI	These assets are subsequently measured at fair value. Dividends are recognized as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognized in OCI and are never reclassified to profit or loss.

Financial assets measured at fair value

Financial assets measured at amortized cost are financial instruments with fixed or determinable payments that are not quoted in an active market. These assets are initially recognized at fair value plus directly attributable transaction costs. After initial recognition, they valued at amortized cost using the effective interest method, less any impairment. Loans and receivables are comprise trade receivables and other receivables, including cash and cash equivalents, construction contracts receivables and receivables from preferential service agreements.

Cash and cash equivalents

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

Service concession arrangements

According to the "Transfer of Operating Rights Agreement" ("TORA") signed between Türkiye Elektrik Dağıtım A.Ş. ("TEDAŞ") and YEDAŞ on 24 July 2006, the operating rights on the distribution installations and other items related thereto were transferred to YEDAŞ for a consideration of US Dollar 68.420 TORA consideration has been amortized by adding to revenue cap during the first tariff period (2006-2010). As at 31 December 2018, the aforementioned TORA consideration amount has been fully amortized.

TORA term is 30 years starting from 24 July 2006. At the end of this period, operational period may be extended by TEDAŞ in accordance with the related regulations which will be in force in the same period.

3 Significant accounting policies (continued)

(c) Financial instruments (continued)

ii) Classification and subsequent measurement (continued)

Service concession arrangements (continued)

Under the terms of this agreement within in the scope of IFRIC 12, the Group acts as a service provider to distribute electricity ("the operator"). The operator constructs or upgrades infrastructure (construction or upgrade services) used to provide a public service and operates and maintains that infrastructure (operation services) for a specified period of time. There have been no changes in the structure of the agreement in the current year.

The Group recognises a financial asset arising from a service concession arrangement when it has an unconditional contractual right to receive cash or another financial asset from or at the discretion of the grantor Energy Market Regulatory Authority ("EMRA") for the construction or upgrade of the services provided.

The Group initially measures receivables resulting from its investments of which repayments are granted through tariffs under "Due from service concession agreements" item under trade receivables at fair value in accordance with "Financial Instruments: Recognition and Measurement" standard. Subsequent to the initial recognition, such financial assets are measured at amortized costs.

Parameters related to operating rights resulting from "Distribution and Retail Sales License" which YEDAŞ owns via TORA are updated by EMRA committee decisions during the five year implementation periods. As of 31 December 2018, YEDAŞ fulfilled its obligations related to the license for services which was privatized at 24 July 2006, including the first implementation period between 2006 and 2010 and the second implementation period which covers the years 2011 and 2015.

Rights related to second implementation period were announced by EMRA Committee Decision (Decision No: 2991) on 28 December 2010. Rights which will be applicable for the third implementation period between 2016 and 2020 were announced by EMRA with its committee decision dated 30 December 2015 and numbered 6033-1.

YEDAŞ's revenues and costs are subject to EMRA regulations. Revenue requirements of YEDAŞ are determined by EMRA and adjusted if necessary for the differences of revenue components approved by EMRA. In case of revenue components are above or below of revenue requirements determined by EMRA, those differences may be subject to adjustment depending on their compositions. Revenue requirements which has still under regulation over 5 years period consist of YEDAŞ's requirements for operating expenses, amortization of capital expenditures, alternative investment costs related to unamortised investments and tax differences added to or deducted from revenue in order to compensate periodic deviations which are resulting from tax implementations. Adjustments to revenue requirements are calculated by using Energy Market Index ("EPE") over the years.

YEDAŞ recognises and measures its revenue in accordance with IFRS 15 for the services provided.

Other

Other non derivative financial instruments are measured at amortised cost using the effective interest rate method, less any impairment losses.

Financial liabilities

The Group's financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument. The contract representing the right in the assets of the Group after deducting all debts of the Group is an equity-based financial instrument. The accounting policies applied for certain financial liabilities and equity instruments are as follows.

Financial liabilities are classified as either financial liabilities at fair value through profit or loss or other financial liabilities.

3 Significant accounting policies (continued)

(c) Financial instruments (continued)

Financial liabilities (continued)

a) Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss are initially recognized at fair value and revalued at their fair value at the each balance sheet date. Changes in fair values are recognized in the consolidated statement of profit or loss. The net gain or loss recognized in the consolidated statement of profit or loss includes the interest paid on the financial liability.

b) Other financial liabilities

Other financial liabilities included financial debts have been accounted by considering its fair value without initial costs.

Other financial liabilities, included interest expense calculated by using effective interest rate in next period, have been accounted with its effective interest rate.

Effective interest method is an accounting methodology which refers to distributing interest expense into related periods while accounting redeemed cost. Effective interest rate is used to calculate present value of payments of a related financial liability during expected life of a financial instrument.

Security deposits

According to the Article 26 of Electricity Market Customer Services Regulation, legal entities which have retail electricity sale licenses, can demand security deposits from their subscribers in order to deduct customers' debts in case of possible inability to pay energy consumption fee due to address change and/or cease of retail sale agreements or termination of retail sale agreements.

Security deposits received from current subscribers are recognised in the "payables to third parties" item at the adjusted values based on inflation applicable to reporting dates using Consumer Price Index ("CPI") rates. Security deposits valuation expenses and realised security deposit expenses are recognised as finance cost in profit or loss.

Accounting on transaction and delivery date

All financial asset purchases and sales are recognized at the transaction date, in other words, it is accounted for when the Group commits to purchase or sell transaction. Ordinary purchases and sales are purchases and sales where the delivery period of the asset is generally determined according to legislations or regulations in the markets.

Offsetting

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

Derecognition

Financial assets

The Group derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Group neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

3 Significant accounting policies (continued)

(c) Financial instruments (continued)

Derecognition (continued)

Financial liabilities

The Group derecognizes a financial liability when its contractual obligations are discharged or cancelled, or expire. The Group also derecognizes a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognized at fair value.

On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognized in profit or loss.

Impairment

Financial instruments and contract assets

The Group recognizes loss allowances for ECLs on:

– Financial assets measured at amortised cost;
– Contract assets. (as defined in IFRS 15)

Provisions set aside for losses within the scope of IFRS 9 are accounted by following methods:

Financial assets with redeemed cost;

- Lifetime ECL: It refers to expected credit losses of defaulting on loans or debts during expected life of a financial instrument

Bank balance with no credit risk after initial recognition;

– 12 Month ECL refer to expected credit losses of defaulting on loans or debts in 12 months after the reporting date.

The Group has chosen the ECLs for the calculation of impairment of the receivables.

In the assessment of the credit risk of a financial asset whether the risk is significantly higher and the estimation of the ECLs, the Group recognizes the reasonable and supported information arising from the estimation of the credit losses without enduring of overcost and the effort regarding the expected estimation of the credit losses including the effect of the expected early payments. This information comprises future quantitative and qualitative information analysis based on the previous credit loss experience.

In terms of assessment of financial instrument whether it has a low credit risk or not, other methodologies that are alignment with the accepted global description of the low credit risk which in alignment and evaluated of the financial instruments might be applied.

The maximum time of scaling the ECLs is the maximum contract time that the Group is under the credit risk.

Measurement of ECLs

ECLs are an estimation weighted to the probability of the expected life of a financial instrument. In other words, it is the all of the discounted cash openings of the credit losses. (For example, it is the difference between the cash inflows of the referred contract to the entity and the expected collection of the cash flows).

The Group applies the simplistic approach in order to meet the expected credit loss to the trade receivables, other receivables, other assets and contract assets. (According to IFRS 9, expected credit loss provision must be applied to all of the trade receivables in perpetuity.)

ECLs are discounted at the effective interest rate of the financial asset.

3 Significant accounting policies (continued)

(c) Financial instruments (continued)

Credit-impaired financial assets

At each reporting date, the Group assesses whether financial assets carried at amortised cost are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Presentation of allowance for ECL in the statement of financial position

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets.

Trade Receivables

The following analysis provides more detailed information on the calculation of the ECLs for trade receivables with the adoption of TFRS 9. The Group considers the model used and some of the assumptions used in the calculation of these ECLs as the main sources of estimation uncertainty.

The Group has calculated the ECLs based on the experience of credit losses realised in the last three years.

(d) Property, plant and equipment

i) Recognition and measurement

The costs of items of property, plant and equipment of Çalık Enerji's Turkish entities purchased before 31 December 2004 are restated for the effects of inflation in TL units current at 31 December 2004 pursuant to IAS 29. Property, plant and equipment purchased after this date are recognised at their historical cost. Accordingly, property, plant and equipment of the Group are carried at costs, less accumulated depreciation and impairment losses.

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

- cost of materials and direct labor;
- any other costs directly attributable to bringing the asset to a working condition for its intended use;
- when the Group has an obligation to remove the assets or restore the site, an estimate of the costs of dismantling and removing the items and restoring the site on which they are located; and
- capitalised borrowing costs.

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

ii) Derecognition

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 "Income from investing activities" or "Expenses from investing activities" under profit or loss.

3 Significant accounting policies (continued)

(d) Property, plant and equipment (continued)

iii) Subsequent costs

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

iv) Depreciation

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

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

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

Description	Year
Land, buildings and plants	50
Machinery and equipments	1-40
Motor vehicles	5-10
Furniture and equipment	3-15

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.

(e) Intangible assets

i) Recognition and measurement

Intangible assets of the Group consist of licences for oil exploration, hydroelectric power generation, wind power generation and 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.

ii) 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

iii) Amortisation

Intangible assets are amortised on a straight-line basis in profit or loss over their estimated useful lives, from the date that they are available for use.

Amortisation of service concession rights acquired by the Group is recognised in profit or loss on a straight line basis over their respective concession periods.

3 Significant accounting policies (continued)

(e) Intangible assets (continued)

iii) Amortisation (continued)

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 when it was acquired by ÇEDAŞ. Licences and other intangible assets including computer software are amortised between 10 and 50 years and 2 and 10 years, respectively.

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

(f) Inventories

Inventories are measured at the lower of cost and net realisable value. The cost of trading goods is based on the weighted average method, and includes expenditure and other costs incurred in bringing them to their existing location and condition.

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.

(g) Impairment non-financial assets

The carrying amounts of the Group's non-financial assets, other than 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.

(h) 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 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 US Dollar 1.03 and US Dollar 1.25 at 31 December 2018 and 2017, respectively.

3 Significant accounting policies (continued)

(h) Employee benefits (continued)

i) Reserve for employee severance indemnity (continued)

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 entities holding electricity distribution and retail sale license per the service concession agreement is updated yearly in accordance with EMRA decision No. 2991 dated 28 December 2010 in order to compensate the expenditures (such as employee benefit costs) relevant to the operations performed under these licenses as they are incurred. Accordingly, the employee severance indemnity amounting to US Dollar 1.074 (31 December 2017: US Dollar 1.884) had no effect on the Group's consolidated financial statements as of 31 December 2018 since the same amount will be compensated by the Government as an 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 balances, the Group continues to recognise actuarial differences on reserve for employee severance indemnity in profit or loss both in the current and prior years.

Provision for employment termination indemnity are not subject to any statutory funding.

ii) 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 and measured on an undiscounted basis and are recognised in profit or loss as the related service is provided.

(i) 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 conclusion in case of disagreement with EMRA. Based on the final conclusions as a result of assessment made by the law 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) Onerous contracts

A provision for onerous contracts is recognised when the expected benefits to be derived by the Group from a contract are lower than the unavoidable cost of meeting its obligations under the contract. The provision is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract. Before a provision is established, the Group recognises any impairment loss on the assets associated with that contract.

3 Significant accounting policies (continued)

(j) Revenue

Revenue is recognized in the consolidated financial statements within the scope of the five-phase model below.

• Identification of contracts with customers
• Identification of performance obligations in contracts
• Determining the transaction price in contracts
• Distribution of transaction fee to performance obligations
• Revenue recognation

The Group evaluates the goods or services that undertakes in each contract with the customers and determines each commitment to transfer the said goods or services as a separate performance obligation. For each performance obligation, it is determined at the beginning of the contract that the performance of the performance obligation will be fulfilled in time or at a certain time. If the Group transfers the control of a good or service over time and thus fulfills the performance obligations related to the sales over time, it measures the progress of the fulfillment of the performance obligations and takes the revenue to the consolidated financial statements.

The accounting for the revenue of the Group's different activities is explained below:

i) 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.

ii) Electricity sales

Due to the fact that the electricity could not be stored, the purchase and sales realizes simultaneously and accordingly revenue and cost of revenue are recognised at the transaction time. Monthly invoicing is made at the month ends, when the Group prepares invoices for rendering services to its customers during one month period. The Group management monitors closely at period ends and the delays of 5-10 days in electricity usage count do not have a significant impact on the accompanying consolidated financial statements. Revenue from the sale of electricity to subscribers is stated, net of returns. Revenue is recognised when the significant risks and rewards of ownership have been transferred to the subscribers. Transfer of risk and rewards depends on the consumption of electricity by subscribers.

3 Significant accounting policies (continued)

(j) Revenue (continued)

iii) 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.

iv) Transmission system utilisation

The transmission tariff is prepared by Türkiye Elektrik İletim A.Ş. ("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.

v) Distribution system utilisation

Distribution activities covers establishing, operating and maintaining distribution facilities in order to transport the electricity through 36 kilowatt ("kW") or lower lines.

The distribution tariff includes prices, terms and conditions for the distribution service to all real persons and legal entities benefiting from the distribution of electricity through distribution facilities, which will be employed on the basis of non-discriminatory conduct principle in accordance with the Electricity Market Law Article 13. Distribution fee including distribution system utilisation price is calculated based on the costs of capital expenditures related to the distribution system, operating and maintenance expenses and collected from each distribution system users. Distribution fee does not include costs of energy, electricity retail sale service, meter reading and transmission.

vi) 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.

vii) 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.

3 Significant accounting policies (continued)

(j) Revenue (continued)

viii) 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.

ix) Revenue from the sale of goods and services

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.

Transfer 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.

(k) 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 leased assets are treated as operational leases and these assets are not recognized in the Group's consolidated statement of financials.

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 fulfilment 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).

3 Significant accounting policies (continued)

(k) Leases (continued)

iii) Determining whether an arrangement contains a lease (continued)

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.

(l) 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. 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.

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 except of bank borrowings 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.

(m) Other income and expenses from operating activities

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 trade and other payables, foreign currency gains (excluding those on borrowings) and other operating income.

Other expense from operating activities comprises commission expenses for letter of credits, provision expense for doubtful receivables and inventories, donations, rediscount losses on trade and other receivables, foreign currency losses (excluding those on borrowings) and other operating expenses.

Foreign currency gains and losses are reported on a net basis except of bank borrowings as either other income or other expense depending on whether foreign currency movements are in a net gain or net loss position by each entity of the Group.

(n) Income and losses from investing activities

Income from investing activities comprises gain on sale subsidiaries and associates, dividend income from marketable securities, gain on sale of property, plant and equipment and intangible assets and other income from investing activities.

Losses from investing activities comprises losses on sale of property, plant and equipment and intangible assets and other losses from investing activities.

(o) Income tax (including deferred tax assets and liabilities)

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.

3 Significant accounting policies (continued)

(o) Income tax (including deferred tax assets and liabilities) (continued)

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 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, jointly arrangements and associates to the extent that it is probable that they will not reverse in the foreseeable future. In addition, deferred tax is not recognised for taxable temporary differences arising on the initial recognition of goodwill.

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 deductible 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 financial assets at fair value through profit or loss 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 judgments about future events. New information may become available that causes the Group to change its judgment 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 capitalization" are stated in the Article 12 of new corporate tax law. According to the Article 12, if the borrowings obtained directly or indirectly from the shareholders of the companies or persons related to shareholders exceeds three times of the shareholders' equity of the company operating in Turkey at any time during the related year, the exceeding portion of the borrowing will be treated as thin capital.

The financial borrowings were regarded as thin capitalization 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

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.

3 Significant accounting policies (continued)

(p) Segment reporting

An operating segment is a component of the Group that engages in business activities through which it may earn revenues and incur expenses, whose operating results are regularly reviewed by the Group's management to make decisions about resources to be allocated to the segment and assess its performance and for which discrete financial information is available including revenues and expenses.

In order for an operating segment to be identified as a reportable segment, the revenue of the entity inter-departmental sales or transfers, constitutes 10% or more of the total revenue of all business segments within and outside the organization. It must be 10% or more, or the assets must be 10% or more of the total assets of all operating segments.

The reporting of the operating segments is arranged to ensure uniformity with the reporting to the chief operating decision maker. The sectors merged under '' Other "are combined to provide segment reporting based on the inability to meet the quantitative minimum limits for being a reportable segment.

(q) Contingent assets and liabilities

If the inflows of the economic benefits to the Group are probable, contingent assets are disclosed in the notes to the consolidated financial statements. If it has become virtually certain that an inflow of economic benefits will arise, the asset and the related income are recognised in the consolidated financial statements of the period in which the change occurs.

Contingent liabilities are assessed continually to determine whether an outflow of resources embodying economic benefits has become probable. Unless the possibility of any outflow in settlement is remote, contingent liabilities are disclosed in the notes to the financial statements.

(r) Subsequent events

Subsequent events represents the events after reporting date comprising any event between the reporting date and the date of authorisation for the 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.

(s) Statement of cash flows

Cash flows during the period are classified and reported by operating, investing and financing activities in the cash flow statements.

Cash flows from operating activities reflect cash flows mainly generated from main operations of the Group. The Group presents the cash flows from operating activities by using the indirect method such as adjusting the accruals for cash inflows and outflows from gross profit/loss, other non-cash transactions, prior and future transactions or deferrals.

Cash flows from investment activities reflect cash used in investment activities (direct investments and financial investments) and cash flows generated from investment activities of the Group.

3 Significant accounting policies (continued)

(s) Statement of cash flows (continued)

Cash flows relating to financing activities reflect sources of financial activities and payment schedules of the Group.

Cash and cash equivalents comprise cash on hand and demand deposits, investment funds, reverse repo receivables and other bank deposits 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.

(t) 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 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.

(u) Standards and interpretations issued but not yet effective and not early adopted

New standards, interpretations and amendments to existing standards are not effective at reporting date and earlier application is permitted; however the Group has not early adopted are as follows. The Group will make the necessary changes if not indicated otherwise, which will be affecting the consolidated financial statements and disclosures, after the new standards and interpretations become in effect.

IFRS 16 Leases

On 13 January 2016, IASB issued the new leasing standard which will replace IAS 17 Leases, IFRIC 4 Determining Whether an Arrangement Contains a Lease, SIC 15 Operating Leases – Incentives, and SIC 27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease and consequently changes to IAS 40 Investment Properties. IFRS 16 Leases eliminates the current dual accounting model for lessees, which distinguishes between on-balance sheet finance leases and off-balance sheet operating leases. Instead, there is a single, on-balance sheet accounting model that is similar to current finance lease accounting. Lessor accounting remains similar to current practice. IFRS 16 is effective for annual periods beginning on or after 1 January 2019, with early adoption permitted provided that an entity also adopts IFRS 15 Revenue from Contracts with Customers. The Group is assessing the potential impact on its financial statements resulting from the application of IFRS 16.

3 Significant accounting policies (continued)

(u) Standards and interpretations issued but not yet effective and not early adopted (continued)

IFRIC 23 –Uncertainty over Income Tax Treatments

On 24 May 2018, IASB issued IFRIC 23 Uncertainty over Income Tax Treatments to specify how to reflect uncertainty in accounting for income taxes. It may be unclear how tax law applies to a particular transaction or circumstance, or whether a taxation authority will accept a company's tax treatment. IAS 12 Income Taxes specifies how to account for current and deferred tax, but not how to reflect the effects of uncertainty.

IFRIC 23 provides requirements that add to the requirements in IAS 12 by specifying how to reflect the effects of uncertainty in accounting for income taxes. IFRIC 23 is effective from 1 January 2019, with earlier application is permitted. The Group is assessing the potential impact on its consolidated financial statements resulting from the application of IFRIC 23.

IFRS 9 - Prepayment features with negative compensation

On 12 October 2017, IASB has issued amendments to IFRS 9 to clarify that financial assets containing prepayment features with negative compensation can now be measured at amortised cost or at fair value through other comprehensive income (FVOCI) if they meet the other relevant requirements of IFRS 9. Under IFRS 9, a prepayment option in a financial asset meets this criterion if the prepayment amount substantially represents unpaid amounts of principal and interest, which may include 'reasonable additional compensation' for early termination of the contract. The amendments are effective for periods beginning on or after 1 January 2019, with earlier application permitted. The Group does not expect that application of these amendments to IFRS 9 will have significant impact on its consolidated financial statements.

IAS 28-Long-term interests in Associates and Joint Ventures

On 12 October 2017, IASB has issued amendments to IAS 28 to clarify that entities also apply IFRS 9 to other financial instruments in an associate or joint venture to which the equity method is not applied. These include long-term interests that, in substance, form part of the entity's net investment in an associate or joint venture. An entity applies IFRS 9 to such long-term interests before it applies related paragraphs of IAS 28. In applying IFRS 9, the entity does not take account of any adjustments to the carrying amount of long-term interests that arise from applying IAS 28. The amendments are effective for periods beginning on or after 1 January 2019, with earlier application permitted.The Group is assessing the potential impact of the IAS 28 on consolidated financial statements.

The Revised Conceptual Framework

The Revised Conceptual Framework issued on 28 March 2018 by the IASB. The Conceptual Framework sets out the fundamental concepts for financial reporting that guide the Board in developing IFRS Standards. It helps to ensure that the Standards are conceptually consistent and that similar transactions are treated the same way, so as to provide useful information for investors, lenders and other creditors. The Conceptual Framework also assists companies in developing accounting policies when no IFRS Standard applies to a particular transaction, and more broadly, helps stakeholders to understand and interpret the Standards. The revised Framework is more comprehensive than the old one – its aim is to provide the Board with the full set of tools for standard setting. It covers all aspects of standard setting from the objective of financial reporting, to presentation and disclosures. For companies that use the Conceptual Framework to develop accounting policies when no IFRS Standard applies to a particular transaction, the revised Conceptual Framework is effective for annual reporting periods beginning on or after 1 January 2020, with earlier application permitted.

3 Significant accounting policies (continued)

(u) Standards and interpretations issued but not yet effective and not early adopted (continued)

New and updated standards and interpretations published by the International Accounting Standards (IAS) but not yet published.

The new standards, interpretations and amendments to the existing International Financial Reporting Standards (IFRS) listed below are published by the International Accounting of Standards (IAS), but these new standards, interpretations and amendments have not yet been adopted to IFRS. The standards issued by the IASB but not yet published are referred to as IFRS or IAS The Group will make the necessary changes to its consolidated financial statements after the new standards and interpretations are issued and become effective under TFRS.

Annual Improvements to IFRSs 2015-2017 Cycle

Improvements to IFRSs

IASB issued Annual Improvements to IFRSs - 2015–2017 Cycle for applicable standards. The amendments are effective as of 1 January 2019. Earlier application is permitted. The Group does not expect that application of these improvements to IFRSs will have significant impact on its financial statements.

IFRS 3 Business Combinations and IFRS 11 Joint Arrangements

IFRS 3 and IFRS 11 are amended to clarify how a company accounts for increasing its interest in a joint operation that meets the definition of a business. If a party obtains control, then the transaction is a business combination achieved in stages and the acquiring party remeasures the previously held interest at fair value. If a party maintains (or obtains) joint control, then the previously held interest is not remeasured. An entity applies IFRS 9 to such long-term interests before it applies related paragraphs of IAS 28. In applying IFRS 9, the entity does not take account of any adjustments to the carrying amount of long-term interests that arise from applying IAS 28. The amendments are effective for periods beginning on or after 1 January 2019, with earlier application permitted.

The Group does not expect that application of these amendments to IAS 28 will have significant impact on its financial statements.

IAS 12 Income Taxes

IAS 12 is amended to clarify that all income tax consequences of dividends (including payments on financial instruments classified as equity) are recognized consistently with the transactions that generated the distributable profits – i.e. in profit or loss, other comprehensive income (OCI) or equity.

3 Significant accounting policies (continued)

(u) Standards and interpretations issued but not yet effective and not early adopted (continued)

New and updated standards and interpretations published by the International Accounting Standards (IAS) but not yet published (continued)

IAS 23 Borrowing Costs

IAS 23 is amended to clarify that the general borrowings pool used to calculate eligible borrowing costs excludes only borrowings that specifically finance qualifying assets that are still under development or construction. Borrowings that were intended to specifically finance qualifying assets that are now ready for their intended use or sale – or any non-qualifying assets – are included in that general pool.

Amendments to IAS 19 - Plan Amendment, Curtailment or Settlement

On 7 February 2018, IASB issued Plan Amendment, Curtailment or Settlement (Amendments to IAS 19). The amendments clarify the accounting when a plan amendment, curtailment or settlement occurs. A company now uses updated actuarial assumptions to determine its current service cost and net interest for the period; and the effect of the asset ceiling is disregarded when calculating the gain or loss on any settlement of the plan and is dealt with separately in other comprehensive income (OCI). The amendments are effective for periods beginning on or after 1 January 2019, with earlier application permitted. The Company does not expect that application of these amendments to IAS 19 will have significant impact on its financial statements.

Annual Improvements to IFRSs 2015-2017 Cycle

IFRS 17 –Insurance Contracts

On 18 May 2017, IASB issued IFRS 17 Insurance Contracts. This first truly globally accepted standard for insurance contracts will help investors and others better understand insurers' risk exposure, profitability and financial position. IFRS 17 replaces IFRS 4, which was brought in as an interim Standard in 2004. IFRS 4 has given companies dispensation to carry on accounting for insurance contracts using national accounting standards, resulting in a multitude of different approaches. As a consequence, it is difficult for investors to compare and contrast the financial performance of otherwise similar companies. IFRS 17 solves the comparison problems created by IFRS 4 by requiring all insurance contracts to be accounted for in a consistent manner, benefiting both investors and insurance companies. Insurance obligations will be accounted for using current values – instead of historical cost. The information will be updated regularly, providing more useful information to users of financial statements. IFRS 17 has an effective date of 1 January 2021 but companies can apply it earlier. The Company does not expect that application of IFRS 17 will have significant impact on its consolidated financial statements.

Amendments to IAS 1 and IAS 8 - Definition of Material

In October 2018 the IASB issued Definition of Material (Amendments to IAS 1 and IAS 8). The amendments clarify and align the definition of 'material' and provide guidance to help improve consistency in the application of that concept whenever it is used in IFRS Standards. Those amendments are prospectively effective for annual periods beginning on or after 1 January 2020 with earlier application permitted. The Company does not expect that application of these amendments to IAS 1 and IAS 8 will have significant impact on its financial statements.

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

3 Significant accounting policies (continued)

(u) Standards and interpretations issued but not yet effective and not early adopted (continued)

New and updated standards and interpretations published by the International Accounting Standards (IAS) but not yet published (continued)

Amendments to IFRS 3 – Definition of a Business

Determining whether a transaction results in an asset or a business acquisition has long been a challenging but important area of judgement. The IASB has issued amendments to IFRS 3 Business Combinations that seek to clarify this matter. The amendments include an election to use a concentration test. This is a simplified assessment that results in an asset acquisition if substantially all of the fair value of the gross assets is concentrated in a single identifiable asset or a group of similar identifiable assets. If a preparer chooses not to apply the concentration test, or the test is failed, then the assessment focuses on the existence of a substantive process. The amendment applies to businesses acquired in annual reporting periods beginning on or after 1 January 2020. Earlier application is permitted.

The Group does not expect that application of these amendments to IFRS 3 will have significant impact on its consolidated financial statements.

4 Related party disclosures

For the purpose of the consolidated financial statements, the shareholders, key management personnel and the Board members, and in each case, together with their families and companies controlled by/affiliated with them; and joint ventures are considered and referred to as the related parties. A number of transactions are entered into with the related parties in the normal course of business. Most of the related party activity is eliminated at consolidation and the remaining activity is not material to the Group.

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:

		2018		
	Shareholders	**Joint ventures**	**Other**	**Total**
Trade receivables	--	59	150.082	150.141
Other receivables	30.386	2.042	166.933	199.361
Cash and cash equivalents	--	--	560	560
Other payables	(514)	--	(21.972)	(22.486)
Trade payables	(368)	(2)	(2.879)	(3.249)
Deferred revenue	--	--	(63)	(63)
Total	**29.504**	**2.099**	**292.661**	**324.264**

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

4 Related party disclosures (continued)

	2017			
	Shareholders	**Joint ventures**	**Other**	**Total**
Trade receivables	109	12	144	265
Other receivables	220.765	1.477	1.934	224.176
Cash and cash equivalents	--	--	6.143	6.143
Other payables	(64.694)	--	(22.086)	(86.780)
Trade payables	(2.315)	(175)	(2.131)	(4.621)
Deferred revenue	--	--	(188.599)	(188.599)
Total	**153.865**	**1.314**	**(204.595)**	**(49.416)**

As at 31 December, cash and cash equivalents include balances of the Group's subsidiaries with Aktifbank Yatırım Bankası A.Ş.

Other receivables amounting to US Dollar 30.386 (31 December 2017: US Dollar 220.765) is composed of receivables from Çalık Holding given by the Group's subsidiaries for funding of the operations. Other receivables amounting to US Dollar 166.933 (31 Aralık 2017:US Dollar 1.934) is composed of receivables from the projects which take place in Navoi and Nemengan.

As at 31 December 2018, other payables amounting to US Dollar 22.486 (31 December 2017: 86.780) is composed of payables amounting to US Dollar 514 (31 December 2017: US Dollar 64.694) resulting from share purchase of ÇEDAŞ and the remaining portion amounting to US Dollar 21.972 (31 December 2017: US Dollar 22.086) is related to funding amounts from related parties and Çalık Holding's recharges including management expenditures and common usage cost.

For the years ended 31 December, deferred revenue is composed of advances taken from Mitsubishi Corporation in accordance with ongoing EPC contracts in Navoi and Nemengan, Uzbekistan.

As at 31 December 2018, intra-group interest rates are determined for the aforementioned intra-group balances considering the average interest rates of the borrowings used by Çalık Group entities. The average effective interest rates for receivable and payable balances denominated in TL, EUR and USD are 27%, 8,50% and 8,75% respectively (2017: 16,25%, 6,77% and 6,84%, respectively).

There is no guarantees given or taken for the due to and due from related parties, respectively.

No impairment losses have been recognised against balances outstanding as at 31 December 2018 (31 December 2017: None) and no specific allowance has been made for impairment losses on balances with the related parties.

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

4 Related party disclosures (continued)

Related party transactions

For the years ended 31 December, the revenues earned and expenses incurred by the Group in relation to transactions with its related parties as summarised below:

	2018			
	Shareholders	**Joint ventures**	**Other**	**Total**
Revenue (*)	--	876	337.237	338.113
Cost of sales	(13)	(45)	(3.430)	(3.488)
Administrative expenses	(4.190)	--	(3.132)	(7.322)
Selling and marketing expenses	--	--	(1.109)	(1.109)
Research and development expenses	--	--	(489)	(489)
Net finance costs (**)	(337)	(379)	(1.724)	(2.440)
Income from investing activities, net	(301)	--	927	626
Total	**(4.841)**	**452**	**328.280**	**323.891**

	2017			
	Shareholders	**Joint ventures**	**Other**	**Total**
Revenue	363	--	42.514	42.877
Cost of sales	(1)	--	(287)	(288)
Administrative expenses	(7.092)	--	(338)	(7.430)
Selling and marketing expenses	--	--	(681)	(681)
Research and development expenses	(41)	--	--	(41)
Net finance costs	24.963	--	(1.898)	23.065
Income from investing activities, net	(3)	1.270	91	1.358
Total	**18.189**	**1.270**	**39.401**	**58.860**

(*) For the year ended 31 December 2018, revenue transactions mainly composed of progress billings to Mitsubishi Corporation, a related party and prime contractor for the projects, in accordance with ongoing engineering, procurement and construction contracts in Uzbekistan city of Navoi and Nemengan.
(**) For the years ended 31 December, net finance costs mainly composed of interest and foreign exchange income and expenses resulting from fund transfers between the Group's subsidiaries and Çalık Holding.

Transactions with key management personnel

On a consolidated basis, key management costs included in administrative expenses for the year ended on 31 December 2018 amounted to US Dollar 1.905 (31 December 2017: US Dollar 4.257). The related amount consists of salary and wages, bonus and premiums, attendance fee and such other payments to key management.

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

5 Cash and cash equivalents

At 31 December, cash and cash equivalents comprised the following:

	31 December 2018	31 December 2017
Cash on hand	109	3
Cash at banks	62.908	71.877
-Demand deposits	*23.252*	*38.292*
-Time deposits	*39.656*	*33.585*
Other cash and cash equivalents (*)	26	302
Cash and cash equivalents	**63.043**	**72.182**
Restricted bank balances	(27.244)	(47.591)
Cash and cash equivalents in the consolidated statement of cash flows	**35.799**	**24.591**

(*) As at 31 December 2018, other cash and cash equivalents mainly consist of money in transit amounting to US Dollar 21 (31 December 2017: US Dollar 295) and credit card receivables amounting to US Dollar 4 (31 December 2017: 7).

As at 31 December 2018, average effective interest rates on TL denominated time deposits is 10%(31 December 2017: 4,50% and 14,10%) and maturity of time deposits is 3 days (31 December 2017: 4 to 30 days).

As at 31 December 2018, average effective interest rates on USD denominated time deposits is 1.75%(31 December 2017: 0.50%) and maturity of time deposits is 3 days (31 December 2017: 1 day).

6 Restricted bank balances

At 31 December, Restricted bank balances comprised the following:

	31 December 2018	31 December 2017
EPC ve maintenance blocked amount (*)	1.218	25.560
Collateral (*)	23.516	18.451
Pulic case blocked amount (*)	24	32
Takas Bank blocked amount (*)	1.425	2.068
Aktifbank given guarantees (*)	1.061	1.480
Restricted bank balances	**27.244**	**47.591**

(*) The restricted cash and cash equivalents amounting to US Dollar 27.244 (31 December 2017: US Dollar 47.591) is not available for the Group's daily transactions as at 31 December 2018. The US Dollar 46 (31 December 2017: US Dollar 24.921) portion of the amount held in banks in Turkey with the contracts related to the engineering services, procurement operations and construction projects. The US Dollar 534 (31 December 2017: 0) portion held in bank in Uzbekistan, US Dollar 638 (31 December 2017: US Dollar 638) portion held in bank in Georgia referring partial maintenance contract, and the portion amounting to US Dollar 23.516 (31 December 2017: US Dollar 18.451) takes place as a mandatory guarentee related to loans in domestic banks. In addition, the US Dollar 24 (31 December 2017: US Dollar 32) portion blocked and held by court referring to the nationalization lawsuits. The US Dollar 1.425 (31 Aralık 2017: US Dollar 2.068) portion of the remaining part of the amount held for the cash guarantee given to the İstanbul Takas ve Saklama Bankası A.Ş. with the provision of the used electricity. The US Dollar 1.061 (31 Aralık 2017: US Dollar 1.480) portion consist of letter of guarantee received from the Aktifbank.

The Group's exposure to currency risks related to cash and cash equivalents are disclosed in Note 28.

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

7 Financial investments

As at 31 December 2018 and 2017, financial investments comprised the following:

	31 December 2018			31 December 2017		
	Current	**Non-current**	**Total**	**Current**	**Non-current**	**Total**
Financial assets measured at fair value through profit or loss	--	22.411	22.411	--	9.765	9.765
	--	**22.411**	**22.411**	**--**	**9.765**	**9.765**

As at 31 December 2018 and 2017, financial assets measured at fair value through profit or loss comprised the following:

Equity instruments	**31 December 2018**	**31 December 2017**
Equity securities – non-listed	22.411	9.765
Total	**22.411**	**9.765**

As of 31 December 2018 and 2017, the details of the investments classified as financial assets at fair value through profit or loss and the shareholding rates are as follows:

	%	**31 December 2018**	**%**	**31 December 2017**
Equity securities - available for sale:				
Bursagaz Bursa Şehiriçi Doğal Gaz Dağıtım Ticaret ve Taahhüt A.Ş. ("Bursagaz")	10,00	16.770	10,00	6.930
Kayserigaz Kayseri Doğalgaz Dağıtım Pazarlama Ticaret A.Ş. ("Kayserigaz")	10,00	6.687	10,00	1.668
Other		911		1.167
Translation Difference		(1.957)		
Total		**22.411**		**9.765**

The movements in financial investments during the years ended 31 December were as follows:

	2018	**2017**
At 1 January	**9.765**	**9.891**
Additions	--	931
Fair value increases (*)	16.742	15
Disposals (**)	--	(1.072)
Translation difference	(4.096)	
At 31 December	**22.411**	**9.765**

(*) The addition amount relized in 2018 arise from the fair value increase of the shares of Bursagaz and Kayserigaz which are measured at fair value through profit or loss in the consolidated financial statements as at 31 December 2018.
(**) Onyx Trading Innovation FZE was accounted at cost as at 31.December.2016 and was not consolidated since it was inactive. In 2017, Onyx Trading Innovation FZE turned into an active entity and as a result included consolidation.

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

7 Financial investments (continued)

The table below presents the summary of the financial information of the main financial investments:

			31 December 2018			
Name	Total asset	Total equity	Retained earnings attributable to the owners' of the Company	Net income/ (loss) for the period	Reviewed/ audited	Period
Bursagaz	154.588	62.953	4.908	6.648	Unaudited	31 December 2018
Kayserigaz	76.744	25.453	19.623	4.951	Unaudited	31 December 2018

			31 December 2017			
Name	Total asset	Total equity	Retained earnings attributable to the owners' of the Company	Net income/ (loss) for the period	Reviewed/ audited	Period
Bursagaz	195.441	93.073	7.085	30.564	Unaudited	31 December 2017
Kayserigaz	90.670	29.459	21.976	6.350	Unaudited	31 December 2017

8 Trade receivables and trade payables

Trade receivables

As at 31 December 2018 and 2017, short-term trade receivables comprised the following:

	31 December 2018	31 December 2017
Due from related parties (Note 4)	102.398	265
Due from third parties	309.336	655.385
	411.734	**655.650**

As at 31 December 2018 and 2017, short-term trade receivables comprised the following:

	31 December 2018	31 December 2017
Due from customers for contract work (Note 16) (*)	85.407	283.809
Accounts receivable (*)	242.301	290.392
Service concession receivables	84.026	81.449
Doubtful receivables	23.335	26.996
Allowance for doubtful receivables	(23.335)	(26.996)
Total	**411.734**	**655.650**

(*) As at 31 December 2018 trade receivables of the Group mainly consists of engineering services , supply operations and uncollected portion of progress billings related to EPC agreement to US Dollar 349.792 (31 December 2017: US Dollar 505.341).

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

8 Trade receivables and trade payables (continued)

Trade receivables (continued)

Short-term trade receivables (continued)

Movement of allowance for doubtful receivables for the years ended at 31 December is as follows:

	2018	2017
Allowance at the beginning of year	26.996	27.810
Provision for impairment (Note 25)	6.256	3.903
Reversal of impairment allowances no longer required (-)	(3.184)	(13)
Recoveries of amounts previously impaired (-) (Note 25)	(1.343)	(2.859)
Newly adopted standart (ECL calculation)	1.684	--
Translation differences	(7.074)	(1.845)
Total	**23.335**	**26.996**

Long-term trade receivables

As at 31 December, long-term trade receivables comprised the following:

	31 December 2018	31 December 2017
Service concession receivables	196.461	291.488
Account receivables	107.492	133.368
Uncontrollable cost component (*)	--	825
Total	**303.953**	**425.681**

(*) According to the EMRA decision dated 15 December 2016 and numbered 6768, uncontrollable cost component are comprised of receivables of YEPAŞ calculated based on parameters announced in connection with determination of electricity retail sale service revenue cap relevant for the third implementation period between 2016 and 2020.

Maturity of the long term service concession receivables was as follows:

	Receivables subject to redemption	
Redemption year	**31 December 2018**	**31 December 2017**
2019	--	69.612
2020	52.718	58.188
2021	41.875	47.499
2022	34.264	38.089
2023	27.077	30.722
2024	21.849	23.650
2025	13.462	15.893
2026	5.216	7.835
Total	**196.461**	**291.488**

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

8 Trade receivables and trade payables (continued)

Long-term trade receivables (continued)

Movement of service concession receivables for the year ended at 31 December was as follows:

	2018	2017
At 1 January	**372.937**	**267.483**
Additions	58.484	94.323
Redemptions related to current year investments	(32.415)	(34.284)
Fair value difference	50.190	51.698
Correction at current period regarding revenue caps	14.786	10.389
Correction for investments in between 2011-2015	--	5.211
Other	(624)	349
Translation difference	(182.871)	
At 31 December	**280.487**	**372.937**

Short-term trade payables

As at 31 December 2018 and 2017, short-term trade payables comprised the following:

	31 December 2018	31 December 2017
Due to related parties (Note 4)	3.248	4.621
Due to third parties	145.042	226.194
	148.290	**230.815**

As at 31 December 2018 and 2017, third parties short-term trade payables comprised the following:

	31 December 2018	31 December 2017
Trade payables (*)	124.073	211.659
Expense accruals	13.432	13.326
Other	7.537	1.209
	145.042	**226.194**

(*) Trade payables mainly comprise payables to suppliers the EPC contracts, average maturity of debt is between 30 and 45 days. The payment schedule comprises some performance indicators when they met and preliminary contract advance and finally temporary acceptance and/or at the en of the work. In addition, this amount consist of debt which comprises the electricity distribution and retail sales amounting to 28.157 US Dollars (31 Aralık 2017: 24.050 US Dollars) respectively from the companies Türkiye Elektrik Ticaret Taahhüt Anonim Şirketi arising from the purchases of the electricity and Türkiye Elektrik İletim Anonim Şirketi arising from the usage of the electricity transfer lines.

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

9 Other receivables and other payables

Other short term receivables

As at 31 December 2018 and 2017, other short-term receivables comprised the following:

	31 December 2018	31 December 2017
Due from related parties (Note 4)	60.198	30.077
Due from third parties	8.160	3.355
	68.358	**33.432**

As at 31 December, short-term other receivables from third parties comprised the following:

	31 December 2018	31 December 2017
Other receivables (*)	7.967	2.911
Receivables from tax authorities	96	275
Deposits and guarantees given	67	90
Receivables from personnel	30	79
	8.160	**3.355**

(*) This amount consists of receivables from TEDAŞ regarding payments such as expropriation fees made on behalf of TEDAŞ.

Other long term receivables

As at 31 December 2018 and 2017, other long term receivables comprised the following:

	31 December 2018	31 December 2017
Due from related parties (Note 4)	139.163	194.099
Due from third parties	3.744	8.147
	142.907	**202.246**

As at 31 December 2018 and 2017, due from third parties comprised the following:

	31 December 2018	31 December 2017
Deposits and guarantees given	2.879	6.678
Receivables from TEİAŞ	865	1.469
Total	**3.744**	**8.147**

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

9 Other receivables and other payables (continued)

Other short term payables

As at 31 December 2018 and 2017, other short-term payables comprised the following:

	31 December 2018	31 December 2017
Due to related parties (Note 4)	22.475	30.161
Due to third parties	5.920	12.131
Total	**28.395**	**42.292**

As at 31 December 2018 and 2017, other short-term payables to third parties comprised the following:

	31 December 2018	31 December 2017
Deposits and guarantees received	4.007	6.302
Others	1.913	5.829
Total	**5.920**	**12.131**

Other long term payables

As at 31 December 2018 and 2017, other long-term payables comprised the following:

	31 December 2018	31 December 2017
Deposits and guarantees received (**)	42.858	49.663
Due to shareholders (*)	11	56.619
Total	**42.869**	**106.282**

(*) As at 31 December 2018, due to shareholders mainly composed of the payables to Çalık Holding due to share purchase of ÇEDAŞ.
(**) As at 31 December 2018 and 2017, the deposits and guarantees received mainly consist of security deposits received by the electricity distribution and retail sale companies of the Group from their customers.

The Group's exposure to credit and currency risks related to other receivables and liquidity and currency risks of other payables are disclosed in Note 28.

10 Inventories

As at 31 December 2018 and 2017, inventories comprised the following:

	31 December 2018	31 December 2017
Raw materials and supplies	5.938	8.134
Trading goods	305	1.675
Total	**6.243**	**9.809**

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

11 Prepayments and deferred income

Short term prepayments

As at 31 December 2018 and 2017, current prepayments comprised the following:

	31 December 2018	31 December 2017
Advances given (*)	35.465	78.462
Prepayments for the following months	3.331	1.255
Total	**38.796**	**79.717**

(*) As at 31 December 2018, advances given consists advance balances amounting to US Dollar 459 (31 December 2017: US Dollar 8.788) given to EPİAŞ for electricity purchases and advance balances amounting to US Dollar 34.843 (31 December 2017: US Dollar 54.711) given to suppliers and service providers for EPC projects.

Long term prepayments

As at 31 December 2018 and 2017, non-current prepayments comprised the following:

	31 December 2018	31 December 2017
Prepayments for the following years	2.028	2.428
Total	**2.028**	**2.428**

Short term deferred revenue

As at 31 December, short term deferred revenue comprised the following:

	31 December 2018	31 December 2017
Advances received (*)	68.200	337.189
Excess billings (Note 16)	72.378	65.799
Total	**140.578**	**402.988**

(*) Advances received are composed of the contract advances received from Türkmen Energo Gurluşuk State Company within the scope of the MRC project undertaken by the Group in Turkmenistan and from Mitsubishi Corporation within the scope of the NAV2 and TRC projects undertaken by the Group in Uzbekistan.

12 Investments in equity accounted investees

a) Joint agreements

i) Joint ventures

KÇLE

KÇLE was established as a joint venture with a joint agreement between ÇEDAŞ, Çalık Enerji and Limak Yatırım on 17 September 2012 with the participation of these three companies by 25%, 25% and 50%, respectively, in the share capital of KÇLE. On 8 May 2013, KÇLE purchased all shares of the state-owned enterprise namely Kompania Per Distribuim Dhe Fumizim Me Energji Elektrike SH.A ("KEDS") which is operating in electricity distribution and procurement in Kosovo for a consideration of US Dollar 29.038 (equivalent of EUR 26.300) within the scope of a tender in the privatisation process initiated by the Government of Republic of Kosovo.

As per Share Transfer Agreement dated 27 April 2015, Çalık Enerji acquired 1.250 number of shares of KÇLE with a nominal value of EUR 12 held by ÇEDAŞ for a total consideration of EUR 17.475, and increased its ownership percent from 25,00% to 50,00%.

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

12 Investments in equity accounted investees (continued)

a) Joint agreements (continued)

i) Joint ventures (continued)

Doğu Aras

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

On 28 June 2013, Doğu Aras purchased all shares of EDAŞ and EPAŞ which were state owned companies operating in electricity distribution and sales in cities Kars, Ardahan, Iğdır, Erzincan, Ağrı, Bayburt and Erzurum by paying an amount of US Dollar 128.500 as a result of a tender in the privatisation process. As at the reporting date, the Group has recognised an asset amounting to US Dollar 36.484 under "Equity accounted investees" (31 December 2017: US Dollar 22.465).

LC Electricity

LC Electricity was established on 3 July 2014 in Serbia as a joint venture with a joint agreement between Türkmen Elektrik and Limak Yatırım with the participation of these two companies equally by 50%. The purpose of LC Electricity is trading electricity and sales/purchases of goods and services as part of this operation.

Investments in equity-accounted joint ventures and the Group's share of control are as follows:

	31 December 2018		31 December 2017	
Joint ventures-equity accounted	**Carrying value**	**% of ownership**	**Carrying value**	**% of ownership**
Assets				
KÇLE	87.628	50,00	85.435	50,00
Çalık Limak Adi Ortaklığı	1.063	50,00	746	50,00
Doğu Aras	36.484	50,00	22.465	50,00
LC Electricity	4	50,00	6	50,00
Total	**125.179**		**108.652**	

For the years ended 31 December, the movements in investments in equity accounted investees, net were as follows:

	2018	2017
Balance at 1 January	**108.652**	**64.758**
Share of profit of equity accounted investees	28.779	35.347
Translation differences	(12.252)	8.525
Contribution in capital increase of joint ventures	--	184
Dividend income from associates and jointly controlled entities	--	(162)
Balance at 31 December	**125.179**	**108.652**

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

12 Investments in equity accounted investees (continued)

a) Joint agreements (continued)

i) Joint ventures (continued)

Summary financial information for equity accounted joint ventures was presented below:

31 December 2018															
Company name	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)
KÇLE (Joint venture) [1]	31 December	50.00	75.907	147.070	222.977	44.877	2.843	47.720	175.257	353.124	341.104	12.020	87.629	87.628	6.010
Doğu Aras (Joint venture) [1]	31 December	50.00	85.038	172.016	257.054	96.462	76.646	173.108	83.946	484.911	440.523	44.388	41.973	36.484	22.194
Çalık Limak Adı Ortaklığı A.Ş. (Joint venture)	31 December	50.00	3.562	--	3.562	3.558	--	3.558	4	10.047	8.897	1.150	2	1.063	575
LC Electricity (Joint venture)	31 December	50.00	--	--	--	--	--	-	--	--	--	--	--	--	--
Total														**125.179**	**28.779**

31 December 2017															
Company name	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)
KÇLE (Joint venture) [1]	31 December	50.00	89.132	139.853	228.986	49.201	8.915	58.116	170.870	355.584	330.735	24.849	85.435	85.435	12.424
Doğu Aras (Joint venture) [1]	31 December	50.00	72.053	227.171	299.224	137.582	111.023	248.605	50.619	489.925	443.160	46.765	25.309	22.465	22.597
Çalık Limak Adı Ortaklığı A.Ş. (Joint venture)	31 December	50.00	1.240	--	1.240	--	1.233	1.233	7	410	69	341	4	746	164
LC Electricity (Joint venture)	31 December	50.00	439	2	440	258	--	258	182	6.811	6.817	(6)	91	6	--
Total														**108.652**	**35.185**

[1] Consolidated financial information is presented.

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12 Investments in equity accounted investees (continued)

a) Joint agreements (continued)

i) Joint ventures (continued)

The following table summarises cash and cash equivalents, borrowings, depreciation and amortisation expenses, interest income and expenses and income tax expense of the joint ventures before consolidation eliminations and adjustments:

31 December 2018	Cash and cash equivalents	Short term borrowings	Long term borrowings	Depreciation and amortisation	Interest income	Interest expense	Income tax expense
KÇLE	11.462	(283)	--	14.090	--	(1.573)	--
Doğu Aras	5.554	--	(49.675)	13.187	3.257	(10.531)	(259)
Çalık Limak Adi Ortaklığı	688	--	--	2	--	-5	--
LC Electricity	2	10	--	--	--	--	--

31 December 2017	Cash and cash equivalents	Short term borrowings	Long term borrowings	Depreciation and amortisation	Interest income	Interest expense	Income tax expense
KÇLE	15.268	6.042	8.915	13.456	--	(1.055)	--
Doğu Aras	13.294	27.956	109.516	3.445	--	(29.648)	(8.215)
Çalık Limak Adi Ortaklığı	58	--	--	--	--	(54)	--
LC Electricity	16	66	--	--	--	5	--

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

13 Property, plant and equipment

During the years ended 31 December 2018 and 2017, movements of property, plant and equipment and related accumulated depreciation were as follows:

	Land and buildings	Machines and equipments	Vehicles	Furniture and fixtures	Leasehold improvements	Construction in progress (*)	Total
Cost							
Balance at 1 January 2017	**11.815**	**101.320**	**4.919**	**19.691**	**5.024**	**26.953**	**169.722**
Additions	43	674	632	1.081	11.107	1.505	15.042
Foreign currency differences (***)	856	(7.161)	(10)	533	21.427	(22.312)	(6.667)
Disposals (**)	--	--	--	(1.550)	(5.452)	(140)	(7.142)
Transfers	15.444	6.926	--	1.917	(24.287)	--	--
Balance at 31 December 2017	**28.158**	**101.759**	**5.541**	**21.672**	**7.819**	**6.006**	**170.955**
Balance at 1 January 2018	**28.158**	**101.759**	**5.541**	**21.672**	**7.819**	**6.006**	**170.955**
Additions	2.911	2.953	4.154	7.752	95	733	18.598
Foreign currency differences (***)	(1.155)	(28.139)	468	(927)	(3.512)	265	(33.000)
Disposals (**)	--	--	(1.454)	(382)	(156)	(400)	(2.392)
Transfers (*)	--	3.474	--	--	--	(3.474)	--
Balance at 31 December 2018	**29.914**	**80.047**	**8.709**	**28.115**	**4.246**	**3.130**	**154.161**

(*) Construction in progress are mainly related to investments for wind power plants of Çalık Rüzgar which are located in Sarpıncık and investments for solar power plants of Çalık Yenilenebilir Enerji A.Ş.
(**) Disposals are mainly related to investment expenditures regarding revocation of Kızkayası licence.

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13 Property, plant and equipment (continued)

During the years ended 31 December 2018 and 2017, movements of property, plant and equipment and related accumulated depreciation were as follows:

	Land and Buildings	Machines and equipments	Vehicles	Furniture and fixtures	Leasehold improvements	Construction in progress	Total
Accumulated depreciation							
Balance at 1 January 2017	**(6.018)**	**(5.182)**	**(1.888)**	**(11.112)**	**(1.710)**	**--**	**(25.910)**
Current year depreciation	(996)	(4.498)	(567)	(3.119)	--	(780)	(9.960)
Foreign currency differences (*)	(234)	604	(45)	(792)	1.710	(1.572)	(329)
Disposal	--	--	--	1.509	--	112	1.621
Balance at 31 December 2017	**(7.248)**	**(9.076)**	**(2.500)**	**(13.514)**	**--**	**(2.240)**	**(34.578)**
Balance at 1 January 2018	**(7.248)**	**(9.076)**	**(2.500)**	**(13.514)**	**--**	**(2.240)**	**(34.578)**
Current year depreciation	(1.626)	(8.872)	(1.508)	(3.612)	(1.665)	--	(17.283)
Foreign currency differences (*)	(124)	2.845	1.056	1.881	(1.374)	2.240	6.524
Disposal	--	--	--	--	--	--	--
Balance at 31 December 2018	**(8.998)**	**(15.103)**	**(2.952)**	**(15.245)**	**(3.039)**	**--**	**(45.336)**
Net carrying amount at 1 January 2017	**5.797**	**96.138**	**3.031**	**8.579**	**3.314**	**26.953**	**143.812**
Net carrying amount at 31 December 2017	**20.910**	**92.683**	**3.041**	**8.158**	**7.819**	**3.766**	**136.377**
Net carrying amount at 31 December 2018	**20.916**	**64.944**	**5.758**	**12.870**	**1.207**	**3.130**	**108.826**

As at 31 December 2018, the Group has no capitalised interest expense on property, plant and equipment (31 December 2017: None).

As at 31 December 2018, the Group has no property, plant and equipment acquired through finance lease contracts (31 December 2017: None).

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

14 Intangible assets

During the years ended 31 December 2018 and 2017, movements of intangible assets and related accumulated amortisation were as follows:

	Licences & software	Electric distribution rights	Other intangibles	Total
Cost				
Balance at 1 January 2017	**15.093**	**141.814**	**2.002**	**158.909**
Additions	85	--	134	219
Disposals	(827)	--	(944)	(1.771)
Translation difference (*)	(986)	(9.501)	(106)	(10.593)
Balance at 31 December 2017	**13.365**	**132.313**	**1.086**	**146.764**
Balance at 1 January 2018	**13.365**	**132.313**	**1.086**	**146.764**
Additions	107	--	79	186
Disposals	--	--	--	--
Translation difference (*)	(3.782)	(37.448)	(308)	(41.538)
Balance at 31 December 2018	**9.689**	**94.865**	**858**	**105.412**

Accumulated amortization	Licences & software	Electric distribution rights	Other intangibles	Total
Balance at 1 January 2017	**(10.921)**	**(32.756)**	**(1.386)**	**(45.063)**
Current year amortization	(182)	(5.267)	(225)	(5.674)
Disposals	620	--	944	1.564
Translation difference (*)	717	2.372	70	3.159
Balance at 31 December 2017	**(9.766)**	**(35.651)**	**(597)**	**(46.014)**
Balance at 1 January 2018	**(9.766)**	**(35.651)**	**(597)**	**(46.014)**
Current year amortization	(157)	(3.974)	(135)	(4.266)
Disposals	--	--	--	--
Translation difference (*)	2.777	10.416	179	13.372
Balance at 31 December 2018	**(7.146)**	**(29.209)**	**(553)**	**(36.908)**
Net carrying amount at 1 January 2017	**4.172**	**109.058**	**616**	**113.846**
Net carrying amount at 31 December 2017	**3.599**	**96.662**	**489**	**100.750**
Net carrying amount at 31 December 2018	**2.543**	**65.656**	**305**	**68.502**

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

15 Other assets and liabilities

Other current assets

As at 31 December 2018 and 2017, other current assets comprised the following:

	31 December 2018	31 December 2017
Deferred VAT	14.946	25.684
Advance payments to employee	867	166
Other current assets	1.380	3.794
	17.193	**29.644**

Other current liabilities

As at 31 December 2018 and 2017, other current liabilities comprised the following:

	31 December 2018	31 December 2017
Taxes and funds payable	9.614	7.766
Other liabilities	15.207	2.007
	24.821	**9.773**

16 Due from/due to customers for contract works

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:

	2018	2017
Due from customers for contract works (Note 8)	85.407	283.809
Due to customers for contract works (Note 11)	(72.378)	(65.799)
Total	**13.029**	**218.010**

As at 31 December, the details of uncompleted contracts were as follows:

	2018	2017
Total costs incurred on uncompleted contracts	1.114.016	1.224.733
Estimated earnings	553.405	647.715
Total estimated revenue on uncompleted contracts	**1.667.421**	**1.872.448**
Less: Billings to date	(1.654.392)	(1.654.438)
Net amounts due to/from customers for contract work	**13.029**	**218.010**

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

17 Loans and borrowings

As at 31 December 2018 and 2017, loans and borrowings comprised the following:

Short term loans and borrowings	31 December 2018	31 December 2017
Short term bank loans	32.436	33.080
- TL denominated bank loans	*5.696*	*6.865*
- Foreign currency denominated bank loans	*26.740*	*26.215*
Short term portion of long term bank loans	61.826	38.578
- TL denominated bank loans	*48.239*	*29.836*
- Foreign currency denominated bank loans	*13.587*	*8.742*
Short term portion of long term bonds issued	29.999	6.183
Total	**124.261**	**77.841**
Long term bank loans	173.967	223.897
- TL denominated bank loans	*141.446*	*178.656*
- Foreign currency denominated bank loans	*32.521*	*45.241*
Long term bonds issued	--	34.853
	173.967	**258.750**
Total	**298.228**	**336.591**

At 31 December 2018 and 2017, the terms and conditions of outstanding loans and borrowings were as follows:

			31 December 2018		
	Currency	Nominal interest rate (%)	Maturity	Nominal amount	Carrying amount
Bonds issued (*)	TL	18,88	2019	30.458	29.999
Secured bank loans	USD	USD Libor+%4	2020	23.264	21.963
Secured bank loans	USD	Spot	2019	15.425	15.178
Secured bank loans	EUR	0,64-4,96	2022-2031	24.244	24.145
Secured bank loans	TL	15,75-17,94	2023-2024	289.523	189.685
Unsecured bank loans	TL	Rotatif	2019	6.574	5.696
Unsecured bank loans	USD	Rotatif	2019	9.031	8.675
Unsecured bank loans	Uzbekistani Som	14,00	2019	2.929	2.887
				401.448	**298.228**

			31 December 2017		
	Currency	Nominal interest rate (%)	Maturity	Nominal amount	Carrying amount
Bonds issued (*)	TL	17,23	2019	48.081	41.036
Secured bank loans	USD	USD Libor+4	2020	27.501	25.101
Secured bank loans	USD	4,00	2018	25.740	25.187
Secured bank loans	EUR	2,14 - 4,96	2022-2031	29.091	28.882
Secured bank loans	TL	15,75	2024	318.274	208.492
Unsecured bank loans	USD	Revolving	2018	1.033	1.028
Unsecured bank loans	TL	17,10	2018	692	613
Unsecured bank loans	TL	Spot	2018	1.614	1.612
Unsecured bank loans	TL	Revolving	2018	4.640	4.640
				456.666	**336.591**

(*) Issued bonds have variable interest rates which are computed quarterly by adding the fixed interest rate of 4.50% to the base interest rate for the respective quarterly period calculated as the weighted arithmetic average of annual compound interest rates of the previous five days of the Indicative Government Domestic Debt Security issued by Republic of Turkey Prime Ministry Undersecretaries of Treasury before the valor date of each interest period.

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

17 Loans and borrowings (continued)

There are sureties amounting to US Dollar 8.220 and TL 1.024 thousands (equivalent to TL 271 thousands) of GAP Pazarlama A.Ş., Çalık Holding A.Ş., GAP İnşaat Yatırım ve Dış Ticaret A.Ş. and Çalık Denim Tekstil Sanayi A.Ş. (formerly known as "GAP Güneydoğu Tekstil Sanayi A.Ş") for the bank borrowings of Çalık Enerji. There is also 1st and 2nd degree mortgages on Çalık Holding's administrative building which is owned by GAP İnşaat Yatırım ve Dış Ticaret A.Ş and Çalık Gayrimenkul Ticaret A.Ş, amounting to US Dollar 20.000 and US Dollar 80.000 for the bank borrowings used by Çalık Group entities including the bank borrowings used by Çalık Enerji.

There are pledges over Çalık Enerji's shares of YEDAŞ, YEPAŞ and ÇEDAŞ with numbers of 85 (TL 0,085 thousands), 115 (TL 0,115 thousands), 377.622.000 (TL 377.622 thousands), respectively and ÇEDAŞ's shares of YEPAŞ and YEDAŞ, with numbers of 6.358.770.388 (TL 63.587 thousands) and 35.700.685.312 (TL 357.006 thousands), as a guarantee for the bank borrowings used or will be used by Çalık Holding, ÇEDAŞ, YEDAŞ and YEPAŞ from a bank.

The Group has financial covenants within US Dollar denominated murabaha loan contracts with foreign banks.

As at 31 December 2018 and 2017, maturity profile of the bank borrowings is as follows

	31 December 2018	31 December 2017
Due within one year	94.262	71.658
One to two years	86.082	66.302
Two to three years	31.965	57.713
Three to four years	25.322	36.405
Over four years	30.597	63.477
Total	**268.228**	**295.555**

As at 31 December 2018 and 2017, maturity profile of the issued bond is as follows

	31 December 2018	31 December 2017
Due within one year	29.999	6.183
One to two years	--	34.853
Total	**29.999**	**41.036**

The Group's exposure to liquidity and currency risks related to borrowings are disclosed in Note 28.

Cash flows from financing activities and reconciliation of their movements

The movement of the Group's financial liabilities arising from financing activities for the year ended 31 December 2018 and 2017 are as follows:

	2018	2017
Loans and issued bonds as of January 1	**336.591**	**131.735**
Current period additions	80.404	277.112
Interest and capital repayments	(49.490)	(66.976)
Current period interest accruals	5.879	8.102
Effects of changes in foreign exchange rates	(75.156)	(13.382)
Loans and issued bonds as of December 31	**298.228**	**336.591**

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

18 Payables related to employee benefits

As at 31 December 2018 and 2017, payables related to employee benefits comprised the following:

	31 December 2018	31 December 2017
Social security premiums payable	1.149	2.090
Due to personnel	3.817	2.439
	4.966	**4.529**

19 Provisions

As at 31 December, provisions comprised the following items:

	31 December 2018	31 December 2017
Short term provisions		
Short term employee benefits	1.508	1.788
Other short term provisions	8.044	8.261
Total short term provisions	**9.552**	**10.049**
Long term provisions		
Long term employee benefits	1.490	2.456
Total short term provisions	**1.490**	**2.456**
Total provisions	**11.042**	**12.505**

As at 31 December, short-term and long term employee benefits comprised the following items:

	31 December 2018	31 December 2017
Short-term		
Vacation pay liability	1.508	1.788
	1.508	**1.788**
Long term		
Reserve for severance payments	1.490	2.456
	1.490	**2.456**

As at 31 December, other provisions comprised the following items:

Short-term	31 December 2018	31 December 2017
Provision for litigation and claims	8.044	8.261
	8.044	**8.261**

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

19 Provisions (continued)

Movement of provisions for the years ended at 31 December 2018 and 2017 is as follows:

2018	1 January	Provision for the year	Cancelled Provisions Payments / Actuarial differences in current period	Translation difference	31 December
Provision for litigation and claims	8.261	2.122	0	(2.339)	8.044
Vacation pay liability	1.788	285	(60)	(505)	1.508
Reserve for severance payments	2.456	458	(729)	(695)	1.490
	12.505	**2.865**	**(789)**	**(3.539)**	**11.042**
2017					
Provision for litigation and claims	5.469	3.344	(76)	(476)	8.261
Vacation pay liability	1.586	319	--	(117)	1.788
Reserve for severance payments	2.464	672	(510)	(170)	2.456
	9.519	**4.335**	**(586)**	**(763)**	**12.505**

Reserve for severance payments

For the years ended 31 December 2018 and 2017, the movements in the reserve for severance payments were as follows:

	2018	2017
Balance at the beginning of the year	2.456	2.464
Interest cost	204	400
Cost of services	255	201
Payments during the year	(157)	(510)
Actuarial difference	(573)	71
Translation difference	(695)	(170)
Balance at the end of the year	**1.490**	**2.456**

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:

	2018	2017
	%	%
Discount rate	4,09	2,78
Interest rate	14,5	11,00
Expected rate of salary/limit increase	10,0	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 2018, the ceiling amount was US Dollar 1.03 (31 December 2017: US Dollar 1.25).

20 Commitments and contingencies

Guarantee, pledge and mortgages ("GPM") given as at 31 December 2018 are as follows:

31 December 2018		Original currency (in thousands)			
	USD equivalent	TL	USD	EURO	OTHER
A Total amount of GPMs given in the name of its own legal personality	137.418	215.286	90.996	4.800	--
B Total amount of GPMs given in the name of the consolidated subsidiaries and joint ventures	151.727	798.215	--	--	--
- Total amount of GPMs given in the name of the consolidated subsidiaries	151.727	798.215	--	--	--
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	**289.145**	**1.013.501**	**90.996**	**4.800**	**--**

The ratio of the Group's GPM to the Group's equity is 44%.

GPMs given as at 31 December 2017 are as follows:

31 December 2017		Original currency (in thousands)			
	USD equivalent	TL	USD	EURO	OTHER
A Total amount of GPMs given in the name of its own legal personality	292.780	266.785	219.656	2.000	--
B Total amount of GPMs given in the name of the consolidated subsidiaries and joint ventures	211.621	798.215	--	--	--
- Total amount of GPMs given in the name of the consolidated subsidiaries	211.621	798.215	--	--	--
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	**504.401**	**1.065.000**	**219.656**	**2.000**	**--**

The ratio of the Group's GPM to the Group's equity is 73%.

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

20 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 2018	31 December 2017
TETAŞ and TEİAŞ	28.790	51.559
Given to government agencies for the ongoing EPC contracts	72.641	208.763
Given to banks	934	976
Given to EMRA	320	1.278
Given to others	34.734	30.204
Total letter of guarantees	**137.419**	**292.780**
Pledge on shares (*)	151.726	211.621
Total contingent liabilities	**289.145**	**504.401**

(*) There are pledges over Çalık Enerji's shares of YEDAŞ, YEPAŞ and ÇEDAŞ with numbers of 85 (TL 0,085 thousands), 115 (TL 0.115 thousands), 377.622.000 (TL 377.622 thousands), respectively and ÇEDAŞ's shares of YEPAŞ and YEDAŞ, with numbers of 6.358.770.388 (TL 63.587 thousands) and 35.700.685.312 (TL 357.006 thousands), as a guarantee for the bank borrowings used or will be used by Çalık Holding, ÇEDAŞ, YEDAŞ and YEPAŞ from a bank.

Litigation and claims

As at 31 December 2018, the expected cash outflow amount for the pending claims filed against to the Group is US Dollar 8.044 (31 December 2017: US Dollar 8.261). As at 31 December 2018, the provision for litigation and claims are mainly related to the Group's electricity retail sales companies regarding electricity dissipation and theft lawsuits of consumers. The Group made a provision for the whole amount related to these claims (Note 19).

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.

Letter of guarantees received

As of 31 December 2018, the Group has received letter of guarantees amounting to US Dollar 35.215 from its customers and suppliers (31 December 2017: US Dollar 42.726).

Lease commitments

As at 31 December, non-cancellable operating lease commitments are payable as follows:

Operating lease commitment – Group as lessee and rent commitments	2018	2017
Within one year	305	580
After one year not more than five years	657	1.569
More than five years	1.267	1.115
Total	**2.229**	**3.264**

21 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.

In Turkey, corporate tax rate is 22% as of 31 December 2018 (2017: 20%). According to the Article 91 of the Law numbered 7061 "Legislation on Amendment of Certain Tax Legislation and Other Certain Legislation" which was published on the Official Gazette numbered 30261 on 5 December 2017 and according to the provisional clause 10 added to the Corporate Tax Law numbered 5520; corporate tax rate for the taxation periods of 2018, 2019 and 2020 is amended to 22%, which would later be applied as 20% at the end of these periods. During these periods, Council of Ministers is entitled to decrease the corporate tax rate of 22% to 20%.

The tax legislation provides for a temporary tax of 22% (2017: 20%) to be calculated and paid based on earnings generated for each quarter for the period ended 31 December 2018. The amounts thus calculated and paid are offset against the final corporate tax liability for the year. With the amendment to the Law, corporate rate is set to 22% for the years 2018, 2019 and 2020.

According to the Corporate Tax Law, 75% (2017: 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. In addition, with the change of the law numbered 7061, the ratio regarding the real estate decreased from 75% to 50%, and this ratio will be applied as 50% starting from the 2018 tax declarations.

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.

21 Taxation (continued)

Turkey (continued)

Transfer pricing regulations

In Turkey, the transfer pricing provisions have been stated under the Article 13 of Corporate Tax Law with the heading of "disguised profit distribution via transfer pricing". The General Communiqué on disguised profit distribution via Transfer Pricing, dated 18 November 2007 sets details about implementation.

If a tax payer enters into transactions regarding sale or purchase of goods and services with related parties, where the prices are not set in accordance with arm's length principle, then related profits are considered to be distributed in a disguised manner through transfer pricing. Such disguised profit distributions through transfer pricing are not accepted as tax deductible for corporate income tax purposes.

Tax applications for foreign subsidiaries and joint ventures of the Group

Republic of Kosovo

The applicable corporate tax rate in Republic of Kosovo is 10% (31 December 2017: 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 2018, the applicable corporate tax rate for the subsidiaries and branches operating in Iraq is 15% (31 December 2017: 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 2018 and 2017, profit generated from Group's operations in Iraq is not subject to corporate tax.

United Arab Emirates

As at 31 December 2018, the Group has a subsidiary and branches 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 2018 and 2017, the Group's subsidiary operating in Dubai is not subject to corporate tax.

Georgia

The applicable corporate tax rate in Georgia is 15%

Libya

The corporate tax rate is 20% (31 December 2017: 20%). In addition to the 20% tax rate, a Jihad tax is levied by 4% of profits for foreign companies.

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 partners. 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.

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

21 Taxation (continued)

Tax applications for foreign subsidiaries and joint ventures of the Group (continued)

Serbia

The applicable corporate tax rate in Serbia is 15%.

Uzbekistan

The applicable corporate tax rate in Uzbekistan is 17,2%. As at 31 December 2018, the Group is not subject to corporate tax resulting from their operations in the country with a dispensation between the Group and Uzbekistani government.

Iran

The applicable corporate tax rate in Iran is 25%.

Sweden

The applicable corporate tax rate in Sweden is 15%.

The Netherlands

Corporate income tax is levied at the rate of 25% (31 December 2017: 25%) on the worldwide income of resident companies, which is determined by modifying accounting income for certain exclusions and allowances for tax purposes. A unilateral decree for the avoidance of double taxation provides relief for resident companies from Dutch tax on income, such as foreign business profits derived through a permanent establishment abroad, if no tax treaty applies.

Under the Dutch taxation system, tax losses can be carried forward to be offset against future taxable income for nine years. Tax losses can be carried back to offset profits up to one year. Companies must file their tax returns within six months following the close of the tax year to which they relate, unless the company applies for an extension (normally an additional nine months). Tax returns are open for five years from the date of final assessment of the tax return 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.

Malawi

The Corporate income tax rate in Malawi is 30% for local entities whereas tax rate is 35% for foreign entities and those operating as branches of foreign entities. As at 31 December 2018, the Group's subsidiary operating in Malawi is not subject to corporate tax while the income resulting from their operations in the country are accepted as tax-exempt.

Tax recognised in profit or loss

Income tax expense for the years ended 31 December 2018 and 2017 comprised the following items:

	2018	**2017**
Current corporation and income taxes	12.933	27.080
Adjustment to prior year corporation and income taxes	--	--
Deferred tax expense/(benefit)		
Deferred taxes on temporary differences	12.489	7.080
Deferred taxes on prior years' tax losses	353	347
Total income tax expense	**25.775**	**34.507**

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

21 Taxation (continued)

Reconciliation of effective tax rate

The reported income tax expense for the years ended 31 December 2018 and 2017 are different than the amounts computed by applying statutory tax rate to profit before tax as shown in the following reconciliation:

	2018		2017	
	Amount	**%**	**Amount**	**%**
Reported profit before taxation	219.771		397.653	
Taxes on reported profit per statutory tax rate	(48.350)	22	(79.530)	20.00
Permanent differences:	--			
Disallowable expenses	(2.735)	1,24	(4.971)	1.25
Tax exempt income (*)	52.870	(24,77)	82.621	(20.78)
Effect of different tax rates in foreign jurisdictions	(70)	0,03	226	0.06
Effect of share of profit of equity-accounted investees	5.697	(2,59)	7.069	1.78
Current-year losses for which no deferred tax asset is recognised	(31.636)	14,40	(4.605)	(1.16)
Reversal of previously recognised deferred tax assets on the statutory tax losses	--	--	(114)	(0.03)
Current-year amortisation expense of electricity distribution rights for which no deferred tax asset is recognised	1.235	0,37	(1.053)	(0.26)
Tax effect of consolidated adjustments (**)	(803)	0,02	(36.616)	9.21
Effect of change in tax rate	(1.941)	0,81	2.476	0.62
Others, net	(42)	(11,23)	(10)	--
Tax expense	**(25.775)**	**22**	**(34.507)**	**(8.68)**

(*) Related amount consist of profits generated by foreign branches of the Group which are not subject to corporate tax.
(**) Related amount consist of dividend income generated by the Group's subsidiaries operating abroad and are not accepted as tax-exempt.

Taxes payable on income

Taxes payable on income as of 31 December 2018 and 2017 comprised the following:

	2018	2017
Taxes on income	25.775	34.507
Deferred tax benefit/(expense)	(12.842)	(7.427)
Corporation taxes paid in advance	(12.980)	(12.596)
Taxes payable on income, net	**47**	**14.484**

As at 31 December 2018, taxes payable on income amounting to US Dollar 2 (31 December 2017: US Dollar 15.155) is not offset with prepaid taxes amounting to US Dollar 49(31 December 2017: US Dollar 671) since they are related to different tax jurisdictions.

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

21 Taxation (continued)

Taxes payable on income (continued)

Deferred tax assets and liabilities

Deferred tax is provided in respect of taxable temporary differences arising between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes, except for the differences relating to goodwill not deductible for tax purposes and the initial recognition of assets and liabilities which affect neither accounting nor taxable profit.

Unrecognised deferred tax assets and liabilities

As at 31 December 2018, deferred tax assets amounting to US Dollar 31.007 (31 December 2017: US Dollar 18.566) have not been recognised with respect to the statutory tax losses carried forward up to 2022. 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.

According to the Tax Procedural Law in Turkey, statutory losses can be carried forward maximum for five years. Consequently, 2022 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:

Date of expiration	2018	2017
2018	--	10.082
2019	5.525	9.539
2020	9.378	13.614
2021	22.867	40.406
2022	16.659	22.247
2023	88.702	--
	143.131	**95.888**

The table below shows unrecognised statutory tax losses movement as of 31 December 2018:

	2018	2017
Balance 1 January 2018	**92.831**	**80.722**
Effect of current-year losses for which no deferred tax asset is recognised	158.180	23.025
Translation difference	--	(6.013)
Use of unrecognized tax losses in the current period for no deferred tax asset was recognised in previous periods	(6.577)	(6.930)
Adjustment effect of previous year tax expense (*)	--	--
Expiration of previously unrecognized tax losses in the current period	(9.263)	(194)
Reversal of previously recognised deferred tax assets on the statutory tax losses	--	2.221
Balance 31 December 2018	**235.171**	**92.831**

(*) In accordance with the code no. 6736 "The code regarding restructuring of some receivables", 50% of tax losses carried forward related to the year when tax base increase is performed cannot be deducted in case any taxable profit exists in 2016 and subsequent years.

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

21 Taxation (continued)

Taxes payable on income (continued)

Deferred tax assets and liabilities (continued)

Recognised deferred tax assets and liabilities

According to the Article 91 of the Law numbered 7061 "Legislation on Amendment of Certain Tax Legislation and Other Certain Legislation" which was published on the Official Gazette numbered 30261 on 5 December 2017 and according to the provisional clause 10 added to the Corporate Tax Law numbered 5520; corporate tax rate for the taxation periods of 2018, 2019 and 2020 is amended to 22%, which would later be applied as 20% at the end of these periods. Deferred tax assets and liabilities are recognized in the consolidated financial statements as of 31 December 2017 at a rate of %22 for the portion of temporary differences that will have tax effect in 2018, 2019 and 2020 and %20 for temporary differences in 2021 and later.

Since companies in Turkey can not file a tax return, subsidiaries that have deferred tax assets are not netted off with subsidiaries that have deferred tax liabilities and are shown separately.

Recognised deferred tax assets and liabilities

Deferred tax assets and deferred tax liabilities at 31 December 2018 and 2017 are attributable to the items detailed in the table below:

	2018		2017	
	Asset	**Liability**	**Asset**	**Liability**
Vacation pay liability	260	--	376	--
Employee severance indemnity	74	(1)	107	--
Provision for litigations	1.628	--	1.626	--
Other expense provisions	--	(2.587)	--	(301)
IAS 39 effect on borrowings	2.374	(19)	50	(37)
Property, plant and equipment and intangible assets	54.428	(738)	64.453	(1.017)
Security deposits	2.994	--	2.890	--
Tax losses carried forward	1.133	--	673	--
Effect of percentage of completion method	513	--	1.982	--
Service concession receivables	--	(80.625)	--	(82.953)
Doubtful receivables	1.204	--	1.259	--
Deferred income	--	(845)	--	--
Other temporary differences	396	--	286	(655)
Total deferred tax assets/(liabilities)	**65.004**	**(84.815)**	**73.702**	**(84.963)**
Set off of tax	(61.296)	61.296	(68.354)	68.354
Deferred tax assets/(liabilities), net	**3.708**	**(23.519)**	**5.348**	**(16.609)**

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

21 Taxation (continued)

Taxes payable on income (continued)

Deferred tax assets and liabilities (continued)

Recognised deferred tax assets and liabilities (continued)

Movements in deferred tax balances during the year:

	Balance 1 January 2017	Effects of translation	Recognised in profit or loss	Balance 31 December 2017	Effects of translation	Recognised in profit or loss	Balance 31 December 2018
Vacation pay liability	317	(24)	83	376	(181)	65	260
Employee severance indemnity	148	(9)	(32)	107	936	(970)	73
Provision for litigations	1.094	(95)	627	1.626	470	(468)	1.628
Other expense provisions	331	(1)	(631)	(301)	(1.655)	(631)	(2.587)
Amortised cost effect on borrowings	(14)	--	27	13	2.245	97	2.355
Property, plant and equipment and intangible assets	49.573	(3.922)	17.785	63.436	(28.331)	18.585	53.690
Security deposits	3.639	(226)	(523)	2.890	671	(567)	2.994
Tax losses carried forward	1.117	216	(660)	673	1.826	(1.366)	1.133
Effect of percentage of completion method	(3.358)	46	5.294	1.982	(6.537)	5.068	513
Service concession receivables	(57.937)	4.892	(29.908)	(82.953)	34.236	(31.908)	(80.625)
Doubtful receivables	1.247	(87)	99	1.259	(98)	43	1.204
Deferred income	(1)	--	1	--	63	(908)	(845)
Other temporary differences	(588)	(192)	411	(369)	647	118	396
Total deferred tax assets/ (liabilities)	**(4.432)**	**598**	**(7.427)**	**(11.261)**	**4.292**	**(12.842)**	**(19.811)**

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

22 Capital and reserves

Paid in capital

At 31 December 2018, the Company's statutory nominal value of authorised and paid-in share capital is US Dollar 58.570 (31 December 2016: US Dollar 58.570) comprising of 10.891.705.225 registered shares (31 December 2017: 10.891.705.225) having per value of US Dollar 0,00538 (31 December 2017: US Dollar 0,00538) nominal each.

At 31 December 2018 and 2017, the shareholding structure of Çalık Enerji based on the number of shares is presented below:

	2018		2017	
	Thousands of shares	**%**	**Thousands of shares**	**%**
Çalık Holding	10.393.195	95,42	10.393.195	95,42
Kırmızı Elmas Enerji ve Altyapı Yatırımları A.Ş.	487.591	4,48	487.591	4,48
Ahmet Çalık	10.919	0,10	10.919	0,10
	10.891.705	**100,00**	**10.891.705**	**100,00**

Legal 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. As of 31 December 2018, 75% of the gain on sale of financial investments are exempted from corporate tax on the condition that such gains are recognised in the restricted reserves within the equity for the five years. In the accompanying consolidated financial statements as of 31 December 2018, the total of the legal reserves of the consolidated entities amounted to US Dollar 177.715 as at 31 December 2018 (31 December 2017: US Dollar 152.271).

Dividends

As per the General Assembly Meeting dated on 28 March 2018, the Company has distributed dividend to its shareholders amounting to US Dollar 128.980 from retained earnings. In this regard US Dollar 113.873 were paid in cash to shareholders, while US Dollar 15.107 was deducted from the shareholders' current accounts.

Non-controlling interest

For the years ended 31 December 2018 and 2017, movements of the non-controlling interest were as follows:

	2018	**2017**
Non controlling interest at the beginning of the year	58.042	57.111
Net loss for the year attributable to non controlling interest	90	(590)
Foreign currency translation differences for foreign operations	35	75
Contribution to share capital increase of subsidiaries by non-controlling interests	3	834
Changes in non-controlling interest in consolidated subsidiaries without change in control	--	--
Establishment of subsidiaries with non controlling interests	4.070	645
Effect of liquidated subsidiaries on non controlling interests	--	--
Dividend distribution	(114)	(33)
Balance at the end of the year	**62.126**	**58.042**

Translation reserve

The translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations and the conversion of the Company's functional currency to presentation currency.

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

23 Revenue

For the years ended 31 December 2018 and 2017, revenue comprised the following:

	2018	2017
Export sales	553.235	740.922
Domestic sales	473.622	578.036
Total	**1.026.857**	**1.318.958**

For the years ended 31 December 2018 and 2017, details of the revenue comprised the following:

	2018	2017
EPC	553.235	739.526
Electricity sale and distribution	472.586	529.297
Other operations	1.036	50.135
Total	**1.026.857**	**1.318.958**

24 Operating expenses

For the years ended 31 December 2018 and 2017, administrative expenses comprised the following:

	2018	2017
Personnel expenses	14.890	22.282
Outsource expenses (*)	5.209	4.201
Consulting expenses	4.007	4.299
Rent expense	3.276	4.420
Communication and information expenses	2.960	567
Depreciation and amortisation expenses	1.315	2.757
Taxes, duties and fees	826	1.806
Insurance expenses	784	1.160
Travel and accommodation expenses	725	784
Maintenance and repair expenses	326	2.635
Office expenses	110	432
Other	3.354	4.975
	37.782	**50.318**

(*) Outsource expenses comprise of expenses made by Çalık Holding on behalf of Çalık Enerji.

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

24 Operating expenses (continued)

For the years ended 31 December 2018 and 2017, selling, marketing and distribution expenses comprised the following:

	2018	2017
Personnel expenses	8.829	11.696
Office expenses	3.015	2.527
Electricity supply expense	2.392	2.094
System maintenance expense	345	1.194
Communication and information expenses	327	414
Advertising and promotion expenses	60	247
System malfunction expense	--	16.275
Other	3.936	5.650
	18.904	**40.097**

For the years ended 31 December 2018 and 2017, research and development expenses comprised the following:

	2018	2017
Personnel expenses	1.880	490
Travel and accommodation expenses	1.312	587
Consulting expenses	424	507
Rent expense	49	96
Other (*)	858	6.102
	4.523	**7.782**

(*) Other mainly consists of Çalık Maden's capital expenditures by US Dollar 3.777 regarding Kızkayası hydroelectric power plant which was cancelled during investment phase. (2017: Other mainly consists of Çalık Maden's capital expenditures by US Dollar 5.452 regarding Kızkayası hydroelectric power plant which was cancelled during investment phase).

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

24 Operating expenses (continued)

For the years ended 31 December 2018 and 2017, the total operating expenses by nature comprised the following:

	2018	2017
Materials and trading goods expenses	693.255	879.518
Personnel expenses	84.867	65.658
Depreciation and amortisation expenses	21.550	15.633
Rent expenses	5.936	4.411
Outsource expenses	5.225	4.201
Communication and information expenses	4.353	414
Advertising and promotion expenses	4.291	247
Maintenance and repair expenses	3.432	4.108
Electricity supply expense	2.392	1.594
Taxes, duties and fees	2.238	1.960
Travel and accommodation expenses	2.147	1.458
Consulting expenses	1.711	5.297
Insurance expenses	1.140	1.395
Communication expenses	718	602
Office expenses	673	3.003
System maintenance expenses	345	1.194
System malfunction expense	--	16.275
Other	10.463	13.380
	844.737	**1.020.348**

For the years ended 31 December 2018 and 2017, depreciation and amortisation expenses comprised the following:

Depreciation and amortisation expenses	2018	2017
Cost of goods sold	18.158	12.759
General administrative expenses	3.276	2.757
Research and development expenses	113	115
Selling, marketing and distribution expenses	3	2
	21.550	**15.633**

For the years ended 31 December 2018 and 2017, personnel expenses comprised the following:

Personnel expenses	2018	2017
Salaries, payments and bonuses	68.728	57.317
Mandatory social security premiums	6.551	2.711
Other	9.588	5.630
	84.867	**65.658**

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25 Other income and expense from operating activities

For the years ended 31 December 2018 and 2017, other operating income comprised the following:

	2018	2017
Foreign exchange gains	160.695	87.385
Fair value differences of service concession receivables	54.666	51.694
Actual alternative investment income	27.200	24.330
Interest income	4.231	1.723
Collection from doubtful trade receivables (Note 8)	1.343	2.859
Interest income from subscribers	433	2.746
Provisions for litigations no longer required	--	11
Other	10.344	11.021
	258.912	**181.769**

For the years ended 31 December, other operating expenses comprised the following:

	2018	2017
Foreign exchange losses	(180.271)	(78.441)
Provision for doubtful receivables (Note 8)	(6.256)	(3.903)
Interest expenses (due to third parties)	(3.078)	(3.654)
Provision expenses	(2.425)	(3.344)
Other	(6)	(3.352)
	(192.036)	**(92.694)**

26 Gain and losses from investing activities

For the years ended 31 December 2018 and 2017, income from investing activities comprised the following:

	2018	2017
Gain on sale of property, plant and equipment	658	475
	658	**475**

For the years ended 31 December 2018 and 2017, losses from investing activities comprised the following:

	2018	2017
Loss on sale of property, plant and equipment	(445)	(65)
Loss on other investing activities	(321)	(2)
	(766)	**(67)**

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27 Finance income/(costs)

For the years ended 31 December finance income comprised the following:

	2018	2017
Foreign exchange gains on borrowings	35.773	6.679
Interest income from related parties	3.033	13.718
Realised security deposits income	--	3.976
	38.806	**24.373**

For the years ended 31 December, finance costs comprised the following:

	2018	2017
Foreign exchange loss on borrowings	40.562	16.252
Long term interest expenses from borrowings	13.328	8.272
Letter of guarantees commission expenses	9.610	5.101
Interest expense due to related parties	7.146	12.372
Bank commission expenses	2.763	3.624
Short term interest expenses from borrowings	1.710	2.745
Realised security deposits expense	1.052	1.716
Other interest expenses	930	78
	77.101	**50.160**

28 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

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 management.

The 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.

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28 Financial instruments – Fair values and 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.

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.

The maximum exposure to credit risk for trade receivables at the reporting date by geographic concentration was as follows:

Location	31 December 2018	31 December 2017
Turkmenistan	108.793	562.408
Turkey	398.222	455.223
Uzbekistan	172.606	42.180
Iraq	21.107	20.937
Libya	7.657	461
Malawi	7.179	--
Georgia	123	122
	715.687	**1.081.331**

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

28 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 2018 and 2017 was:

31 December 2018	Receivables						
	Trade receivables		Other receivables				
	Related party	Other party	Related party	Other party	Cash at banks, reverse repurchase agreements ve investment funds	Financial investments	Other (*)
Maximum credit risk exposure at reporting date (A+B+C+D)	**150.141**	**580.908**	**199.360**	**11.905**	**62.907**	**--**	**21**
– Portion of maximum risk covered by guarantees	--	--	--	--	--	--	--
A. Carrying value of financial assets that are neither past due nor impaired	150.141	549.656	199.360	11.905	62.907	--	21
B. Carrying value of financial assets that are past due but not impaired	--	31.252	--	--	--	--	--
C. Carrying value of impaired assets	--	--	--	--	--	--	--
– Past due (gross carrying amount)	--	23.335	--	--	--	--	--
– Impairment (-)	--	(23.335)	--	--	--	--	--
– Not past due (gross carrying amount)	--	--	--	--	--	--	--
– Impairment (-)	--	--	--	--	--	--	--
– Impairment (-)	--	--	--	--	--	--	--
D. Elements including credit risk on off statement of financial position	--	--	--	--	--	--	--

(*) This amount mainly consists of money in transit presented under cash and cash equivalents.

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28 Financial instruments – Fair values and risk management (continued)

Credit risk (continued):

Exposure to credit risk (continued):

31 December 2017	Receivables						
	Trade receivables		Other receivables				
	Related party	Other party	Related party	Other party	Cash at banks, reverse repurchase agreements ve investment funds	Financial investments	Other [*]
Maximum credit risk exposure at reporting date (A+B+C+D)	**265**	**1.081.066**	**224.176**	**11.502**	**71.877**	**--**	**295**
- Portion of maximum risk covered by guarantees	--	--	--	--	--	--	--
A. Carrying value of financial assets that are neither past due nor impaired	265	1.068.898	224.176	11.502	71.877	--	295
B. Carrying value of financial assets that are past due but not impaired	--	12.168	--	--	--	--	--
C. Carrying value of impaired assets	--	--	--	--	--	--	--
- Past due (gross carrying amount)	--	26.996	--	--	--	--	--
- Impairment (-)	--	(26.996)	--	--	--	--	--
- Not past due (gross carrying amount)	--	--	--	--	--	--	--
- Impairment (-)	--	--	--	--	--	--	--
- Impairment (-)	--	--	--	--	--	--	--
D. Elements including credit risk on off statement of financial position	--	--	--	--	--	--	--

[*] This amount mainly consists of money in transit presented under cash and cash equivalents.

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28 Financial instruments – Fair values and risk management (continued)

Credit risk (continued):

Impairment losses

As at 31 December 2018 and 2017, the aging of trade receivables at the reporting date was:

31 December 2018	**Receivables**		**Cash at banks**	**Derivative instruments**	**Other**
	Trade receivables	**Other receivables**			
Past due 1-30 days	7.744	--	--	--	--
Past due 1-3 months	3.392	--	--	--	--
Past due 3-12 months	1.417	--	--	--	--
Past due 1-5 years	18.699	--	--	--	--
More than 5 years	--	--	--	--	--
Total	**31.252**	**--**	**--**	**--**	**--**
Portion of assets overdue secured by guarantee etc.	--	--	--	--	--

31 December 2017	**Receivables**		**Cash at banks**	**Derivative instruments**	**Other**
	Trade receivables	**Other receivables**			
Past due 1-30 days	7.059	--	--	--	--
Past due 1-3 months	3.018	--	--	--	--
Past due 3-12 months	2.091	--	--	--	--
Past due 1-5 years	--	--	--	--	--
More than 5 years	--	--	--	--	--
Total	**12.168**	**--**	**--**	**--**	**--**
Portion of assets overdue secured by guarantee etc.	--	--	--	--	--

According to the agreement protocol between Çalık Enerji and Ministry of Energy Project Department of Iraq, guarantee collections of the project receivables amounting to 18.141.725 US Dollar will be paid by Ministry of Energy Project Department of Iraq. After the elections in Iraq, as a result of the task changes and the changes in organizational structure, the collection period has been extended. With the current plan and reconciliation between the authorities of Ministry of Energy, the collection period is expected to end in April, 2019.

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28 Financial instruments – Fair values and risk management (continued)

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.

As at 31 December 2018 and 2017, the followings are carrying amounts, contractual cash flows and the contractual maturities of financial liabilities;

2018	Carrying amount	Total contractual cash flows	Less than 3 months	3-12 months	1-5 years	More than 5 years
Contractual maturities						
Non-derivative financial liabilities						
Bank loans	268.228	(370.990)	(12.002)	(185.021)	(160.448)	(13.519)
Bonds issued	29.999	(30.458)	(30.458)	--	--	--
Expected maturities						
Non-derivative financial liabilities						
Trade payables	148.290	(148.290)	(81.772)	(66.518)	--	--
Other payables	71.264	(71.264)	(25.475)	(2.920)	(42.869)	--
Liabilities recognised in employee benefits	4.966	(4.966)	(4.966)	--	--	--

2017	Carrying amount	Total contractual cash flows	Less than 3 months	3-12 months	1-5 years	More than 5 years
Contractual maturities						
Non-derivative financial liabilities						
Bank loans	295.555	(441.692)	(38.195)	(39.929)	(300.400)	(63.168)
Bonds issued	41.036	(48.220)	(1.663)	(5.092)	(41.465)	--
Expected maturities						
Non-derivative financial liabilities						
Trade payables	230.815	(230.815)	(115.553)	(115.263)	--	--
Other payables	148.574	(148.574)	(2.247)	(40.045)	(106.282)	--
Liabilities recognised in employee benefits	4.529	(4.529)	(4.529)	--	--	--

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

28 Financial instruments – Fair values and risk management (continued)

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 parameter, while optimising the return.

Interest rate risk

The Group's operations are subject to the risk of interest rate fluctuations to the extent that interest-earning assets and interest-bearing liabilities mature or reprise at different times or in differing amounts. In the case of floating rate assets and liabilities the Group is also exposed to basis risk, which is the difference in reprising characteristics of the various floating rate indices, such as six months Libor and different types of interest. Risk management activities are aimed at optimizing net interest income, given market interest rate levels consistent with the Group's business strategies.

Profile

As at 31 December, the interest rate profile of the Group's interest-bearing financial instruments was as follows:

Fixed rate instruments	**2018**	**2017**
Financial assets	39.656	33.585
Financial liabilities	(246.265)	(270.454)
Variable rate instruments		
Financial liabilities	(51.963)	(66.137)

At 31 December 2018, if market interest rates on TL denominated amounts were higher by 100 basis point where all other variables held constant, net income for the period before tax would be lower by US Dollar 56 (2017:US Dollar 61). Under same conditions, if market interest rates on TL denominated amounts were lower by 100 basis point, net income for the period before tax would be higher by US Dollar 59(2107:US Dollar 75).

Fair value sensitivity analysis for fixed instruments

The Group does not account for any fixed rate financial assets and liabilities at fair value through profit or loss and the Group does not designate derivatives (interest rate swaps) as hedging instruments under fair value hedge accounting model. Therefore, a change in interest rate as of the reporting date would not affect profit or loss and equity.

Currency risk

The Group is exposed to currency risk on sales, purchases and borrowings that are denominated in a currency other than the respective functional currencies of Group entities. The currencies in which these transactions primarily are denominated are Euro and TL.

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.

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28 Financial instruments – Fair values and risk management (continued)

Currency risk (continued)

At 31 December, the currency risk exposures of the Group in USD equivalents are as follows:

	31 December 2018					31 December 2017			
	USD equivalent	USD	TL	EURO	Other (***)	USD equivalent	USD	EURO	Other (***)
1.Trade receivables	47.608	24.237	15.903	17.759	--	100.806	52.872	40.040	--
2a. Monetary financial assets (including cash on hand, bank deposits) (*)	28.731	18.215	42.873	2.062	4	51.865	49.812	1.712	4
2b. Other monetary assets	--	--	--	--	--	--	--	--	--
3. Other	775	775	--	--	--	--	--	--	--
4. Current assets (1+2+3)	**77.114**	**43.227**	**58.776**	**19.821**	**4**	**152.671**	**102.684**	**41.752**	**4**
5. Trade receivables	4	2	12	--	--	62.651	23.973	32.309	--
6a. Monetary financial assets	--	--	--	--	--	--	--	--	--
6b. Non-monetary financial assets	--	--	--	--	--	--	--	--	--
7. Other	--	--	--	--	--	--	--	--	--
8. Non-current assets (5+6+7)	**4**	**2**	**12**	**--**	**--**	**62.651**	**23.973**	**32.309**	**--**
9. Total assets (4+8)	**77.118**	**43.229**	**58.788**	**19.821**	**4**	**215.322**	**126.657**	**74.061**	**4**
10. Trade payables	(20.343)	(9.416)	(10.283)	(7.831)	--	(66.325)	(56.464)	(8.284)	(56)
11. Financial liabilities	(46.398)	--	(207.245)	(3.594)	(2.887)	(9.769)	(5.452)	(3.606)	--
12a. Other monetary liabilities	(24.855)	(564)	(127.754)	(6)	--	(9.020)	(9.021)	1	--
12b. Other non-monetary liabilities	--	--	--	--	--	--	--	--	--
13. Short term liabilities (10+11+12)	**(91.597)**	**(9.980)**	**(345.282)**	**(11.431)**	**(2.887)**	**(85.114)**	**(70.937)**	**(11.889)**	**(56)**
14. Trade payables	(746)	(314)	--	(377)	--	--	--	--	--
15. Financial liabilities	(56.644)	--	(192.640)	(17.478)	--	(45.241)	(20.676)	(20.520)	--
16a. Other monetary liabilities	--	--	--	--	--	--	--	--	--
16b. Other non-monetary liabilities	--	--	--	--	--	--	--	--	--
17. Long term liabilities (14+15+16)	**(57.390)**	**(314)**	**(192.640)**	**(17.855)**	**--**	**(45.241)**	**(20.676)**	**(20.520)**	**--**
18. Total liabilities (13+17)	**(148.986)**	**(10.294)**	**(537.922)**	**(29.286)**	**(2.887)**	**(130.355)**	**(91.613)**	**(32.409)**	**(56)**
19. Net position of off-statement of financial position derivate instruments (19a+19b)	**--**	**--**	**--**	**--**	**--**	**--**	**--**	**--**	**--**
19a. Total hedged assets(**)	--	--	--	--	--	--	--	--	--
19b. Total hedged liabilities (**)	--	--	--	--	--	--	--	--	--
20. Net statement of financial position (9+18+19)	**(71.868)**	**32.935**	**(479.134)**	**(9.465)**	**(2.883)**	**84.967**	**35.044**	**41.652**	**(52)**
21. Net statement of monetary items (IFRS 7.b23) (=1+2a+5+6a+10+11+12a+14+15+16a)	**(71.868)**	**32.935**	**(479.134)**	**(9.465)**	**(2.883)**	**84.967**	**35.044**	**41.652**	**(52)**

(*) Consists of the Group's other receivables in foreign currency with a monetary financial asset nature.
(**) Consists of foreign currency derivative instruments that are not subject to hedge accounting.
(***) USD equivalents are given.

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28 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 2018 and 2017 as follows:

31 December 2018	Profit / (Loss)		Equity	
	Strengthening of TL	Weakening of TL	Strengthening of TL	Weakening of TL
Increase/(decrease) 10% of USD parity				
1-USD net asset / liability	3.294	(3.294)	3.294	(3.294)
2-Hedged portion of USD amounts(-)	--	--	--	--
3-Net effect of USD (1+2)	**3.294**	**(3.294)**	**3.294**	**(3.294)**
Increase/(decrease) 10% of EUR parity				
4-EUR net asset / liability	(1.085)	1.085	(1.085)	1.085
5-Hedged portion of EUR amounts(-)	--	--	--	--
6-Net effect of EUR (4+5)	**(1.085)**	**1.085**	**(1.085)**	**1.085**
Increase/(decrease) 10% of EUR parity				
4-TL net asset / liability	(9.107)	9.107	(9.107)	9.107
5-Hedged portion of TL amounts(-)	--	--	--	--
6-Net effect of TL (4+5)	**(9.107)**	**9.107**	**(9.107)**	**9.107**
Increase/(decrease) 10% of other parities				
7-Other foreign currency net asset / liability	(288)	288	(288)	288
8-Hedged portion of other foreign currency amounts(-)	--	--	--	--
9-Net effect of other foreign currencies (7+8)	**(288)**	**288**	**(288)**	**288**
TOTAL (3+6+9)	**(7.187)**	**7.187**	**(7.187)**	**7.187**

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

28 Financial instruments – Fair values and risk management (continued)

Currency risk (continued)

Sensitivity analysis (continued)

31 December 2017	Profit / (Loss)		Equity	
	Strengthening of TL	Weakening of TL	Strengthening of TL	Weakening of TL
Increase/(decrease) 10% of USD parity				
1-USD net asset / liability	(3.504)	3.504	(3.504)	3.504
2-Hedged portion of USD amounts(-)	--	--	--	--
3-Net effect of USD (1+2)	**(3.504)**	**3.504**	**(3.504)**	**3.504**
Increase/(decrease) 10% of EUR parity				
4-EUR net asset / liability	(4.986)	4.986	(4.986)	4.986
5-Hedged portion of EUR amounts(-)	--	--	--	--
6-Net effect of EUR (4+5)	**(4.986)**	**4.986**	**(4.986)**	**4.986**
Increase/(decrease) 10% of other parities				
7-Other foreign currency net asset / liability	(6)	6	(6)	6
8-Hedged portion of other foreign currency amounts(-)	--	--	--	--
9-Net effect of other foreign currencies (7+8)	**(6)**	**6**	**(6)**	**6**
TOTAL (3+6+9)	**(8.496)**	**8.496**	**(8.496)**	**8.496**

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.

The Group's debt to equity ratio at the end of year was as follows:

	2018	2017
Total current liabilities	480.256	793.442
Less: cash and cash equivalents	(63.042)	(72.182)
Less: deferred revenue	(140.578)	(402.988)
Net debt	276.636	318.272
Equity	**660.220**	**694.813**
Debt to equity ratio at 31 December	**0.42**	**0.46**

28 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 Çalık Holding's Internal Audit department.

Fair value information

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or in its absence, the most advantageous market to which the Group has access at that date.

When available, the Group measures the fair value of an instrument using the quoted price in an active market for that instrument. A market is regarded as active if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis. If there is no quoted market price in an active market, then the Group uses valuation techniques that maximise the use of relevant observable inputs and minimise the use of unobservable inputs.

ÇALIK ENERJİ SANAYİ VE TİCARET ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2018

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

28 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 2018	Loans and receivables	Trading	Available for sale	Held to maturity	Other financial liabilities	Total carrying amount
			--			
Cash and cash equivalents	63.043	--	--	--	--	63.043
Financial investments	--	--	22.411	--	--	22.411
Trade receivables	715.687	--	--	--	--	715.687
Other receivables	211.265	--	--	--	--	211.265
Total assets	**989.995**	**--**	**22.411**	**--**	**--**	**1.012.406**
Borrowings	--	--	--	--	(298.228)	(298.228)
Trade payables	--	--	--	--	(148.290)	(148.290)
Payables related to employee benefits	--	--	--	--	(4.966)	(4.966)
Other payables	--	--	--	--	(71.264)	(71.264)
Total liabilities	**--**	**--**	**--**	**--**	**(522.748)**	**(522.748)**

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

28 Financial instruments – Fair values and risk management (continued)

Fair value information (continued)

31 December 2017	Loans and receivables	Trading	Available for sale	Held to maturity	Other financial liabilities	Total carrying amount
Cash and cash equivalents	72.182	--	--	--	--	72.182
Financial investments	--	--	9.765	--	--	9.765
Trade receivables	1.081.331	--	--	--	--	1.081.331
Other receivables	235.678	--	--	--	--	235.678
Total assets	**1.389.191**	**--**	**9.765**	**--**	**--**	**1.398.956**
Borrowings	--	--	--	--	(336.591)	(336.591)
Trade payables	--	--	--	--	(230.815)	(230.815)
Payables related to employee benefits	--	--	--	--	(4.529)	(4.529)
Other payables	--	--	--	--	(148.574)	(148.574)
Total liabilities	**--**	**--**	**--**	**--**	**(720.509)**	**(720.509)**

28 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 since there is significant variability in the range of reasonable fair value estimates and the probabilities of the various estimates within the range cannot be assessed reasonably. Valuation techniques include discounted cash flow models and transaction multiple methods.

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 judgment 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, and 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.

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

28 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 2018					
Financial assets					
Cash and cash equivalents	--	63.043	--	63.043	63.043
Financial investments	--	--	22.411	22.411	22.411
Trade receivables	--	--	715.687	715.687	715.687
Other receivables	--	--	211.265	211.265	211.265
	--	**63.043**	**949.363**	**1.012.406**	**1.012.406**
Financial liabilities					
Borrowings	--	(298.228)	--	(298.228)	(298.228)
Trade payables	--	--	(148.290)	(148.290)	(148.290)
Payables related to employee benefits	--	--	(4.966)	(4.966)	(4.966)
Other payables	--	--	(71.264)	(71.264)	(71.264)
	--	**(298.228)**	**(224.520)**	**(522.748)**	**(522.748)**
31 December 2017					
Financial assets					
Cash and cash equivalents	--	72.182	--	72.182	72.182
Financial investments	--	--	9.765	9.765	9.765
Trade receivables	--	--	1.081.331	1.081.331	1.081.331
Other receivables	--	--	235.678	235.678	235.678
	--	**72.182**	**1.326.774**	**1.398.956**	**1.398.956**
Financial liabilities					
Borrowings	--	(340.684)	--	(340.684)	(340.684)
Trade payables	--	--	(230.815)	(230.815)	(230.815)
Payables related to employee benefits	--	--	(4.529)	(4.529)	(4.529)
Other payables	--	--	(148.574)	(148.574)	(148.574)
	--	**(340.684)**	**(383.918)**	**(724.602)**	**(724.602)**

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

29 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 Enerji and its Subsidiaries		Direct controlling interest of Çalık Enerji and its Subsidiaries	
Adı	**31 December 2018**	**31 December 2017**	**31 December 2018**	**31 December 2017**
Adacami Enerji	99,95	99,95	99,95	99,95
Ant Enerji	50,00	50,00	50,00	50,00
Atayurt İnşaat	99,50	99,50	99,50	99,50
Çalık Yenilenebilir Enerji	100,00	100,00	100,00	100,00
ÇEDAŞ	99,90	99,90	99,90	99,90
ÇED	100,00	100,00	100,00	100,00
Çalık Energy AB	100,00	100,00	100,00	100,00
Çalık Enerji Dubai	100,00	100,00	100,00	100,00
Çalık Elektrik	100,00	100,00	100,00	100,00
Çalık Georgia LLC	100,00	100,00	100,00	100,00
Çalık NTF	100,00	100,00	100,00	100,00
Çalık Rüzgar	95,00	95,00	95,00	95,00
Demircili Rüzgar	95,00	95,00	95,00	95,00
Hamerz Green Energy	100,00	100,00	100,00	100,00
JSC Calik Georgia Wind	85,00	85,00	85,00	85,00
Kızılırmak	99,30	99,30	99,30	99,30
Mayestan Clean Energy	100,00	100,00	100,00	100,00
Momentum Enerji	100,00	100,00	100,00	100,00
Onyx Trading Innovation FZE	100,00	100,00	100,00	100,00
Technological Energy N.V.	100,00	100,00	100,00	100,00
Technovision Mühendislik	90,00	90,00	90,00	90,00
Türkmen Elektrik	95,50	95,50	95,50	95,50
Yeşilçay Enerji	100,00	100,00	100,00	100,00
YEDAŞ [1]	100,00	100,00	100,00	100,00
YEPAŞ [1]	100,00	100,00	100,00	100,00

[1] First consolidated under ÇEDAŞ, then consolidated under the Group.

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

29 Group enterprises (continued)

Joint ventures

The table below sets out the Joint ventures and their shareholding structure at 31 December:

	Direct controlling interest of Çalık Enerji and its Subsidiaries		Effective ownership interest of Çalık Enerji and its Subsidiaries	
Name	**31 December 2018**	**31 December 2017**	**31 December 2018**	**31 December 2017**
Çalık Limak Adi Ortaklığı	50,00	50,00	25,50	25,50
Doğu Aras	50,00	50,00	50,00	50,00
KÇLE	50,00	50,00	50,00	50,00
LC Electricity	50,00	50,00	47,75	47,75

30 Segment information

The Group management prepares segment reporting in accordance with policies explained in Note 2. Each segment's information is used for the evaluation and allocation of the resources separately by the management. By measuring and reporting a segment's revenue gained from transactions with other segments, intra transactions are realised at normal market price and conditions.

The operations in countries, where the Group has EPC projects, have the risk to be suspended temporarily or permanently due to economic and political instability in these countries. In this regard the Group management monitors the developments in Libya closely and follows the process and collection for projects in this country.

Segment information of the Group's subsidiaries operating in Turkey and abroad, which are presented in Note 1, comprised the following:

	31 December 2018				
	Construction and contract services	**Electricity sales and distribution**	**Other**	**Eliminations**	**Total**
Revenue	782.184	488.915	1.723	(245.965)	1.026.857
Gross profit	160.503	82.336	744	(254)	243.329
Share of profit of equity accounted investees	--	22.769	--	6.010	28.779
Interest income	61	31.454	--	--	31.515
Other income/ (expense), net	24.036	20.749	(172)	(70.460)	(25.847)
Operating profit/(loss)	**184.600**	**157.308**	**572**	**(64.704)**	**277.776**
Gains/(losses) from investing activities	518.998	(22)	393	(519.476)	(107)
Interest expense	(9.029)	(656)	--	1	(9.684)
Other finance income and expense, net	8.313	(35.471)	(6.370)	4.916	(28.612)
Profit/(loss) before tax	**702.882**	**121.159**	**(5.405)**	**(579.263)**	**239.373**
Tax (expense)/benefit	(1.334)	(24.537)	(143)	239	(25.775)
Net profit/(loss)	**701.548**	**96.622**	**(5.548)**	**(579.024)**	**213.598**
Segment assets	1.736.828	815.552	91.715	(1.261.775)	1.382.321
Segment liabilities	1.096.409	467.178	57.213	(898.699)	722.101
Capital expenditures	15.517	1.684	3.259	--	20.459
Depreciation and amortization	5.762	15.203	582	2	21.550

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

30 Segment information (continued)

	31 December 2017				
	Construction and contract services	Electricity sales and distribution	Other	Eliminations	Total
Revenue	1.743.926	541.596	19	(966.583)	1.318.958
Gross profit	285.116	124.058	(448)	(11.920)	396.806
Share of profit of equity accounted investees	--	35.347	--	--	35.347
Interest income	165	4.304	--	--	4.469
Other income/ (expense), net	114.097	10.474	(5.984)	(132.177)	(13.590)
Operating profit/(loss)	**399.378**	**174.183**	**(6.432)**	**(144.097)**	**423.032**
Gains/(losses) from investing activities	184.298	29	--	(183.919)	408
Interest expense	(9.263)	(18.147)	(1)	3.944	(23.467)
Other finance income and expense, net	(1.889)	2.968	(5.320)	1.921	(2.320)
Profit/(loss) before tax	**572.524**	**159.033**	**(11.753)**	**(322.151)**	**397.653**
Tax (expense)/benefit	(9.810)	(24.728)	31	--	(34.507)
Net profit/(loss)	**562.714**	**134.305**	**(11.722)**	**(322.151)**	**363.146**
Segment assets	2.347.532	966.747	116.222	(1.558.149)	1.872.352
Segment liabilities	1.593.355	564.295	75.152	(1.055.263)	1.177.539
Capital expenditures	1.328	6.936	6.997	--	15.261
Depreciation and amortization	5.047	9.715	871	--	15.633

31 Subsequent events

The Group's issued bond with the code of TRSCLKE21918 ISIN and the regarded coupon and principle payment have been realized in 1st of February 2019.

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