Tekfen Holding

Annual Report 2017

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TEKFEN HOLDING

www.tekfen.com.tr
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Contents

With foundations laid in 1956 by three civil engineers – Feyyaz Berker, Nihat Gökyiğit, and Necati Akçağlılar – Tekfen Holding today conducts its operations through forty companies and twelve subsidiaries, each of which is a leading name in its respective business line, and that are active in three main areas: Contracting, Agri-Industry, and Real Estate Development. Tekfen Holding is the umbrella company for all of the firms and subsidiaries in the Tekfen Group. Its shares are traded on the Borsa Istanbul and are quoted in that exchange's BIST 30 Index. The Tekfen Group's founding partners have served as the originators, benefactors and directors of many environmental, educational, and social NGOs. Those roles kept people, social welfare, and environmental wellbeing at the focal point of the Tekfen Group's business culture and charitable activities since the very outset.

Profile and Basic Indicators

Profile

Seeking to achieve excellence in every area in which it is active and regarding adherence to ethical values as a fundamental requirement, for sixty-two years the Tekfen Group has been successfully striving to provide better living conditions for people both in Turkey and in the other countries in which it has operations, has been shaping the course of its business lines through industrial investments, has been making a significant contribution to the national economy through the added value and employment that it creates, and has been enjoying a distinguished position in Turkey's business life by virtue of the values that it represents.

40 companies

With foundations laid in 1956 by three civil engineers – Feyyaz Berker, Nihat Gökyiğit, and Necati Akçağlılar – the Tekfen Group today conducts its operations through forty companies and twelve subsidiaries, each of which is a leading name in its respective business line in three main areas: Contracting, Agri-Industry, and Real Estate Development.

Tekfen Holding is the umbrella company for all of the firms and associates in the Tekfen Group. Its shares are traded on the İstanbul Stock Exchange and are quoted in that exchange's BIST 30 Index. In 2017, the Tekfen Group booked a total turnover worth TRY7,487 million and increased its assets to TRY9,367 million in value.

Contracting Group

With 17 thousand employees and more than 360 projects carried out to date, the Tekfen Contracting Group is a leading worldwide representative of Turkey's contractor services industry. Having successfully demonstrated its competency in the highly challenging projects that it has undertaken to date, the Tekfen Contracting Group's uncompromising adherence to quality standards, strict work ethic, reputation for keeping its word, experience, and commitment to workplace safety have made it a business partner that is much sought after by international employers who have the highest expectations. With extensive experience especially in oil, gas, and petrochemical facilities, Tekfen Construction supplies its customers with turnkey-delivery engineering, procurement & construction (EPC) solutions in such areas as pipelines, land and sea terminals, tank farms, oil refineries, off-shore platforms, pumping and compressor stations, power plants, industrial facilities, highways, metro and railway projects, sports complexes, infrastructure projects, and other civil engineering works.

The engine of the Tekfen Contracting Group and also the oldest Tekfen company is Tekfen İnşaat ve Tesisat A.Ş. (Tekfen Construction). As a provider of engineering design, procurement, and project management services for both Tekfen Group and non-group projects, Tekfen Mühendislik A.Ş. (Tekfen Engineering) is a leading Turkish engineering firm whose competencies enable it to effectively take part in technologically-demanding projects that require superior know-how. Tekfen İmalat ve Mühendislik A.Ş.'s (Tekfen Manufacturing & Engineering) Derince plant in Kocaeli near İstanbul, Tekfen Construction's Structural Steel and Pipe Fabrication Plant in Ceyhan, and the Bayıl Structural Steel and Pipe Fabrication Plant in Azerbaijan are three centres specializing in the production of fabricated steel, process equipment, and storage tanks.

As of end-2017, Tekfen Construction's active projects portfolio had a contract value of US$3.4 billion. In Engineering News-Record's 2017 list of the world's 250 biggest international contractors based on their 2016 operations, Tekfen Construction jumped six positions to 112th place.

12 subsidiaries

Agri-Industry Group

Engaging in a wide range of services and activities that focus on agricultural endeavours, the Tekfen Agri-Industry Group is Turkey's largest privately-owned concern in the sector in terms of business volume, product and service lineup, and market share. The Group's flagship company is Toros Tarım Sanayi ve Ticaret A.Ş. (Toros Tarım), which ranked in 59th place in the İstanbul Chamber of Industry's list of Turkey's 500 biggest industrial concerns in 2016. Toros Tarım and its subsidiaries conduct their operations under three main headings: agricultural inputs, marine terminal services, and free zone and fuel station management.

Ever since it commenced operation in 1981, Toros Tarım has abided by a company policy of regarding the development of agriculture in Turkey as a multifaceted process and of playing an active role in it. Besides manufacturing and marketing fertilizer, the company also supplies Turkish farmers with productivity- and quality-enhancing agricultural inputs in the area of crop seeds and seedlings as well as that of techno-agriculture.

Accounting for 38% of total installed production capacity in Turkey's fertilizer industry, Toros Tarım carries out its manufacturing operations at three plants located in Ceyhan, Mersin, and Samsun. The sector's leader in terms of market share, the company supports its premier position in this business line through an extensive network of dealers and authorized sellers. Toros Tarım supplies its products to farmers all over Turkey through a network consisting of 1,246 dealers and authorized sellers.

Terminal operations, which have an important place in Toros Tarım's activities in terms of business volume and profitability, are conducted at the Company's two terminals, one in Ceyhan and the other in Samsun, where they are supported by piloting, towing, agency, and similar services. Originally founded in 1981 as an adjunct of the Tekfen Group's Ceyhan production operations, the Company's Torosport Ceyhan terminal is the second biggest commercial bulk-cargo terminal in the Gulf of İskenderun.

Toros Tarım is the operator of the Adana Yumurtalık Free Zone (TAYSEB), Turkey's first industrial free zone. Established in Ceyhan in 1998, TAYSEB is also one of Turkey's biggest free zones today with a total of 4.5 million m2 of grounds. Toros Tarım also engages in fuel wholesaling and retailing through five stations located in and around Adana.

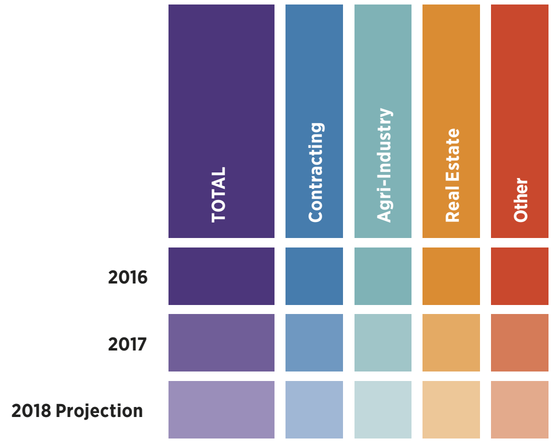
Real Estate Development Group

18,296 employees

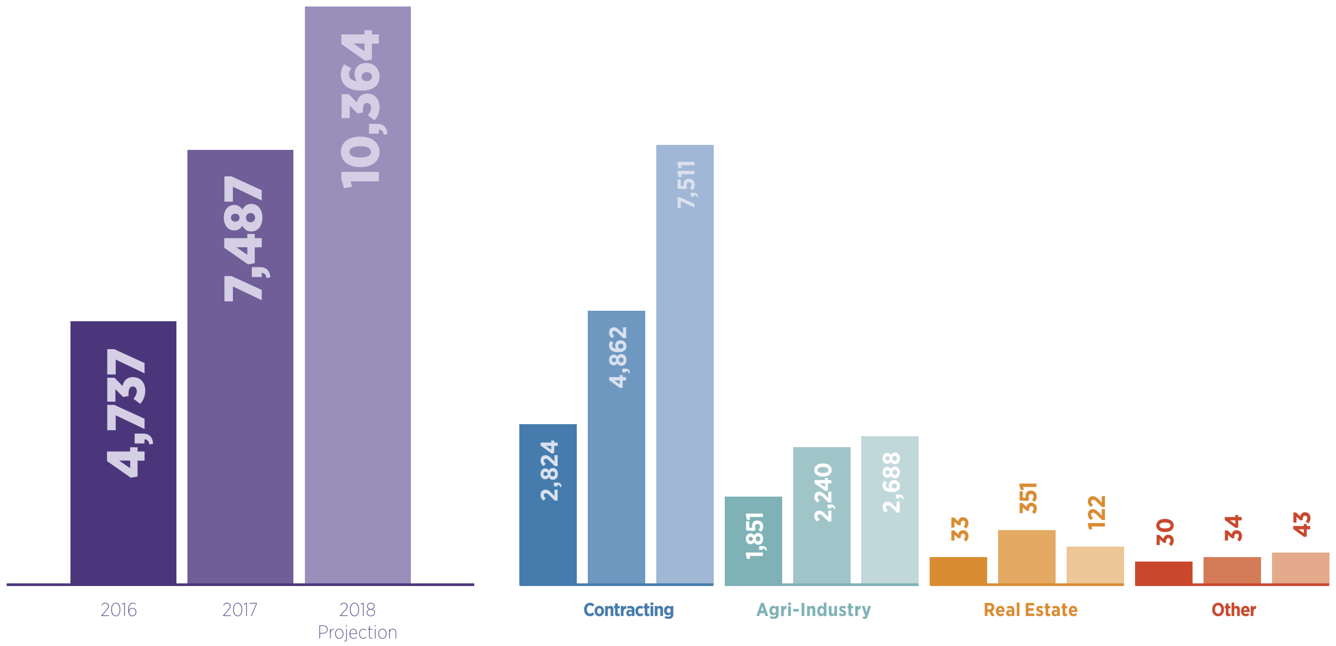
Founded in 2000 in order to be active in the areas of real estate investment, project development, construction management, and facility management, the Tekfen Real Estate Development Group (Real Estate Group) undertakes high-quality and innovative projects in the real estate industry which blend in with urban textures while adding value to city life and which have also earned it a prestigious place in the sector. Unique projects combining functionality and design at insightfully selected locations that distinguish themselves by virtue of their concepts and quality while also improving the quality of their users' lives have made the Tekfen Real Estate name a reference in the real estate industry as a whole. Focusing on sustainability and energy efficiency in all of its projects, the Real Estate Group was the author of Turkey's first green building projects. Projects bearing Tekfen's signature have earned many distinguished awards.

In order to achieve customer satisfaction with every detail, the Real Estate Group approaches each project's development, design, and facility management issues as a seamless whole and therefore provides integrated service in all of these areas. Within the Tekfen Real Estate Development Group itself, Tekfen Emlak Geliştirme Yatırım ve Ticaret A.Ş. (Tekfen Real Estate Development & Investment) is responsible for project development and management services while Tekfen Turizm ve İşletmecilik A.Ş. (Tekfen Services) provides facility management services.

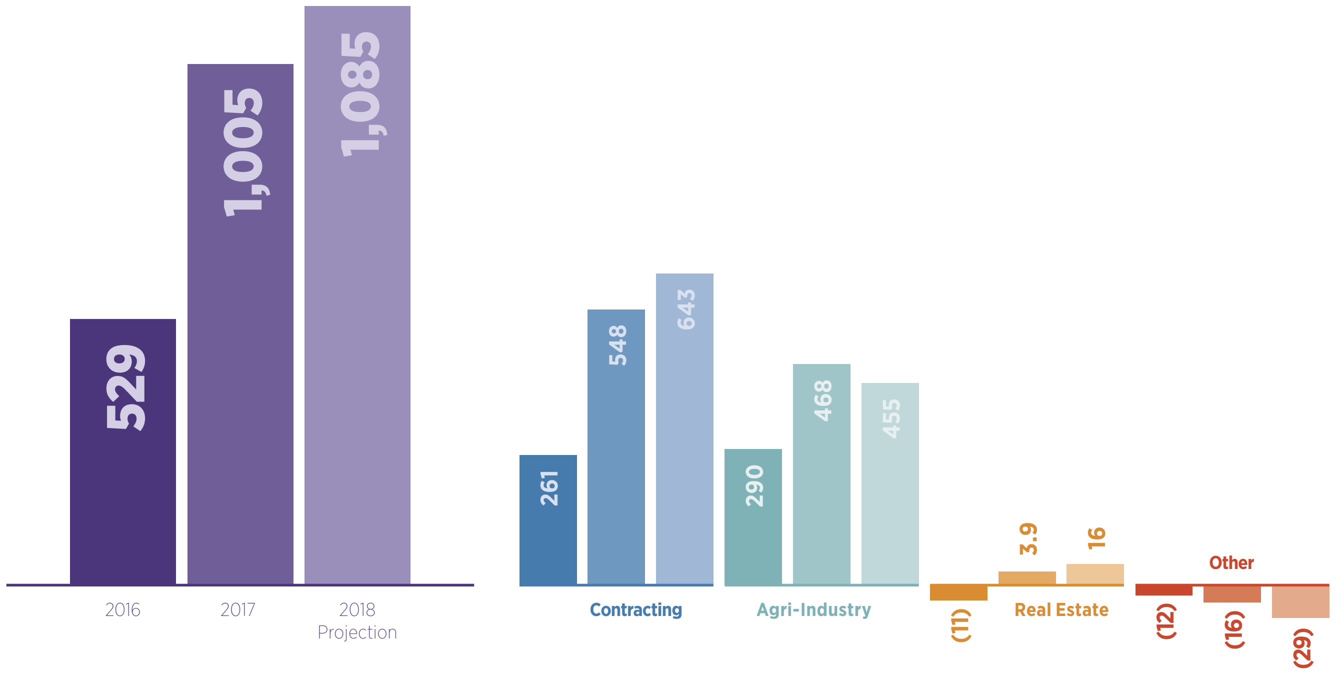
Basic Indicators



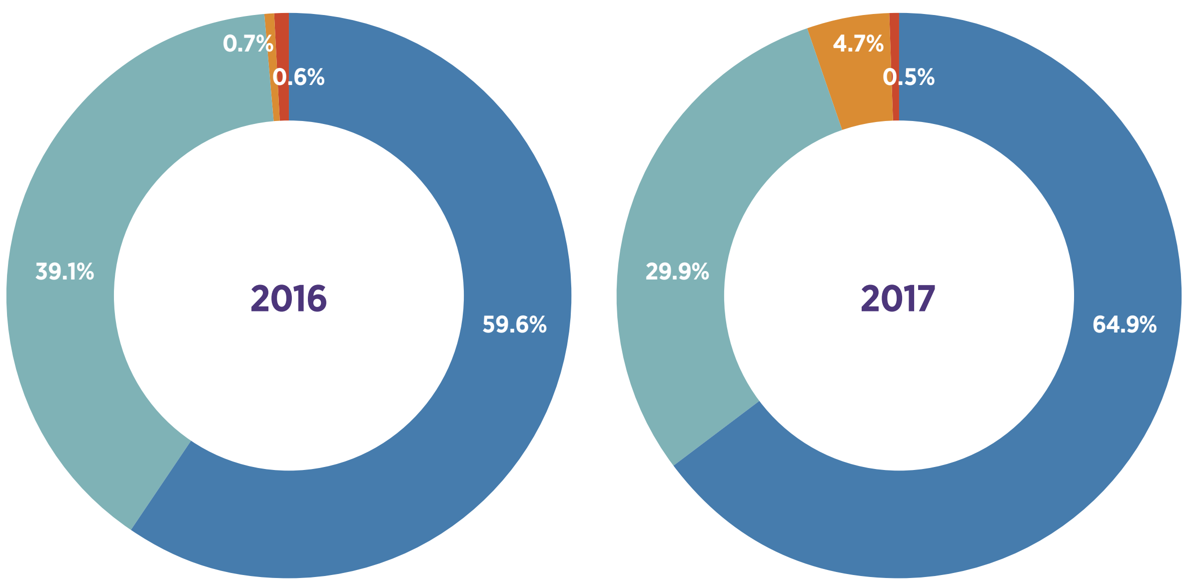
Revenues (Consolidated million TRY)



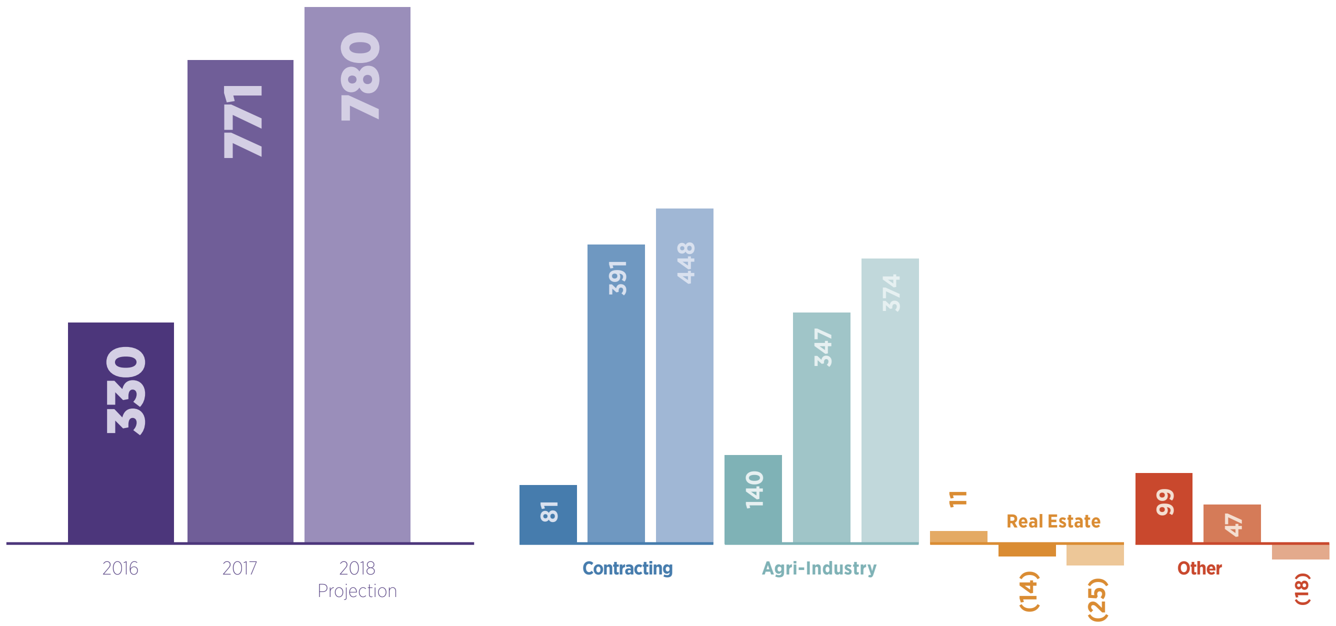
EBITDA (Consolidated million TRY)



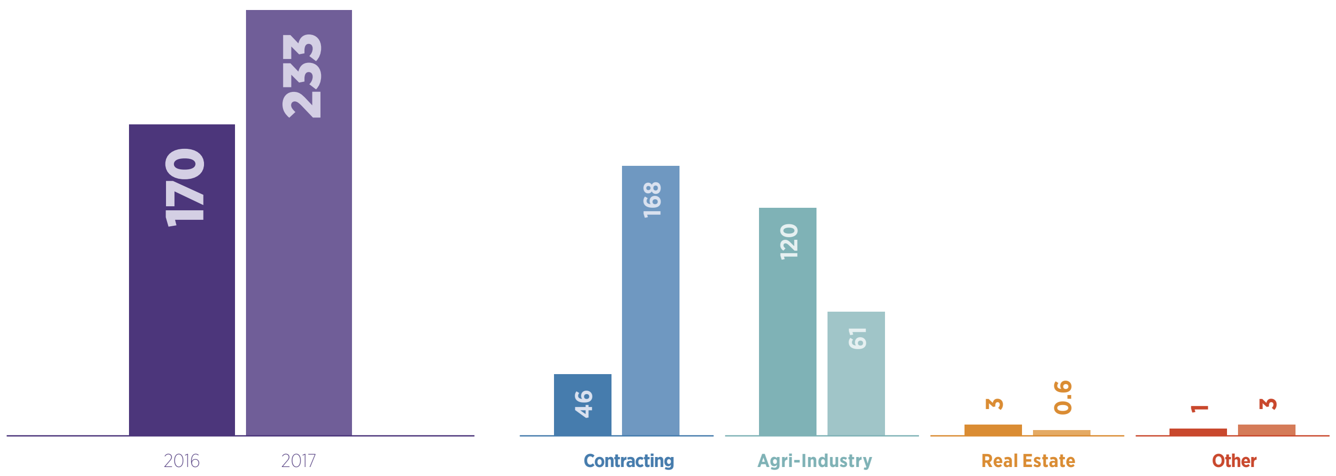
Breakdown of Revenues (%)



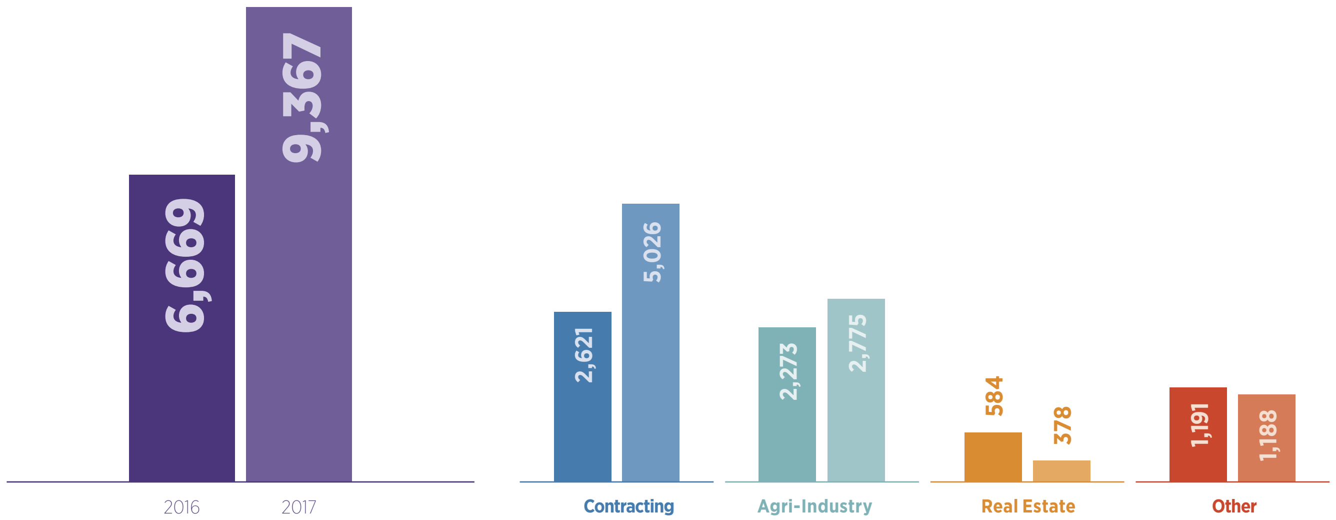
Net Profit / Loss for the Year (Consolidated million TRY)



Investment (Consolidated million TRY)



Assets (Consolidated million TRY)



Employees

2016 **14,295**

2017 **18,296**

SUMMARY BALANCE SHEET (thousand TRY)	31 December 2016	31 December 2017
Current Assets	4,533,781	7,013,920
Non-Current Assets	2,135,028	2,352,830
Total Assets	**6,668,809**	**9,366,750**
Current Liabilities	3,896,563	5,586,667
Non-Current Liabilities	392,789	771,769
Equity Attributable to Owners of the Parent	2,349,681	2,975,717
Minority Interest	29,776	32,597
Total Shareholders' Equity and Liabilities	**6,668,809**	**9,366,750**

SUMMARY INCOME STATEMENT (thousand TRY)	1 January– 31 December 2016	1 January – 31 December 2017
Revenue	4,737,397	7,487,133
Gross Profit	653,545	1,028,435
Operating Profit	313,293	778,197
Profit Before Taxation	438,938	902,254
Net Profit / Loss for the Year	330,323	770,728

IMPORTANT RATIOS	31 December 2016	31 December 2017
Liquidity		
Current Ratio	1.16	1.26
Liability and Indebtness		
Total Liabilities		
Equity Attributable to Owners of the Parent	1.83	2.14
Current Liabilities /		
Total Liabilities	0.91	0.88

	1 January – 31 December 2016	1 January – 31 December 2017
Profitability		
Gross Profit Margin	13.80%	13.74%
EBITDA Margin	11.16%	13.42%
Net Profit for the Year	6.97%	10.29%

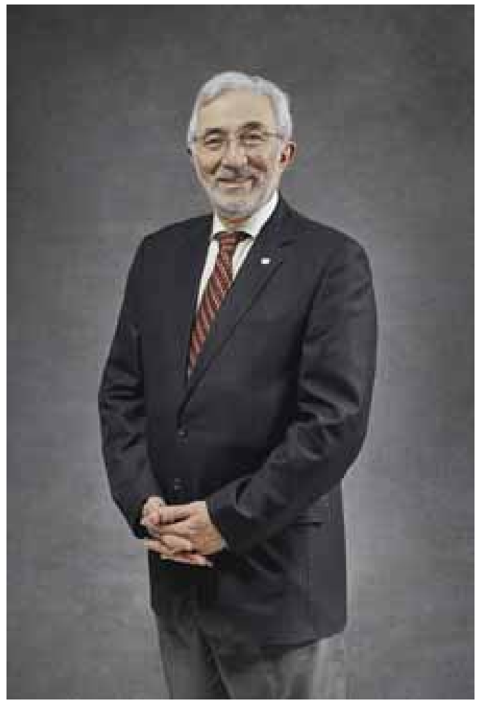
Tekfen Holding
Board of Directors

Standing, from left to right:
Prof. Ahmet Çelik Kurtoğlu
Independent Member
Assoc. Prof. Ahmet İpekçi
Member
Neriman Ülsever
Independent Member
Murat Gigin
Chairman
Dr. Mehmet Ercan Kumcu
Member
Sinan K. Uzan
Member
Zekeriya Yıldırım
Independent Member

Sitting, from left to right:
Çiğdem Tüzün
Independent Member
Ali Nihat Gökyiğit
Member
Cansevil Akçağlılar
Vice Chairwoman

Message from the Chairman

"Tekfen Holding's historically high levels of turnover and profitability indicate that our efforts to fulfill our redefined goal of "new growth through profitability" are being approved and supported by investors."



Valued shareholders,

Everyone in the Tekfen Group was saddened in 2017 by the loss of Feyyaz Berker, one of Tekfen's founding partners. As someone who distinguished himself through his great services on behalf of our country, we shall miss him and forever recall his memory with respect.

Putting yet another operational year behind us, we have the satisfaction of having authored some extremely successful results for all of our stakeholders.

2017 was a year in which we experienced many challenges at home, in the countries in which we do business, and around the world in general. In an environment in which escalating calls for protectionist policies are prompting debates over globalization and in which opportunities and risks are intertwined, it is going to take time for the dust to settle.

In an environment so fraught with economic and political uncertainties, Tekfen Holding nonetheless succeeded in surpassing nearly every one of the targets that it set for 2017 by taking an approach which never strayed from prudence yet which always remained decisive. We posted historically high levels of turnover and profitability while the market value of Tekfen Holding's shares broke new records. These developments indicate to us that our efforts to fulfill our redefined goal of "new growth through profitability" are also being approved and supported by investors.

More than 45% of Tekfen Holding's shares are publicly traded, which is a high percentage for a company such as ours. The 2017 increase in the value of our shares was about four times the average rise in the BIST-100 index. This can be seen as a powerful market response to the transformation that we have initiated at Tekfen.

The Tekfen Contracting Group, which is responsible for the conduct of one of Tekfen Holding's three core business activities, added new projects to its portfolio that successfully maintained its total business value at a high US$3.4 billion as of end-2017. In line with its objective of sustainably increasing that figure to even higher levels, the group engaged in intensive efforts all year long to venture into new markets, to enrich its existing operations with new business lines, to give attention to higher added-value projects that demand engineering know-how and to strengthen its engineering skills for that purpose as well as its human resources and management abilities, and to make its entire organization more productive and competitive by identifying points of synergy among companies operating in complementary business lines.

One step that we have already taken in that direction is our decision to amalgamate all of our equipment, capacity, competency, and reference resources in steel manufacturing, which is a substantial contributor to the Tekfen Contracting Group's operations. In a similar vein, we have also begun to coordinate complementary business line activities between our real estate development and contracting groups. This initiative will serve as a model for other potential groupwise collaborations.

The Tekfen Agri-Industry Group had a very successful year thanks to a number of quick and correct strategic decisions that were made in order to deal not only with risks arising from chronic exchange rate volatilities all year long but also with a government ban on the sale of nitrate-based fertilizers and the distribution difficulties that were caused by ensuing changes in the regulatory framework. While significantly alleviating the adverse effects both of a domestic market contraction and of rising exchange rates by tapping export market potential, Toros Tarım racked up a new export performance record and even booked noteworthy exchange rate gains on its raw materials procurements.

In 2017, the Tekfen Agri-Industry Group further bolstered its position as a market's leader by enriching its product portfolio with new fertilizer varieties while also continuing to make its corporate structure more functional, efficient, and dynamic. While engaging in significant efforts to optimize all of its processes through lean production, to work through Toros Academy in the development of its human resources, to create an even better workplace environment through improvements in occupational health and safety, and to minimize the environmental impact of its operations, Toros Tarım will similarly continue to play an important role in the sustainable future of farming in Turkey through the investments that it undertakes.

We at Tekfen regard making agriculture in Turkey more productive through rationalization, technology, institutional discipline, and financial resourcing as a responsibility that transcends solely material expectations. For this reason in 2017 we completed the formation of Tekfen Tarımsal Araştırma Üretim ve Pazarlama A.Ş., (Tekfen Agricultural Research Production and Marketing Inc.) a new company that will put our many

“As we ready Tekfen for the future, we are also going to need to make the successes that we have achieved to date structurally sustainable while likewise continuing to redefine our business processes and the ways in which we do business so as to accommodate the requirements of the new world order.”

years of knowledge, experience, and leadership in the agricultural inputs business line to work directly in that of agricultural production. Having completed the preliminaries last year, in early 2018 Tekfen Agricultural Research made its first big move into agricultural production by acquiring 90% stakes in Alanar Meyve, one of Turkey’s leading fruit producers, and in its sister company, Alara Fidan.

Although the activities of the Tekfen Real Estate Development Group fell short of expectations last year owing to adverse market conditions, the Group will nonetheless continue to have an important place in Tekfen’s plans for the future.

We believe that Tekfen Ventures, the venture-capital arm of Tekfen Holding, will be bringing a brand-new dynamism and vision to the Tekfen Group through the investments that it undertakes in innovative technologies. Having entered into its first agreements to provide investment financing to promising new endeavours in 2017, Tekfen Ventures has the important mission of supporting our Group’s principal business lines through the addition of new ideas, technologies, and products.

In the effort to ready Tekfen for tomorrow and to safeguard its future in line with our world’s constantly evolving trends and needs, we do not regard it as enough simply to expand the range of our existing business activities. Instead we also want to make use of our sixty-two years of accumulated intellectual, reputational, and financial capital in order to enter new businesses and to make such values as excellence, strict work ethic, and reputation for keeping one’s word that are inherent in Tekfen’s genes the hallmarks of the Tekfen name in those businesses as well.

As we ready Tekfen for the future, we are also going to need to make the successes that we have achieved to date structurally sustainable while likewise continuing to redefine our business processes and the ways in which we do business so as to accommodate the requirements of the new world order. The role that technology plays in our everyday lives today means that organizations which do not formulate their digital strategies appropriately or which fail to transform themselves digitally are inevitably going to fall behind. With this realization in mind, we gave priority to this issue last year and made a number of organizational changes accordingly. We have similarly begun allocating significant budget resources for investments in the development of our own digital infrastructure.

Aware that a fundamental and essential requirement of any company’s sustainability is respect for the environment, in 2017 the Tekfen Group officially decided to join the Carbon Disclosure Project (CDP) and to publish the results of its efforts to combat climate change. Having been recording its carbon emissions in a manner compatible with CDP reporting criteria since 2010, Tekfen Holding’s report earned it a “B” rating, which is the highest grade that can be given to an industrial concern that is disclosing its carbon performance for the first time. This result has motivated us to accelerate such sustainability-related efforts in all Tekfen Group companies and to make the entire Tekfen organization one that is pointed to as an exemplary role model in this respect in Turkey as well.

Having striven across all of its business lines to improve people’s living conditions and lives for more than six decades, Tekfen has been making that effort by employing human resources which it sees as being its most precious asset.

Providing our employees with the best and most wholesome workplace environment in which we have maximized occupational health and safety (OHS) is an essential focal point of our sense of corporate responsibility. The goal of a long-term and comprehensive social responsibility project that was launched in 2017 is to make the Tekfen Group an exemplary model for dealing with OHS issues in Turkey. We give serious importance to such efforts and we value them greatly. Another area in which we gained considerable momentum last year was that of organizational restructuring. Management effectiveness has been increased through new functions that have been introduced for the first time or by means of making existing ones more effective through better coordination. While doing this, we also made significant progress in the direction of enriching our management team with the addition of new and youthful members.

As always, our underlying corporate goal is to ensure that Tekfen enjoys its rightful position among those companies that are the most highly respected and that young people in Turkey most want to work for. That is something that we always keep in mind because that goal informs all of our plans for the future, it keeps us dynamic, and it makes us strong.

While regarding the successful results of 2017 as just one more step in the direction of realizing our ultimate objectives, I offer my sincerest appreciation to all of our stakeholders for the confidence and support they give us in our never-ending efforts to go even further ahead.

Very truly yours,

Murat Gigin
Chairman of the Board

Message from the President

"Despite difficult conditions and uncertainties both at home and abroad, the Tekfen Group had an extremely successful year in 2017 from the standpoints of total turnover and profitability."

Valued stakeholders,

With improvements taking the form of expanding investment outlays, industrial output, and trade, 2017, whose global growth projections were revised upwards by the International Monetary Fund, inspired hopes that the world's economies were in recovery. Developing countries in particular experienced no serious problems with liquidity last year while financial markets' outlooks remained reasonably positive.

That said however, 2017 was a year in which an increase in geopolitical risks on a global scale was also to be observed. In the US, the Trump administration's anti-globalization bias and unfavourable attitude towards free trade has been disquieting global markets since the very first day. Anxieties about the sustainability of global growth are fueled by tensions in the US's relations with Russia, North Korea, and China as well as by political uncertainties in Europe and worrying developments in the Middle East, the last of which are of particular concern to our own country.

For Turkey, 2017 was a year in which, notwithstanding many political and geopolitical risks, economic growth exceeded expectations. The country's financial markets' attentions were focused all year long on a referendum to amend the constitution, on a referendum in northern Iraq, on a US-Turkey visa crisis, and on developments in the Middle East. Despite this however, the Turkish economy had a successful year in 2017 and outperformed most growth expectations. The double-digit (11.1%) rate of growth in the third quarter of the year was especially hope-inspiring. Three factors in particular contributed the most to this favourable picture: government tax and other incentives, improvements in export performance, and low third-quarter base effects.

One seriously unwelcome development in the Turkish economy in 2017 was unquestionably the surge in inflationary pressures. At 11.92%, the country's consumer price index moved into double-digit territory for the first time in six years.

Despite such difficult conditions and uncertainties both at home and abroad, the Tekfen Group had an extremely successful year in 2017 from the standpoints of total turnover and profitability. On a consolidated basis, the Group registered a turnover of TRY7,487 million, an EBITDA of TRY1,004 million, and a net profit of TRY770.7 million. Similarly as of end-2017, the Tekfen Group's total assets and total equity stood at TRY9,366 million and TRY3,008 million respectively.

The Tekfen Contracting Group, which is the most important representative of the Tekfen brand abroad and which has contributed substantially to the Turkish economy with more than 300 projects undertaken in many of the world's countries, successfully posted a TRY4,861.5 million turnover and a TRY390.6 million net profit in 2017. Active in Azerbaijan, Kazakhstan, Saudi Arabia, and Qatar as well as in its home market, the Group made sizeable additions to its portfolio of ongoing projects in the form of the TurkStream Gas Pipeline & Kıyıköy Gas Reception Terminal Project in Turkey; the Tengiz Oil & Gas Field Future Development and the Tengiz Oil & Gas Field Temporary Construction Units projects in Kazakhstan; and the Eastern Industrial Road and the Al Thumama Stadium projects in Qatar. Focusing on exploring new business lines and markets all year long, the Tekfen Contracting Group completed 2017 with an active projects portfolio worth a total of US$3.4 billion. Tekfen Engineering, in a joint venture with its foreign partner was awarded the engineering consultancy and control contract for the 1915 Çanakkale Bridge and Malkara-Çanakkale Motorway Project in Turkey. This is the biggest agreement of this nature which that company has ever entered into.

The Tekfen Agri-Industry Group, which represents the Tekfen brand in the agri-industrial business line, also had a very successful year in which, despite tough market conditions, it generated a turnover of TRY2,240.5 million and a net profit of TRY346.6 million while also outperforming its 2017 tonnage, turnover, and profitability targets. Toros Tarım, which is active in a sector whose production is largely dependent on imported inputs, quickly and successfully accommodated itself to exchange-rate rises and volatilities that remained persistent all year long by taking a flexible management approach. The impact of changes in the domestic regulatory framework governing sales of nitrate-based fertilizers was alleviated by having recourse to external markets, with the result that the Company registered record-breaking export sales last year.

Toros Tarım also had a very productive year from the standpoint of the substantial investments that it undertook and the innovations that it made in the areas of products, plant, R&D, environment, and human resources.

Although the Tekfen Real Estate Development Group fell short of sales and profitability expectations last year owing to a domestic real estate market that has been in the doldrums since the middle of 2016, the company nonetheless continued to explore and develop new projects without interruption while also focusing its attentions on the new Topkapı Housing Project, whose launch is planned to take place in 2018.

The Tekfen Group continued its efforts all year long to make itself organizationally more dynamic and productive by constantly renewing itself and its operations in order to move into new sectors and business lines and by adapting its existing organization according to current needs while never compromising any of the corporate values or principles that are the products of more than six decades of human effort.

The successes that we achieved in 2017 are the outcome first and foremost of the inestimably admirable, diligent, and dedicated work of the people that make up the Tekfen family. It is with that in mind that, personally and on behalf of the Tekfen Group, I offer my thanks to each and every one of them for having had a hand in creating this picture of success. We also owe a debt of gratitude to all of the investors and shareholders who, unsparing of their confidence in our efforts to take Tekfen even higher and steadily raising the bar by which our success is judged, are likewise unfailingly at our side.

As we embark upon yet another operational year with the hope that we shall always be backed by such support, I wish all of my colleagues the very best of success.

Very truly yours,

Osman Birgili
President, Tekfen Group of Companies

Tekfen Holding
Executive Management

From left to right:
Hakan Göral
Vice President, Agri-Industry Group
Assoc. Prof. Reha Yolalan
Vice President,
Corporate Affairs
Gürbüz Alp Kireç
Vice President,
Contracting Group
Zeynep Hüveyda Akdilli Oral
Vice President, Real Estate Development Group
Osman Cengiz Birgili
President
Ahmet Okçular
Vice President, Strategy, Business Development, Investments
Deputy Vice President, Finance

STAR Aegean Refinery
Project, Aliağa - İzmir

Contracting Group

Profile

One of Turkey's seasoned contractors and with a strong reputation for quality, keeping its word, and competencies, the Tekfen Contracting Group is a respected firm that has successfully represented the Turkish contracting services industry on highly ambitious projects in many parts of the world.
Tekfen Construction, the Group's flagship company conducts a substantial part of its operations internationally. Its more than 360 projects carried out around the world have made the Tekfen name one that is much sought after in international markets as well as a solution partner that is preferred by some of the world's leading employers.

With extensive and deep-rooted experience especially in oil, gas, and petrochemical facilities, the Group supplies its customers with mainly turnkey-delivery engineering, procurement & construction (EPC) solutions in such areas as pipelines, land and sea terminals, tank farms, oil refineries, off-shore platforms, pumping and compressor stations, power plants, industrial facilities, highways, metro and railway projects, sports complexes, infrastructure projects, and other civil engineering projects. To date the Group has successfully completed a large number of highly challenging projects across a vast geographical region of the world that embraces more than twenty countries and ten time zones.

Tekfen Construction, an international contractor with an extensive geographical footprint, is the engine of the Tekfen Contracting Group. Tekfen Mühendislik (Tekfen Engineering), which provides design, engineering, and project management services, is a leading Turkish engineering firm whose competencies enable it to effectively take part in technologically-demanding projects that require superior know-how. Tekfen İmalat ve Mühendislik's (Tekfen Manufacturing & Engineering) Derince plant in Kocaeli near İstanbul, Tekfen Construction's Steel Structure Fabrication Plant in Ceyhan, and the Bayıl Steel Structure Fabrication Plant in Azerbaijan are three centres specializing in the production of fabricated steel, process equipment, and storage tanks.

Three other members of the Tekfen Contracting Group are Hallesche Mitteldeutsche Bau AG (HMB), a specialist in procurements and procurement financing based in Germany; AZFEN, which has operations in Azerbaijan and Georgia; and GATE (Gama-Tekfen), a joint venture with operations in Kazakhstan.

The Tekfen Contracting Group conducts all of its operations in strict compliance with internationally-recognized quality, occupational health and safety, and environmental management system standards. Besides being an indication of the importance which it gives to people, the Group's uncompromising approach on such issues is also what enables it to successfully complete many projects with a zero work-related accident performance. The Group's approach to and superior track record in HSE-Q (Health, Safety, Environment & Quality) issues have made it the recipient of countless awards from employers.

As of end-2017, Tekfen Construction's active projects portfolio had a business value of US$3.4 billion. In Engineering News-Record's 2017 list of the world's 250 largest international contractors based on their 2016 operations, Tekfen Construction jumped six positions to 112th place.

"To date the Group has successfully completed a large number of highly challenging projects across a vast geographical region of the world that embraces more than twenty countries and ten time zones."

3.4

billion US$

As of end-2017, Tekfen Construction's active projects portfolio had a business value of US$3.4 billion.







Al Khor Expressway Project, Qatar
The 34-km long and 10 lane highway (five lanes in each direction) is to be completed by the end of 2019.

2017: An Overview

After nearly a decade of instability and weak growth despite every measure that was taken, the global economy inspired hopes for the future in 2017 with some of the highest growth rates seen in recent years. Owing to political risks and uncertainties however, the year once again fell short of fully satisfying expectations of sustainable and steady growth.

Protectionist trade policies in the United States and disagreements over the North American Free Trade Agreement (NAFTA), tensions with North Korea verging on outright conflict, US-Chinese rows, Russia-NATO tensions, escalating violence in Syria and Iraq, fissiparous tendencies in Europe, and strains among Gulf Cooperation Council members, were among the principal risks that the world had to keep its eye on during 2017.

Besides political and diplomatic problems, the 2017 agenda was also occupied by the risk of fragilities (especially in developing countries) associated with expectations that the US Federal Reserve Bank was about to resume raising interest rates at long last. According to one report published by Deutsche Bank, the total volume of resources in the form of monetary expansion and supplementary financial supports that had been injected into the global system since 2007 had reached US$34 trillion. The sudden cutting-off or even "dialing-down" of support on such a scale is seen as a serious risk in and of itself. That said, the impact of such risks was limited in 2017, a year in which the prices of oil and growth-sensitive assets such as industrial commodities and company shares continued to rise.

The infrastructure investment projects that Turkish contracting firms are carrying out abroad are largely dependent on those countries' oil and gas revenues and for that reason, the price of energy is forever a matter of critical concern to them. After many years of radical declines, oil prices began to recover in 2017. Strong demand coming out of China, the possibility that OPEC might extend its production cutback, the adverse impact of mounting tensions in Iraq, and worries over the possibility that Iran could become the target of still more sanctions all pushed the price of a single barrel of Brent crude oil to USD 59, the highest level witnessed in the most recent two years. Naturally, higher oil prices also nourish expectations of a revival of infrastructure investments in oil-producing countries.

When compared with 2016, a year in which it lost much momentum, the Turkish contracting industry experienced something of an improvement. According to figures published by Turkey's Ministry of Economy, the industry undertook 65 new projects worth a total of US$4.1 billion in value during the first nine months of 2016 while during the same period of 2017, it significantly expanded its business in terms of both volume and value with 120 projects worth a total of US$7.7 billion. In 2017, the revenues generated by the 241 projects being carried out by Turkish contractors abroad increased from US$12.5 billion to US$14.7 billion. Although these numbers are still well below the record-breaking US$30.3 billion booked in 2013, they do support expectations that a recovery is taking place in the sector.

Since 1972, the year in which Turkish firms first began providing international contracting services, the total value of the 9,300 projects that they have undertaken in

The 40,000-seat Al Thumama Stadium which is to host matches up until the quarter-finals of the 2022 World Cup is Tekfen Construction's 3rd stadium project after the İstanbul Atatürk Olympic Stadium and the Baku Olympic Stadium.

"Large-scale public infrastructure projects like a third airport in İstanbul and the Çanakkale Straits Bridge along with other public-private sector partnerships being carried out in many parts of the country are invigorating the Turkish contracting industry."

Azfen is Tekfen Construction's joint venture in Azerbaijan with SOCAR.

Once the Shah Deniz Phase 2 Project will be completed, an additional 16 billion metric cube of natural gas will be transported to Europe through the Trans Anatolian Pipeline. Undertaking both of these large-scale projects, Tekfen Construction has a strong position among the international energy contractors.

119 countries has reached US$355 billion. Looking at a breakdown of these projects by host country we see that the first five places are occupied by Russia, Turkmenistan, Libya, Iraq, and Kazakhstan in that order. Looking at 2017 figures on the other hand we see that the top five countries ranked according to share of the total were Tanzania (17.3%). Saudi Arabia (14.1%). Russia (12.1%). United Arab Emirates (9.1%) and Kazakhstan (7.4%). The top-place appearance of Tanzania in this list is a consequence of the importance that Turkish contractors have been giving to Sub-Saharan Africa in recent years.

In its "The World's Top 250 International Contractors" survey in which the international construction industry magazine Engineering News-Record (ENR) ranks firms based on the revenues from their international operations, the number of Turkish firms increased by six to 46 in 2016, a performance which meant that Turkey once again placed second in the list after China. Turkish firms' aggregate share of such revenues also rose from 4.6% to 5.5%. Although the share of European projects in Turkish firms' earnings was down slightly that year, there were otherwise rises in all of their major markets. Looking at a regional breakdown of project revenues by share of the total we see that the Middle East increased from 7.9% to 9.1%, Asia from 5.5% to 7.0%, and Africa from 4.7% to 5.1%.

The gradual normalization of Russian-Turkish relations and sustainably upwards momentum in oil prices suggest that the period ahead could be a good one for Turkey's international contracting service providers. However their industry is one of those that are the most susceptible to changes in the economic outlook and to geopolitical risks, which means that they will need to keep a close eye on adverse developments, especially in the Gulf region, and to persist in their search for alternative markets.

Turning now to our home market, the Turkish construction industry accounts for about a 30% or so share of national GDP when its supporting industries are taken into account. The growth which the industry achieved in 2016 was sustained in 2017: while the national economy grew by 5.1% overall, growth in the construction industry reached 6.4%. As measured in terms of current prices, total construction outlays increased by 32.5% in the first half of 2017. The most recent growth in the industry appears to have been nourished not only by private-sector investment but also by large-scale public infrastructure projects like a third airport in İstanbul and the Çanakkale Straits Bridge. These, along with other public-private sector partnerships being carried out in many parts of the country are invigorating the Turkish contracting industry.

2017 Operations

For the Tekfen Contracting Group, 2017 was a year of many developments that were important in terms of the progress made not only in ongoing and new projects but also in the direction of rationalizing the Group's structure to make it more productive and of ensuring the sustainability of recent years' turnover and profitability.

Inasmuch as they rank highest among the factors that will carry the Group into the future, activities related to human resources were matters of prime concern. The essential components of an employee performance management system that will permit the Company's structure to be rationalized so as to make it more effective and productive in the realization of strategic goals were made operational in 2017.

Training activities conducted under the three main headings of Technical Issues, Management & Development, and Quality & HSE continued all year long at an ever-increasing pace. Preparations were made for the launching of a web-based Academy Platform which, when it becomes operational in 2018, will allow every employee to request training and to take part in individualized online education. For Tekfen Engineering, a separate Tekfen Engineering Academy was initiated in order to develop qualified manpower and to institutionalize existing knowledge and experience.

In 2017 two important additions were made to management with the aims of enhancing group-wise synergies and of better exploiting market opportunities. One of these is the position of a vice presidency for civil engineering works, created in order to devote closer attention to potentially reference-quality civil engineering projects both at home and abroad; the other is the position of yet another vice presidency for structural steel, pipework, and industrial equipment fabrication and installation projects, to generate synergies by simultaneously marketing the fabrication capabilities of the Ceyhan and Bayıl steel fabrication plants together with those of Tekfen Manufacturing in Derince. Both positions were filled by means of appointments made from within the Group in 2017.

A key issue associated with the Tekfen Contracting Group's future is the matter of its digital transformation. Important steps were taken in this direction in 2017 with an increase in the number of archived paper documents converted to digital format, a changeover to an enterprise resource planning system, and the commissioning of a supplier-management system whose aim is to enhance headquarters and project management functions with the addition of more effective supplier-management capabilities.

In another development last year, Tekfen Manufacturing was awarded design centre certification by the Ministry of Science, Industry and Technology.

"A key issue associated with the Tekfen Contracting Group's future is the matter of its digital transformation."

Tekfen's understanding of HSE is based on the simple purpose that all its employees may return to their homes safely at the end of their workday.

(Left) - River crossings are challenging sections of pipeline projects in view of their technical difficulties and safeguarding the natural habitat.
(Top right) – Inclined surfaces are among the high risk itineraries of any pipeline in HSE terms. Tekfen Construction's own method for "Working in Steep Slopes" won second prize in IPLOCA's (International Pipe Line and Offshore Contractors' Association) annual HSE Award.

Construction Works

According to 2016 figures published by ENR, the international contracting industry's worldwide portfolio was worth US$468 billion, or about 86% of its 2013 US$544 billion level. Historically-low energy prices in recent years led to the postponement and even cancellation of many infrastructure projects, especially in oil-producing countries, while the contraction in investment was exacerbated by geopolitical risks that made it even harder for contractors to find work.

"In 2017, a close watch was also kept on developments in African countries which are rich in natural resources but are in need of major infrastructure and industrial plant investments in order to benefit from them economically."

Despite all such adversities however, Tekfen Construction had a profitable year in 2017 while successfully maintaining its active projects portfolio value at the US$3.4 billion level.

In 2017 Tekfen Construction laid the foundations of a new in-house structure that will enable it to better exploit market opportunities and to increase productivity. One aspect of this new structure involves making use of the experience accumulated during the construction of industrial works in the provision of maintenance and repair services of existing facilities. In addition to this new structure, which will help ensure continuity in Tekfen Construction's relations with its customers, the position of VP for civic works was created in order to devote closer attention to potentially reference-quality civil engineering projects both at home and abroad. The new VP will also be responsible for the oversight of the Real Estate Development Group's investments where Tekfen Construction will act as prime contractor.

During 2017, Tekfen Construction carried out contracting operations in Azerbaijan, Kazakhstan, Saudi Arabia, Qatar, Iraq, and Turkey. A close watch was also kept on developments in African countries which are rich in natural resources but are in need of major infrastructure and industrial plant investments in order to benefit from them economically. Likewise the Company continued to seek out and assess business opportunities in alternative markets where competition is less stiff. Taking advantage of its youthful, dynamic but experienced team, its extensive knowledge and its sterling references, the Company will continue to give priority to its strategy of keeping one step ahead of competitors by taking its services into new territories in the year ahead as well.

In addition to the two branch offices established in Saudi Arabia and Qatar, the Company plans to open others in markets on which it is keeping a close eye in 2018. One of those target markets is Russia, which has again become a matter of interest to Tekfen Construction what with the lessening of tensions and normalization of relations between Russia and Turkey.

The 509 km-long LOT3 between the towns of Sivas and Eskişehir of the TANAP Project was completed in 2017.

Kuwait, the country in which Tekfen Construction undertook its first international project back in 1978, also enjoys a premier place among the company's plans for the future. Our presence in Kazakhstan, a country in which sizable works were undertaken at one time, was reinvigorated with two project awards in 2017. We are also keeping a close watch on gas and petroleum investments that are expected to get under way in Azerbaijan in 2018.

During 2017, Tekfen Construction also took meaningful steps in the direction of business diversification. A renewable energy unit set up within the Company was tasked with monitoring solar, geothermal, and wind farm projects as well as on municipalities' projects to generate electricity from solid waste. Last year the Company also continued its efforts to expand its water purification technology know-how and competencies.

Although the bulk of its business portfolio consists of international works, large-scale projects have also returned to the agenda here in Turkey in recent years, so the Tekfen Contracting Group is closely tracking those related to its particular areas of expertise such as petroleum, gas, energy, and infrastructure investments. The Group is especially interested in infrastructure and energy projects in its home market that are based on the "Build-Operate-Transfer" model.

Pipeline Projects

Since the day it was founded, pipelines have had a significant place among Tekfen Construction's operations and is today one of the Group's main areas of expertise. Tekfen has gained tremendous experience in this business line having laid more than 7,500 kilometers of pipeline in the course of its 61-year history.

Trans-Anatolia Natural Gas Pipeline (TANAP) Project

Built to carry natural gas from the Azerbaijan Shah Deniz-2 Field to Turkey and thence on to Europe and totaling 1,580 kilometers in its overall length, TANAP's LOT 3 section between Sivas and Eskişehir in Turkey was built by Tekfen Construction. Passing through the provinces of Yozgat, Kırşehir, Kırıkkale, Ankara, and Eskişehir, this project involved the laying of 509 kilometers of 56-inch pipeline as well as the construction of 14 valve stations and 2 pigging stations. These works were completed as of 25 December 2017.

Tekfen Construction is currently taking part in the South Caucasus Pipeline Expansion Project (SCPX), which will bring to Turkey the gas that will flow through TANAP. The Company's involvement takes the form of a 50-50 partnership between its own AZFEN joint venture in Azerbaijan and Italian oil and gas industry contractor Saipem. The scope

of work for this project consists of the construction of a 428-km pipeline and associated above-ground installations that include block valves, a pigging facility, and tie-ins in Azerbaijan and Georgia together with the construction of a 59-km second pipeline and associated above-ground installations in Georgia. These works are being carried out under a contract that was signed in May 2014. As of December 2017, financial completion was at %90.

Yanbu-Jeddah Pipeline Project
Work continued on the construction of a 333-km pipeline between Yanbu and Jeddah in Saudi Arabia under a US$299 million contract that Tekfen Construction signed with Saudi Aramco in 2016. This project consists of a 20-inch gasoline pipeline and a 24-inch jet fuel pipeline between the cities of Yanbu and Jeddah on the shore of the Red Sea along the western side of the country. As of end-2017, 16.8% of the works had been completed under a project that is scheduled to continue until the last quarter of 2021.

BTC Repair and Enhancement Project
Tekfen Construction has been carrying out the repair and enhancement of the 1,071-km Turkish stretch of the Baku-Tbilisi-Ceyhan (BTC) crude oil pipeline for nearly a decade. Constructed between 2003 and 2005 to transport Azerbaijani oil to Turkey's Mediterranean coast at Ceyhan, the BTC pipeline carries one million barrels of oil a day and is considered one of the world's most important petroleum-industry investments.

The BTC Repair and Enhancement Project involves such operations as making route changes and by-pass lines at designated points along the pipeline, repairing damaged sections, performing shutdown operations at pumping stations, fitting pipes at pumping stations, replacing valves and strengthening valve stations, constructing security systems, and carrying out geological improvements and reinforcements at river crossings and locations that are prone to landslides. The project's engineering works are also being provided by Tekfen Engineering. As of end-2017, the project's total progress rate was on the order of 95%.

Oil, Gas, and Petrochemical Projects

Tekfen Construction's expertise in the oil, gas, and petrochemical industry has repeatedly given it a role in many large-scale refinery, terminal, production facility, and tank farm projects in different parts of the world. Some of the major projects that are evidence of the Company's competencies in this domain are the İPRAŞ and TÜPRAŞ refineries, the Aliağa Petrochemical Complex, and the BTC Ceyhan Sea Terminal in Turkey; the Samir Refinery in Morocco; the Sangachal Terminal in Azerbaijan; the Atyrau Refinery and the main works of the Kashagan Oil Field Development Project in Kazakhstan; the Fergana Refinery in Uzbekistan; and the Yanbu and Petro Rabigh refineries in Saudi Arabia.

STAR Aegean Refinery Project
Construction work on the STAR Aegean Refinery, a project that involves investments worth about US$5.7 billion in İzmir's Aliağa district in western Turkey by SOCAR, the State Oil Company of

Shah Deniz Phase 2 - Sangachal Land Terminal Project, Azerbaijan

Azerbaijan, began in 2014. By virtue of both its total investment and its 10 million tons/year of crude oil refining capacity, the STAR Aegean Refinery is one of the biggest petroleum and gas investments currently being undertaken in Europe, the Middle East, and Africa. After the letter of intent that was signed in August 2016, Tekfen Construction signed a contract in October 2017 under which it agreed to undertake the electromechanical works of the refinery's Crude Oil and Vacuum Distillation Unit, Delayed Coker Unit, Unsaturated Gas Unit, Unsaturated Liquified Petroleum Gas Unit, and Coke Handling and Storage Unit.

Turkstream Receiving Terminal Project

On 17 November 2017, Tekfen Construction signed an agreement for the construction of a gas receiving terminal that is to be built near Kıyıköy on the Black Sea coast in Kırklareli west of İstanbul. The employer is Petrofac International UAE LLC, the overall project's prime contractor. This project is intended to create a dependable source of energy for Turkey and Southern and Southeastern Europe by connecting Russia's giant gas reserves directly to Turkey's gas distribution network. Two pipelines that start from Anapa on the Russian Black Sea coast will run 930 kilometers across the Black Sea to Turkey and make landfall near Kıyıköy, where they will be joined up to the gas receiving terminal that Tekfen Construction is to build. From there, another pipeline will transport the gas as far as the Turkish-Greek border in Thrace. The total value of this 24-month unit-price contract is 98 million. Work is scheduled to begin in January 2018.

Tengiz Oil & Gas Field Future Development Project

GATE Construction, a Kazakhstan-based joint venture in which Tekfen Construction and Gama Industry control equal stakes, signed a contract on 24 November 2017 for a new project involving the wellhead pressure management and the construction, mechanical, electrical, and instrumentation works for the "Future Development Project", a huge project being undertaken at the Tengiz Oil & Gas Field in Kazakhstan. The employer is Tengizchevroil, Kazakhstan's largest oil-producer and the duration of project is 55 months.

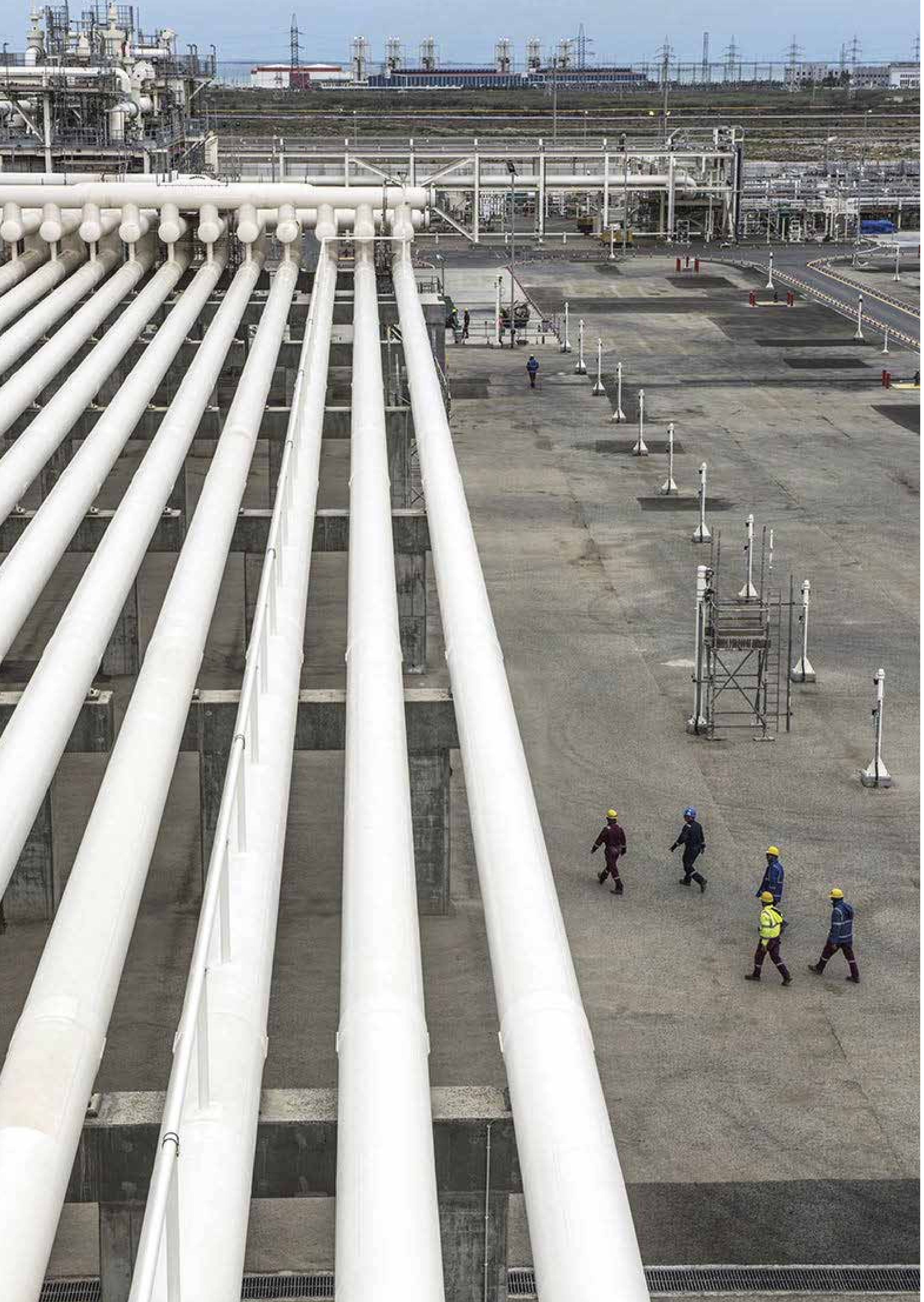
Tengiz Oil & Gas Field Temporary Construction Units Project

In May 2017, GATE Construction signed a contract with Tengizchevroil, Kazakhstan's biggest oil-producer, for temporary construction units at the Tengiz Oil & Gas Field. GATE Construction will be building these temporary units as part of the "3rd Generation Plant", a major oil and gas industry investment initiated by Tengizchevroil. Under this project, 35 container and modular-construction buildings along with their fire and gas alarm, heating, cooling, and ventilation systems and complementary systems like telecommunications infrastructure are to be built on an EPC basis.

Shah Deniz Phase 2 - Sangachal Land Terminal Project

The goal of the Shah Deniz Phase 2 project in Azerbaijan, which was initiated in 2014 to help buttress European energy security, is to produce another 16 billion m3 of gas a year in addition to that which is already being produced by Shah Deniz Phase 1. This gas will be sent to Europe through the

By virtue of both its total investment and its 10 million tons/year of crude oil refining capacity, SOCAR's STAR Aegean Refinery with a project value of US$5.7 billion is one of the biggest petroleum and gas investments currently being undertaken in Europe, the Middle East, and Africa.



The construction and installation works of the Sangachal Land Terminal as part of the Shah Deniz Phase 2 Investment Project have been successfully completed by the Tekfen-Azfen Consortium in December 2017.

Offshore platforms showcase the level of the Tekfen Contracting Group's engineering and fabrication prowess.

Trans-Anatolia Natural Gas Pipeline (TANAP). In addition to its role in the construction of TANAP, Tekfen also carried out the construction and installation works of the Sangachal Land Terminal (another part of the Shah Deniz Phase 2 project) as a member of the Tekfen-AZFEN Consortium. Project works were completed as of December 2017.

TANAP Compressor & Metering Stations Project

In addition to the LOT 3 section of the TANAP project , the Tekfen Construction has also undertaken the engineering, procurement, construction, pre-commissioning, and commissioning works of TANAP's compressor and metering stations. This project involves the construction of two compressor and four metering stations on an EPC basis along the Turkish section of the pipeline. As of end-2017 the project was 54% complete and the targeted completion date is 31 May 2019.

Offshore Platforms

Offshore platforms showcase the level of the Tekfen Contracting Group's engineering and fabrication prowess. A 14,500-ton compressor and water injection platform, the first of those that will be built at the Bayıl Steel Fabrication Plant near Baku, was installed at its location in the Caspian Sea in 2005 and was the first project of its kind ever to be undertaken by a Turkish contractor. This project was followed in 2008 by a 13,500-ton process, compressor, water preparation, and injection platform and, in 2013, by the 18,500-ton West Chirag Platform, the last of which is the biggest ever erected in the Caspian Sea.

In May 2017, two offshore platforms whose combined weight amounted to 26,442 tons that were built as part of the Shah Deniz Phase 2 investment were completed and sailed away. Simultaneously built, one of the two is designed to be a production platform where effluents from the wells are collected and processed and which sends them to the land terminal through separate pipelines carrying gases and liquids while the other is a services platform with personnel accommodation units. Tekfen Construction is currently providing the support services associated with the transportation and installation of the two platforms by another of the employer's solution partners. This aspect of the project is slated for completion in the second quarter of 2018.

Shah Deniz Phase 2 – Sangachal Land Terminal Project, Azerbaijan

The two offshore platforms built within the scope of Shah Deniz Phase 2, with a combined weight of 26,422 tons were sailed away from Bayil in May 2017.

Qatar's roads are entrusted to Tekfen
In 2016, Tekfen Construction enlarged its portfolio of highway projects in Qatar by the addition of the Al Khor Expressway to its previously undertaken North Road (LOT 2&3) and Side Roads and Junction Projects.

Highway and Transportation Projects

Highway projects are another business line in which Tekfen Construction has considerable expertise, having successfully undertaken and carried out numerous works of this nature both in Turkey and abroad. Some of the projects that the company has been responsible for are the Tarsus-Adana-Gaziantep (TAG), Gaziantep-Birecik, Perşembe-Bolaman, and Çiftehan-Pozantı highways in Turkey; the Fahaheel Highway in Kuwait; the Tangier-Port de l'Oued Rmel Highway in Morocco; and the North Road Lots 2 and 3 and other parallel roads in Qatar.

Al Khor Expressway Project
The Al Khor Expressway Project, which was added in 2016 to a portfolio of road projects that Tekfen Construction is undertaking in Qatar, has the distinction of being the biggest agreement that the Company has ever signed in terms of contract value. Scheduled to be completed in 36 months, the contract calls for the turnkey-delivery construction of a 34-km ten-lane (five lanes in each direction) expressway, two 34-km cycling tracks, the relocation or installation of about 1,000 kms of utility lines beneath the expressway, about 9 kms of 3-meter diameter floodwater tunnels, and a large number of junctions, viaducts, underpasses, and overpasses located along the route. As of end-2017, the project had reached about a 20% completion rate and is scheduled to be finished in the last quarter of 2019.

Eastern Industrial Road Project
In August 2017, Tekfen Construction was awarded a contract by the Qatari Public Works Authority (ASHGHAL) to undertake the Eastern Industrial Road Project in that country. With a contract value of about US$200 million, this project brings the total number of projects being undertaken by the company in Qatar to four and their combined value to US$4.9 billion. Consisting of the construction of about 2.5 kilometers of roadway including two viaducts, the work is to be completed in 27 months.

Ankara-İzmir High-Speed Train Project
A contract that Tekfen Construction and Doğuş Construction were jointly awarded in 2016 calls for the building of the Afyonkarahisar-Uşak (Banaz) section and the Afyonkarahisar Direct Transfer section of the ongoing Ankara-İzmir High-Speed Train Project. Work is proceeding on schedule and was 11% completed as of end-2017. The project consists of the construction of 8 tunnels, 44 underpasses, 20 overpasses, 10 viaducts, and 8 bridges along 83 kilometers of railway track at a total contract value of TRY879 million in 2015 prices. This project, which will make a substantial contribution to Turkey's transportation infrastructure, is scheduled for completion in the second quarter of 2019.

Once the 2022 World Cup is over and its topmost two levels will be dismantled, the fully air-conditioned Al Thumama Stadium will continue to be used as a 20,000-seat club stadium.

Superstructure Projects

Tekfen Construction has extensive experience with projects that involve building high-profile structures like skyscrapers and stadiums that frequently become landmarks in a city's identity. Examples of superstructures that Tekfen has carried out are Tekfen Tower and the Atatürk Olympic Stadium in İstanbul and SOCAR Tower and the Baku Olympic Stadium in Azerbaijan.

Al Thumama Stadium Project
In 2017, an equal-share joint venture consisting of Tekfen Construction and Qatari Al Jaber Engineering was awarded a turnkey-delivery contract for engineering and construction works of a fully air-conditioned 40,000-seat stadium in which matches up until the quarter-finals of the 2022 World Cup will take place in Qatar. The Al Thumama (Fifth Precinct) Stadium has been designed so that after the games are over, its topmost two levels can be dismantled and the building will then continue to be used as a 20,000-seat club stadium. As of end-2017 the project was 9% completed.

Azerbaijan Ministry of Taxes Headquarters Building Project
The recipient of many international awards and recognitions for the Baku Olympic Stadium completed in 2015, Tekfen Construction added another important project to its portfolio in 2016, this one consisting of the construction of a new headquarters building for the Azerbaijan Ministry of Taxes. Set to become a distinctive architectural landmark in the Baku cityscape, the 33-story building will contain 44,200 m2 of indoor space. As of end-2017, the project was 56% completed.

Engineering Services

Tekfen Engineering plays an important role in the Tekfen Contracting Group's ability to carry out the turnkey-delivery projects that generate higher added value for the Group. Founded in 1984, Tekfen Engineering has since then built up extensive knowledge and experience in countless projects undertaken in its home and international markets. Employing a staff of more than 300 people, Tekfen Engineering is an especially adept solution partner in large-scale engineering, procurement & construction (EPC), engineering, procurement & construction management (EPCM), and design & build projects.

Able to provide infrastructure project engineering services that impose serious demands on expertise such as refineries, petrochemical plants, terminals, fossil-fuel, gas, and renewable energy power plants, rail systems, and large-span bridges, Tekfen Engineering is one of Turkey's leading engineering firms from the standpoints not only of its human resources and their knowledge and experience but also of the innovative technologies that it is capable of putting to work.

Tekfen Engineering distinguishes itself particularly with its expertise in such specialism-demanding issues as process flow, instrumentation, pipework, control systems, and model design. The company strives to constantly improve itself in such areas and to equip its employees with specific competencies so as to further strengthen its position in the conduct of EPC and EPCM projects. Continuous investment in the development of its own human resources means that the company can put together teams whose members are already competent in different specialties and disciplines. This is what especially sets Tekfen Engineering apart in projects that demand a multidisciplinary approach.

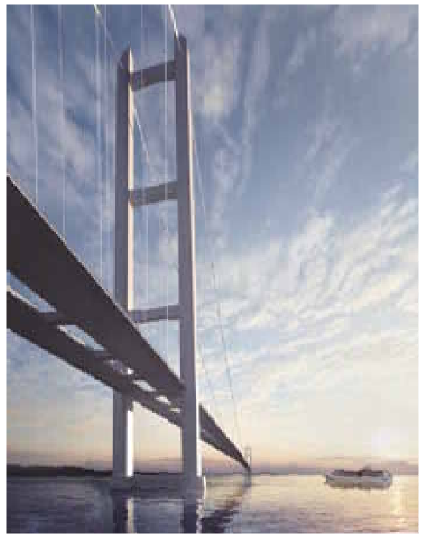
With its strong staff and use of innovative technologies, Tekfen Engineering is one of the leading engineering firms not just in Turkey but in its region as well.
When completed, the 1915 Çanakkale Bridge will be the longest suspension bridge in the world. The record-breaking span of 2,023 meters between the two towers was chosen to commemorate both the 100th anniversary of the founding of the Turkish Republic (1923) and the year the bridge is due to enter service (2023).

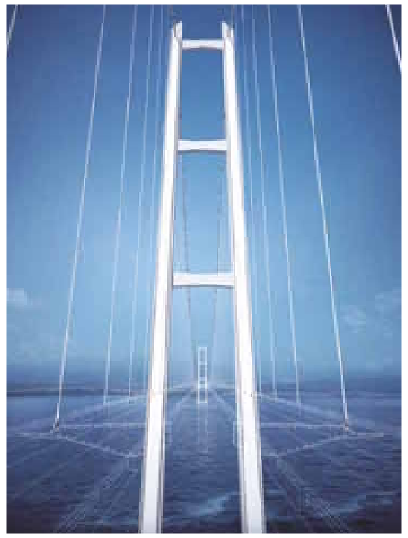
R&D work that was initiated in 2016 in order to equip the Tekfen Contracting Group with new added-value-generating competencies through the development of innovative technologies was pursued with even greater attention in 2017. To this end, Boğaziçi University was provided with support by doctorate candidates among the company's personnel while specialist Modular Design, Cable Stayed Bridges and Steel Modular Building R&D groups were formed and set to work. As these projects are intended to be carried on a long-term, the company has applied to the Turkish Ministry of Science Industry and Technology ministry for their certification.

In another important development in 2017, Tekfen Engineering Academy was set up in order both to train the manpower the company needs and to institutionalize its corporate knowledge and experience. AS one of the main goals of the company's newly-devised five-year strategic plan, this academy has been created to ensure the longevity of the company's store of knowledge and experience and to allow it to be passed on to newcomers more effectively. In addition, the academy will also serve as an institutional platform for Tekfen Engineering's training programmes.

2017 was also a busy year for Tekfen Engineering. In 2017, Tekfen Engineering was awarded an engineering consultancy and control contract by the General Directorate of Highways for the 1915 Çanakkale Bridge and Malkara-Çanakkale Motorway Project. Undertaken jointly with its overseas partner and with a contract value of TRY164.3 million, this is the biggest agreement of this nature that the Company has ever entered into. Tekfen Engineering will provide engineering consultancy, services for the world's longest-span suspension bridge and for 100 kilometers of highway.

"Tekfen Engineering Academy was set up in 2017 in order both to train the manpower the company needs and to institutionalize its corporate knowledge and experience."





A separate engineering division has been set up within Tekfen Engineering to provide field-engineering support on the Al Khor Expressway project that Tekfen Construction is undertaking in Qatar. Last year, Tekfen Engineering's branch office was also set up in Qatar with the aim of seeking out and winning contracts for major new engineering projects in the region. Work also continued last year on Tekfen Construction's TANAP Compressor & Metering Stations Project.

With regards to non-group projects last year, the Company added the İzmir Refinery Fluid Catalytic Cracking (FCC) Project to its portfolio as an adjunct of the TÜPRAŞ İzmit Refinery FCC Project that was begun in 2016. Two other major projects acquired in 2017 consisted of a new LPG unit that is being built as part of the Baku Heydar Aliyev Oil Refinery in Azerbaijan and worksite preparation works that are being undertaken directly on behalf of SOCAR in the same country. Tekfen Engineering is providing field-engineering solutions for a variety of works that are being carried out by AZFEN both on the Western Route Export Pipeline (WREP) Relocation Project in Georgia and at the Heydar Aliyev Oil Refinery.

Fabrication Plants

The fabrication of the structural steel, pipework, and pressurized vessels that are needed for projects within Turkey and abroad is carried out at Tekfen Contracting Group's three fabrication plants.

These fabrication plants play a crucial role in the Group's ability not only to come up with steel construction and steel equipment solutions so as to meet its requirements on time and at the prerequisite quality but also to undertake turnkey-deliveries as an EPC contractor. Located in Derince (Kocaeli) and Ceyhan (Adana) in Turkey with the third in Bayıl (Baku) in Azerbaijan, every one of these plants possesses all of the technology, competencies, and capacities needed to respond to the most complex projects.

In 2017, the position of a VP in charge of structural steel, pipework, and industrial equipment fabrication and installation projects was created within Tekfen Construction in order to simultaneously market the Group's fabrication capabilities by creating synergies among Tekfen Construction's Ceyhan and Bayıl plants and Tekfen Manufacturing's Derince plant.

Tekfen Manufacturing Derince Plant

Tekfen Manufacturing & Engineering was set up in 1970 to provide international-standard-compliant engineering, fabrication, and installation services associated with the production of storage and processing equipment needed especially by the oil, petrochemical, and chemical industries and also by industrial facilities such as gas, iron and steel, and power plants. The company carries out these operations in 19,250 m2 of enclosed space at its plant in Derince.

Providing engineering, fabrication, and installation services that conform to international standards, the Company offers customers an extensive production portfolio that includes cylindrical and spherical storage tanks, pressurized vessels, process columns, reactors, heat exchangers, waste-heat recovery boilers, pressurized piping, and heavy steel construction. In addition to Tekfen Group Companies, Tekfen Manufacturing's customers include international contracting firms, refineries, petrochemical, chemical, and fertilizer plants, and domestic and foreign companies engaged in the storage and distribution of LPG.

Tekfen Manufacturing carries out its operations in accordance with industry-recognized international standards as well as under ISO 9001:2015 Quality Management System, ISO 14001:2015 Environmental Management System, and OHSAS 18001:2007 Occupational Health and Safety Management System certifications. The Company was most recently awarded ISO 27001:2013 Information Security Management System certification.

Tekfen Manufacturing's Derince plant, which can handle individual units of up to 1,000 tons, can likewise work in every kind of corrosion-resistant steels and alloyed steels, special duplex, Monel, Inconel, and Hastelloy alloys as well as in brass, copper, and nickel alloy-coated sheet steel. In 2017, Tekfen Manufacturing also added titanium and titanium-clad materials to its product portfolio.

Tekfen Manufacturing conducted its operations in 2017 with 203 people on its payroll. Although the Company stayed short of increasing its targeted business volume owing to fewer than expected investment among the oil and petrochemical companies that make up its primary customer group, the company nevertheless booked a turnover of TRY78 million last year. 67% of total sales were made to the domestic market and 33% were made abroad, the latter principally in Nigeria, Azerbaijan, and Egypt.

Offers have been made to supply cylindrical and spherical tanks and process equipment for projects that are to be undertaken in Albania, Azerbaijan, Bangladesh, Iran, and Nigeria and other Sub-Saharan African countries during 2018. These offers are still being evaluated at this time.

351

In 2017, a total of 351 welders were certified at the Welder's School operating within the Ceyhan Steel Structure Fabrication Plant with the purpose of providing qualified technical personnel. 217 were employed at the plant while 134 were employed in projects.

Ceyhan Steel Structure Fabrication Plant

The Ceyhan Steel Structure Fabrication Plant was commissioned in 1993 to meet the Tekfen Contracting Group's requirements for steel structures mostly in the Group's international operations. Possessing the equipment and the expertise needed to respond to the demands of every sort of contracting project, the Ceyhan plant fabricates steel structures for refineries, petrochemical complexes, power plants, sea terminals, oil and gas platforms, stadiums, bridges, viaducts, and more. Besides steel structures, the company is also able to produce corrosion-resistant, duplex, super duplex, and carbon steel pipe spools. Situated on 160,000 m2 of grounds with 30,000 m2 of enclosed space, the plant has the capacity to handle 30,000 tons of steel structure and 10,000 tons of pipe spool a year. Since it originally commenced operations, the Ceyhan Steel Structure Fabrication Plant has turned out about 300,000 tons of steel construction.

The plant also houses a welding school in order to provide the suitably-qualified technical personnel that Tekfen Construction needs. Graduates of this school are awarded internationally-recognized welder's licenses. Besides addressing the plant's own requirements, the school also trains welders for other worksites. In 2017, the school certified 351 welders, of whom 217 were employed by the Ceyhan plant and 134 on the STAR Aegean Refinery and TANAP projects.

The conformity of the Ceyhan Steel Structure Fabrication Plant's operations to international standards is shown by the ISO 9001:2008 Quality Management System, ISO 14001:2004 Environmental Management System, OHSAS 18001 Occupational Health and Safety Management System, 3834-2 Quality Requirements for Fusion Welding of Metallic Materials, EN 1090-2 EXC4 technical requirements for the execution of steel structures (CE marking), and ISO 27001 Information Security Management System certifications. Fabrication and cost-control software and a barcode system ensure that productivity and traceability are achieved at every stage of production and quality control.

96% of the approximately 20,000 tons of the Ceyhan Steel Structure Fabrication Plant's output in 2017 was intended for three domestic projects: TANAP, BTC, and STAR Aegean Refinery. The remaining 4% was for the Ministry of Taxes Headquarters Building Project in Azerbaijan.

The dome-roofed tanks manufactured by Tekfen Manufacture at the Shah Deniz Phase 2 - Sangachal Land Terminal are 57 metres in diameter and have a storage capacity of 38,330 m^3 each.

The steel fabrication plants play a crucial role in the Group's ability to undertake turnkey-deliveries as an EPC contractor.

During 2017, the Ceyhan Steel Structure Fabrication Plant produced 10,700 tons of steel construction, of which 9,646 tons were for the TANAP, 316 tons for the STAR Aegean Refinery, 35 tons for the BTC, and 703 tons for the Azerbaijan Ministry of Taxes Headquarters Building projects. In addition, it also produced 9,300 tons of pipe spool, of which 1,300 tons were for the STAR Aegean Refinery and 8,000 tons for TANAP. The TANAP order includes another 920 tons of steel construction and 1,800 tons of pipe spool, all of which are scheduled to be completed during the first quarter of 2018.

Production of about 5,000 tons of steel construction for the Al Thumama Stadium in Qatar, which will get under way in the second quarter of 2018, will make up a significant part of the new year's operations calendar. The quantities of steel construction and pipe spool that will be needed for the TurkStream Terminal project that is to be built in Kıyıköy will be determined once project design works have been completed.

Bayıl Steel Structure Fabrication Plant (Baku-Azerbaijan)

Acquired in order to support Tekfen Construction's undertakings in the Caspian region and then modernized at a significant investment cost by the Company when it was privatized by the Azerbaijan government in 2003, the Bayıl Steel Structure Fabrication Plant was originally known as "Cenub Tikinti Servis" (CTS). Located in Azerbaijan near the capital city of Baku, the plant has 40,950 m2 of enclosed space on 122,600 m2 of grounds. Between 1949 and 2003, CTS was itself responsible for the fabrication and offshore installation of about 1,400 oil platforms of various sizes in the Caspian Sea. Its acquisition in 2003 is what originally gave Tekfen a foothold in the business of offshore oil platforms.

In 2017, work was completed on the simultaneous fabrication of two offshore platforms weighing a total of 26,442 tons that had been ordered by BP Exploration (Shah Deniz Ltd) as part of the Shah Deniz Phase 2 Project. A bridge connecting the two platforms was also fabricated at the Bayıl plant. Tekfen Construction is still providing support services associated with mounting the platforms on their seabed-anchored legs and with commissioning the platforms at sea.

The province of Aydın is extremely rich in product variety. Its climate is ideal for the growth of fig, olive, cotton, chestnut, strawberry, artichoke, peanut, corn, citrus and almost all kinds of vegetable.

Agri-Industry Group

Profile

Providing a wide range of products and services that focus on agricultural endeavours, the Tekfen Agri-Industry Group's 29.9% and 45% shares of its parent's total turnover and operational profitability respectively make it Tekfen Holding's primary business line. Steadily nourishing growth through mutually supportive investments and taking advantage of a variety of business opportunities, the Tekfen Agri-Industry Group is Turkey's largest privately-owned concern in the sector in terms of business volume, product and service lineup, and market share.

Toros Tarım Sanayi ve Ticaret A.Ş. (Toros Tarım), whose principal business activity is agricultural inputs, ranks in 59th place in the İstanbul Chamber of Industry's list of Turkey's 500 biggest industrial concerns. Toros Tarım and its subsidiaries conduct their operations under the three main headings of agricultural inputs (chemical fertilizer production and marketing, seed production, techno-agriculture, and seedling production), marine terminal services, and free zone and fuel station management.

Founded in 2017, Tekfen Tarımsal Araştırma Üretim ve Pazarlama A.Ş. (Tekfen Agricultural Research Production and Marketing Inc.), another member of the Tekfen Agri-Industry Group is directly involved in agricultural production operations. Seeking to leverage on Tekfen Group's nearly forty years of experience in the areas of such essential agricultural inputs as fertilizers, seeds, and seedlings in the agricultural production itself, the new company's mission is to deploy its corporate vision, scientific approach, and financial strength in order to increase the efficiency of the increasingly more vital business of agricultural production.

Due to rapid urbanization as well as to climatic and environmental concerns, the amount of land available for farming is steadily decreasing even as the world's population continues to burgeon. These factors have made food security one of the most hotly-debated issues in recent years. It is projected that world population will reach 9.5 billion by 2050. Our ability to ensure that there is enough food to feed that many human beings is first and foremost dependent on increasing agricultural productivity and on getting more and better-quality produce from less and less farmland.

Taking these realities as its point of departure, the Tekfen Agri-Industry Group conducts all of its operations with a focus on improving agricultural productivity. One of the most effective inputs to improve productivity is plant nutrients, which is to say fertilizer, the production of which is what underlies the majority of Tekfen Agri-Industry Group's operations. Toros Tarım, which accounts for 38% of total installed production capacity in Turkey's fertilizer industry, carries out its manufacturing operations at three plants located in Ceyhan, Mersin, and Samsun. The sector's leader in terms of market share, the Company supports its premier position in this business line through an extensive network of dealers and authorized sellers. In addition to the ammonium nitrate (AN), diammonium phosphate (DAP), and compound (NPK) fertilizers that it produces in its plants, Toros Tarım also introduced its first organomineral fertilizers to the market in

"In 2017, Toros Tarım introduced its first organomineral fertilizers to the market."

59

Toros Tarım ranked in 59th place in the İstanbul Chamber of Industry's 2016 list of Turkey's 500 biggest industrial concerns.








The production of grafted and nongrafted seedlings is carried out in fully equipped greenhouses located in Antalya and Adana by Hishtil-Toros Fidecilik (HTF), a specialist nursery.

9.5 billion

It is projected that world population will reach 9.5 billion by 2050. Our ability to ensure that there is enough food to feed that many human beings is first and foremost dependent on increasing agricultural productivity and on getting more and better-quality produce from less and less farmland.

2017. Seeking to be a source for all of the plant nutrients which farmers might need, Toros Tarım imports those that it does not make itself from abroad. In addition to conventional fertilizers, Toros Tarım's product line also includes water-soluble specialty fertilizers and trace elements.

Toros Tarım is also one of Turkey's leading players in yet another area that is vital to improvements in agricultural productivity: the production of high-quality crop seedlings and seeds. Toros Tarım's production of grafted and non-grafted seedlings is carried out in fully-equipped greenhouses located in Antalya and Adana by Hishtil-Toros Fidecilik (HTF), a specialist nursery, The Company's vision of supplying Turkish farmers with an assortment of premium-quality, high-yield wheat seeds that are suited to growing conditions in Turkey And the great importance it gives to yield-increasing technologies make "Toros" the sector's standard-setting brand.

Among Toros Tarım's non-agricultural business lines, the provision of terminal services occupies a place of importance. Originally built in 1981 on the premises of the Ceyhan plant, the company's Ceyhan terminal (Torosport Ceyhan) provides a broad portfolio of services ranging from general to specialized as well as liquid and dry bulk cargos. Torosport Samsun, which is located at the Samsun fertilizer plant, contributes to the Group's operations in this business line by virtue both of the additional capacity that it provides and of its geographical location. As part of its terminal management operations, Toros Tarım also provides piloting, tugboat, shipping agency, and similar services as well.

Another of Toros Tarım's non-agricultural business lines is free-zone management, which the company has been involved in since 1998 as the operator of the Adana Yumurtalık Free Zone (TAYSEB). Occupying 5 kms of shoreline along the Gulf of İskenderun and with 4.5 million m2 of grounds, TAYSEB is one of the biggest free zones in the world and also the first and only one in Turkey that was set up explicitly to cater for heavy-industry investments. Owing to its convenient location and facilities in Ceyhan, which is expected to become a major energy hub, TAYSEB's future looks bright as a venue for investments in high added-value production-based industries such as chemicals and petrochemicals in particular.

Owned by Toros Tarım and based in Adana is a polypropylene and polyurethane sack-manufacturing plant whose production capacity of 33 million sacks a year enables it to single-handedly supply all of the packaging needs of the Company's fertilizer-manufacturing operations. Toros Tarım also engages in fuel wholesaling and retailing through five stations located in and around Adana.

2017 Operations

Despite economic volatilities and especially developments that were of significant concern to the fertilizer industry, the Tekfen Agri-Industry Group had an extremely good year in 2017 and registered record-breaking successes that were well above budget targets in many aspects of its business.

Agricultural Segment

Agriculture and the Fertilizer Industry in the World and Turkey

Global output of all grains, which amounted to around 2,010 million tons in 2015-2016 according to the International Grains Council, rose to 2,134 million tons in 2016-2017. This rise, again according to IGC, largely stemmed from corn production, which also accounts for the biggest share of total production.

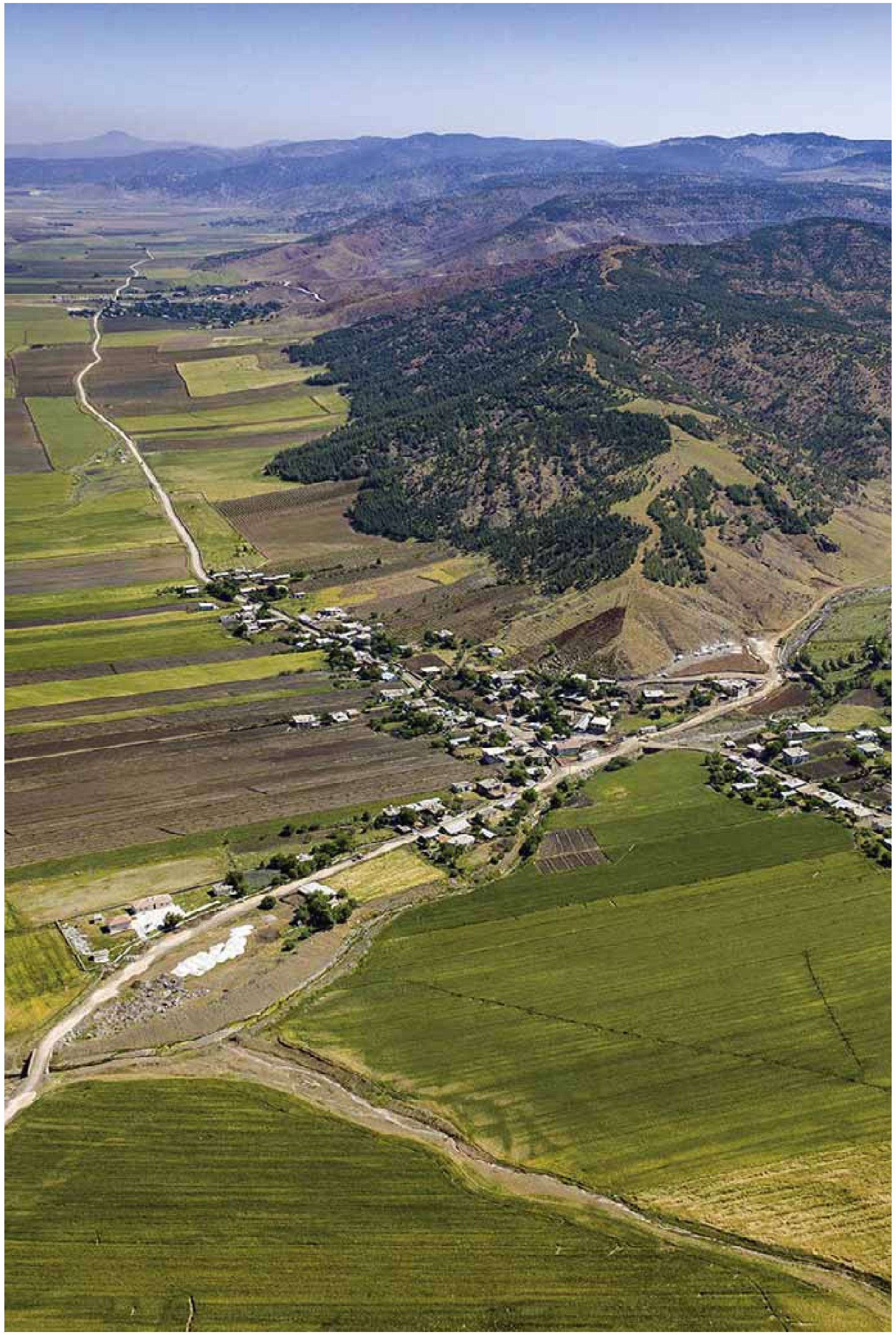
According to figures published by the Turkish Statistical Institute, total grain production in Turkey was also up by 2.4% in 2017 and reached 36.1 million tons. Production of wheat and barley, both of which had experienced declines the previous year, were higher in 2017 with wheat increasing by 4.4% to 21.5 million tons and barley by 6% to 7.1 million tons. The price of bread or common wheat (triticum aestivum) increased by 9% last year.

An overall look at the year's agricultural output in 2017 reveals year-on rises of 4.2% in grains and other crops (68.6 million tons), 1.8% in vegetables (30.8 million tons), and 9.7% in fruits (20.8 million tons). Production of corn and rice however was down and suffered year-on declines of 7.8% and 2.2% respectively.

According to the International Fertilizer Association, global production of plant nutrients is expected to have reached 251 million tons in 2017, a 2.4% rise over the previous year's 245 million tons. Again according to IFA estimates, global consumption of plant nutrients will likely have reached 191 million tons, about 1% higher than its 2016 figure of 189 million tons. When Chinese fertilizer consumption is factored out however, the total global rise is put at 1.6% year-on. This situation is attributed to changes in China's crop mix on the one hand and to the Chinese government's 0% growth policy in nitrogenous and phosphatic fertilizers on the other.

Such modest growth in the fertilizer industry appears to be driving the sector's mergers and acquisitions. Last year Agrium and PotashCorp, two of the world's biggest producers, joined forces to create a new company, Nutrien. Mosaic continued to pursue regional growth by acquiring Brazil-based Vale Fertilizantes. Some major players are seeking to fuel growth through vertical integration by acquiring distributor companies. Indeed the pursuit of synergies through mergers & acquisitions and vertical integration as a way of increasing companies' margins was one of the overall trends of the global fertilizer industry in 2017.

According to IFA estimates, global consumption of plant nutrients will likely have reached 191 million tons in 2017.



According to figures published by the Turkish Statistical Institute, total grain production in Turkey was also up by 2.4% in 2017 and reached 36.1 million tons.

Despite the ban on domestic sales of nitrate-based fertilizers and the fluctuation of foreign exchange rates, Toros Tarım itself had a very good year in terms of sales tonnages and sales revenues.

In Turkey, total fertilizer consumption in 2017 is thought to have been 6.1 million tons or 9% less than the previous year's figure of 6.7 million tons. The Turkish fertilizer industry embarked upon the new year suffering from the uncertainties arising from the government's 2016 ban on the sale of nitrate-based fertilizers. On 23 January 2017, the Ministry of Food, Agriculture and Livestock announced that restrictions on the sale of potassium nitrate and sodium nitrate fertilizers would be lifted and that the carefully monitored distribution of calcium ammonium nitrate fertilizers would be allowed but that the ban on the sale of 33% ammonium nitrate fertilizers would remain in effect. Although this announcement did make it possible for producers to see the way forward to a degree, the practical difficulties involved in the implementation of the government's decision meant that any hoped-for improvements in sales failed to materialize.

A government communiqué published ten weeks later on 6 April 2017 provided the overall outline of a regulatory framework for the sale and distribution of nitrate-based fertilizers. Under the rules set forth in that communiqué, which were to go into effect as of 1 January 2018, video monitoring systems were made compulsory for fertilizers being supplied to market in addition to the data matrix and DNA bar code tracking system. The new rules and regulations resulting from these changes have made it necessary for Turkey's fertilizer industry to review its product portfolios, logistics, and sales strategies in order to bring itself into compliance with them.

Movements in currency exchange rates, whose effects were felt all year long, also led to considerable volatility in fertilizer prices in an industry that is largely dependent on imports for its inputs. However despite the adverse impact caused by restrictions on fertilizer sales and by exchange rate volatilities, Toros Tarım itself had a very good year in terms of sales tonnages and sales revenues. That said, exchange rates can be expected to continue to exert pressure in 2018.

Torosport Ceyhan Terminal,
Ceyhan Adana

Toros Tarım Mersin Plant, CAN Unit Prilling Tower

In 2017, Toros Tarım undertook major product, plant, R&D, and environment investments that once again demonstrated the Company's faith in the agricultural industry and the strength of the Turkish economy.

40 million

The new TRY40 million Prilling Tower Flue Gas Cleaning System at Toros Tarım's Mersin Plant is not just the first of its kind in the Turkish fertilizer industry but also one of the world's leading installations in terms of fuel gas emissions handling and cleaning capacity. This project, which was undertaken on a voluntary basis has further enhanced the eco-friendliness of the Toros Tarım Mersin plant and also given the plant the ability to operate at emission levels that are below those mandated by law in EU countries.

Early in 2017, a "Lean Management" project was initiated at Toros Tarım in order to review all processes from order-acceptance to delivery so as to identify and methodically improve those that do not generate added value and to prevent wastefulness by increasing efficiency.

Operations in 2017

Last year's unpredictability in the regulatory framework, market conditions, and economic, political, and social conditions obliged the Tekfen Agri-Industry Group to be flexible in the conduct of its operations in 2017. Thanks to its extensive industry experience, wide-ranging international relations, and dynamic management structure, the Group nimbly adapted itself to conditions and thus had a successful year in which it surpassed its tonnage, turnover, and profitability targets. Moreover, despite the tough conditions that prevailed in 2017, Toros Tarım undertook major product, plant, R&D, and environment investments that once again demonstrated the Company's faith in the agricultural industry and the strength of the Turkish economy.

One of the most important developments in 2017 was the Ministry of Science, Industry and Technology's approval of Toros Tarım's application to set up a ministry-licensed R&D centre at the Company's Mersin plant. The mission of this centre, which is the first of its kind in Turkey's fertilizer industry, is to engage in scientific research and product development aimed at meeting the needs and demands of the industry while also improving existing products and production processes. Among the goals of the new R&D centre are enriching Toros Tarım's existing product portfolio with the addition of new products which have new features and will help improve farmers' productivity; increasing the physical and chemical effectiveness as well as the resistance and shelf-lives of existing products; and developing and optimizing manufacturing processes as well as reducing their energy requirements and environmental impact.

During 2017, Toros Tarım continued to undertake investments aimed at minimizing the environmental impact of its production facilities. One such was an investment at the Mersin plant that was commissioned last year at a cost of about TRY40 million. The plant's CAN Unit Prilling Tower Flue Gas Cleaning System is not just the first of its kind in the Turkish fertilizer industry but also one of the world's leading installations in terms of fuel gas emissions handling and cleaning capacity. This project, which was undertaken on a voluntary basis inasmuch as it is not required by environmental regulations currently in effect in Turkey, has further enhanced the eco-friendliness of the Toros Tarım Mersin plant and also given the plant the ability to operate at emission levels that are below those mandated by law in EU countries.

Early in 2017, a "Lean Management" project was initiated at Toros Tarım in order to review all processes from order-acceptance to delivery so as to identify and methodically improve those that do not generate added value and to prevent wastefulness by increasing efficiency. This project continued all year long at the Company's Ceyhan, Mersin, Samsun, and sack-manufacturing plants while

important progress was also made through a variety of activities aimed at making employees properly aware of the Lean Management philosophy and encouraging them to embrace it themselves. Launched with the slogan "Not Without You!", which emphasizes the importance of people as the most crucial element of Lean Management, this project began with Lean Production and will foster a continuous development and improvement culture that will lead to a Lean Company in the course of the three-year roadmap that has been laid out for it.

During 2017, Toros Tarım also initiated a comprehensive "No Safety Without You" project aimed at improving occupational health and safety standards at Toros Tarım workplaces, making employees aware of safety-related issues, and fostering a sustainable safety culture.

Believing that training is one of the most important elements of managing change and that human resources are crucial to its ability to compete, Toros Tarım launched Toros Academy in 2017 and gave it the mission of bringing all of the HR training and development activities of its companies together under a single roof. Seeking to create a superior-quality workforce whose members are compatible with Toros Tarım's corporate mission, Toros Academy adheres to the principle of achieving sustainable success and developmental continuity. The academy's first product is its Leadership School, whose aim is to develop leadership skills among managers at every level. The Leadership School works with specialist coaches under its "Manager Coaching Programme" to improve such skills among Toros Tarım senior managers while also supporting those of first and middle-tier managers through the "Basic Leadership Programme" that it carries out in collaboration with Bilgi University. During 2017, twelve senior and 120 first- and middle-tier managers took part in these Toros Academy programmes.

Fertilizers

Turkey's largest fertilizer producer, Toros Tarım remained the sector's leader in 2017 just as it did the previous year. Possessing 38% of Turkey's total installed fertilizer manufacturing capacity, in 2017 Toros Tarım produced a total of 1,547,615 tons of fertilizer at its Ceyhan, Mersin, and Samsun plants while achieving an overall average capacity utilization rate of 83% in the process. 2017 output was up by 21.45% year-on while capacity utilization was 14% higher.

Despite the ban on domestic sales of nitrate-based fertilizers that was in place during the early months of the year, the Mersin plant experienced no reductions in its capacity utilization rate owing to its strong export links and to its ability to ship product abroad. The Mersin plant boosted its capacity utilization rate from 67% in 2016 to an astonishing 91% in 2017. Thanks to its ability to quickly exploit international market opportunities in 2017, Toros Tarım achieved a record-breaking export performance with a total of 273 thousand tons as compared with 1,023 tons in 2016.

Total sales in 2017 were up by 11% year-on and, at 1,946,513 tons, approached the two-million tons/year mark for the first time.

Toros Tarım owes its long years of market leadership as much to its powerful logistical infrastructure and extensive dealership network as it does to its production strength and quality. The company's ability to dispatch its production in a timely and uninterrupted manner no matter where it may be needed is thanks to 550 thousand tons of storage capacity located all over Turkey. An extensive dealership network that reaches even the remotest parts of the country is Toros Tarım's most potent delivery channel. In 2017, the company conducted its sales through a total of 1,246 outlets consisting of 780 dealerships and

GELİŞİM MUHTEŞEM OLACAK
Toros Akademi

Toros Tarım launched Toros Academy in 2017 and gave it the mission of bringing all of the HR training and development activities of its companies together under a single roof.

2017 fertlizer sales

Dealers 1,527,165 tons
Wholesalers 146,253 tons
Export/Other 273,095 tons
Total 1,946,513 tons

466 authorized sellers. Last year, Toros once again was the market leader as measured by total points of sale.

As in previous years, the most important part of the company's sales in 2017 were again made through dealers and authorized sellers. Sales by dealers were down by 8% as compared with 2016 and amounted to 1.53 million tons while wholesales were up by 86% and reached 146 thousand tons. During 2017, the company also imported a total of 263 thousand tons and 10.6 thousand tons respectively of regular and water-soluble fertilizers.

An important innovation took place in Toros Tarım's product line in 2017 with the addition of leonardite-based organomineral fertilizers. According to figures published by the Food, Agriculture and Livestock Ministry, 65% of Turkey's agricultural soil is significantly or seriously lacking in organic material while only 23% of it is even of the middling kind. This means that 88% of Turkey's farmland needs to be supported with organomineral fertilizers containing the organic material that plants require. In line with this, in 2017 Toros Tarım began supplying farmers with three different kinds of organomineral fertilizers rated as "20.20.0", "12.12.12", and "15.20.0". Likewise in order to increase its product diversity, in 2017 Toros Tarım also began offering farmers so-called "Ultra N" fertilizer containing both nitrogen and sulfur.

In 2017, Toros Tarım received the licenses needed to set up an R&D centre at its Mersin plant. This centre will be responsible for the conduct of scientific research aimed at meeting the needs and demands of the fertilizer industry while also further developing the Company's own product line with the addition of new offerings. The centre is scheduled to become operational in the first quarter of 2018.

Specialty Fertilizers

Specialty fertilizers are a product group which Toros Tarım pioneered in Turkey and in which the company commands a substantial market presence. Specialty fertilizers are entirely water-soluble and can be used along with such advanced crop-watering techniques as drip irrigation and sprinkling. In line with the increasing need to make more economic use of water resources, drip irrigation is becoming increasingly more widespread among Turkish farmers. As the trend towards drip irrigation gains momentum in Turkey, it is expected that there will be a serious increase in the need for specialty fertilizers as well. Toros Tarım sees specialty fertilizers as a product group with tremendous long-term development potential.

Total sales of specialty fertilizers in 2017 amounted to 19 thousand tons, which was 28% more than in 2016. Hitherto Toros Tarım has been importing specialty fertilizers, however an investment to manufacture them at the Company's Mersin plant is set to come on stream in the first quarter of 2018.

11%

Total sales in 2017 were up by 11% year-on and approached the two-million tons/year mark for the first time.

Capacity utilization rates at Toros Tarım manufacturing plants

Plant	Product	Capacity (tons/year)	2016 Capacity Utilization Rate (%)	2017 Capacity Utilization Rate (%)
Ceyhan	NPK	660,000	81 %	80 %
Mersin	CAN 26	660,000	67 %	91 %
Samsun	NPK / DAP	654,192*	59 %	76 %
Total		1,944,720	69 %	83 %

** Updated in light of revised capacity reporting figures.*

"In 2017, Toros Tarım received the licenses needed to set up an R&D centre at its Mersin plant. This centre will be responsible for the conduct of scientific research aimed at meeting the needs and demands of the fertilizer industry while also further developing the Company's own product line with the addition of new offerings."

Seeds

In order to increase agricultural productivity and to ensure its sustainability, expanding the use of certified seed is seen as a matter of great importance. Such use is also being encouraged by the agricultural ministry. As part of its mission of helping Turkish farmers to increase their output and earnings by supplying them with superior-quality inputs, Toros Tarım provides growers with a range of high-yield, disease-resistant, and high market-value crop seeds. Toros Tarım has been engaging in the production of certified wheat seed through contractually-bound producers since 1999. Since 2016, the company has been authorized by the agricultural ministry to perform wheat seed laboratory analyses and to conduct seed certification procedures.

About a third of Turkey's 27 million hectares of arable farmland is currently being used to grow wheat which, because it serves as a basic foodstuff for the majority of the population, is of strategic importance. In view of this, the Company focuses on wheat in its crop seed R&D activities. Toros Tarım holds the production and distribution rights to three varieties of wheat – Adana-99, Osmaniyem, and Karatopak – which were developed by the Eastern Mediterranean Agricultural Research Institute. The Company continues its efforts in this area to develop and add new seeds to its product line.

The aim of a wheat-breeding project that was begun in 2010 is to make use of genetic resources that are indigenous to Turkey in order to protect them and to develop new varieties that are commercially viable as common and durum wheat. "Toros 1003", the first wheat seed to emerge from this project, was registered and commercialized in 2016 and made available to farmers the same year. As a result of other efforts to breed new varieties of high-quality, disease- and pest-resistant common wheat, thirteen varieties (six summer and seven winter) were submitted to the Seed Registration & Certification Test Centre, where they are currently undergoing observation trials. Production licenses have been received for these seeds. With

Toros Tarım focuses on wheat in its crop seed R&D activities and holds the production and distribution rights to three varieties of wheat–Adana-99, Osmaniyem, and Karatopak–which were developed by the Eastern Mediterranean Agricultural Research Institute.

the inclusion of one more new breed, the plan is to have fourteen varieties of wheat bearing the "Toros" name registered, commercialized, and made available for farmers in Turkey to use by 2020.

For the conduct of R&D related to techno-agriculture, Toros Tarım has set up a state-of-the-art molecular laboratory. Along with its common wheat breeding activities, the Company began collaborating last year with Çukurova University's agricultural school on projects aimed at breeding new varieties of durum wheat as well as barleys that can be used for malting and as animal feed.

Seedlings

Owing to the benefits they provide to farmers, the use of ready-to-plant seedlings continues to expand rapidly. The preferred choice in a wide range of applications from greenhouses to open fields and with annual demand on the order of 4 billion seedlings a year, Turkey's ready-to-plant sector has significant potential.

Toros Tarım carries out its seedling operations through Hishtil-Toros Fidecilik (HTF), one of the most important names in this business. Besides its 50 decares of high-tech greenhouses in Antalya, the company's investment in 15 decares of new greenhouse space in Adana that became available in 2015 was increased to 27 decares last year with the addition of another 12 decares of greenhouse space.

2017 however was a difficult year for the sector due to unfavourable weather and also market conditions. Although efforts to identify and enter new markets continued all year long, the sector was unable to recover entirely from the effects of Russia's ban on the importation of Turkish tomato, even though the ban was partially lifted in November. Some growers in particular who refrained from planting a tomato crop in early autumn were observed to have recourse to peppers instead. One result was that while the tomatoes that did get planted in November-December fetched good prices, the same could not be said of peppers, which fell short of previous years' prices as well as of expectations.

HTF raised a total of 130 million seedlings, 22 million of which were grafted, at its two facilities during 2017.

There are 125 registered seedling nurseries in Turkey today of which only 35 produce grafted seedlings. HTF for its part controls a 15% share of the Turkish market for grafted seedlings.

Techno-agriculture

In keeping with its mission of providing Turkish farmers with healthy, high-quality, and high-yield seed, in 2004 Toros Tarım acquired Agripark, which has become specialized in the production of disease-free seeds and seedlings using the plant tissue-culture method. At its facilities in Adana, where biotechnology agricultural production and research is also being carried out, Agripark works on the improvement of crop seeds. The Agripark facility has also a storage capacity for 26 thousand tons of bulk and 5 thousand tons of packaged wheat seed.
Agripark's work in the area of plant tissue-

MESOPOTAMIA: THE ORIGINAL HOMELAND OF WHEAT
The cradle of countless cultures and civilizations, Mesopotamia is also where human beings first discovered and learned how to cultivate wheat during the Neolithic period according to scientists today. Examples of triticum aestivum seeds some nine thousand years old that were discovered at the Neolithic settlement of Çatalhöyük near present-day Konya reveal that people living there nearly ten millennia ago were already cultivating a good-quality variety of wheat that could be used to make bread. Evidence of ancient wheat cultivation has also been found at many other archeological sites in Turkey. In the conduct of its own wheat seed breeding activities today, Toros Tarım regards it as its duty to identify, protect, and make good use of its country's unique plant genetic resources.

culture is currently focusing on the production of potato seed, crops of which have been suffering huge losses owing to disease. Thanks to these efforts the Company is now supplying farmers with the reliable and high-yield potato seed which they have been needing for many years. The tiny potato tubers that Toros Tarım produces in its own biotech labs and climate-controlled greenhouses are then planted in fields to produce high-yield potato seeds. In order to store these seeds under ideal conditions, in 2012 the Company undertook an underground storage facility investment in Nevşehir. With about 7 thousand tons of storage capacity, this facility is one of the most advanced examples of its kind in the world thanks to its entirely computer-controlled ventilation and cooling systems as well as to the natural benefits of underground storage.

Potato seed production was again the focal point of Toros Tarım's techno-agriculture activities in 2017 and the company fulfilled its budgeted potato seed sales targets as measured by tonnage and outperformed those targets by 13% as measured by turnover. In addition to potato seed, banana seedling production and marketing activities continued to take place in 2017 with 96% of budgeted targets being fulfilled. Production trials of lavender, tea, dragon fruit, roses, African violets, carnations, and other plant varieties also continued last year at the tissue-culture laboratory.

Agricultural Production
Since the day it was founded, the Tekfen Agri-Industry Group has been supplying Turkey's farmers with the essential inputs for good farming such as fertilizers, seeds, seedlings, and saplings. A decision having been made to engage in agricultural production directly, a new company was set up on 9 August 2017. Tekfen Tarımsal Araştırma, Üretim ve Pazarlama A.Ş. (Tekfen Agricultural Research) commenced operations last year with crops of quinoa, corn silage, and machine-harvestable sesame varieties whose planting trials had previously been carried out by Agripark. In a similar vein, the assets pertaining to all of the techno-agriculture activities being carried out at Toros Tarım were also turned over to Tekfen Agricultural Research as of 31 December 2017.

On 5 January 2018, while this report was in preparation, Tekfen Agricultural Research entered into a deal with Alanar Meyve, one of Turkey's largest and best fruit producers, under which it agreed to pay a total of TRY49.6 million for 90% stakes in Alanar Meyve and in Alara Fidan, an Alanar sister company. This acquisition is currently undergoing a Competition Board review and will be finalized with that board's approval. Once the transfer of ownership takes place, the Tekfen Agri-Industry Group plans to spend a total of about TRY160 million to finance new plant and equipment investments in both companies in 2018-2020.

Agripark has become specialized in the production of disease-free seeds and seedlings using the plant tissue-culture method.

There are 125 registered seedling nurseries in Turkey today of which only 35 produce grafted seedlings. HTF for its part controls a 15% share of the Turkish market for grafted seedlings.

Torosport Ceyhan Terminal is the second largest bulk terminal in the Gulf of Iskenderun.

Terminal Services

Port Management in the World and Turkey

The global demand for maritime transport in the conduct of international trade has been steadily rising in recent years and it is estimated that some 84% of all goods shipped worldwide in 2017 went by sea. In parallel with this global trend, some 87% of Turkey's foreign trade enters or leaves the country aboard seagoing vessels.

2017 Operations

Terminal services, which have an important place in Toros Tarım's operations in terms of business volume and profitability, are conducted at the Company's two terminals, one in Ceyhan and the other in Samsun.

During the 1990s, investments were undertaken to enlarge a jetty which Toros had built as part of its Ceyhan factory in 1981 in order to satisfy its own logistical requirements. As a result of this expansion the company began to supply terminal services to non-Tekfen customers as well, thereby creating a new business line for the Company in the process. As measured by total tonnage of cargo handled, the Torosport Ceyhan Terminal is the third biggest port in the Gulf of İskenderun.

The Torosport Ceyhan Terminal consists of two separate jetties with berths for up to eight ships as well as a ro-ro jetty. The Torosport Ceyhan Terminal can accommodate liquid bulk, dry bulk, and general cargo vessels of between 40,000 DWT and 110,000 DWT. The terminal provides its customers with unloading, loading, and storage services in a wide range of product groups that include everything from general cargo to special project freight, from petroleum products to liquid chemicals, from bulk grain to animal feed stock, from coal to petroleum coke, and from clinker to industrial ores, minerals, and mining products. The Torosport Ceyhan Terminal also offers mooring, dolphin, piloting, towing, agency, garbage collection, solid & liquid waste collection, water supply services as well.

The Torosport Ceyhan Terminal had a very good operational year in 2017. There was a significant year-on rise in the total volume of cargo handled at the terminal while the capacity utilization rate in the case of fuels and petroleum products increased from 70.1% in 2016 to 77.3% in 2017.

The other facility where Toros conducts its terminal operations is the Torosport Samsun Terminal which, like the Ceyhan terminal, is suitable for discharging both dry bulk and liquid chemical cargos. This terminal has two separate berths whose combined handling capacity of coal and other dry bulk cargo is 14,000 tons a day. The terminal can accommodate vessels of up to 55,000 DWT and is also equipped with pipelines that are suitable for the loading and discharging of liquid chemical products. The Black Sea currently accounts for a relatively small share of the demand for terminal services in Turkey and the Torosport Samsun Terminal's capacity utilization rates reflect this. However in parallel with anticipated increases in the volume of Turkey's trade with Black Sea countries, the terminal is seen to have significant future potential.

It is estimated that a total of 460 million tons of cargo were handled at all of Turkey's ports during 2017. Toros for its part handled a total of 7.5 million tons at its own terminals last year. Excluding fuels and petroleum products, the total volume of dry bulk, liquid, and general cargo handled by the company amounted to 6.9 million tons.

77.3%

The capacity utilization rate in the case of fuels and petroleum products at Torosport Ceyhan Terminal increased to 77.3% in 2017.

Free Zone Management

Opening its doors in 1998 and with 4,635 thousand m2 of fully-installed infrastructure near Toros Tarım's own Ceyhan facilities, the Adana Yumurtalık Free Zone (TAYSEB) is one of Turkey's biggest free zones. TAYSEB was the first free zone in Turkey that was set up explicitly to cater for industrial investments. Because of its convenient location on the Gulf of İskenderun and its access to a wide range of transportation options, TAYSEB offers substantial benefits for industrial concerns that want to take advantage of Turkey's free-zone incentives regime. TAYSEB also provides its tenants with terminal services at the Torosport Ceyhan Terminal.

Owing especially to a surge in petrochemical and chemical industry activities in recent years, TAYSEB has become a preferred investment and production centre to which both sectors are giving priority. TAYSEB currently has 26 tenants, eleven of which are engaged in activities associated with the production, storage, importation, exportation, and trade of chemicals.

The total space held under leases at TAYSEB in 2017 amounted to 1,725,707 m2, about 4.1% less than 2016's figure of 1,799,950 m2. The 2017 occupancy rate, which was around 37%, was also down by 2% year-on. Although these figures are below budget targets, TAYSEB nevertheless registered a successful operational year. The total volume of foreign trade moving through the zone, which was worth US$602 million in 2016, was up by 35% and weighed in at US$815 million in 2017.

Toros Tarım's status as TAYSEB's founding operator is due to end in 2019. With this in mind, a feasibility study concerning a ten-year extension for the operator's license of the company was prepared and submitted to the General Directorate of Free Zones in 2017. On the assumption that this application will be approved, Toros Tarım plans to undertake new investments that will further increase TAYSEB's effectiveness.

Topkapı Project, İstanbul

Real Estate Development Group

Profile

Founded in 2000 in order to operate in the areas of real estate investment, project development, construction management, and facility management, the Tekfen Real Estate Development Group (Real Estate Group) undertakes high-quality and innovative projects that have earned it a prestigious place in its sector.

Unique projects combining functionality and design at insightfully selected locations that distinguish themselves by virtue of their concepts and quality while also improving the quality of their users' lives have made the Real Estate Group name a reference for the real estate industry as a whole.

Projects such as Akmerkez, Tekfen Tower, Taksim Residences, Tekfen Yalıkavak Homes, Levent Office, Kâğıthane OfisPark, Tekfen Bomonti Apartments, and HEP İstanbul are all successful demonstrations of the Real Estate Group's brand values of quality, functionality, sustainability, and reliability. Projects authored by the Group have garnered it many distinguished awards.

In order to achieve customer satisfaction with every detail, the Group approaches each project's development, design, and facility management issues not as separate phases but rather as a seamless whole and therefore provides integrated service in all of these areas. Within the Real Estate Group itself, Tekfen Real Estate Development & Investment is responsible for project development and management services while Tekfen Tourism & Facilities Management (Tekfen Services) handles facility management services.

Another of the issues to which the Real Estate Group gives priority in line with its approach to business is to develop projects that are completely sustainable in all aspects from design to management. Regarding the Leadership in Energy and Environmental Design (LEED) criteria formulated by the US Green Building Council (USGBC) as the basis for all of its projects, the Group's activities are informed by eco-friendly building standards that focus on making the most efficient use of resources. As the author of the first green building projects in Turkey, the Real Estate Group is also a founding member of the Turkish Green Building Council (ÇEDBİK).

Facility management and consultancy services associated with the projects that the Group undertakes are provided by Tekfen Tourism & Facilities Management. Conducting its operations under the name "Tekfen Services", this company provides maintenance and repair, cleaning, and security services for the buildings under its management while also operating their parking, conference hall, restaurant, and fitness centre facilities. Tekfen Services also operates S Café & Brasserie, which is located in Akmerkez in İstanbul.

"Leadership in Energy and Environmental Design (LEED) criteria formulated by the US Green Building Council (USGBC) are at the basis for all Tekfen projects."

2017: An Overview

Having grown by 3.2% in 2016, the Turkish economy embarked upon 2017 with even more optimistic projections and indeed it outperformed expectations during the first three quarters of the year. On a chained-volume-series basis, the Turkish economy's third-quarter growth in 2017 was 11.1% higher than that of the same period of the previous year while the average 7.4% rate of growth achieved during the first three quarters was not only higher than expected but also the strongest growth performance registered in the last six years.

Private consumption and investment outlays appear to have been a determining factor in this growth performance although low base effects also contributed to it significantly. Nonetheless a rise in mortgage interest rates that paralleled higher interest rates in general and domestic and international developments transpiring all year long did have an adverse impact on the Turkish real estate industry.

Real estate being one of the engines of the Turkish economy, various tax and other incentives were announced by the government with the aim of accelerating Turkey's ongoing "urban transformation" process. Property deed registration fees for example were lowered from 4% to 3% until the end of September 2017. An attempt was also made to invigorate the market in the first half of the year by means especially of publicly-owned banks' subsidizing housing loan interest rates and by reducing the down payment required for a housing loan from 25% to 20%.

According to figures published by the Turkish Statistical Institute (TurkStat), such incentives aimed at pulling the real estate industry out of its doldrums appear to have worked: a total of 1,409,304 housing units were sold in 2017, a year-on rise of 5.41%. There was also year-on-year growth on the order of 5.2% in the sale of mortgage-financed dwellings, with the share of such sales increasing from 33.51% in 2016 to 33.57% in 2017. The impact of the incentives is clearly to be seen in the fact that during the October-December 2017 period after they were withdrawn, total housing sales fell by 6.7% as compared with the same quarter of the previous year. Although housing sales numbers throughout the country as a whole continue to rise, the growth rates are tending to be less vigorous. Total sales, which were up by 10.64% in 2014-2015, slipped to 4.04% in 2015-2016, and were up slightly again but only to 5.41% in 2016-2017.

According to the housing price index published by the Central Bank of the Republic of Turkey (TCMB), sales prices increased by 0.48% in November 2017 as compared with the previous month but

In 2017, various incentives were announced by the government with the aim of accelerating Turkey's ongoing "urban transformation"process and thus invigorating the real estate market.

1,409,304

A total of 1,409,304 housing units were sold in 2017, a year-on rise of 5.41%.

were 10.07% higher than what they were in the same month of the previous year. Even on a "real" (i.e. adjusted for inflation) basis, the increase was still 2.58%. A comparison of November 2016 sales figures with those of November 2017 in the three provinces where a preponderance of them took place, there were rises of 6.29%, 7.23%, and 18.66% respectively in İstanbul, Ankara, and İzmir.

Higher sales prices appear to be accompanied by even higher rises in construction costs. According to TurkStat's building construction costs index, such outlays in the last quarter of 2017 increased by 6.5% as compared with the Q3 2017 but by 22.8% as compared with Q4 2016. On the basis of four-quarter averages, the overall rise was 19.7%

Looking at the office-space market in İstanbul, the sluggishness that was witnessed in 2016 appeared to have been reversed somewhat in 2017 although its effects were still to be seen. The average vacancy rate in class-A office buildings in the city's central business district was 31.8% while only 15.2% of such space in class-B buildings was unoccupied in 2017. The unrelenting rise of the supply of office space in İstanbul combined with volatilities in currency exchange rates meant that rental conditions in the last quarter of 2017 tended to favour tenants. During these three months, a total of 359,000 m2 of office space was either rented or purchased in İstanbul. The total volume of such transactions in 2017 was 72% higher than what it was in 2016.

The number of shopping malls in Turkey reached 415 in 2017. According to a report published by KPMG, a consultancy, there were 11,793,000 m2 of leasable space in Turkey's malls as of end-2017 or about 5% more than in 2016. Thirty of the 65 new malls that are on track to go into service in 2018 are located in İstanbul. Because demand for new malls in Turkey's largest cities is apparently approaching satiation, new mall investment is focusing on other, less-saturated parts of the country. Some 67% of the ailing malls in Turkey's biggest cities are large-scale ones with 20,000 m2 or more of leasable space

2017 Operations

Real Estate Development

During 2017, efforts continued to develop new projects that conform to Tekfen's standards. Preparations were completed for the Company's "Topkapı" project located in the city's Zeytinburnu district that is due to be launched in 2018. Planning work is also in progress to develop other new projects that will transform what is one of the oldest parts of the city. With a vision of becoming a global real estate developer, Tekfen is also keeping its eye not just on the more promising areas of İstanbul but likewise on project development opportunities in Berlin, Frankfurt, and Dusseldorf, three of the five cities which, according to "Emerging Trends in Real Estate: Europe 2017", the report of a joint survey conducted by PwC and the Urban Land Institute, have the greatest potential.

In 2017, efforts were accelerated to give greater attention to the use of so-called "smart" technologies in the marketing, design, and construction aspects of real estate development. The aim of these efforts in such areas as virtual reality (VR) technology, smart home systems, and innovative construction techniques is to create Tekfen-unique competitive advantages by transforming the company's "Always one step ahead" slogan into reality.

In 2017, a strategic decision was taken to support synergies and collaboration among Tekfen Holding's contracting and real estate arms by having Tekfen Construction act as the prime contractor on Tekfen Real Estate's investment and development projects.

HEP İstanbul

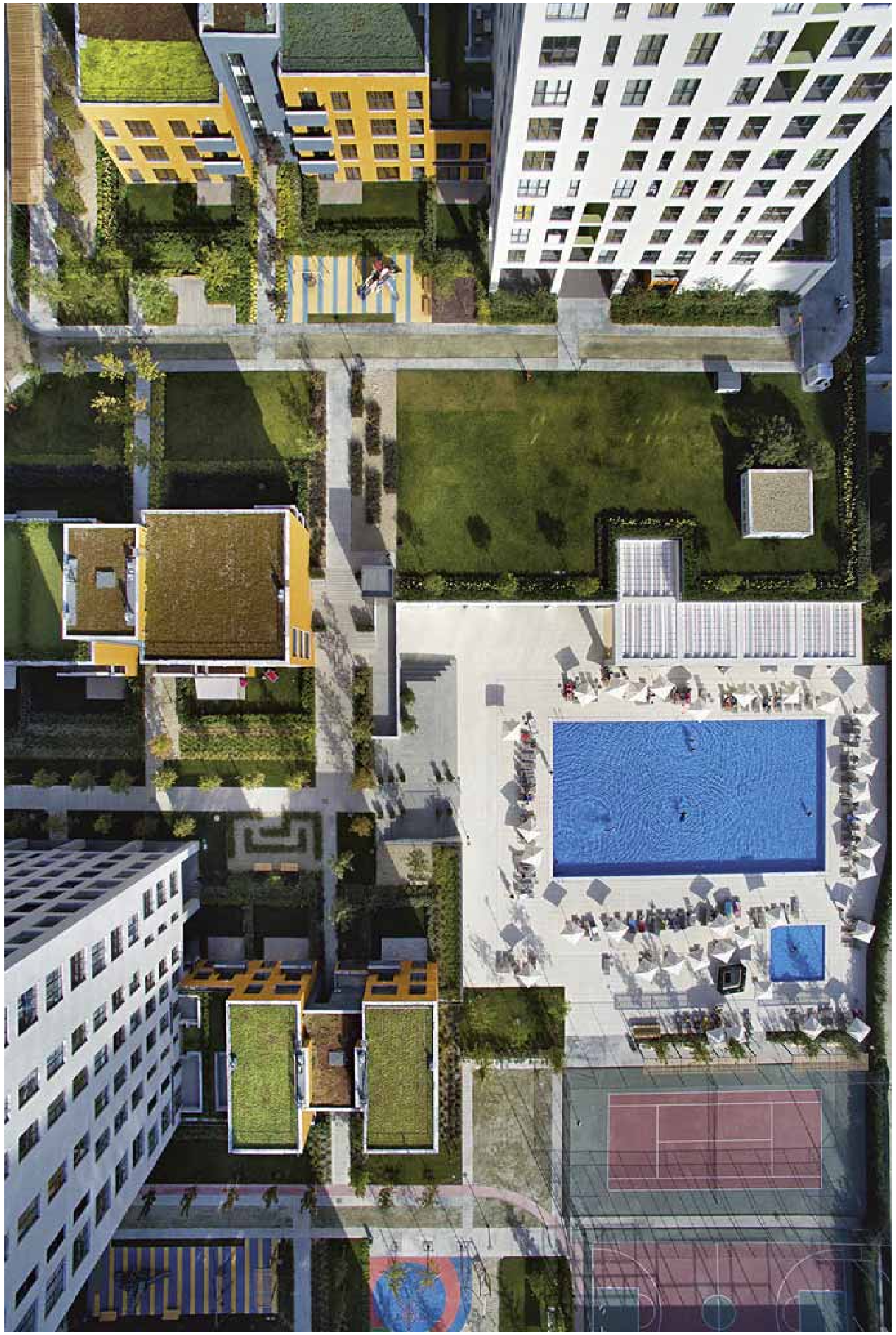
Occupying a site of about 57,000 m2 and with 253,000 m2 of space under construction, the HEP İstanbul project was launched in October 2014 with the slogan "The Home of My Life". HEP İstanbul is located at the intersection of Avcılar, Beylikdüzü, and Esenyurt, three of İstanbul's most rapidly-developing districts, while its TRY600 million project value makes it the biggest project ever undertaken by the Real Estate Group. HEP İstanbul consists of 11 high-rise blocks and 14 blocks of low-rise row houses containing 1,424 residential units overall. Commercial units contribute another 2,600 m2 of space to the project. With residential unit options ranging from one to four bedrooms and in size from 70 m2 to 240 m2, the apartments are capable of responding to every buyer's expectations. One of the HEP İstanbul's strongest selling-points is the richness and variety of its communal spaces and landscaped grounds.

The project has two separate social facilities whose combined indoor space of 2,600 m2 has been designed to appeal to different age groups while playgrounds, 2 kms of walking trails, 1 km of bike paths, indoor and outdoor swimming pools, mini-football pitches, and basketball and tennis courts provide opportunities for year-round indoor and outdoor activities. No less than 74% of HEP İstanbul's grounds have been landscaped and planted so that there will be greenery in all four seasons of the year.

Occupying a site of about 57,000 m2 HEP İstanbul offers an abundant choice of social and sports activities for all age groups spanning from indoor and outdoor swimming pools to tennis courts, walking trails, cycling paths and playgrounds.

1,028

As of the end of 2017, sales of 1,028 of the residential units had been finalized.



LEED-certified HEP İstanbul
HEP İstanbul was designed with the goal of providing well-planned, thoughtfully-detailed, superior-quality, and eco-friendly living accommodations to middle-income buyers at affordable prices. HEP İstanbul has achieved a great success by becoming the first major residential development project in İstanbul's Esenyurt district to be awarded LEED certification.

Important highlights of LEED Certified HEP İstanbul.

- Both during and after construction work, maximum attention was given to protecting the building site's wildlife. A high proportion of the site has been devoted to landscaped green spaces for which local or locally-viable plants were selected while efforts were also made to minimize landscaped areas' water and fertilizer requirements.
- The water fixtures and vitreous materials were all selected so as to be highly water-efficient. These choices were made with the twin aims of reducing building's general maintenance costs and of ensuring users' comfort.
- All energy-consuming (non-passive) systems in are checked according to LEED-specified commissioning procedures to ensure that they satisfy targeted performance criteria both during their installation and while they are being used.
- Maximum attention is given to energy efficiency in lighting and mechanical systems and home appliances. Users of Tekfen Homes are also encouraged to choose appliances that possess or qualify for Energy Star certification.
- Systems have been designed to conform to the US energy-efficiency standard ASHRAE 90.1. During the project-development stage, systems' energy consumption was evaluated on the basis of energy model ling so as to prevent excessive consumption. LEED-certified buildings as a rule are expected to be an average 20-30% more energy-efficient than non-certified buildings.
- Sensors have been installed in dwellings to ensure that their air quality is constantly monitored.
- Fixtures and lamps that are compatible with international energy efficiency standards were chosen for use in buildings' illumination systems.
- Tekfen Homes users are encouraged to choose cooling systems that make use of eco-friendly coolants.
- A comprehensive waste management plan was drawn up that includes the recovery and recycling of all construction waste. Measures were also taken to ensure that fertile land was protected during construction and that its erosion was prevented.
- Buildings' thermal insulation was designed to comply with international standards. The materials used were selected from among brands whose attributes and thermal values had been tested and certified.
- All buildings were designed and constructed so as to conform to the highest seismic-resilience performance standards.
- All dwellings were designed and built so as to be resistant to dampness, vermin, thermal shock, condensation, the elements, and similar external factors.
- Buildings' ventilation systems were designed to be in compliance with international standards. During construction, attention was also given to building users' health by giving preference to materials (paints, under-coatings, putties, etc.) with the lowest levels of volatile organic compounds for use in buildings' interiors.
- Maximizing the use of daylight was a fundamental principle adhered to in the design. This was done not only to reduce the amount of energy needed for lighting but also to give those living inside the buildings the benefits of natural daylight.

HEP İstanbul is located in Esenyurt, one of İstanbul's fastest developing areas.

As of 31 December 2017, sales of 1,028 of the residential units (gross area 115,732 m2) had been finalized with pre-sale proceeds amounting to TRY330.2 million (not including VAT). Since January 2017, more than a thousand of the project's apartments have been delivered and more than 800 are already occupied.

Topkapı Housing Project

The Topkapı Housing Project involves the rehabilitation of a former industrial site and its conversion into residential units. Situated in İstanbul at a location that is conveniently accessible from elsewhere in the city via the D100 (former E-5) highway, one of İstanbul's main traffic arteries, and close to both thoroughfares and the city's metro line, one of its aims is to provide buyers with a well-designed, superior-quality urban living environment. This project is also expected to serve as an example for other urban transformation projects in the vicinity and to contribute to improvements in the locality's building stock and quality of life. An architectural concept competition that was held in keeping with such ambitious goals was won by the submission of HPP Architects, a German firm that is one of Europe's leading architectural practices. The project's interior design work was done by Toner Architects, an İstanbul-based firm whose participation in other Tekfen residential projects has also created substantial added value.

Work on the project is slated to commence in the second half of 2018. There will be about 333 apartments with about 76,000 m2 of construction space located on 14,000 m2 of land. The project consists of low-rise blocks and ground-level commercial spaces that are located around a broad courtyard which serves as the focal point of social interaction. The project also serves as an example of Tekfen's approach to sustainability and eco-friendly attitudes: some of the rare species of trees growing on the grounds of the old factory building were carefully removed using special equipment and replanted on the site of the HEP İstanbul project. Other trees will be restored to the central courtyard as part of the project's landscaping works. Photovoltaic panels installed on roofs will generate some of the complex's own electricity. The project design similarly calls for the installation of charging stations for electric vehicles and for the use of new-generation smart home technologies.

Another of the Topkapı Housing Project's objectives is to gradually expand its presence in the area by entering into agreements with the owners of successively contiguous properties. The first agreements to accomplish this have already been concluded and it is planned to begin working on the development of a second phase of the project, which will involve 14,000 m2 of land, some time in 2019. Additional opportunities in this direction are also being explored at this time.

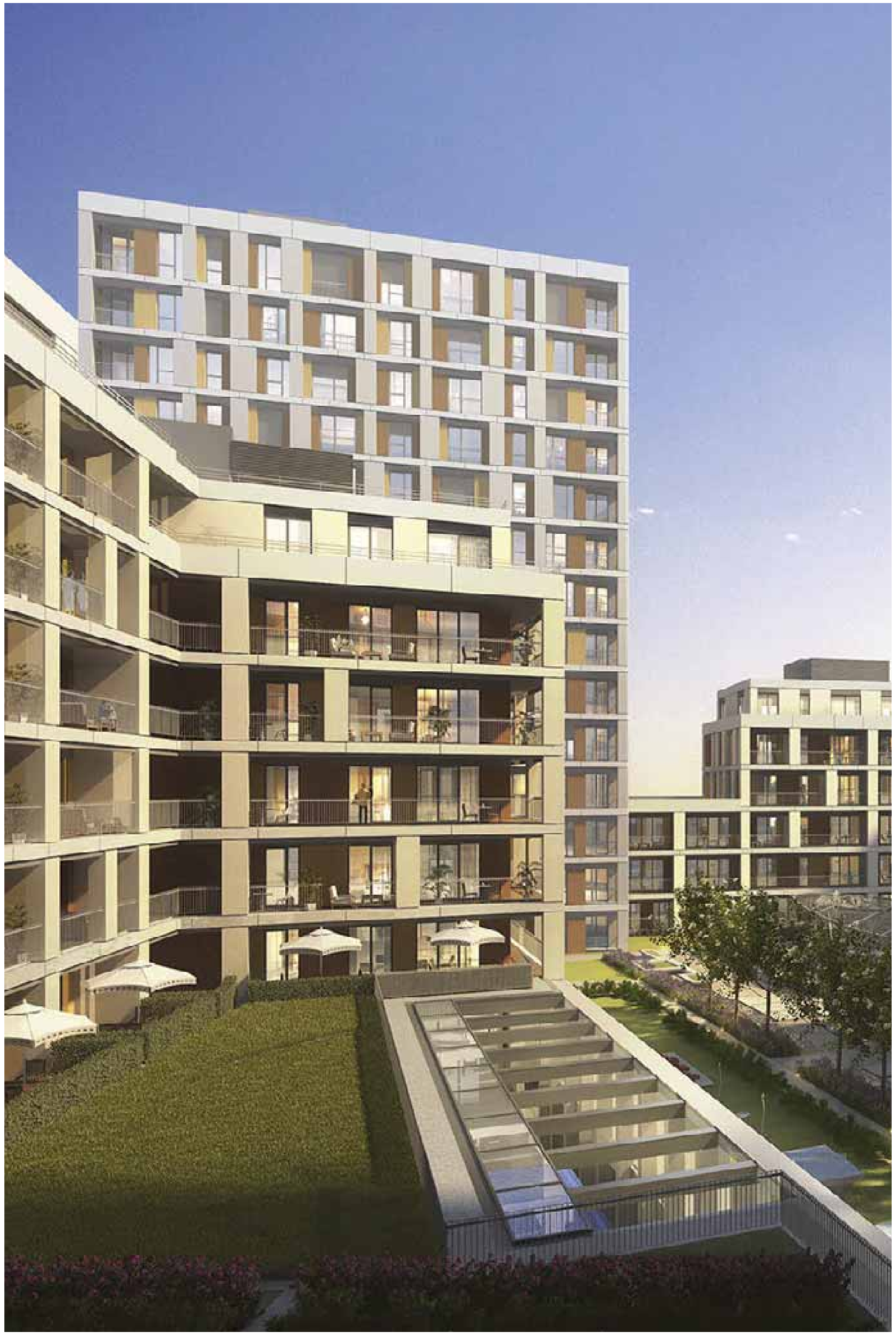
İzmir Mixed-Use Project

The İzmir Mixed-Use Project is to be undertaken as a joint venture of the Real Estate Group and Rönesans Real Estate Investment. It is located at the intersection of Bayraklı, Konak, and Bornova, three of İzmir's most important residential districts. Consisting of residences, home-offices, and a shopping mall occupying about 43,000 m2 of grounds, the 270,000 m2 project will have 140,000 m2 of sellable/leasable space, which ranks it among the biggest real estate development projects ever undertaken in the province.

This project is currently undergoing revisions in order to take into account the changing realities and needs of the İzmir real estate market. Construction work is planned to get under way in 2018.

"The architectural concept competition for the Topkapı Project was won by HPP Architects from Germany, one of Europe's leading architectural practices. The interior design work was done by Toner Architects, whose participation in previous Tekfen residential projects created substantial added value."

The Topkapı Project will be built around a broad courtyard which serves as the focal point of social interaction.



More than 800 apartments have already been occupied in HEP İstanbul.

Facility Management

Conducting its operations under the name "Tekfen Services", Tekfen Tourism & Management is a company that specializes in real estate management. The properties in its portfolio consist of Tekfen Tower, Kâğıthane OfisPark, Levent Office, and Tekfen Holding Ulus Campus in the commercial segment and of Taksim Residences, Bomonti Apartments, and Yalıkavak Tekfen Homes in the residential segment. Operating in a market whose real estate industry is growing rapidly but in which the importance of after-sales services is not sufficiently appreciated, Tekfen Services' goal is to achieve absolute customer satisfaction. Besides providing maintenance, repair, cleaning, and security services for the properties under its management, Tekfen Services also carries out maintenance and repair work on their technical systems as well. The Company likewise provides facility management services for its customers' parking lots, conference halls, fitness centres, and suchlike.

Because of the fully-integrated approach that is taken to real estate investment all over the world nowadays, many investment companies continue to be involved in the operation and management stages of the projects that they have undertaken in order to ensure continued customer satisfaction. Having set out in 2003 with such a long-term service vision in mind, Tekfen Services has acquired substantial property management know-how and experience. Further developing that know-how and experience and putting both to work in new projects are two of the Real Estate Group's priorities.

As it does every year, Tekfen Services 2017 undertook fabrication, renovation, and improvement operations in the technical, security, and general services aspects of the properties under its management. Particular attention was given to security, an issue that has become increasingly more important, and improvements were made in infrastructure, personnel, and functions in all projects.

One of the most important investments carried out at Tekfen Tower last year was a complete renovation of the CCTV system that involved replacing screens, cameras, storage, and control units. Energy-conservation investments that have been in progress for several years were also continued in 2017. Such investments reduced energy use by 13.1% in 2016 and by 5.6% in 2017.

Despite persistently unfavourable developments in the market for class-A office space in İstanbul, confidence in Tekfen Tower was reaffirmed once again in 2017 by its 99% occupancy rate. Investments in services and infrastructure were also continued at other properties under the Company's management in 2017 in order to safeguard project value and maintain customer satisfaction.

Tekfen Philharmonic celebrated its 25th anniversary in 2017.

Corporate Responsibility

Tekfen Holding espouses such business-related values as behaving ethically, working hard, and keeping one's word while adhering to an approach that focuses on people and the environment. The company regards the following as core components of its approach to management:

- Erecting and conducting all stakeholder relations on the foundations of transparency,
- Ensuring that its employees perform their jobs under conditions of the utmost health and safety,
- Carrying out its operations in ways that are environmentally compatible,
- Giving the value that it creates back to the community through projects which it undertakes as a corporate citizen and which contribute to communal development and to social and cultural life.

In their business conduct, Tekfen Holding and its subsidiaries are equally mindful of their activities' social, environmental, occupational health and safety, and quality dimensions and they carry out their operations with a sense of responsibility for the impact which they may have.

The roles which Tekfen's founding partners played as initiators, executives, and benefactors in numerous non-governmental organizations committed to addressing environmental, educational, and social issues have ensured that consideration for such issues has been a part of Tekfen's business culture and a focal point of all of its activities since the very first day. This corporate mindset still underpins Tekfen's sustainability approach even today.

Two new Tekfen Holding departments were set up at the beginning of 2017, with one being given responsibility for coordinating sustainability issues and the other responsibility for coordinating HSE and quality issues. This was done in order to provide an institutionalized structure so as to ensure greater transparency and consistency, to realign corporate values in light of current needs and expectations, and to better address customer wishes, investor expectations, sectoral trends, and rapidly evolving global regulatory requirements when dealing with such matters.

An important step towards the inculcation and internalization of sustainability as an integral part of Tekfen corporate culture in all group companies was taken in 2017 with the creation of a sustainability management structure in the form of a Sustainability Committee that is led by Tekfen Holding's VP for corporate affairs. The aims of this committee are to more effectively manage sustainability strategies and performance, to maximize inter-company and inter-unit sustainability coordination, and to identify and publicize sustainability-related best practices. In a process that calls for soliciting the participation of stakeholders as well, this committee is charged with identifying sustainability priorities and with formulating Tekfen Holding's and group companies' sustainability objectives, strategies, and roadmaps in light of such priorities. The Tekfen Group sustainability vision for fulfilling those objectives will be administered through a systematic and

500

Every year, Tekfen Foundation contributes to the education of 500 students.

In their business conduct, Tekfen Holding and its subsidiaries are equally mindful of their activities' social, environmental, occupational health and safety, and quality dimensions and they carry out their operations with a sense of responsibility for the impact which they may have. This corporate mindset underpins Tekfen's sustainability approach as well.









strategic approach that is an integral part of overall group strategy development. These activities and the results achieved through them will be disclosed to all stakeholders by means of sustainability reports that conform to internationally recognized Global Reporting Initiative standards.

The Health, Safety, and Environment (HSE) & Quality Coordination Department was created and charged with formulating a shared HSE and quality culture among Tekfen Group Companies by minimizing differences in their HSE and quality-related practices. As a first step, this department has set up an HSE-Quality Coordination Group consisting of representatives from group companies, thereby achieving multilateral and effective communication among them on HSE and quality issues. The minimum HSE requirements that are expected have also been specified and these requirements have been communicated to all group companies.

In order to ensure that Tekfen Holding's subsidiaries satisfy their customers and other stakeholders and are able to fulfill their mission of being the arbiters of their respective domestic and international markets, a quality management system conforming to the ISO 9001:2008 Quality Management System standard has been installed and is being implemented at Tekfen Construction headquarters and at all of its project workplaces and sites; at Toros Tarım headquarters and at its Mersin, Samsun, and Ceyhan production facilities; at Tekfen Manufacturing headquarters and at its Derince factory; and at Tekfen Engineering headquarters.

On October 28 2017, Tekfen Philhar-mini convened for the third time to play for the children with the aim of October 28 witnessed the third in a series of concerts held to foster a love of classical music among children and for which particular occasion the orchestra's name is changed to "Tekfen Philhar-Mini".

Occupational Health & Safety

While maintaining its leading position in all of the sectors in which it is active, Tekfen Holding also seeks to increase the satisfaction of its own employees. It does this by providing them with a safe and healthy workplace environment, by enhancing their working conditions through ongoing improvements, and by minimizing any harm that may be caused to personnel, outside parties, or property during the conduct of its business activities.

All Tekfen Group Companies accept it as a precondition that all of their employees be physically fit and occupationally qualified to perform their jobs. In order to ensure this, job-related duties, responsibilities, and competencies are specified and care is also taken, both when hiring people and when transferring them from one project to another, to be certain that they satisfy such criteria.

An occupational health and safety management system conforming to the OHSAS 18001:2007 Occupational Health and Safety Management System standard has been installed and is being implemented at Tekfen Construction headquarters and at all of its project workplaces and sites; at Tekfen Manufacturing headquarters and at its Derince factory; and at Toros Tarım headquarters and at its Mersin, Samsun, and Ceyhan production facilities.

Seeing it as crucial that employees be made sufficiently knowledgeable about and aware of occupational health and safety (OHS) issues in order to achieve Tekfen Group Companies' OHS targets, intensive training is provided to their own and to subcontractor personnel, with special attention being given to those employees in job categories whose risk levels are high. Of every 100 hours worked during 2017, an average of 0.83 hours was devoted to HSE training and an average of 0.76 hours was devoted to on-the-job training in the field.

Tekfen Group Companies employ an effective supervisory mechanism in order to ensure that their operations are carried out in accordance with regulations, plans, procedures, and instructions and in line with the group's Zero Accident Vision. For this purpose, daily field controls, weekly field inspections, internal inspections, and third-party inspections are conducted while the suitability, adequacy, and effectiveness of OHS management systems undergo a senior management review at least once a year.

Emergencies that might occur during the conduct of operations as well as the actions that should be taken should they occur are determined in advance; project- and workplace-specific contingency plans are drawn up; and the effectiveness of preparations and intervention methods is checked by conducting drills at regular intervals.

Every Tekfen Group Company recognizes that its OHS management system is an essential component of its business model and therefore is responsible for allocating resources to ensure that this system is effectively implemented and maintained and is constantly improved. HSE teams regularly on duty in the field are responsible for identifying and eliminating or minimizing accident risks and for taking measures that will prevent harm from being caused to people, property, or the environment. As of end-2017, there was a total of 261 HSE and 56 health personnel on duty across all Tekfen Group Companies.

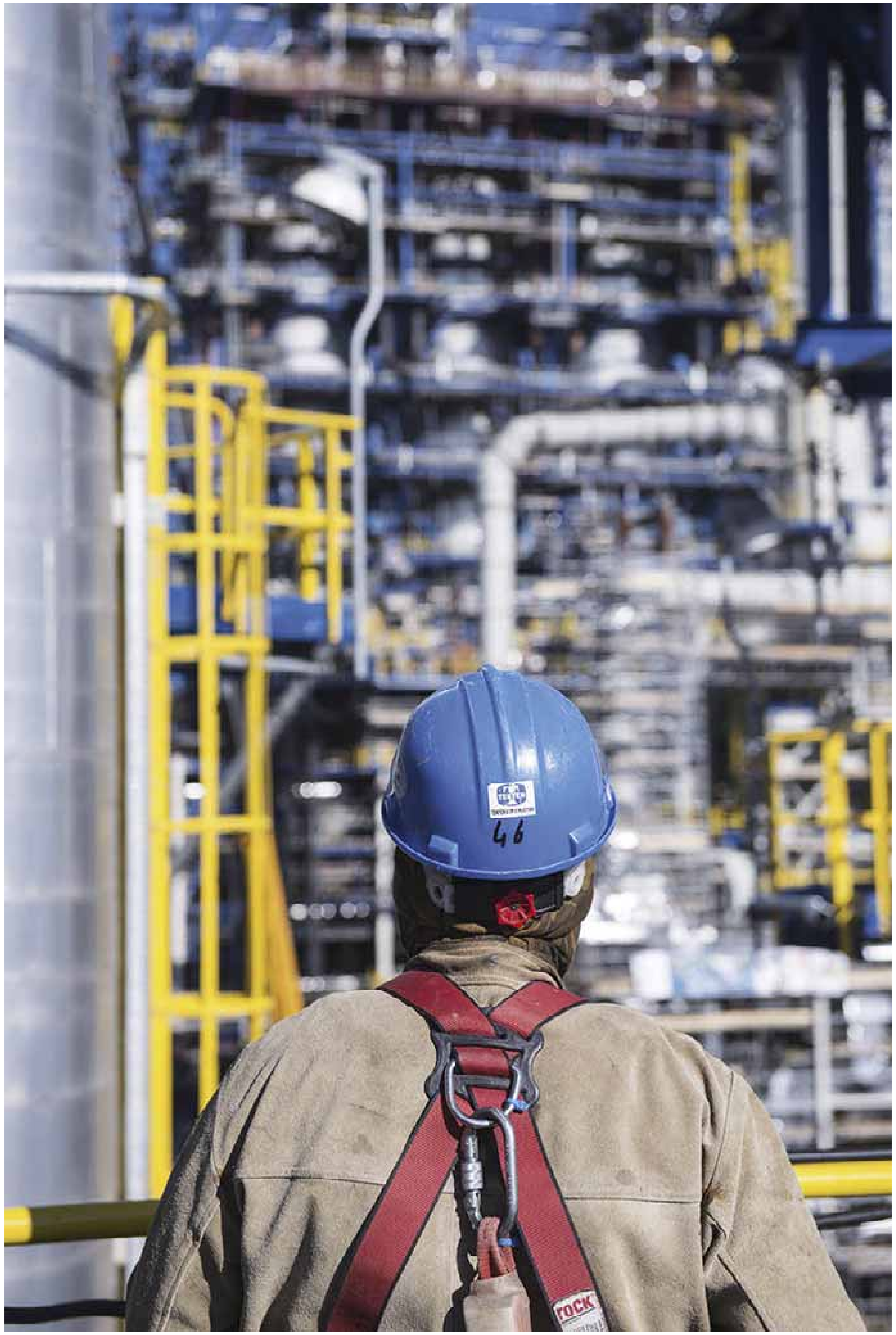
In 2017, a total of 72,356,242 man-hours, deemed to be seriously exposed to OHS risks, were clocked. During this period, there were no work-related fatalities while time corresponding to 35 workdays was lost due to accidents.

Tekfen Group Companies employ a "TRIR" (Total Recordable Injury Rate) methodology to measure, compare, and report their OHS performance. Tekfen defines this rate as the

261

As of end-2017, there was a total of 261 HSE and 56 health personnel on duty across all Tekfen Group Companies.

Every Tekfen Group Company recognizes that HSE awareness among employees plays a key role toward realising the group's Zero Accident Vision.



total number of accidents which occur during one million hours of worktime and which result in injuries that require more than first-aid level intervention. For the Tekfen Group as a whole, this rate was 0.843 in 2017.

Tekfen Construction

Continuing to lead its sector in terms of OHS management, Tekfen Construction's OHS performance surpassed internationally-recognized statistical averages in 2017. The company has made safety a part of its corporate culture at all of its workplaces and project worksites and it constantly seeks to improve its OHS practices. In order to promote employees' awareness of health and safety issues outside working hours and to contribute to the wellbeing of their families as well, an off-the-job safety guidebook has been published and distributed to them.

Tekfen Construction is a founding member of the International Pipe Line & Offshore Contractors Association (IPLOCA). The company's "Working on Steep Slopes" project submission was a runner-up in the 2017 round of the IPLOCA Health & Safety Awards. This award was given in recognition of the measures which the company took to prevent accidents from occurring while working on the steep slopes along the route of the Trans-Anatolian Natural Gas Pipeline Project (TANAP).

Toros Tarım

In its ongoing efforts to improve OHS standards at its facilities and workplaces and to make its employees aware of OHS issues and foster an OHS culture among them Toros Tarım set a "Zero Accident" target and launched a "Not Without You!" safety campaign, in 2017 that included the creation of a set of "Life-Saving Rules" spelling out what needs to be done in order to achieve that target.

In the conduct of this campaign, situation analyses were carried out at all workplaces in order to determine the existing state of the company's OHS culture. After strengths and areas in need of improvement were identified, priority action plans were drawn up. Work was also begun on the first phase of an "Operational Risk and Process Safety Management Current Situation Assessment" in order to identify the competencies, skills, and process improvements needed both to comply with EU regulations on the prevention and mitigation of major industrial accidents (EU Seveso Directive) and to set up an Integrated Safety Management (OHS & Operational Risk Management) System at the company.

The company has completed its analysis of the training that will be needed to develop the competencies and skills required for such a system and training matrices have been prepared. A Toros Work Safety Implementation Plan has also been drawn up and integrated into Toros Academy.

The processes involved in increasing risk awareness and OHS consciousness and in fostering integrated sustainability attitudes among personnel have been defined; implementation teams, action plans, and working groups have been created; and individual OHS targets have been set.

Seeing it as crucial that employees be made sufficiently knowledgeable about and aware of occupational health and safety (OHS) issues in order to achieve Tekfen Group Companies' OHS targets, intensive training is provided to their own and to subcontractor personnel.

Tekfen Construction's accident-free performance in 2017

- **Shah Deniz Offshore Platform Construction Project (Azerbaijan):** 27 million accident-free man-hours
- **Qatar North Road Highway Side Roads & Junctions Project (Qatar):** 25.3 million accident-free man-hours
- **Sangachal Land Terminal & Installation Project (Azerbaijan):** 16.8 million accident-free man-hours
- **Al Khor Expressway Project (Qatar):** 10 million accident-free man-hours
- **Star Aegean Refinery Project (Turkey):** 5.8 million accident-free man-hours
- **Ceyhan Steel Structure Fabrication Plant (Turkey):** 5.7 million accident-free man-hours
- **TANAP LOT 3 Pipeline Project (Turkey):** 5.6 million accident-free man-hours
- **BTC Pipelines & Facilities Repair Services (Turkey):** 4.3 million accident-free man-hours (about 9 years)
- **Jeddah-Yanbu Pipeline Project (Saudi Arabia):** 1 million accident-free man-hours
- **Azerbaijan Ministry of Taxes New Headquarters Building Project (Azerbaijan):** 1 million accident-free man-hours

Environment

For any company wishing to ensure that its growth is sustainable in today's world, constructing its plans for the future on sound foundations is as crucially important as the ability to understand correctly, react nimbly, and decide quickly. The cornerstones of those foundations are respect for society and the environment and technological progress.

Becoming aware of the steadily increasing social, economic, and environmental impact of climate change in recent years, Tekfen Holding began incorporating climate change sustainability and risk management issues into its business strategies.

Since 2010, Tekfen Group Companies have been collecting climate change data compatible with Carbon Disclosure Project (CDP) reporting criteria and reporting their greenhouse gas emissions performance within the group. In 2017, Tekfen Holding decided to formally join CDP's climate change programme and to publicly disclose its performance reports.

Tekfen Holding's report of the greenhouse gas emissions of its operations within Turkey to the CDP's climate change programme was judged to be one of the three most successful submissions that year and qualified the company for a "B" rating, which is the highest grade that can be given to an industrial concern that is disclosing its carbon performance for the first time. Beginning in 2018, Tekfen Holding will also begin submitting reports as a member of CDP's water programme.

An environmental management system conforming to the ISO 14001:2004 Environmental Management System standard has been installed and is being implemented at Tekfen Construction headquarters and at all of its project workplaces and sites; at Tekfen Manufacturing headquarters and at its Derince factory; and at Toros Tarım headquarters and at its Mersin, Samsun, and Ceyhan production facilities.

In 2017, Toros Tarım took an important step aimed at minimizing the environmental impact of its fertilizer manufacturing operations when it commissioned a CAN Unit Prilling Tower Flue Gas Cleaning System at its Mersin plant at an investment cost of about TRY40 million. This project was undertaken on a voluntary basis inasmuch as such systems are not required by environmental regulations currently in effect in Turkey. Thanks to it however, the plant is now able to operate at emission levels that are below those mandated by law in EU countries.

In 2017, Toros Tarım's project to set up an R&D centre at its Mersin plant was approved by the Ministry of Science, Industry and Technology. When it becomes operational, this centre will be exploring such issues as developing and optimizing manufacturing processes and reducing energy their requirements and environmental impact.

A dedicated team specialized on the environment at the TANAP Pipeline Project is in charge of safeguarding the surface soil, the endemic species, the sensitive ecosystems of the wetlands and at river crossings and to take all necessary precautions to ensure that the construction works have no or minimum hazardous effect on the natural habitat. To this purpose, all ecological sensitivities were mapped throughout the pipeline's right of way and habitats at risk, species under protection, trees and nests were all recorded. As an example, eggs laid by stone curlews (Burhinidae) were found during preconstruction survey as a result of which construction activities in the area were delayed by two months to enable the nestlings to fly away from the nest.

Greenhouse gas emissions of Tekfen's operations in Turkey (Tons of carbon dioxide equivalent)

- Scope 1 Emissions:
1,052,537 tCO2e

- Scope 2 Emissions:
45,050 tCO2e

- Scope 3 Emissions:
141,562 tCO2e

Scope 1 emissions: Emissions resulting directly from sources that are owned or controlled by Tekfen such as stationary plant, machinery, vehicles, and production processes

Scope 2 emissions: Emissions resulting indirectly from Tekfen's consumption of purchased electricity, steam, etc.

Scope 3 emissions: Emissions that are a consequence of Tekfen's operations but are not directly owned or controlled by the Tekfen such as employee commuting, business travel, third-party distribution and logistics, production of purchased goods, emissions from the use of sold products such as fuel and the electricity used by TAYSEB tenants.

Social Responsibility

In order to further advance its contributions to social and cultural wellbeing and to help build a livable future that is in harmony with nature, Tekfen established the Tekfen Foundation for Education, Health, Culture, Art, and Protection of Natural Resources (Tekfen Foundation) in 1999. Statutorily recognized as a "public service corporation" in 2004, the foundation's efforts are mainly in the areas of education and culture & art.
Members of the Tekfen Group also allocate resources for corporate social responsibility projects that are in line with their own particular goals and strategies. During 2017, Tekfen group companies donated a total of TRY3,792 thousand to socially beneficial projects.

Tekfen Foundation

Education

Every year Tekfen Foundation provides unconditional educational grants to successful but financially needy high school and university students studying in Turkey. To date, more than 2,000 such students have graduated with the financial support of Tekfen Foundation, which provided scholarships to 500 students during the 2016-2017 academic year.

In order that they may embark upon their careers with a better-informed awareness of what it is that they want to do, Tekfen Foundation also provides its scholarship recipients with traineeship/internship opportunities and with the mentoring support of their potential future colleagues at Tekfen Group Companies. Fifty-seven scholarship recipients were employed as interns at Tekfen group companies in 2017.

In the arts, Tekfen Foundation likewise enables talented and promising young people to pursue their education abroad. The cellist Nil Kocamangil is a recipient of such a scholarship while the bassoonist Emir Kutay Koçak, who is studying in Germany, is provided with instrument support by the foundation.

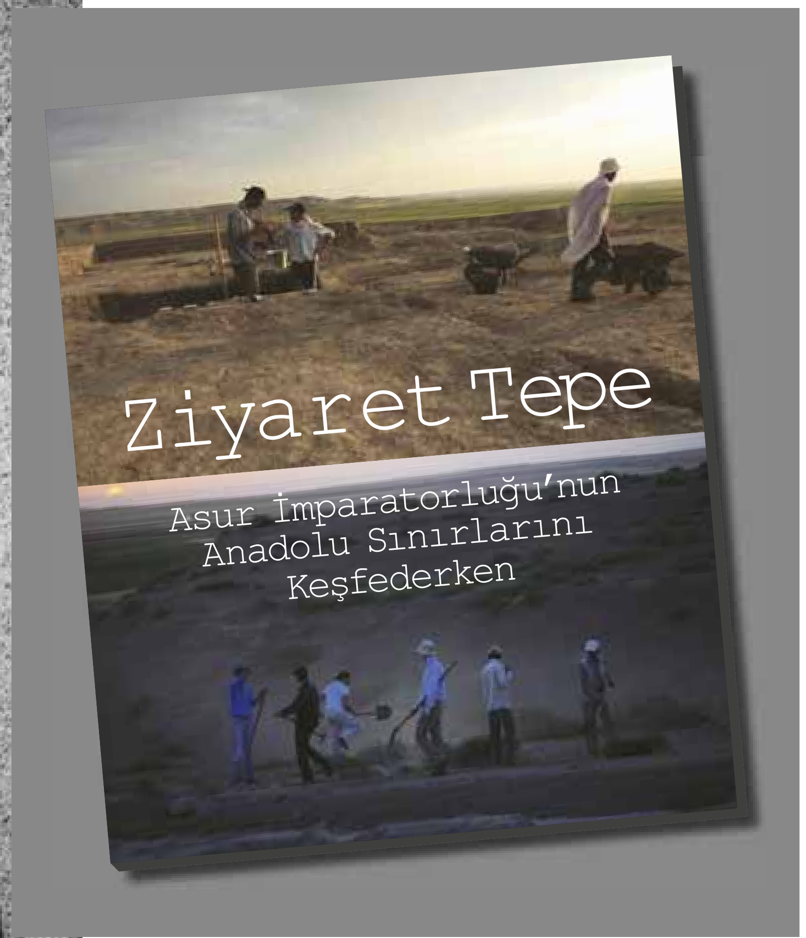
In 2017, Tekfen Foundation became one of the supporters for a period of three years of the Education Reform Initiative, an independent and not-for-profit organization whose aim is to come up with common-sense ways to contribute to a systemic transformation of education for the benefit of children and social development through sound evidence, constructive dialogue, and stakeholder engagement.

Culture & Art

Originally founded in 1992 as a chamber group, the Tekfen Philharmonic Orchestra has been continuing to give performances without interruption ever since. The orchestra is an important cultural initiative that seeks to complement its avowed mission of serving as an "ambassador of peace" by bringing together musicians from 23 countries in the Black Sea, Caspian Sea, and Eastern Mediterranean regions. In 2017, the orchestra celebrated its 25th anniversary.

Following the retirement of the orchestra's founding conductor Saim Akçıl in 2012, the search for a successor to replace him ended in 2017 with the selection of the young Uzbek conductor Aziz Shokhakimov as Tekfen Philharmonic's permanent conductor and artistic director. In parallel with this, extensive auditions were also held

(Top) Young violin virtuoso Roman Kim at Tekfen Philharmonic's 25th anniversary concert.
(Bottom right) The Ziyaret Tepe Archaeological Excavation supported by Tekfen Foundation was completed in 2014. The findings of 18 years of digging were collected in a publication likewise supported by the Foundation.
(Bottom left) Tekfen Philharmonic's newly appointed conductor Aziz Shokhakimov from Uzbekistan.



in 2017 with the aim of rejuvenating and expanding the orchestra.

The Tekfen Philharmonic's first concert in 2017, an "Opera Gala" at the Lütfi Kırdar Auditorium, was held on 18 June as part of the 45th İstanbul Music Festival. The soloists were the South African soprano Pumeza Matshikiza and the Vienna-based Turkish tenor İlker Arcayürek. The year's second concert took place on 25 October, also in İstanbul, at the Zorlu Performing Arts Centre with guest artists Behzod Abduraimov, an Uzbek-born pianist and rising classical music star, and Roman Kim, a violinist of Tatar and Korean parentage. October also witnessed the third in a series of concerts held to foster a love of classical music among children. (For such occasions the orchestra's name is changed to "Tekfen Philhar-Mini".) As entertaining as it was educational, this concert also took place at Zorlu Centre.

Archaeological excavations carried out at the Ziyaret Tepe mound in Diyarbakır in southeastern Turkey for many years with the support of the Tekfen Foundation have shed much light on aspects of ancient Assyrian history. A book compiling the results and findings of these excavations whose publication was sponsored by the foundation appeared in March 2017 and was shown off in İstanbul. Ziyaret Tepe: Exploring the Anatolian frontier of the Assyrian Empire, an English-language edition of the book, was shown off in London in December.

Sustainable Development

In the aftermath of the mining disaster which occurred on 13 May 2014 in the town of Soma in western Turkey and which resulted in the death of 301 miners, Tekfen Foundation supported the establishment of a microcredit branch in that town under the auspices of the Turkey Grameen Microfinance Programme. The mission of the Tekfen Foundation Microcredit Branch, which opened its doors on 17 November 2014, is to provide microloans to local women to use as seed capital in order to start income-earning businesses of their own. Two hundred ninety-nine low-income women in Soma are currently taking part in this programme; a total of 559 have benefitted from it so far.

In 2017, Tekfen Foundation decided to expand the scope of the Turkey Grameen Microfinance Program beyond Soma with the inclusion of the province of Mersin into its programme.

Tekfen Holding

Education

The İstanbul Technical University (İTÜ) Rover Team, which Tekfen Holding supported in 2017 in its ongoing efforts to encourage young people to involve themselves in innovation and technology, qualified to compete in the University Rover Challenge held at the Mars Desert Research Station in Utah owned and operated by the Mars Society in the United States. The team's entry was an unmanned space research vehicle that was developed at İTÜ and this was the first time that a Turkish team was admitted to the competition. As a newcomer to the event, the İTÜ Rover Team scored a considerable success by placing 13th among 36 teams.

In another instance of the Tekfen Holding's efforts to support young minds, the Company sponsored BUAlert, the Boğaziçi University Alternative Energy Racing Team, which qualified to take part in the Shell Eco-marathon Europe project in London.

Culture & Art

Tekfen Holding is a member of the board of trustees of the İstanbul Foundation for Culture and Arts and has been supporting that foundation's series of İstanbul festivals for many decades. As an adjunct of that support in 2017, Tekfen Holding acted as an event sponsor both at the 15th İstanbul Biennial, whose theme was "A good neighbour", and at the 21st İstanbul Theater Festival, whose slogan was "Theater is liberating."

In 2017, Tekfen Holding provided hospitality support for the İstanbul State Opera and Ballet company's performances of the ballet Giselle.

The İstanbul Technical University (İTÜ) Rover Team, was the first Turkish team to be admitted to the University Rover Challenge held at the Mars Desert Research Station in Utah owned and operated by the Mars Society in the United States.

Child taking a photography course during a summer school run by Tekfen Construction at Sarıcaali, a village near the Edirne worksite of the TANAP Compressor and Metering Stations Project.

Children learning the craft of paper marbling at the summer school in Sarıcaali.

Social Welfare
In the second half of 2017, the Tekfen Holding Board of Directors approved and gave its support for the launch of a long-term and comprehensive corporate social responsibility project, one aim of which is to create a community focusing firstly on occupational health and safety (OHS) issues, a matter that is much in need of greater attention in Turkey, so as to encompass not just all of Tekfen Holding's business lines and operations but all of its stakeholders as well. The second aim of the project as it progresses is to make use of Tekfen's own knowledge and experience of such issues in order to contribute to the spread of OHS awareness and to improve OHS criteria and performance throughout the country as a whole. As a first step, stakeholder analysis was carried out by conducting an extensive survey aimed at laying out a strategic roadmap for the project.

Sponsorships and Grants
Since 2012, Tekfen Holding has been supporting the "AKUT Friend" programme of the AKUT Search and Rescue Association, one of Turkey's leading non-governmental organizations.

Tekfen Holding contributed to the renovation of the İstanbul headquarters building of EYMİR Cultural Foundation, a graduates' association of the Middle East Technical University, a school that is an important source of the Tekfen Group's human resources. Renovation work was nearing completion as of the end of 2017.

Tekfen Construction

Education
In 2017, Tekfen Construction ran a summer school for primary and middle-school pupils at Sarıcaali, a village near the Edirne worksite of the TANAP Compressor and Metering Stations Project that the company is currently working on. The eight-week project's chess, mental arithmetic, paper marbling, percussion, photography, and documentary filmmaking workshops were designed to support the social development, environmental awareness, and cultural legacy of the participants and were attended by 33 pupils of different ages. The school closed with an exhibition showing off an assortment of photographs and other works that the youngsters had produced. A selection of the photographs was used for a 2018 Tekfen Construction calendar and also in a short film about the project

Social Welfare
Seasonal labour migration during the spring and summer months in the agricultural areas through which the route of the TANAP project passes, spawn social problems to which Tekfen Construction has also been giving attention. Shower cabins were provided for seasonal worker families, for whom bathing and personal hygiene resources may otherwise be lacking. Tents were supplied for use as part of nurseries and playgrounds for the families' preschool children and as annexes for the instruction of their school-age children. This project has earned Tekfen Construction a corporate social responsibility award from the International Pipe Line & Offshore Contractors Association (IPLOCA), a respected international professional organization.

During its conduct of the TANAP Compressor and Metering Stations Project in 2017 in the district of Damal in Ardahan in northeastern Turkey, Tekfen Construction built an observation terrace with a view of the "Mustafa Kemal Atatürk Silhouette", a local topographical curiosity which appears every year towards evening in the months of June and July and which has become a big tourist attraction in recent years. This terrace will be used as a gathering and celebration venue for the "In the Footsteps and Shadow of Atatürk Festival" that has been held in Damal every year since 1996.

Toros Tarım

Education
As it does every year, in 2017 Toros Tarım once again met the maintenance, repair, and general needs of the Toros Tarım Anadolu High School in Adana's Ceyhan district and of the Toros Tarım Primary School in that district's Kurtpınarı region.

Social Welfare
Since the day it was founded, Toros Tarım has sought to increase Turkey's agricultural productivity through the products that it offers, the support that it gives to farmer education, and the projects that it carries out. The company continues to undertake corporate social responsibility activities whose aim is to stand by Turkish farmers and increase their living standards.

In line with its pioneering efforts to let farmers benefit from advances in technology as well, in 2016 Toros Tarım introduced Toros Çiftçi (Toros Farmer), an agricultural decision-making support app that can be downloaded free of charge and installed on computers, tablets, and mobile phones. By entering parameters about weather and about soil and crop types, users are provided with

recommendations about the most appropriate action to take. Toros Farmer also helps farmers make more informed decisions about planting and other operations by showing the expected weather conditions for each field.

Toros Farmer has already been in active use for over a year. During this time, 6,500 farmers have used it to register close to 7,000 fields. For the first stage of the project, the app's developers worked with Çukurova University to formulate fertilization algorithms for the industrial crops (corn, wheat, barley, cotton, and sunflowers) that account for more than 60% of agricultural production in Turkey. Developers are now working on the second stage, which involves the development of fertilization models for tomatoes, potatoes, muskmelons, and watermelons. The new version of the app will be made available to farmers in 2018.

Sponsorships
Believing that agriculture-related issues should be resolved by addressing them scientifically and by dealing with them through the broad-based participation of the people involved, Toros Tarım acted as the prime sponsor of the "Zinc Iodine Day" conference that took place in Eskişehir in 2017.

Corporate Governance

Board of Directors Members' CVs

Murat Gigin
Chairman of the Board

Born in Istanbul in **1952**, Murat Gigin graduated in civil engineering from the University of Bradford in 1974. He gained his master's degree in mechanical engineering from the Department of Mechanical Engineering, University College London in 1975 and a degree in Ocean Engineering from the same university in 1976.

Gigin began his career at Tekfen Construction in **1977** as civil engineer on a project in Kuwait. On return to the company's headquarters in Istanbul in 1983, he coordinated the New Business Department and several international projects until he was promoted to Deputy General Manager in 1986. Gigin was General Manager of Tekfen Construction between 1988 and 1998 and joined the board of several Tekfen Contracting Group companies until 2000. He served on Tekfen Holding's Board of Directors between 1998 and 2015 and he was appointed Chairman by the Board on 7 May 2015.

Since **1998**, Murat Gigin has been a Board Member and Executive Director at Viem Ticari ve Sanayi Yatırımları Ltd. Şti. Group of Companies (Tekzen Ticaret ve Yatırım A.Ş., Agromak Makine İmalat Sanayi ve Ticaret A.Ş., Maxlines Maksimum Lojistik Hizmetleri A.Ş., Viem İletişim Yayıncılık Reklam Turizm Hizmetleri Yatırım Ticaret A.Ş., Ekozey Ekolojik ve Organik Tarım Gıda Hayvancılık ve Turizm Taşımacılık İthalat İhracat İnşaat Sanayi Ticaret A.Ş., İmbroz Tarım Hayvancılık Gıda Sanayi Turizm ve Ticaret Ltd. Şti., Galipoli Gıda Ürünleri Sanayi ve Ticaret Ltd. Şti., ENAT Endüstriyel Ağaç Tarımı Sanayi ve Ticaret A.Ş., Temarı Gıda Sanayi ve Ticaret A.Ş.). At the same time, he has served as Vice-Chairman of the Board at ANG Yatırım Holding A.Ş.

Active in a number of NGOs, Gigin was chairman of the International Pipeline and Offshore Contractors Association (IPLOCA) between 1995 and 1996 and he is presently on the Board of Trustees of the Turkish Foundation for Combating Soil Erosion, for Reforestation and Protection of Natural Habitats (TEMA), and on the boards of Akmerkez REIC, Kategori Mağazacılığı Derneği (KMD), the European DIY - Retail Association (EDRA) and the Global Home Improvement Network (GHIN).

Cansevil Akçağlılar
Vice Chairwoman

Born in **1930** in Istanbul, Cansevil Akçağlılar graduated from TED College in 1950. Between 1979 and 2006, Akçağlılar was a member of the Board of Directors of Tekfen Holding Co. Inc. She has served as a member and Vice-Chairwoman of the Board of Directors since 2007

Ali Nihat Gökyiğit
Founding Honorary Chairman and Board Member

Born in Artvin in **1925**, Nihat Gökyiğit received his BA at Robert College in 1946 and his MA in Civil Engineering at the University of Michigan in 1948.

In **1956**, he founded, with his partners, Feyyaz Berker and Necati Akçağlılar, the company FNN Müşavir Mühendislik, the genesis of Tekfen Holding. Since then, he has served either as a member or as chairman of the board of more than 50 of Tekfen's group companies. Nihat Gökyiğit retired as Chairman of the Board of Directors of Tekfen Holding in 2015. Upon the recommendation and decision of the Board of Directors, Gökyiğit and his partner Feyyaz Berker were given the titles of Founder and Honorary Chairman.

For 35 years, he has served as chairman of the Advisory Board of AIESEC-Turkey, the world's largest student organization. A member of the Turkish Industrialists' and Businessmen's Association (TÜSİAD) and of the Foreign Economic Relations Board (DEİK), Gökyiğit was a member of the boards of DEİK between 1988 and 2005 and of TÜSİAD between 1985 and 1987. He worked for 10 years as chairman of the Turkish-CIS Business Council, under the auspices of DEİK, and as Turkey's representative on the Black Sea Business Council. Gökyiğit is the

Honorary Consul of Georgia and Kyrgyzstan and an honorary citizen of Georgia. He is currently an honorary member of DEİK and a member of TÜSİAD.

Gökyiğit is the Founding Honorary Chairman of the Turkish Green Building Council and TEMA. He helped TEMA launch its first projects, related to the environment, protection of natural resources and rural development. One of these, the Camili Region Sustainable Development Project, won an award at the 2002 Johannesburg World Summit on Sustainable Development.

Through the ANG Foundation, which bears his name, he established the Nezahat Gökyiğit Botanical Garden on 50 hectares of land in Istanbul in memory of his wife. He is also the founder of the Tekfen Philharmonic Orchestra, an important cultural institution that also serves world peace.

Gökyiğit was given the Environmental Service Award by Akdeniz University and has received honorary doctorates from Çukurova, Boğaziçi and Gazi Osman Paşa Universities. Nihat Gökyiğit received the Order of Merit medal from the Turkish President in 1997, the Order of Merit award from the Turkish Parliament in 2010, and he was named the Schwab Foundation Social Entrepreneur of the Year by Ernst&Young in 2009.

Assoc. Prof. Ahmet İpekçi
Board Member and Advisor

Born in Istanbul in **1944**, Ahmet İpekçi graduated from the Academy of Economic and Commercial Sciences in 1968 and he gained his PhD from Istanbul University School of Economics in 1972. In 1977, he became Associate Professor at Istanbul University School of Management.

He started his career as an assistant at the Academy of Economic and Commercial Sciences in 1968 and continued at Istanbul Technical University as Assistant Professor. From 1977 to 1982, he served as Associate Professor at the same University.

In 1992, Ahmet İpekçi joined the board of HMB (Germany), a company that is part of the Tekfen Contracting Group. In 1994, he was appointed Financial Coordinator of Tekfen

Holding. Between 2000 and 2013, he served as Vice-Chairman of Tekfen Holding in charge of Investment and Service Companies. Since 2013, he has been a Tekfen Holding advisor and a board member of many Group companies, such as Tekfen Construction and Toros Tarım. In April 2014, Ahmet İpekçi joined the Board of Tekfen Holding.

Dr. M. Ercan Kumcu
Board Member and Advisor

Born in Istanbul in **1955**, Ercan Kumcu received his undergraduate degree from Boğaziçi University in 1977 and obtained a PhD in economics from Boston College. Kumcu taught macroeconomics, monetary theory, international economics and finance at Boston College, Eastern Michigan University and the State University of New York at Binghamton. He worked as guest researcher at the Central Bank of the Republic of Turkey, then General Secretary for a brief period, and he served as Vice-Chairman between 1988 and 1993.

He was Vice-Chairman of the Board of Directors and then Chairman of the Board at Tekfenbank (Eurobank Tekfen) between 1995 and 2008.

Kumcu has taught economic policy at Kadir Has University and he has published many articles. He is the author of the books "İstikrar Arayışları" (In Pursuit of Stability), "Krizleri Nasıl Çıkardık?" (How Did We Create Crises?; with Mahfi Eğilmez), "Ekonomi Politikası: Teori ve Türkiye Uygulaması" (Economic Policy: Theory and Practice in Turkey; with Mahfi Eğilmez), "Kadın Matematikçiler" (Women Mathematicians) and "Krizler, Para ve İktisatçılar" (Crises, Money and Economists).

Sinan K. Uzan
Board Member

Born in New York in **1986**, Sinan K. Uzan graduated from Pepperdine University (US) in International Business Administration in 2008. In 2012, he enrolled in the Family Businesses Management program at Northwestern University's Kellogg School of Management (Illinois).

He started his career as Assistant Chairman of StarClub Interactive Networks, a Los Angeles-based company engaged in music production and Internet strategies.

Between 2011 and 2012, he acquired experience in the fertilizer business at the Swiss Keytrade company before joining Tekfen Construction as Azerbaijan Project Coordinator from 2012 to 2013. Between 2012 and 2014, he worked as systems manager at the New York Hub Surgical & Orthopedic Supplies, a technology developer for diabetic patients. He is also the founder of Ankaa LLC (California), an Internet technology investment firm. Sinan K. Uzan was appointed to the Board of Tekfen Holding in 2014.

Neriman Ülsever
Independent Board Member

Neriman Ülsever was born in Bursa in **1951**, and graduated from Boğaziçi University in 1975.

Ülsever began her professional career at Turkish Airlines and assumed a growing set of responsibilities until 1986, after which date she served as senior executive in various industries such as banking, manufacture, and retail, until 1994.

Ülsever switched to Human Resources in 1994 and specialized in human resources and management consulting. After Indesit Company entered the Turkish market in 1995, she took on various roles within the group and on international platforms, serving as HR Director for East European and International Markets in Switzerland between 1999 and 2002, HR Director for West European Markets in France between 2001 and 2004, and HR Director for Global Commercial Organization in Italy between 2004 and 2006. Ülsever held the position of HR Director of the Indesit Company Group in Italy until 2010, also serving as member of the Executive Board. Ülsever had become a member of the Board of Directors of Indesit Turkey in 1996, and served as Chairwoman of the Board between 2011 and 2015.

Ülsever was the Group President of Human Resources at Sabancı Holding between 2011 and 2016 while also serving as Deputy Chairwoman to the Board at Kordsa Global and Temsa Global and member of the Board at Aksigorta, Carrefoursa, Avivasa, and Teknosa. Neriman Ülsever is currently a member of the Board at Autogrill S.p.A. Italy, and has been appointed independent member of the Board at Tekfen Holding as of March 23, 2017

Prof. Ahmet Çelik Kurtoğlu
Independent Board Member

Born in **1942** in Ankara, A. Çelik Kurtoğlu graduated in 1965 from the Department of Economics and Finance at the Faculty of Political Sciences at Ankara University, where he began his academic career. He gained his master's degree from Cambridge University and did post-doctoral research at Yale University. Kurtoğlu retired from his position as Professor of Economics at the Faculty of Economics at Istanbul University in 1995. Between 1997 and 2006, he was a faculty member at Galatasaray University.

Kurtoğlu served for a time as international economic relations advisor to the Ministry of Foreign Affairs. He worked as research director at the OECD Development Centre between 1983 and 1986. Starting as advisor to Jak Kahmi at the European Roundtable of Industrialists (ERT) in 1994, Kurtoğlu also served as advisor to Bülent Eczacıbaşı throughout his membership term.

In 1987, Kurtoğlu took an active role in the founding of DEİK (Foreign Economic Relations Board) and became its director, a position he held until 1995. He became General Secretary of the Black Sea Economic Cooperation Business Councils in 1992 and then served on the DEİK Board of Directors and Executive Committee until 2008.

Kurtoğlu joined Global Menkul Değerler A.Ş. in 1995 and then, founding Kurdoğlu Danışmanlık A.Ş. in 1999, he began providing consultancy service in strategy, business development and financing. Kurtoğlu also worked as a consultant to Mitsui Trading Company Türkiye between 2000 and 2007.

A. Çelik Kurtoğlu founded Kurtoğlu Danışmanlık A.Ş. in 2001 to provide consultancy services, and later changed the name of this company to Çelik Kurtoğlu Danışmanlık A.Ş. He established the "good company" Danışmanlık A.Ş., which specialized in corporate governance, in 2003. Kurtoğlu continues to provide consultancy services as Chairman of the board Çelik Kurtoğlu Danışmanlık A.Ş. and Chairman of the board of Simon-Kucher & Partners Strateji Danışmanlar Ltd. Şti.

A. Çelik Kurtoğlu served on the board of nine banks that became part of the TMSF (Saving Deposit Insurance Fund) in 2001 and on the board of Tekfenbank between 2002 and 2007. He also served as Chairman of the Board of TEMA between 2007 and 2008. He has been an Independent Member of the Board of Directors of Tekfen Holding since May 2012

Çiğdem Tüzün
Independent Board Member

Çiğdem Tüzün was born in Ankara in **1954**. She graduated from TED Ankara Koleji in 1971 and from Ankara University, Faculty of Political Sciences in 1975. She completed her graduate work in economics at the same faculty.

Tüzün worked as revenue expert at the General Directorate of Revenues at the Ministry of Finance between 1975 and 1978, as expert and then director in bilateral economic relations and European Economic Union at the State Planning Office between 1978 and 1988. In 1987, she was on the team that conducted Turkey's full accession application to the EC.

In 1988, Çiğdem Tüzün became an assistant director at the Foreign Economic Relations Board (DEİK), and worked as Director at the same institution between 1995 and 2006. Since 2006, Tüzün has been working as a consultant and writer on foreign relations, with numerous works on corporate history. Çiğdem Tüzün has been an Independent Board Member at Tekfen Holding since 2014.

Zekeriya Yıldırım
Independent Board Member

Born in **1944.** Zekeriya Yıldırım graduated from Darüşşafaka High School in 1962. He received a B.A. in economics from Istanbul University and a master's from Vanderbilt University.

He began his career at the Ministry of Finance as assistant auditor and then auditor. He specialized in international finance at the Turkish Central Bank, where he started work in 1977, and played an active role in liberalizing the economy, encouraging competition, and opening up the Turkish market to international competition. He left the Central Bank in 1987 as Vice-Chairman.

Yıldırım served for a time as vice-chairman of the board and Chairman of the executive committee at Doğuş Group. He also served as chairman and member of the boards of companies affiliated with Doğuş Group and other private sector institutions. In addition, he has worked as advisor to Turkish and foreign companies. Since 1998, Zekeriya Yıldırım has been chairman of the board of Yıldırım Danışmanlık Hizmetleri A.Ş., which provides consultancy in corporate financing, management, and strategy to leading Turkish and international companies.

Yıldırım is a partner and chairman of the board of Ada Plant A.Ş., a company that raises ornamental plants, and chairman of the board of FU Gayrimenkul Yatırım Danışmanlık A.Ş., which investigates and authenticates the legal status of immoveable properties and gives consulting to banks and financial institutions. He was on the board of FU and Doğan Holding between 2008 and 2012, and on the board of Doğan Holding between 2008 and 2010, Yıldırım has been an Independent Member of the Board of Directors of Sabancı Holding since 2012.

Zekeriya Yıldırım has been chairman of the Turkish- Dutch Business Council, under the auspices of DEİK, for 13 years. Between 2007 and 2013, he served as chairman of the board of the Darüşşafaka Society and he is currently chairman of the Darüşşafaka Society Higher Advisory Board. Yıldırım is a member of the Turkish Industrialist's and Businessmen's Association (TÜSİAD) High Advisory Council Presidential Board, is on the Board of Trustees of the Ayhan Şahenk Foundation and the Educational Volunteers Foundation of Turkey, and is Editorial Board chairman of Finans Dünyası.

Zekeriya Yıldırım has been an Independent Member of the Board of Directors of Tekfen Holding since 2013.

Senior Management CVs

Osman Cengiz Birgili

President, Tekfen Group of Companies

Born in Istanbul in **1951**, Osman Birgili graduated from Middle East Technical University, Civil Engineering Department in 1978.

He joined Tekfen Construction as a civil engineer and, after holding various positions, he became Vice President of Tekfen Construction in 1998. Birgili served as Senior Vice President of Tekfen Construction between 2005 and 2013, and he played an active role in Tekfen Holding's IPO in 2007.

Birgili was appointed President of Tekfen Holding on 11 May 2013. He also holds the titles of Vice- Chairman of the Board in Tekfen Construction, Tekfen Engineering and Toros Tarım, and he is on the board of HMB AG.

Osman Birgili was also President of the International Pipeline and Offshore Contractors' Association (IPLOCA), representing Turkey between 2011 and 2012.

Gürbüz Alp Kireç

Vice President, Contracting Group

Born in Çanakkale in **1951**, Gürbüz Alp Kireç graduated from Robert College in 1969, receiving his undergraduate degree in Civil Engineering at Boğaziçi University in 1973 and his MS in Analytical Soil Mechanics at King's College, University of London in 1974. Kireç began his professional career as Planning Engineer at the construction of the Çanakkale Cement Plant in 1974.

Kireç joined Tekfen Construction and Installation, Inc. as Assistant Site Manager in 1978, serving as Project Coordinator and Project Manager in various projects both in Turkey and abroad until 1994. He was appointed Deputy General Manager of Teksan (Tekfen-Eksan) JV in 1991, and served as General Manager of the Oger-Tekfen Partnership in Saudi Arabia between 1994 and 1998. At this date, he was appointed VP of Logistics at the company headquarters. In 2003, he assumed the position of VP in charge of Operations, and was Senior VP of Operations between 2005 and 2013 while also serving as Chairman of the Board at GATE, Inc. and Project Sponsor of the Azerbaijan and Saudi Arabia projects.

Kireç became Vice Chairman of the Board at Tekfen Construction in 2013 and Chairman of the Board at Tekfen Construction, Tekfen Manufacturing and Tekfen Engineering as well as Vice Chairman of the Board at Azfen and Geotek JVs in 2016.

In March 2017, Gürbüz Alp Kireç was appointed Vice President of Tekfen Holding in charge of the Contracting Group.

Hakan Göral

Vice President, Agri-Industry Group

Born in **1967**, Hakan Göral graduated from Eskişehir Anatolian High School in 1985 and Boğaziçi University, Department of Mechanical Engineering in 1990. He then received his MS from Marmara University, Department of Industrial Engineering. Göral also attended advanced programs in Executive Management and Leadership at Northwestern University, Kellogg School of Management, and Stanford University.

Between 1990 and 2002, Göral was in charge of coordinating supplier development, purchasing, and central purchasing operations as Group Manager in the Automotive Supply Coordination Group of Koç Holding and was also leading a number of projects within the Koç Automotive Group. He then worked as Deputy General Manager responsible for Sales, Human Resources, Information Technologies, Accounting, and Finance and CFO at Mako Elektrik (Magneti Marelli J. V.) between 2001 and 2004. In 2006, Göral assumed the title of Senior Vice President, Turkey at Componenta, which had acquired Döktaş, and served as Executive Board Member of Componenta Corporation and as the general manager of four business units in Turkey. Göral was also Member of the Board at Componenta Dökümcülük ve Ticaret A.Ş. and Kumsan A.Ş.

Between 2012 and 2016, Göral was CEO and Chairman of the Executive Board at İnci Holding, and was chairman or member the board of several İnci Holding Group Companies such as İnci Akü, İncitaş, ISM, İnci Lojistik, Aten Brantner, and Maxion İnci.

In April 2016, Hakan Göral was appointed General Manager of Toros Tarım and Tekfen Holding Deputy Vice President in charge of the Agri-Industry Group.

Zeynep H. Akdilli Oral

Vice President, Real Estate Development Group

Born in İstanbul in **1959**, Zeynep Akdilli Oral graduated from Adapazarı High School in 1977 and received her BS from Istanbul Technical University, Department of Mechanical Engineering in 1982.

Akdilli Oral began working as project engineer at Çilingiroğlu Mühendislik ve Müşavirlik Ltd. Şti. the following year, and later as Bid Preparation and Sales Engineer at Transklima İzzet NASİ. In 1990, she started working at Akmerkez Etiler Adi Ortaklığı as Construction Site Control Engineer, and was appointed as Vice-General Manager and then General Manager of Üçgen Bakım ve Yönetim Hizmetleri A.Ş., the managing company of Akmerkez. Between 2004 and 2012, Akdilli Oral served as the General Manager of Akmerkez GYO and between 2012 and 2016 as the General Manager of SAF GYO A.Ş. Since May 2016, Zeynep Akdilli Oral is the Chairwoman of the Boards of Tekfen Emlak Geliştirme ve Ticaret A.Ş. and Tekfen Gayrimenkul Yatırım A.Ş., and the Vice- President – Real Estate Development of Tekfen Holding.

Assoc. Prof. Osman Reha Yolalan

Vice President, Corporate Affairs

Born in Istanbul in **1961**, Dr. Osman Reha Yolalan graduated from Istanbul Technical University in 1984 with an undergraduate degree in industrial engineering. He then attained a master's degree in the same field from Boğaziçi University in 1987 and a PhD in management science from Université Laval, Canada, in 1990. Since 1993, he has been a part-time faculty member at Boğaziçi, Marmara and Sabancı universities teaching courses in economics and finance. In 2000, Yolalan became an associate professor in operations research.

Yolalan started his professional career as a Strategic Planning Group specialist at Yapı ve Kredi Bankası A.Ş. in 1991. Between 2000 and 2004, he served as Executive Vice President in charge of financial analysis and credit risk management, and then as Yapı ve Kredi Bankası A.Ş. CEO between 2004 and 2005. He has also served as Board Member of the bank's financial affiliates in Turkey and abroad.

Osman Reha Yolalan joined Tekfen Group of Companies first as a member of the Board of Directors at Tekfenbank in 2006, and Tekfen Holding within the same year, in order to assume a key role in the Company's IPO in 2007. Since then, he has been Vice- President of Tekfen Holding in charge of Corporate Affairs and member of the Board of Directors in a number of Group Companies. As of June 2016, he has been elected Independent Board Member of QNB Finans-bank.

Ahmet Okçular

Vice President, Strategy, Business Development and Investment Deputy Vice President, Finance

Born in İstanbul in **1970**, Ahmet Okçular graduated for Kadıköy Anatolian High School in 1988 and received his BS degree from Boğaziçi University, Departments of Electrical and Electronics Engineering and Industrial Engineering in 1993 and his MS degree in International Business Management from International University of Japan in 1995.

Ahmet Okçular began his professional career as an Associate in the Corporate Finance Department of Finans and became the Group Manager serving as an advisor on numerous public offerings, M&A transactions, project financing and privatization projects. In 2005, Okçular joined HSBC Bank as the Head of M&A Advisory & Equity Capital Markets, contributing to the bank's investment banking franchise in Turkey and successfully facilitating many important M&A transactions and public offering projects. Okçular also managed the brokerage operations of HSBC in Turkey, as the Executive Member of the Board of Directors at HSBC Yatırım Menkul Değerler A.Ş.

Ahmet Okçular was appointed Deputy Vice President of Finance of Tekfen Holding on 8 April 2016 and Vice President of Strategy, Business Development and Investments in 2017. Okçular has also assumed the position of Member of the Board of Directors of Tekfen Emlak Geliştirme Yatırım ve Ticaret A.Ş. since 2016.

Tekfen Group Companies

- Contracting
- Agri Industry
- Real Estate
- Other Activities
- Companies not included in consolidation

Tekfen Holding

(370,000,000 TL)

- **TEKFEN TURİZM** (TRY50,000) 100%
- **AKMERKEZ LOKANTACILIK** (TRY100,000) 30.50%
- **ÜÇGEN BAKIM VE YÖNETİM** (TRY50,000) 27.45%
- **TEKFEN ENDÜSTRİ** (TRY100,000) 100%
- **BELPA** (TRY100,000) 100%
- **TÜMTEKS**, **TSKB A.Ş.**, **AKÇANSA**, **TURCAS**, **SINAİ VE MALİ YAT.**, **TOREN**, **GAZ DEPO**
- **TEKFEN TARIMSAL** (TRY25,000,000) 100%
- **TEKFEN EMLAK GEL.** (TRY50,000,000) 100%
  - **TEKFEN RÖNESANS ADİ ORTAKLIĞI** (TRY50,000) 50%
- **AKMERKEZ GMYO** (TRY37,264,000) 10.79%
- **TEKFEN GMY** (TRY13,500,000) 99.98%
  - **FLORYA GMY A.Ş.** (TRY114,000,000) 50%
- **TEKFEN SİGORTA** (TRY1,610,000) 100%
- **TEKFEN TEKNOLOJİ YATIRIM VE TİC. A.Ş.** (TRY30,000,000) 100%
  - **TEKFEN VENTURES L.P.** ($50,000,000) 100%
  - **TEKFEN VENTURE MANAGEMENT LLC** 100%
- **TEKFEN INT. FIN & INV S.A.** ($131,300,000) 100%
  - **TST INT'L TRAD. LTD.** ($10,000) 100%
  - **TEKFEN CONSTR.** ($10,003) 100%
  - **PETROFERTIL TRAD.** ($10,000) 100%
  - **CENUB TİKİNTİ** (AZN 1,323,694) 51%
  - **TST INT'L LTD** (GBP 10,000) 100%
  - **TEKFEN INT'L LTD** (GBP 7,500) 100%
  - **INDUST. SUPPLY** ($10,000) 100%
  - **HMB** (€35,000,000) 100%
  - **PETROFERTIL SHIP.** ($10,000) 100%
  - **ANTALYA STÜD.** (TRY5,250,000) 100%
- **TOROS TARIM** (TRY700,000,000) 99.98%
  - **TOROS GEMİ** (TRY650,000) 100%
  - **TAYSEB** (TRY2,700,000) 100%
  - **HISHTIL-TOROS** (TRY9,733,052) 50%
  - **ASBAŞ** (TRY495,000) 10%
  - **TOROS TERMİNAL** (TRY50,000) 100%
  - **MESBAŞ** (TRY5,402,160) 9.56%
  - **BLACK SEA** (TRY2,100,000) 30%
- **TEKFEN İNŞAAT (TRY100,000,000)** 99.99%
  - **TEKFEN MÜHENDİSLİK** (TRY1,000,000) 100%
  - **AZFEN** (AZN276,885) 40%
  - **TEKFEN İMALAT** (TRY30,000,000) 100%
  - **TEKFEN TUBİN ÖZDEMİR** 70.65%
  - **GATE İNŞAAT** (TRY50,000) 50%
  - **TUBİN TEKFEN ÖZDEMİR** 25%
  - **GAMA TEKFEN TOKAR** 35%
  - **TEKFEN TML** 66.66%
  - **DOĞUŞ-TEKFEN ADİ ORTAKLIĞI** 50%
  - **TEKFEN - AL JABER ORTAK GİRİŞİMİ** 50%

2017 Corporate Governance Compliance Report

Section 1
Corporate Governance Compliance Statement

The Tekfen Group has deep-rooted values and strong corporate foundations and it stringently adheres to the principles of corporate governance. It believes that doing so enables it to maintain successful business practices and makes Tekfen shares an attractive investment instrument for current shareholders and potential investors. Even before becoming a publicly traded group of companies in 2007, Tekfen Group had been built upon the principles of equality, transparency, accountability and responsibility corporate governance principles that are the basis of its relations with management, its partners, employees and third parties. In this respect, it has wholeheartedly adopted the Capital Markets Board Corporate Governance Principles and it is committed to implementing them properly. The Tekfen Group maintains the interests of shareholders and stakeholders on equal footing and aims at maximizing its market value.

The Tekfen Group closely monitors new approaches to and regulations in the area of Corporate Governance. It is scrupulous in adapting to legal and regulatory changes as quickly and flawlessly as possible. Accordingly, Tekfen Group adheres to the principles enshrined in the Corporate Governance Principles Communiqué issued by the Capital Markets Board at the beginning of 2014. Our Group has also adopted most of the Capital Market Board's discretionary Corporate Governance Principles since they were already largely covered by Tekfen's long-applied conservative management philosophy.

Section 2
Shareholders

2.1. Investor Relations Department

Investor Relations and Corporate Governance Directorate is responsible for ensuring that the practice of shareholder rights in our Company complies with CMB Corporate Governance Principles and all relevant legislation and to provide communication between existing and potential shareholders and the Board of Directors which is active concerning the exercise of shareholder rights.

This department reports to The Corporate Governance Committee and to Associate Professor Dr. Osman Reha Yolalan, Vice President in charge of Corporate Affairs.

The Investor Relations Department can be contacted as follows:

Investor Relations and Corporate Governance Director:
Çağlar Gülveren, CFA
Tel: +90-212-359 34 20
Fax: +90-212-257 00 81
E-mail: caglar.gulveren@tekfen.com.tr
or investor@tekfen.com.tr

Investor Relations and Corporate Governance Deputy Manager: Serdar Can Çimenser
Tel: +90-212-359 38 09
Fax: +90-212-257 00 81
E-mail: can.cimenser@tekfen.com.tr

Investor Relations and Corporate Governance Director Çağlar Gülveren holds the CMB's Corporate Governance Rating License (license No. 700022) and Capital Market Operations Advanced Degree License (license No. 200075); he is responsible for the Company's compliance with all obligations arising from capital market regulations and coordinating corporate governance applications. The 2017 department operations report was submitted to the Board of Directors on 22 February 2018.

2.1.1. Investor Relations Department Responsibilities
The main regulatory responsibilities of the Investor Relations Department are as follows:

– To ensure that the records of correspondence between investors and shareholders, as well as other data and documents, are carefully maintained and are up-to-date,

– To respond to written requests from shareholders for information about the Company structure,

– To prepare the necessary documents pertaining to the General Assembly meeting for review by shareholders; and to take measures so that the General Assembly meeting is held according to the pertinent regulations, the Articles of Association, and other corporate bylaws,

– To make sure that the obligations stemming from capital market regulations pertaining to corporate governance and public disclosure are met.

In addition, the Investor Relations Department carries out the following activities:

– Monitoring and updating on a regular basis the contents of the "Investor Relations" section of the website,

– Responding to requests from investors and analysts regarding the Holding and the Group companies,

– Conducting one-on-one talks when necessary, and attending conferences and meetings on this subject,

– Supervising and monitoring all matters related to public disclosures, including preparing and sending,

– Announcements of material events as required to the Public Disclosure Platform,

– Obtaining the financial and operational data required by analysts for their research reports, providing these data have been previously disclosed to the public and do not contain trade secrets, ensuring the preparation of research reports from complete, accurate and current data, and examining and monitoring these reports prepared in this context,

– Answering by telephone or electronic mail the questions and requests for information of existing and potential local and foreign investors to the degree that legal regulations allow,

– Organizing teleconferences and meetings with the participation of the senior management for investors and analysts following announcements of quarterly Financial Reports to the public,

– Preparing detailed quarterly presentations regarding the activities and financial condition of the Company with the support of the relevant departments,

– Within the framework of regulations related to public announcements of material events, preparing lists of those with insider information and keeping this list current,

– Keeping up with the information contained in the Registry System held by the Central Registration Agency.

2.1.2. Activities of the Investor Relations Department in 2017
Foreign institutional investors hold some of the publicly traded portion of the Company's capital. Consequently, many existing and prospective foreign institutional investors and brokerage companies' analysts who render services to such investors request visits to the Company. The department strives to meet these requests by facilitating the active participation of the Company's senior management. In this context, in 2017 in addition to conferences attended, the Department conducted one-on-one meetings with 52 investors, and held 14 teleconferences. In addition, the Department participated in five conferences in Turkey and abroad and five roadshows organized abroad and conducted individual talks with 84 representatives of institutional investors during these meetings, which lasted a total of 20 days.

Additionally, four teleconferences open to all interested investors and analysts were held regarding the quarterly activities and financial results of our Company and "Investor Presentations" regarding these quarterly results are posted on the Company website in both Turkish and English. Information regarding attendance at these teleconferences to evaluate quarterly financial results is posted on the Company website at least two weeks in advance and sent by email to everyone who wants to be on our distribution list.

2.2. The Use of Shareholders' Rights to Obtain Information

All requests for information from shareholders that reach the Investor Relations Departments are answered without prejudice in a fair and equal way provided that this information has been previously disclosed to the public and does not contain any trade secrets.

In addition, investors can obtain accurate and current information and data from the "Investor Relations" section of the Company's website (www.tekfen.com.tr) which appears in both English and Turkish. No information or explanation that could affect the use of shareholder rights was posted on the Company's website during this reporting period.

Since, in accordance with the Turkish Commercial Code and the Capital Markets Law, shareholders have the right to request the appointment of a statutory auditor, there is no provision in the Company's articles of association for the appointment of a special auditor. No request to make such an appointment was received during this reporting period.

2.3. General Assembly Meetings

The 2016 financial reports were presented to the public on 23 February 2017 and the Ordinary General Assembly was held on 23 March 2017 at 14:00 in the Conference Hall of Tekfen Tower located at Büyükdere Cad. No. 209, 4. Levent-Istanbul.

The General Assembly Disclosure Document, containing detailed explanations pertaining to the items of the agenda, annual report, financial tables and reports, dividend distribution recommendations and a copy of the power of attorney, were presented for shareholder inspection at Company headquarters, on the e-Company and e-General Assembly pages of the Central Securities Depository website and on our Company's website (www.tekfen.com.tr) at least three weeks prior to the General Assembly.

The shares that represent the issued capital of our Company are all registered bearer shares. The Invitation to the Ordinary General Assembly is issued in compliance with all regulations and the Company's Articles of Association within the specified period of time, and together with a sample proxy form and the agenda is published in the Turkish Commercial Gazette.

Our General Assembly Meeting was held on 23 March 2017, participation in which was also possible via e-voting. Out of a total number of shares of 370,000,000 and representing TRY370,000,000 in shareholders' equity, 276,988,580.4205 shares (74.86% participation ratio, including remote participation) were in attendance.

The meeting was not attended by the press or other stakeholders other than shareholders.

According to Article 24 of our Company's Articles of Association, voting at General Assembly Meetings is done by raising hands or counting votes electronically, with proxies showing the appropriate documents as per the Capital Markets Board directives. At the meeting, each item is voted upon separately.

A report on the donations (totaling TRY7,343,730) made in 2016 and their recipients was submitted to shareholders by an additional article on the General Assembly's Agenda.

At the General Assembly Meeting, shareholders have the opportunity to ask questions and these questions are answered by Company managers attending the meeting. At the General Assembly Meeting, no proposals were made by shareholders.

The agenda of the General Assembly Meeting, together with the list of attendants and meeting notes may be obtained from Company headquarters or from our website (www.tekfen.com.tr).

2.4. Voting Rights and Minority Rights

2.4.1. Voting Rights
Prior to our Company's IPO, privileged rights were removed by an amendment of the Articles of Association in compliance with the CMB's Corporate Governance Principles. Currently there are no privileged rights. As a result, every share carries a single vote; this point is clearly stated in our Company's Articles of Association. In line with the CMB's regulations, shareholders may use their voting rights directly or via a duly authorized proxy.

The Company's capital contains no cross ownership.

2.4.2. Minority Rights
The Company's Articles of Association contain no provision for the representation of minority shareholders in the management of the Company or about utilization of the method of cumulative voting. Pursuant to our Articles of Association, shareholders with at least 5% share of the Holding's capital may submit in writing to the Board of Directors a request that a General Assembly meeting be convened, clearly stating the rationale for such a request and the agenda for such a meeting, or that an item be placed on the agenda, a decision about which will be made by the General Assembly.

The 5% minority that invited the Board to the meeting, reserves the right to obtain authority from the court.

2.5. Dividend Right

Company dividend policy is determined according to the Turkish Commercial Code, Capital Markets Law; Capital Markets Board Regulations and Directives, Tax Laws, other relevant legislation, and the Company's Articles of Association. Our Company's "Dividend Policy" which was approved by the Board of Directors on April 4, 2008 was presented to our shareholders at the General Assembly Meeting on May 8, 2008. Our Company's Dividend Policy is given in our Annual Report and on our company website.

According to our Articles of Association, a dividend equal to a minimum of 30% of distributable net income after deducting all legal obligations shall be paid to our shareholders.

Taking into consideration the legal period of time following the completion of the General Assemblies of our subsidiaries and partnerships included in the consolidated financial statements, dividend payment recommendations are announced to the public in accordance with relevant legislation upon the resolution of the Company's Board of Directors.

At the General Assembly Meeting held on 23 March 2017, it was resolved to payout dividends of TRY113,545,600, representing 35% of distributable net profit, to our shareholders, and to distribute them on 29 March 2017.

2.6. Transfer of Shares

The Company's Articles of Association place no limitations on the transfer of shares (cf. Article 6) within the limits set by the Capital Markets Law.

Section III
Public Disclosure and Transparency

3.1. Corporate Website and its Content

Our Company's website, www.tekfen.com.tr, under Investor Relations, details the relevant materials in line with the provisions of the Capital Markets Board Corporate Governance Principles. In addition, the same information is available on our Company's English website for the benefit of international investors.

3.2. Annual Report

Our Company's annual report is prepared as the Turkish Commercial Law and the Capital Market Regulations require and in such a way that full and accurate information about our Company's activities reach our shareholders, the public and all other stakeholders.

Section IV
Stakeholders

4.1. Informing Stakeholders

The Holding informs stakeholders of important Company developments via internal correspondence, meetings, the intranet and internet, press meetings, briefings, and other written and visual media.

Stakeholders, investors, and analysts can access financial reports, annual reports and other presentations and information regarding the Holding via the official Company website.

Because the Company is a holding company, it is not directly involved in commercial activities. However, depending on the business area of the Holding's companies, stakeholders (such as customers who have affiliation with the Company, franchisees, and suppliers) are informed about issues of interest to them, via franchise meetings or training sessions.

Employees are informed via various events, periodical meetings with managers, and the intranet. Some important announcements and messages are communicated to all employees via email. Tekfen Holding places great emphasis on dialogue between the employees and managers and facilitates such an information flow.

It is the duty of the Audit Committee to see that legal regulations are complied with, while it is the responsibility of the Corporate Governance Committee, which is charged with overseeing this compliance, to examine complaints from partners and stakeholders about matters pertaining to corporate governance and to see that they are resolved.

4.2. Participation of Stakeholders in the Management

No structure for the involvement of stakeholders in the Company's management has been established. However, managers evaluate requests and recommendations emanating from meetings held with the employees and other stakeholders and thus, relevant policies and applications are developed.

4.3. Human Resources Policy

The Human Resources Policy of Tekfen Holding and group companies are formulated on the following principles:

Continuous customer and employee satisfaction is a guarantee of the present and future success of a company.

To minimize any possibility of damage to employees, third parties, property, or the environment, Tekfen Holding arranges all its operations according to the following work principles, presented in order:

Abide by all relevant laws, regulations and directives regarding Health, Safety, the Environment, and Quality for which all managers and employees are responsible,

Keep strict adherence to standards and customers' specifications so as to eliminate or minimize customer complaints, and repeat and maintenance charges.

Increase the effectiveness of management systems and continuously monitor and improve applications. Tekfen Holding is not only concerned with managing its own human resources policy effectively, but in investing in Turkey's future. In this regard, social, cultural, and environmental protection activities, as well as the Company's scholarship program for successful students (which we have undertaken since the Company's foundation) are among the tasks that are covered by the policy and that carry Turkey to a brighter future.

This management concept is based on a belief in people's unlimited potential to succeed and an understanding that a brighter future can only be attained through technology and science. Therefore, investing in human intelligence and skills is essential. The fact that no complaint of discrimination came from the employees in 2017 indicates the objective attitude of Tekfen Group towards its employees. Its employees are the Company's most valuable assets and their quality is the most important guarantee of the quality of our services and products. The Company shows the same diligence for employee development programs as it does for employee selection. Employee development programs develop the employees' ability to act in a coordinated fashion, to develop recommendations, and to make rational decisions. The Human Resources and Personnel Units take active roles in managing relations with employees.

4.4. Ethical Rules and Social Responsibility

The Tekfen Group sees ethical rules as a cornerstone of corporate governance culture; it also actively exercises its social responsibilities with awareness of its role in social and economic life and mindful of the goal of developing society and the economy. In Tekfen's relations with employees, suppliers, customers, shareholders, other stakeholders and the public, honesty, and a sense of responsibility and respect for rights are essential. The Tekfen Group's Ethical Principles, which were formed on these bases and put in writing, are explained to the public via our website (www.tekfen.com.tr).

As a socially responsible company, Tekfen uses a portion of its earnings on projects that benefit the public and it actively supports efforts to improve the social and natural environment in which it operates. The social, cultural and environmental preservation activities in which Tekfen has engaged since its founding comprise an essential part of its corporate culture. It established the Tekfen Foundation for Education, Health, Culture, Art and the Protection of Natural Resources, in short Tekfen Foundation, in 1999 to further its contribution to social and cultural activities and to assist in the creation of a livable future.

The social responsibility projects carried out under Tekfen are done so either by individual Group companies or through the Tekfen Foundation.

Tekfen Foundation

Tekfen Foundation is mainly involved in the fields of education and culture and the arts.

Education:

Every year Tekfen Foundation provides unconditional educational grants to successful but financially needy high school and university students studying in Turkey. To date, more than 2,000 such students have graduated with the financial support of Tekfen Foundation, which provided scholarships to 500 students during the 2016-2017 academic year.

In order that they may embark upon their careers with a better-informed awareness of what it is that they want to do, the foundation also provides its scholarship recipients with traineeship/internship opportunities and with the mentoring support of their potential future colleagues at Tekfen Group Companies. Fifty-seven Tekfen Foundation scholarship recipients were employed as interns at Tekfen Group Companies in 2017.

In the arts, Tekfen Foundation likewise enables talented and promising young people to pursue their education abroad. Cellist Nil Kocamangil is a recipient of such a scholarship while bassoonist Emir Kutay Koçak, who is studying in Germany, is provided with instrument support by the Foundation.

In 2017, Tekfen Foundation also joined the Education Reform Initiative (ERG), an independent and not-for-profit organization whose aim is to come up with common-sense ways to contribute to a systemic transformation of education for the benefit of children and social development through sound evidence, constructive dialogue, and stakeholder engagement. The foundation will be supporting ERG for a three-year period.

Culture and the Arts:

Originally founded in 1992 as a chamber group, the Tekfen Philharmonic Orchestra has been giving performances ever since. The orchestra is an important cultural initiative that seeks to complement its avowed mission of serving as an "ambassador of peace" by bringing together musicians from 23 countries in the Black Sea, Caspian Sea, and Eastern Mediterranean regions.

In 2017, the orchestra celebrated its 25th anniversary. Following the retirement of the orchestra's founding conductor Saim Akçıl in 2012, the search for a successor to replace him ended in 2017 with the selection of the young Uzbek conductor Aziz Shokhakimov as Tekfen Philharmonic's permanent conductor and artistic director. Extensive auditions were also held in 2017 with the aim of rejuvenating and expanding the orchestra.

As part of the 45th İstanbul Music Festival in 2017, the Tekfen Philharmonic gave an "Opera Gala" concert whose soloists were the South African soprano Pumeza Matshikiza and the Vienna-based Turkish tenor İlker Arcayürek. In October the orchestra gave concerts at the Zorlu Center of the Performing Arts with guest artists Behzod Abduraimov, an Uzbek-born pianist and rising classical music star, and Roman Kim, a violinist of Tatar and Korean parentage. October also witnessed the third in a series of concerts held to foster a love of classical music among children. (For such occasions the orchestra's name is changed to "Tekfen Philhar-Mini".) As entertaining as it was educational, this concert also took place at Zorlu Center.

Sustainable Development:

In the aftermath of the mining disaster on 13 May 2014 in the town of Soma in western Turkey and which resulted in the deaths of 301 miners, Tekfen Foundation decided to support the establishment of a microcredit branch in that town under the auspices of the Turkey Grameen Microfinance Program. The mission of the Tekfen Foundation Microcredit Branch, which opened its doors on 17 November 2014, is to provide microloans to local women to use as seed capital in order to start income-earning businesses of their own. Two hundred ninety-nine low-income women in Soma are currently taking part in this programme; a total of 599 have benefitted from it so far. In 2017, Tekfen Foundation decided to expand the scope of the Turkey Grameen Microfinance Programme beyond Soma with the inclusion of the province of Mersin into its programme.

Tekfen Holding

Since 2012 Tekfen Holding has been supporting the "Friends of AKUT" programme of the AKUT Search and Rescue Association, one of Turkey's leading non-governmental organizations. Tekfen Foundation is also a member of the board of trustees of the İstanbul Foundation for Culture and Arts and has been supporting that foundation's series of İstanbul festivals for many decades.

As an adjunct of that support in 2017, Tekfen Holding also acted as an event sponsor both at the 15th İstanbul Biennial, whose theme was "A good neighbour", and at the 21st İstanbul Theater Festival, whose slogan was "Theater is liberating".

Tekfen Holding is supporting the renovation of the İstanbul headquarters building of EYMİR Cultural Foundation, an alumni association of Middle East Technical University, a school that is an important source of the Tekfen Group's human resources. Renovation work was nearing completion as of the end of 2017.

In 2017 Tekfen Holding also provided hospitality support for the İstanbul State Opera and Ballet company's performances of the ballet Giselle.

In the second half of 2017, the Tekfen Holding Board of Directors approved and gave its support for the launch of a long-term and comprehensive corporate social responsibility (CSR) project, the primary focus of which is occupational health and safety (OHS) issues so as to encompass not just all of Tekfen Holding's business lines and operations but all of its stakeholders as well. As a first step in this project, shareholder analysis was carried out by conducting an extensive survey aimed at laying out a strategic roadmap. Other goals of this project include making use of Tekfen's own knowledge and experience of such issues as an example of how to address such issues, which the foundation believes are in need of greater attention in Turkey, to contribute to the spread of OHS awareness, and to improve OHS criteria and performance throughout the country as a whole.

Toros Tarım

Turning its attentions to problems faced by agriculture in Turkey in the conduct of its social responsibility efforts, Toros Tarım supports a variety of projects aimed at improving the living conditions of farmworkers.

In line with its pioneering efforts to enable agriculture to benefit from advances in technology as well, Toros Tarım introduced TOROS ÇİFTÇİ (Toros Farmer), an agricultural decision-making support app that can be downloaded free of charge and installed on computers, tablets, and mobile phones. By entering parameters about weather and about soil and crop types, users are provided with recommendations about the most appropriate action to take. Toros Farmer also helps farmers make more informed decisions about planting and other operations by showing the expected weather conditions for each field. In its first season, 6,500 farmers used the app to register close to 7,000 fields. Field data indicate that its users number among the leading farmers in their respective localities.

As it has been doing for many years, in 2017 Toros Tarım once again met the maintenance, repair, and general needs of the Toros Tarım Anadolu High School in Adana's Ceyhan district and of the Toros Tarım Primary School in that district's Kurtpınarı region.

Section V
Board of Directors

5.1. Structure of the Board

The Company's administration is undertaken by a Board of Directors of nine to eleven members chosen by the General Assembly.

A Board of Directors consisting of 10 members, each to serve for one year, was decided upon at the Annual Ordinary General Assembly held on 23 March 2017.

Four independent members serve on our Board of Directors. Zekeriya Yıldırım, A. Çelik Kurtoğlu, Çiğdem Tüzün and Neriman Ülsever met the requirements for independence set forth in the Corporate Governance Committee report dated 23 February 2017 and their candidacy was announced. They were elected as independent board members at the General Assembly Meeting held on 23 March 2017. Each of the independent members has provided written documentary confirmation that they meet the criteria of independence.

Thus, at the Ordinary General Assembly meeting held on 27 February 2017, Ali Nihat Gökyiğit, Cansevil Akçağlılar, Sinan K. Uzan, Murat Gigin, Ahmet İpekçi, M. Ercan Kumcu, A. Çelik Kurtoğlu, Zekeriya Yıldırım, Çiğdem Tüzün and Neriman Ülsever were duly elected as Board of Directors members.

According to the Company's Articles of Association, the Board of Directors executes the tasks given to it within the Turkish Commercial Code, the Articles of Association, and the decisions of the Company's General Assembly.

The Board can delegate some or all of its authority responsibilities, including its authority to represent the Company, to a committee made up of its own members or to managing director(s) or general manager(s), as well as directors who are not shareholders.

At its first meeting, the Board of Directors chooses a chairman and a vice-chairman from among its members. In addition, the Board of Directors may, provided it retains the inalienable and indispensable duties and authorities given to it in Article 375 of the Turkish Commercial Code, transfer some or all of its administrative authority to one or more board members or to a third party, on the basis of internal guidelines to be prepared.

In this regard, Murat Gigin was appointed Chairman of the Board of Directors and Cansevil Akçağlılar was appointed as Vice-Chairman for 2017.

As a result of all of these changes, the Holding's Board of Directors is as follows:

Name	Position
Murat Gigin	Chairman
Cansevil Akçağlılar	Vice Chairwoman
Ali Nihat Gökyiğit	Founding Honorary Chairman & Member
Assoc. Prof. Ahmet İpekçi	Member
Dr. Mehmet Ercan Kumcu	Member
Sinan K. Uzan	Member
Prof. Ahmet Çelik Kurtoğlu	Independent Member
Çiğdem Tüzün	Independent Member
Zekeriya Yıldırım	Independent Member
Neriman Ülsever	Independent Member

To allow board members take positions in other Group Companies, it was decided in the Annual General Meeting that the board members would not be subject to the prohibitions and limitations outlined in articles 395 and 396 of the Turkish Commercial Code numbered 6102. In this regard, board members are not limited in any way from taking positions outside the Company for the period covered by the General Assembly's decision.

Currently, none of the Board members is engaged in any activity that would constitute a conflict of interest or would be deemed as competing in the Company's area of business.

There are three women on our Company's Board of Directors; however, there is no set target for the number of women to make up the board or specific timeframe that has to be met for any such target.

5.2. Principles of Activity of the Board of Directors

Issues related to the Board's meeting frequency and quorum are defined in the Company's Articles of Association.

Accordingly, the Board of Directors must convene as often as business and operations necessitate, but at least four times a year.

The quorum required for a Board meeting to commence is half the membership plus one and all decisions require a majority. Board decisions may also be made by obtaining the written decision of each member provided that none of the members demands a discussion of the subject in a meeting. The Legal Department acts as secretariat of the Board of Directors.

The agenda of the meetings are determined by discussion of proposals between the Tekfen Group Companies President and the Chairman of the Board. The agenda and documents pertaining to it are prepared by the secretariat of the Board of Directors. The secretariat then submits them in a single dossier to each member of the board in sufficient time before the meeting so that they can examine and assess the subject matter contained therein.

The 28 meetings held in 2017 made 69 decisions; average attendance at the meetings and in the decisions during the year was 98%.

All Board decisions were passed unanimously.

In cases where the Capital Markets legislation so requires, important Board decisions are publicly announced with a disclosure of material events.

The board members do not have privileges such as weighted voting rights or a negative right of veto. In addition, they have not been insured against damage that the Company may incur as a result of their mistakes.

Positions of Board Members in group and non-group companies

Name	Group Companies	Non-Group Companies
Murat Gigin	Tekfen Teknoloji Yatırım Ticaret A.Ş. Vice Chairman of the Board of Directors Tekfen Tarımsal Araştırma, Üretim ve Pazarlama A.Ş. Chairman of the Board of Directors	Agromak Makine İmalat San. ve Tic. A.Ş. Chairman of the Board of Directors & Executive Director Akmerkez Gayrimenkul Yatırım Ortaklığı Vice Chairman of the Board of Directors ANG Yatırım Holding A.Ş. Vice Chairman of the Board of Directors Rose Enerji A.Ş. Chairman of the Board of Directors Ekozey Ekolojik ve Organik Tarım Gıda Hayvancılık ve Turizm Taşımacılık İth. İhr. İnş. San. Tic. A.Ş. Chairman of the Board of Directors & Executive Director ENAT Endüstriyel Ağaç Tarımı San. ve Tic. A.Ş. Chairman of the Board of Directors & Executive Director Galipoli Gıda Ürünleri Sanayi ve Ticaret Ltd. Şti. Company Manager İmbroz Tarım Hayvancılık Gıda San. Tur. ve Tic. Ltd. Şti. Company Manager Macahel Arıcılık Turizm Nakliyat ve Ticaret A.Ş. Vice Chairman of the Board of Directors Maxlines Maksimum Lojistik Hizmetleri A.Ş. Chairman of the Board of Directors & Executive Director Salda Enerji A.Ş. Chairman of the Board of Directors SRC Yapı A.Ş. Chairman of the Board of Directors & Executive Director Tekzen Ticaret ve Yatırım A.Ş. Chairman of the Board of Directors & Executive Director Temarı Gıda Sanayi ve Ticaret A.Ş. Chairman of the Board of Directors & Executive Director Viem Ticaret ve Sanayi Yatırımları Ltd. Şti. Company Manager Viem İletişim Yayıncılık Reklam Tur. Hizmetleri Yat. Tic. A.Ş. Chairman of the Board of Directors & Executive Director Zen Enerji A.Ş. Chairman of the Board of Directors
Ahmet İpekçi	HMB A.G. Chairman of the Board of Directors	Üçgen Bakım ve Yönetim Hizmetleri A.Ş. Vice Chairman of the Board of Directors
Mehmet Ercan Kumcu	Tekfen Sigorta ve Aracılık Hizmetleri A.Ş. Chairman of the Board of Directors Toros Tarım Sanayi ve Ticaret A.Ş. Member of the Board of Directors Tekfen Teknoloji Yatırım Ticaret A.Ş. Member of the Board of Directors	
Neriman Ülsever		Autogrill S.p.A. Member of the Board of Directors
Zekeriya Yıldırım		Ada Plant A.Ş. Chairman of the Board of Directors Hacı Ömer Sabancı Holding A.Ş. Independent Board Member FU Gayrimenkul Yatırım Danışmanlık A.Ş. Chairman of the Board of Directors Yıldırım Danışmanlık Hizmetleri A.Ş. Chairman of the Board of Directors
Sinan K. Uzan	Tekfen Sigorta ve Aracılık Hizmetleri A.Ş. Member of the Board of Directors Tekfen Ventures LLP Chairman of the Board of Directors Tekfen Venture Management LLC Chairman of the Board of Directors	Akmerkez Gayrimenkul Yatırım Ortaklığı Member of the Board of Directors
Ahmet Çelik Kurtoğlu		Çelik Kurtoğlu Danışmanlık A.Ş. Chairman of the Board of Directors Simon-Kucher & Partners Strateji Danışmalar Ltd. Şti. President of Director's Council
Ali Nihat Gökyiğit		Ali Nihat Gökyiğit Holding A.Ş. Chairman of the Board of Directors

5.3. The Number, Structure and Autonomy of Committees formed under the Board of Directors

During the initial public offering, two committees, namely the Audit Committee and the Corporate Governance Committee, were formed upon Board decisions dated 22 November 2007. The Early Risk Detection Committee, which had previously been formed under the Corporate Governance Committee within the framework of the CMB's Corporate Governance Communiqué, was instituted as a separate committee by decision of the Board of Directors on 9 May 2013. On the other hand, the Candidate Nominating Committee and the Remuneration Committee wich are legal requirements in compliance with Corporate Governance Principles, were organized within the framework of the Corporate Governance Committee. Their respective duties were assigned to and assumed by the Corporate Governance Committee.

The Duties and Working Principles of these committees designating the general procedures through which they act can be obtained from the Company's website.

The Audit Committee and the Corporate Governance Committee meet at least once every three months, for a minimum of four times a year. The Early Risk Detection Committee meets once every two months.

According to the present structure, Board members do not serve on more than one committee.

5.3.1. Internal Audit and Audit Committee

While internal auditing functions in the Contracting Group and Agri-industry Group divisions of Tekfen Holding are carried out by the individual groups' internal audit teams, the Tekfen Holding Group Internal Audit Department has overall responsibility for the internal auditing of all companies in the Tekfen Group, which includes the auditing of all of their units. It is also responsible for ensuring that all internal auditing activities are conducted uniformly and in accordance with international standards. In order to be certain that internal auditing functions are performed independently and impartially, internal audit units report directly to their individual company's board of directors through that company's audit committee.

The Tekfen Holding Group Internal Audit Directorate is responsible for coordinating efforts to improve internal control systems. Every internal audit team's responsibilities include assessing and reporting on the effectiveness and efficiency of their respective system.

Every internal audit unit in the Tekfen Group is responsible for examining internal audit, risk management, and corporate governance processes as a cohesive whole and for reporting its findings and conclusions to members of its own audit committee.

Internal audit units make use of the results of corporate risk management activities when preparing each year's internal audit plan and when revising such plans in light of issues that are identified as being risky during the year.

Internal audit activities are carried out taking into account both international auditing standards and the requirements of applicable laws and regulations. Tekfen Holding and group company audit committees are also responsible for ensuring that the conduct of internal auditing functions complies with International Standards for the Professional Practice of Internal Auditing.

The Tekfen Holding Group Internal Audit Directorate compiles the internal audit reports submitted to it by individual Tekfen Group companies and submits its findings and conclusions to the Tekfen Holding Audit Committee. Internal auditing results are reported to this committee at three-month intervals and to the Tekfen Holding Board of Directors at six-month intervals.

Financial reporting of the holding company's three main operational groups is the responsibility of each group's vice president.

Prior to the public disclosure of each company's quarterly financial statements, the consolidated results are submitted to the company board of directors after being checked and approved by the audit committee. The Tekfen Group's consolidated financial statements are compiled from these company statements. Turnover, EBITDA, net profit, net operating capital, net bank debt, and similar financial indicators taken from these statements are reported and analyzed by senior management at regular intervals.

The Tekfen Holding Audit Committee consists of two independent directors with seats on the Tekfen Holding Board of Directors. The committee's chairman is A. Çelik Kurtoğlu and its other member is Çiğdem Tüzün.

The Tekfen Holding Audit Committee is responsible (1) for assisting the Tekfen Holding Board of Directors in its oversight of the company's accounting system, public disclosures of financial information, and the operation and effectiveness of the independent auditing and internal control systems in accordance with capital market laws and regulations and the principles on which they are based and (2) for considering issues that it has identified and reporting them to the Tekfen Holding Board of Directors.

The Audit Committee consists of two independent members of the Board of Directors; A. Çelik Kurtoğlu is serving as Committee Chairman and Çiğdem Tüzün as Committee Member.

In line with Capital Markets Legislation, the Audit Committee is responsible for supporting the Board of Directors by overseeing the Company's accounting system, the public disclosure of financial information, the independent auditing, and by monitoring the effectiveness and performance of the internal audit mechanism, and for reporting on its evaluations to the Board of Directors.

In 2017, the Tekfen Holding Audit Committee convened four times to deliberate recent internal auditing activities. During these meetings, information was provided about the findings and conclusions of both internal and independent auditing.

5.3.2. Corporate Governance Committee

Independent Board Member Mrs. Neriman Ülsever is heading the Corporate Governance Committee, while Board Member Mr. Ahmet İpekçi and Investor Relations & Corporate Governance Director Mr. Çağlar Gülveren are acting as Committee members.

In line with Capital Markets Legislation, the Corporate Governance Committee is responsible for monitoring the Company's compliance with the CMB's Corporate Governance Principles, proposing improvements in compliance, and making recommendations on compliance issues to the Board of Directors. Moreover, in addition to these duties, because the Candidate Nominating Committee and the Remuneration Committee are organized under the Corporate Governance Committee, these Committee duties are by extension performed by the Corporate Governance Committee.

5.4. Risk Management

As a consequence of its structure, Tekfen Holding prepares and publishes consolidated financial statements that conform to the requirements of laws and regulations. Each of the three main operational groups (Contracting, Agri-industry, and Real Estate Development) also publishes IFRS-compliant quarterly financial statements that have been prepared by its own internal control system.

At the holding company level, consolidated financial statements are created by compiling these individual groups' statements in order to eliminate any multiple reporting of intergroup transactions. The current financial performance and results of every company subject to consolidation are analyzed on the basis of the operational group of which it is a member and are reported on a consolidated basis.

Companies' operational results and findings concerning such issues as the degree to which targets have been fulfilled are assessed at regular intervals during meetings of the Board of Directors of these companies. Such meetings are also attended by group vice presidents. These financial statements are also subjected to both limited and comprehensive independent auditing at regular intervals during the year.

Properly monitoring and managing the operational risks to which they are exposed has always been an element of both Tekfen Holding's and all Tekfen Group Companies' approach to prudent management.

Since 1 July 2012, when Turkey's new commercial law went into effect, Tekfen's longstanding approach to dealing with such issues has also been informed by newly-introduced rules that mandate certain risk management functions in publicly-traded companies.

In line with this, Tekfen Group companies acting under the coordination of Tekfen Holding have developed a common approach for managing and reporting the risks that are likely to confront them.

Rules governing, explaining, and dictating how Tekfen Holding and Tekfen Group companies are to manage their own risks have been drawn up in writing. The Tekfen Holding Board of Directors is kept apprised of how individual companies intend to manage their risks by means of written statements which they submit to the board every other month. The organizational units tasked with the conduct and reporting of risk management activities have also been specified in every Tekfen Group company.

Risk reports prepared in accordance with this framework are sent to the Tekfen Holding Risk Detection Committee, which has been a separate body since 2013. This committee examines the bimonthly risk documents, prepares a report setting out its own views and opinions of their contents, and has this report placed on a Tekfen Holding Board of Directors meeting agenda every other month.

Risks are considered by the Tekfen Holding Board of Directors, which may instruct Tekfen Group companies as to how particular risks are to be managed.

A copy of every report submitted by the Tekfen Holding Risk Detection Committee is also sent to the holding company's independent auditors.

The chairman of the Tekfen Holding Risk Detection Committee is Zekeriya Yıldırım, one of the company's independent directors. The other committee member is Ercan Kumcu, a non-executive director of the company.

5.5. Strategic Objectives

Our Company's Board of Directors assesses and monitors the quarterly performance of Group companies on the basis of budget targets. Senior executives representing each operations group attend these meetings. The financial and operating results of the preceding quarter are compared with the budget and other target indictors are evaluated. In addition, new recommendations are made in the light of developments in the area of operation and in strategic matters.

5.6. Remuneration

In line with the Company's Articles of Association, board members receive an annual or monthly stipend or a certain fee per meeting, as determined by the General Meeting. At the Annual Ordinary General Assembly held on 23 March 2017 it was resolved to pay a gross fee of TRY27,500 per month to Executive Directors and TRY13,750 per month to the other members.

Dividends may be distributed to board members according to the amounts and provisions set by the Board. However, they may not exceed 2% of the profit after deduction of legal reserves and the amounts to be distributed under the Company's articles of association.

In 2017, the remuneration provided to Senior Managers, which consists of President and six Vice Presidents of Group Companies, and to eleven members of the Board of Directors is as follows:

Remuneration	Total (TRY)
Board Members	1,974,032
Senior Managers	9,393,273

The above mentioned total remuneration allocated to the Members of the Board consists only of their sessional allowances. Remuneration otherwise paid to some of the Board members for consultancy and/or Board membership in some Group companies amounts to TRY3,111,641.

Financial benefits are not determined and granted in line with a performance-based system but, paying dividends out of profits can be accepted as a performance based awarding system except for Independent Board Members, whose remuneration is governed by regulations.

No Board Member or manager may obtain loans or guarantees, such as letters of guarantee, from the Company.

Legal Issues, Government Incentives and Subsidies

Legal Issues

As of 31 December 2017, the aggregate value of lawsuits filed against the group amounted to TRY138,468,000 (TRY106,822,000 as of 31 December 2016). (This figure does not include the Group's Libyan arbitration plea.) As of the same date and on the advice of our attorneys, TRY17,873,000 (TRY9,998,000 as of 31 December 2016) had been set aside as a provision to cover those suits in which there is deemed to be a high probability of an unfavourable outcome and potential outflow of resources. In the considered opinion of our attorneys, there is no risk of having to make any payments in lawsuits against which provisions have not been set aside.

Libyan Arbitration Suits

In February 2011, the Group was obliged to indefinitely suspend the operations of Tekfen TML JV, a joint venture in which the Group indirectly controls a 67% stake, and to evacuate its worksites owing to civil unrest and to adverse developments in Libya.

The Group decided to bring a suit for arbitration before the International Court of Arbitration in order to recover all the rights, receivables, and assets to which it is entitled under that project. In line with this decision, a plea to initiate commercial arbitration was filed with the International Court of Arbitration of the International Chamber of Commerce (ICC) on 16 June 2015 against the project's employers: Libyan Man-Made River Authority (MMRA) and the Libyan government.

A second plea for arbitration has been filed against the Libyan government through the ICC on the basis of a treaty between Libya and Turkey concerning the reciprocal promotion and protection of investments in the two countries. MMRA, the Libyan employer, has also filed a suit against Tekfen TML JV through the ICC.

It is the considered opinion of our attorneys that these issues pose no risks whatsoever of the Group's having to make any payments. The total value of all bonds which are concerned with these activities in Libya and which have been submitted to various authorities is TRY126,000.

Other Risks

The Group's operational profitability may be affected by changes in economic, fiscal, and social policies being implemented in countries where the Group has operations.

Price movements in national and international commodity markets may also have an impact on the Group's operations and profitability.

Government Incentives and Subsidies

During 2017, two members of the Tekfen Holding Agri-Industry Group – Toros Agri-Industry and Hishtil-Toros Fidecilik – were the beneficiaries of the following government incentives and subsidies:

Domestic-Certified Seed Production Support

Toros Tarım benefits from certified-seed production support for its certified wheat and potato seeds in the amounts indicated in Communiqué on domestic-certified seed production assistance as published in the government gazette.

Potato seed and wheat seed support subsidies received as of 31 December 2017 amounted to TRY2,160,054 and TRY868,301 respectively, with the total of such subsidies amounting to TRY3,028,355.

Investment Incentive Certificates and Subsidies

With respect to investments undertaken by Toros Tarım at its Samsun plant:

a) Effective 3 April 2013 the Company was awarded a "Large Scale Investment" investment incentives certificate by the Ministry of Economy for its sulfuric acid, phosphoric acid, and NPK investments. Under this certificate the Company is entitled to a subsidy for the employer's share of social security premiums, to a VAT exclusion, to a customs duty exemption, and to a 60% reduction in tax due on income from the investment based on an investment support ratio of 35%.

b) Effective 7 July 2014 Toros Tarım was awarded a 5th District Investment Incentives Certificate from the Ministry of Economy for investments in electrical power generation, which qualify as a "priority-in-investment subject". Under this certificate the Company is entitled to a subsidy for the employer's share of social security premiums, to a VAT exclusion, to a customs duty exemption, and to an 80% reduction in tax due on income from the investment based on an investment support ratio of 40%.

With respect to investments that Toros Tarım has undertaken at its Ceyhan plant:

Effective 1 June 2015 the company was awarded a 2nd District Investment Incentives Certificate from the Ministry of Economy for a winch investment. Under this certificate the Company is entitled to a subsidy for the employer's share of social security premiums, to a VAT exclusion, to a customs duty exemption, and to a 55% reduction in tax due on income from the investment based on an investment support ratio of 55%.

With respect to investments that Toros Tarım has undertaken at its Mersin plant:

Effective 24 December 2015 the Company was awarded a 3rd District Investment Incentives Certificate from the Ministry of Economy for a prilling tower flue gas scrubbing system. Under this certificate the Company is entitled to a subsidy for the employer's share of social security premiums, to a VAT exclusion, to a customs duty exemption, and to a 60% reduction in tax due on income from the investment based on an investment support ratio of 25%.

TÜBİTAK Support

The TÜBİTAK Technology and Innovation Grant Program Department (TEYDEB) conducts programmes which support project-based R&D activities that are undertaken by private-sector concerns. Priority Areas for Research Technology Development and Innovation Funding Program 1511 is one such programme. A proposal for a "Wheat Improvement Project" which Toros Tarım submitted in response to a programme call for submissions was approved by TEYDEB. The stated goal of this project is to "Breed high-quality and high-yield bread wheat varieties that are resistant to the different biotic and abiotic stress conditions that exist in Turkey's ecological zones". This project, which was entitled to 36 months of TÜBİTAK support, began on 1 September 2013 and ended on 31 August 2016. During the project, personnel-related expenditures, fixed-asset and materials procurements, and outlays for services and labor were covered as per the project budget submitted to TÜBİTAK.

R&D Centre Support

Toros Tarım:

A decision was made to set up an R&D centre within Toros Tarım's Mersin plant with the aims of identifying sectoral demands and needs, expanding the Company's product line, domestically manufacturing fertilizers that are not currently being made in the country, and optimizing cost and logistical factors. An application that was submitted to the Ministry of Science, Industry and Technology for this purpose on 22 June 2017 was approved by that ministry on 1 August 2017.

Under Statute 5746, a law concerning the support of research, development, and design activities, firms whose activities demonstrate innovative approaches and which develop new products and technologies for their markets qualify for various tax benefits that are collectively referred to as the "R&D allowance". Henceforth the Toros Tarım R&D Centre qualifies the Company for "Withholding for income tax support" and "Employer's share of insurance premiums support". Furthermore any expenditures which the centre makes and which are associated with its innovation and design-related activities will be deductible from Toros Tarım's corporation tax assessment base.

Tekfen Manufacturing:

An application that Tekfen Manufacturing submitted to the Ministry of Science, Industry and Technology on 9 May 2017 to set up a design centre at its Istanbul headquarters in order to come up with new designs for products falling within the scope of its activities and to design new products, especially those which are concerned with oil refineries and which are capable of addressing market expectations, was approved by that ministry on 3 August 2017. Under Statute 5746, firms whose R&D and design centre activities demonstrate innovative approaches and which develop new products and technologies for their markets qualify for various tax benefits that are collectively referred to as the "R&D allowance". Because of this, Tekfen Manufacturing's R&D and design center qualifies the company for "Withholding for income tax support" and "Employer's share of insurance premiums support". Furthermore any expenditures associated with innovation and design-related activities as specified in Statute 5746 will be deductible from the Company's corporation tax assessment base.

Tekfen Holding Co. Inc. Dividend Policy

Company dividend policy is determined according to the Turkish Law of Commerce, the CMB's legislation and its regulations and decisions, the tax laws, other relevant legislation, and the Company's articles of association.

1. Article 27 of the Holding's Articles of Association reads as follows:

Profit will be distributed as outlined below from the net profit stated in the Holding's balance sheet and reached after deducting the general expenditure of the Company, various amortization costs, and mandatory taxes. The relevant provisions of the Capital Markets Law and notifications of the Capital Markets Board will be followed during the process of profit distribution.

General Legal Reserves:

a) Legal reserves at a rate of 5% will be allocated.

First Dividend:

b) To the remaining amount, grants delivered during the year, if any, are added, from this total at least 30% first dividends are allocated provided the rate or the amount is not below those set by the Capital Markets Law.

c) A maximum of 3% of the remaining amount will be allocated to the Tekfen Foundation for Education, Health, Culture, Art and Protection of Natural Habitat.

d) After the above mentioned deductions, the General Assembly has the right to decide on an allocation of dividends that does not exceed 2% of the remaining profit to members of the Board (in line with the limits and principles set by the Board).

Second Dividend:

e) The General Assembly is entitled to distribute the amount remaining (after the deduction of the items outlined in a, b, c, and d, above) from the net profit as second dividends or allocate it as extraordinary legal reserves

General Legal Reserves:

f) Subject 3 of paragraph 2 of Article 519 of the Turkish Law of Commerce and the provisions of paragraph 3 of the same article do not apply to the Holding.

g) No decision may be made to set aside profits or other reserves to transfer profits to the following year, or to distribute dividends to the founders or dividend right certificate holders, board members unless the first dividend is paid as provided and unless the reserves required to be set aside as required by law have been so set aside.

h) Dividends shall be distributed to all the existing shares as of the distribution date without regard to the date of issue or acquisition of such shares.

The decision as to how and when the annual profit will be distributed to the shareholders will be decided by the General Assembly upon the recommendation of the Board and in accordance with the provisions of the Turkish Tax Laws and the Capital Markets Law. Profit distributed according to the provisions of the Articles of Association cannot be recovered.

2. The place and date of dividend payments are set in accordance with Capital Market Board Regulations.

3. Within the framework of Article 28 of the Company's Articles of Association, if the Company General Assembly so authorizes the Board, advanced dividend payments may be made (for that specific year only). The Capital Markets Law is taken into account during this process.

Tekfen Holding Co., Inc. Board of Directors' Annual Report

Esteemed shareholders,

We are pleased to announce that we have completed yet another year with very successful results. It is an even greater source of pride to note that we achieved those results in a business climate seriously beset both by economic and political risks and by global and regional uncertainties.

Looking first at the financial aspects of last 2017's results, it is to be noted that we achieved high levels of turnover and profitability. On a consolidated basis the Tekfen Group completed the year with a turnover of TRY7,487 million and a net profit of TRY770.7 million. In developments that are closely linked to those results, the market value of Tekfen Holding's shares broke new records last year. The net value of our company, always a matter of the utmost concern to our shareholders as well, is an additional source of pride for us all. We made great and significant progress towards our goal of "new growth through profitability".

Looking at our individual business lines, we see that we were very successful in the two biggest: contracting and agri-industry. The Tekfen Contracting Group registered historically high levels of turnover and profitability while also significantly enhancing the sustainability of its performance by taking on new business. The Tekfen Agri-industry Group for its part maintained its strong position in its home market while registering historically high levels of foreign sales. I should note however that the Tekfen Real Estate Development Group fell somewhat short of the financial results desired of it owing to adverse market conditions from which the sector as a whole suffered last year.

However the superior performance that we achieved in 2017 goes well beyond our financial results and that is because of the important steps that were taken from the standpoint of our group's strategic orientation. During 2017 we made an intensive effort to broaden and diversify the scope of our activities into other business lines, some of which are associated with our existing operations and some of which are not. We are doing this both to extend our footprint and to create more added value along a greater length of the production chain through vertical integration on the one hand while keeping pace with rapidly-growing and evolving national and international trends and entering new business lines on the other. Another objective of such operational diversification is to better manage our risks of course.

Another area in which we had considerable success last year was that of organizational restructuring. Management effectiveness has been increased through new functions that have been introduced for the first time or by means of making existing ones more effective through better coordination. While doing this, we also made significant progress in the direction of enriching our management team with the addition of new and youthful members.

All of this gives us confidence that we are on the right path and moving towards our goal of making Tekfen one of the top ten companies from the standpoint of brand value in Turkey as well as one of the top five companies that young people would like to work for.

Extending my earnest wishes that the Tekfen Group maintain and build upon these successes in 2018 as well, let me thank you, our valued shareholders, employees, and employers and customers, as well as all of our stakeholders for having made these results possible.

Very truly yours,

Murat Gigin
Chairman of the Board

SUMMARY BALANCE SHEET (thousand TRY)	31 December 2016	31 December 2017
Current Assets	4,533,781	7,013,920
Non-Current Assets	2,135,028	2,352,830
Total Assets	**6,668,809**	**9,366,750**
Current Liabilities	3,896,563	5,586,667
Non-Current Liabilities	392,789	771,769
Equity Attributable to Owners of the Parent	2,349,681	2,975,717
Minority Interest	29,776	32,597
Total Shareholders' Equity and Liabilities	**6,668,809**	**9,366,750**

SUMMARY INCOME STATEMENT (thousand TRY)	1 January– 31 December 2016	1 January – 31 December 2017
Revenue	4,737,397	7,487,133
Gross Profit	653,545	1,028,435
Operating Profit	313,293	778,197
Profit Before Taxation	438,938	902,254
Net Profit / Loss for the Year	330,323	770,728

IMPORTANT RATIOS	31 December 2016	31 December 2017
Liquidity		
Current Ratio	1.16	1.26
Liability and Indebtness		
Total Liabilities		
Equity Attributable to Owners of the Parent	1.83	2.14
Current Liabilities /		
Total Liabilities	0.91	0.88

	1 January – 31 December 2016	1 January – 31 December 2017
Profitability		
Gross Profit Margin	13.80%	13.74%
EBITDA Margin	11.16%	13.42%
Net Profit for the Year	6.97%	10.29%

Proposal for Profit Distribution

In 2017, the Company showed a net profit of TRY771,299,000 (TRY128,654,217.11 according to the statutory books of account) excluding non-controlling interests pursuant to Capital Markets Board (CMB) regulations and accounting standards.

We submit for the consideration and approval of the general assembly of shareholders the following dividend proposal concerning the distribution of this profit:

Nothing is to be set aside as a first statutory reserve inasmuch as the Company's statutory reserves already correspond to 20% of its paid-in capital.

From the amount of TRY775,091,069.52 which is the basis for calculating ("the Base") a first dividend pursuant to CMB communiqué II-19.1, the amount of TRY 232,530,200 is to be set aside as a first dividend in satisfaction of the requirement, of article 27 of the Company's articles of association, that at least 30% of the Base is to be paid as a dividend;

The amount of TRY16,163,064 which corresponds to 3% of the remaining Base, is to be set aside as the dividend to which the Tekfen Foundation for Education, Health, Culture, Art and Protection of Natural Resources, is entitled;

TRY522.605.736 of the remaining Base is to be retained in the company as an extraordinary reserve;

Inasmuch as the Holding Company's statutory books of account show a current net distributable profit for the period of TRY128,654,217.11, the TRY120,039,046.89 shortfall be covered from the extraordinary reserves.

The dividends set forth above are to be paid to their respective beneficiaries in cash and that 4 April 2018 will be set as the dividend payment date.

Having submitted the foregoing for the information of all of our shareholders, I extend my best wishes for a prosperous year for our company and our country.

Murat Gigin
Chairman of the Board

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CONVENIENCE TRANSLATION INTO ENGLISH OF INDEPENDENT AUDITOR'S REPORT ON ANNUAL REPORT OF THE BOARD OF DIRECTORS

To the Board of Directors of Tekfen Holding Anonim Şirketi

1) Opinion

We have audited the annual report of Tekfen Holding Anonim Şirketi ("Company") and its subsidiaries ("Group") for the accounting period 1/1/2017-31/12/2017.

According to our opinion, consolidated financial information provided in the annual report of the board of directors and matters addressed by the Board of Directors about the position of the Group are presented fairly and consistent with the audited full set of consolidated financial statements and with the findings we obtained during our audit in all material respects.

2) Basis of the Opinion

Our independent audit has been conducted in line with the independent audit standards as endorsed by Capital Markets Board and with the Independent Auditing Standards (IAS) which are part of Turkish Auditing Standards promulgated by the Public Oversight, Accounting and Auditing Standards Authority of Turkey (POA). Our responsibilities under these standards have been explained in detail in the section of our report titled Responsibilities of the Independent Auditor about Independent Audit of Annual Report. Pursuant to the Ethical Rules published by POA for the Independent Auditors ("Ethical Rules") and ethical provisions stipulated in the applicable legislation about independent audits, we declare that we are and we work independent of the Group. Ethical Rules and other responsibilities determined in the applicable legislation about ethical conduct have been complied with and duly fulfilled by us. We believe that independent audit evidence we have obtained during independent audit is sufficient and appropriate to provide a basis for our opinion.

3) Our Auditor Opinion on Full Set of Consolidated Financial Statements

We have expressed an unqualified opinion about the full set of consolidated financial statements concerning the accounting period 1/1/2017-31/12/2017 in our audit report dated 22 February 2018.

4) Responsibility of the Board of Directors about Annual Report

Group Management has the following responsibilities in connection with annual report pursuant to articles 514 and 516 of Turkish Commercial Code numbered 6102 ("TCC") and "Communiqué on Principles of Financial Reporting in Capital Markets" numbered II-14.1 ("Communiqué") as issued by the Capital Markets Board ("CMB") of Turkey:

a) Preparing and submitting the annual report to the general assembly within the first three months following the balance sheet date.

b) Preparing annual report to reflect operations of the Group in that year and its financial position accurately, completely, directly, fairly and honestly in all respectss. In this report, financial position will be evaluated based on the consolidated financial statements. The report also points out development areas for the Group and potential risks affecting the Group. Evaluation made by the board of directors regarding these subjects is also presented in the report.

c) Report further includes following details:

- Events occurring in the Group after the accounting period and having special importance for the Group,
- Research and development activities carried out by the Group,
- Remuneration, fees, premiums, bonus and other financial benefits and allowance, repayment of costs of travel, accommodation and representation, in-kind and cash allowances, insurance and similar securities provided to the members of the board of directors and members of the top management.

In preparing the annual report, board of directors takes into account those arrangements made under secondary legislation issued by the Ministry of Customs and Trade and other relevant authorities.

5 Responsibility of the Independent Auditor about Independent Audit of Annual Report

Pursuant to the provisions of TCC and the Communiqué, our purpose is to express an opinion on whether consolidated financial information provided in the annual report of the board of directors and matters addressed by the Board of Directors in this report are fairly presented and consistent with the Group's audited consolidated financial statements and with the findings we obtained during our independent audit and to issue a report based on this opinion.

Our independent audit has been conducted in line with IAS and independent audit standards as endorsed by the Capital Markets Board. These standards require compliance with the ethical provisions and the independent audit to be planned and performed to obtain reasonable assurance on whether consolidated financial information provided in the annual report of the board of directors and matters addressed by the Board of Directors in this report are fairly presented and consistent with the Group's audited consolidated financial statements and with the findings we obtained during our audit.

Auditor who conducted and finalized this independent audit is Erdal Aslan.

Istanbul,
22 February 2018

BDO Denet Bağımsız Denetim
ve Danışmanlık A.Ş.
Member, BDO International Network

Erdal Aslan, YMM
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CONVENIENCE TRANSLATION INTO ENGLISH OF AUDITOR'S REPORT ON EARLY IDENTIFICATION OF RISK SYSTEM AND ITS COMMITTEE ORIGINALLY ISSUED IN TURKISH

To the Board of Directors of
Tekfen Holding Anonim Şirketi

We have audited the early identification of risk system and its committee formed by Tekfen Holding Anonim Şirketi.

Responsibility of the Board of Directors

Pursuant to paragraph 1 of article 378 of the Turkish Commercial Code No. 6102 ("TCC"), the Board of Directors is responsible for creating an expert committee, and operating and developing the system to early identify all potential risks that might jeopardize the existence, development, and continuity of the company; taking the necessary measures and preventive actions in this regard; and implementing risk management.

Auditor's Responsibility

Our responsibility is to reach a conclusion regarding early risk identification system and its committee based on our audit. Our audit was conducted in accordance with the TCC, the "Principles on the Auditor's Report on the Early Risk Identification System and its Committee" published by the Public Oversight Accounting and Auditing Standards Authority ("POA"), and relevant ethical requirements. Those principles require that we determine whether or not the Company has established the early risk identification system and its committee and, if so, assess whether or not the system and the committee are operating within the framework of article 378 of the TCC. The scope of our audit does not cover the evaluation of preventive actions taken by the early identification of risk committee and the operations of the management regarding potential risks.

Information on the Early Risk Identification System and its Committee

The Company management constituted the subject committee consisting of 2 members in 2012. The committee has met once in every two months and prepared and submitted its reports to the Board of Directors regarding its assessments of early identification of risks that jeopardize the existence and development of the company, applying the necessary measures and preventive actions in this regard, and implementing risk management since the date of its establishment.

Conclusion

Based on our audit, it has been concluded that Tekfen Holding Anonim Şirketi's early risk identification system and its committee are sufficient, in all material respects, in accordance with article 378 of the TCC.

İstanbul,
22 February 2018

BDO Denet Bağımsız Denetim
ve Danışmanlık A.Ş.
Member, BDO International Network

Erdal Aslan, YMM
Partner

TEKFEN HOLDİNG ANONİM ŞİRKETİ
AND ITS SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS WITH THE INDEPENDENT AUDITOR'S REPORT FOR THE YEAR ENDED 31 DECEMBER 2017

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CONVENIENCE TRANSLATION INTO ENGLISH OF INDEPENDENT AUDITOR'S REPORT ORIGINALLY ISSUED IN TURKISH INDEPENDENT AUDITOR'S REPORT

Tekfen Holding Anonim Şirketi
To the Board of Directors of;

A. Audit of the Consolidated Financial Statements

1. Opinion

We have audited the accompanying consolidated financial statements of Tekfen Holding Anonim Şirketi (the "Company") and its subsidiaries ("Group"), which comprise the consolidated balance sheet as at 31 December 2017 and the consolidated statement of profit or loss, consolidated statement of other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended and the notes to the consolidated financial statements and a summary of significant accounting policies and consolidated financial statement notes.

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Group as at 31 December 2017, and its financial performance and its cash flows for the year then ended in accordance with Turkish Accounting Standards ("TAS").

2. Basis for Opinion

Our audit was conducted in accordance with the standards on auditing issued by the Capital Markets Board of Turkey and Standards on Independent Auditing (the "SIA") that are part of Turkish Standards on Auditing issued by the Public Oversight Accounting and Auditing Standards Authority (the "POA"). Our responsibilities under these standards are further described in the "Auditor's Responsibilities for the Audit of the Consolidated Financial Statements" section of our report. We hereby declare that we are independent of the Group in accordance with the Ethical Rules for Independent Auditors (the "Ethical Rules") and the ethical requirements regarding independent audit in regulations issued by POA that are relevant to our audit of the financial statements. We have also fulfilled our other ethical responsibilities in accordance with the Ethical Rules and regulations. We believe that the audit evidence we have obtained during the independent audit provides a sufficient and appropriate basis for our opinion.

3. 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. Key audit matters were addressed in the context of our independent 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.

Key Audit Matters

How The Matter is Handled

Revenue recognition

Revenue is recognized when; it is probable that the economic benefits associated with the transaction will flow to the entity and the benefits subject to revenue can be measured reliably and the significant risks of ownership are transferred to the buyer.

Revenue of the Group, when compared with the previous period, has increased significantly.

With regard to explanations mentioned above, it has been determined as key audit matter whether the conditions for recording sales as revenue have been fulfilled and whether the revenue has been recorded in the correct period.

Explanations on the Group's accounting policies and amounts related to revenue are disclosed in Note 2 and Note 23.

The following audit procedures have been performed in addition to the standard audit procedures for revenue recognition:

- The Group's revenue business process has been reviewed, sales and delivery process have been analysed;
- The Group's contracts with related parties and other customers have been reviewed.
- Third party confirmations are obtained and substantive audit procedures have been performed on a sample basis for selected transactions accordingly;
- In addition, the compliance of the disclosures has been assessed within the scope of TAS.

Accounting of contract revenue, margin, receivables from ongoing construction contracts and ongoing construction progress payments

The construction industry is characterized by contract risk with significant judgements involved in the assessment of both current and future contract financial performance.

Revenue and margin are recognized based on the stage of completion of individual contracts, calculated on the proportion of total costs at the reporting date compared to the estimated total costs of the contract.

The status of contracts is updated on a regular basis. In doing so, management are required to exercise significant judgement in their assessments of the valuation of contract variations, claims and liquidated damages (revenue items); the completeness and accuracy of forecast costs to complete; and the ability to deliver contracts within forecast timescales.

The potential final contract outcomes can cover a wide range. Dependent on the level of judgement in each, the range of each contracts can be individually material. In addition, change in these judgements, and the related estimates, as contracts progress can result in material adjustments to revenue and margin.

Explanations on the Group's accounting policies and amounts related accounting of contract revenue, margin, receivables from ongoing construction contracts and ongoing construction progress payments are disclosed in Note 2, Note 11 and Note 23.

The following audit procedures on the recognition of contract revenue, margin and related receivables from ongoing construction contracts and ongoing construction progress payments have been performed:

- We assessed the key controls implemented by the Management over the recognition of contract revenue and margin, tested to assess whether these controls were designed and implemented effectively.
- We inspected minutes of Early Detection of Risk Committee related to the construction contracts and assessed its impacts on the consolidated financial statements;
- We selected a sample of contracts in order to challenge both current and future financial performance. Samples were selected based on a number of quantitative and qualitative factors, as well as other randomly selected contracts;
- For sampled contracts, we challenged management's key judgements inherent in the forecast costs to complete that drive the accounting under the percentage of completion method, including the following procedures:
  - A review of the contract terms and conditions by reference to the contract documentation;
  - Tested the existence and valuations of claims and variations both within contract revenue and contract cost via inspection of correspondence with customers and supply chain;
  - An assessment of the forecast through discussion with Group, finance, commercial and operational management;
  - An assessment of the ability to deliver contracts within budgeted timescales and any exposures to liquidated damages for late delivery of contract works;
  - A review of post-balance sheet contract performance to support year end judgements of Management used in the preparation of the financial statements;
  - An assessment of the Management estimations made in the previous year and the realizations in the current year for sampled contracts;
  - An assessment of the adequacy of immediate losses recorded for the contracts estimated to be resulted in losses.
- We attended multiple site visits across the business and questioned the physical progress of the contracts;
- We tested the post year end cash receipts to measure reliably the collectability of related receivables.

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

The Group management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with TAS, 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 financial reporting process.

5. Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Responsibilities of independent auditors in an independent audit are as follows:

Our aim is to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an independent auditor's report that includes our opinion. Reasonable assurance expressed as a result of an independent audit conducted in accordance with SIA is a high level of assurance but does not guarantee that a material misstatement will always be detected. Misstatements can arise from fraud or error. Misstatements 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 independent audit conducted in accordance with SIA, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement in 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.

- Assess the 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 auditor's 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 independent auditor's 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.

- 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 provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence. We also 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 auditor's 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 declared in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

B. Other Responsibilities Arising From Regulatory Requirements

1) No matter has come to our attention that is significant according to subparagraph 4 of Article 402 of Turkish Commercial Code ("TCC") No. 6102 and that causes us to believe that the Company's bookkeeping activities concerning the period from 1 January to 31 December 2017 period are not in compliance with the TCC and provisions of the Company's articles of association related to financial reporting.

2) In accordance with subparagraph 4 of Article 402 of the TCC, the Board of Directors submitted the necessary explanations to us and provided the documents required within the context of our audit.

3) In accordance with subparagraph 4 of Article 398 of the TCC, the auditor's report on the early risk identification system and committee was submitted to the Company's Board of Directors on 22 February 2018.

Istanbul,
22 February 2018

BDO Denet Bağımsız Denetim
ve Danışmanlık A.Ş.
Member, BDO International Network

Erdal Aslan, YMM
Partner

CONTENT PAGE

TEKFEN HOLDİNG ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

AUDITED CONSOLIDATED BALANCE SHEET AS AT 31 DECEMBER 2017

(Amounts are expressed in Thousands of Turkish Lira ("TRY") unless otherwise stated.)

ASSETS	Notes	Audited 31 December 2017	Audited 31 December 2016
Current Assets		**7.013.920**	**4.533.781**
Cash and cash equivalents	5	2.985.833	1.483.429
Financial investments	6	330.126	108.121
Trade receivables	8	1.890.014	1.075.322
- Related party receivables		*14.468*	*20.680*
- Trade receivables		*1.875.546*	*1.054.642*
Other receivables	9	23.518	61.083
- Related party receivables		-	*53.922*
- Other receivables		*23.518*	*7.161*
Receivables from ongoing construction contracts	11	171.361	391.944
Derivative instruments	33	6.460	2.245
Inventories	10	948.789	968.741
Prepaid expenses	16	335.754	91.213
- Prepaid expenses		*335.754*	*91.213*
Assets related with current tax	30	65.598	48.324
Other current assets	21	228.070	279.178
- Other current assets		*228.070*	*279.178*
		6.985.523	4.509.600
Assets classified as held for sale	29	28.397	24.181
Non-Current Assets		**2.352.830**	**2.135.028**
Financial investments	6	181.971	175.435
Trade receivables	8	76.585	152.542
- Trade receivables		*76.585*	*152.542*
Other receivables	9	4.235	3.823
- Other receivables		*4.235*	*3.823*
Investments valued by equity method	12	194.510	118.445
Investment property	13	103.866	82.559
Property, plant and equipment	14	1.597.309	1.487.673
Intangible assets	15	20.236	16.678
Prepaid expenses	16	2.470	6.348
- Prepaid expenses		*2.470*	*6.348*
Deferred tax assets	30	77.176	50.999
Other non-current assets	21	94.472	40.526
- Other non-current assets		*94.472*	*40.526*
TOTAL ASSETS		**9.366.750**	**6.668.809**

The accompanying notes form an integral part of these consolidated financial statements.
Translated into English from the report originally issued in Turkish.

TEKFEN HOLDİNG ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

AUDITED CONSOLIDATED BALANCE SHEET AS AT 31 DECEMBER 2017

(Amounts are expressed in Thousands of Turkish Lira ("TRY") unless otherwise stated.)

LIABILITIES	Notes	Audited 31 December 2017	Audited 31 December 2016
Current Liabilities		**5.586.667**	**3.896.563**
Short-term borrowings	7	605.081	920.641
Short-term portion of long-term borrowings	7	110.508	88.774
Trade payables	8	2.038.629	1.528.823
- Related party payables		*6.128*	*10.919*
- Trade payables		*2.032.501*	*1.517.904*
Payables related to employee benefits	20	72.332	70.449
Other payables	9	78.440	73.815
- Other payables		*78.440*	*73.815*
Payables to ongoing construction contracts	11	792.605	384.782
Derivative instruments	33	9.547	131
Deferred revenue	16	1.638.897	685.253
- Deferred revenue		*1.638.897*	*685.253*
Current tax liability	30	62.100	57.062
Short-term provisions		178.067	82.935
- Short-term provisions attributable to employee benefits	20	*65.613*	*72.905*
- Other short-term provisions	18	*112.454*	*10.030*
Other short-term liabilities	21	461	3.898
- Other short-term liabilities		*461*	*3.898*
Non-Current Liabilities		**771.769**	**392.789**
Long-term borrowings	7	464.104	251.550
Trade payables	8	117.342	44.033
- Trade payables		*117.342*	*44.033*
Other payables	9	70.146	28.517
- Other payables		*70.146*	*28.517*
Government incentives and grants	17	1.132	1.194
Long-term provisions		57.996	40.135
- Long-term provisions attributable to employee benefits	20	*57.924*	*40.054*
- Other long-term provisions	18	*72*	*81*
Deferred tax liabilities	30	61.049	27.360
TOTAL LIABILITIES		**6.358.436**	**4.289.352**
EQUITY		**3.008.314**	**2.379.457**
Equity Attributable To Owners Of The Parent	22	**2.975.717**	**2.349.681**
Paid in capital		370.000	370.000
Capital structure adjustment		3.475	3.475
Premiums in capital stock		300.984	300.984
Accumulated other comprehensive income (loss) that will not be reclassified in profit or loss		(2.349)	1.369
- Gain (loss) on revaluation and remeasurement		*(2.349)*	*1.369*
Accumulated other comprehensive income (loss) that will be reclassified in profit or loss		219.312	199.373
- Currency translation reserve		*154.480*	*125.977*
- Hedging reserve	33	*(2.408)*	*1.621*
- Gain (loss) on revaluation and reclassification		*67.240*	*71.775*
Legal reserves		197.180	194.145
Prior years' income		1.115.816	955.924
Net profit for the period		771.299	324.411
Non-controlling Interests		**32.597**	**29.776**
TOTAL LIABILITIES AND EQUITY		**9.366.750**	**6.668.809**

The accompanying notes form an integral part of these consolidated financial statements.
Translated into English from the report originally issued in Turkish.

TEKFEN HOLDİNG ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

AUDITED CONSOLIDATED STATEMENT OF PROFIT OR LOSS FOR THE YEAR ENDED 31 DECEMBER 2017

(Amounts are expressed in Thousands of Turkish Lira ("TRY") unless otherwise stated.)

	Notes	Audited 1 January - 31 December 2017	Audited 1 January - 31 December 2016
Revenue	23	7.487.133	4.737.397
Cost of revenue (-)	23	(6.458.698)	(4.083.852)
GROSS PROFIT		**1.028.435**	**653.545**
General administrative expenses (-)	24	(214.665)	(171.635)
Marketing expenses (-)	24	(155.290)	(123.712)
Research and development expenses (-)	24	(1.930)	(1.256)
Other operating income	26	339.711	269.673
Other operating expenses (-)	26	(429.064)	(370.560)
Share on profit (loss) of investments valued using equity method	12	211.000	57.238
OPERATING PROFIT		**778.197**	**313.293**
Investment income	27	17.396	13.375
Investment expense (-)	27	(21)	(140)
PROFIT BEFORE FINANCIAL INCOME (EXPENSES)		**795.572**	**326.528**
Financial income	28	576.102	307.701
Financial expense (-)	28	(469.420)	(195.291)
PROFIT FROM CONTINUING OPERATIONS BEFORE TAXATION		**902.254**	**438.938**
Tax Expense from Continuing Operations (-)	30	**(131.526)**	**(108.615)**
Tax expense for the period (-)		(125.009)	(144.562)
Deferred tax (expense) income		(6.517)	35.947
PROFIT FROM CONTINUING OPERATIONS FOR THE PERIOD		**770.728**	**330.323**
Distribution of Profit (Loss) for the Period			
Non-controlling interests		(571)	5.912
Owners of the parent		771.299	324.411
Earnings Per Share	31	2,085	0,877

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Translated into English from the report originally issued in Turkish.

TEKFEN HOLDİNG ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

AUDITED CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2017

(Amounts are expressed in Thousands of Turkish Lira ("TRY") unless otherwise stated.)

	Notes	Audited 1 January- 31 December 2017	Audited 1 January- 31 December 2016
PROFIT FOR THE PERIOD		**770.728**	**330.323**
OTHER COMPREHENSIVE INCOME:			
Items that will not be reclassified to profit or loss		**(3.718)**	**1.745**
Profit (loss) on revaluation of defined benefit plans (-)	22	(4.648)	2.181
Taxes based on other comprehensive income that will not be reclassified to profit or loss		930	(436)
- Deferred tax (expense) income		*930*	*(436)*
Items that will be reclassified to profit or loss		**23.331**	**35.431**
Currency translation reserve differences	22	31.895	14.030
Gain (loss) on revaluation of available for sale financial assets	6	(4.774)	20.821
Other comprehensive income (expenses) related to cash flow hedging (-)		(5.165)	2.026
Taxes based on other comprehensive income that will be reclassified to profit or loss		1.375	(1.446)
- Deferred tax (expense) income		*1.375*	*(1.446)*
OTHER COMPREHENSIVE INCOME		**19.613**	**37.176**
TOTAL COMPREHENSIVE INCOME		**790.341**	**367.499**
Distribution of Total Comprehensive Income for The Period			
Non-controlling interests		2.821	2.199
Owners of the parent		787.520	365.300

The accompanying notes form an integral part of these consolidated financial statements.
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TEKFEN HOLDİNG ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

AUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2017

(Amounts are expressed in Thousands of Turkish Lira ("TRY") unless otherwise stated.)

				Items not to be reclassified to profit or loss	Items to be reclassified to profit or loss				Retained Earnings				
Audited	Paid in capital	Capital structure adjustment	Premiums in capital stock	Gain (loss) on revaluation and remeasurement	Currency translation reserve	Gains (loss) on hedging	Gain on revaluation and reclassification	Legal reserves	Prior years' income	Net profit for the period	Equity attributable to owners of the parent	Non-controlling interests	Equity
Opening balance as of 1 January 2016	370.000	3.475	300.984	(376)	108.234	-	51.995	176.413	861.167	185.466	2.057.358	27.777	2.085.135
Transfers	-	-	-	-	-	-	-	17.732	167.734	(185.466)	-	-	-
Total comprehensive income (loss)	-	-	-	1.745	17.743	1.621	19.780	-	-	324.411	365.300	2.199	367.499
- Profit for the period	-	-	-	-	-	-	-	-	-	*324.411*	*324.411*	*5.912*	*330.323*
- Other comprehensive income (loss)	-	-	-	*1.745*	*17.743*	*1.621*	*19.780*	-	-	-	*40.889*	*(3.713)*	*37.176*
Dividends	-	-	-	-	-	-	-	-	(63.666)	-	(63.666)	-	(63.666)
Increase (decrease) due to changes in the proportion of shares in subsidiaries that doesn't result in loss of control	-	-	-	-	-	-	-	-	91	-	91	(200)	(109)
Other changes	-	-	-	-	-	-	-	-	(9.402)	-	(9.402)	-	(9.402)
Closing balance as of 31 December 2016	370.000	3.475	300.984	1.369	125.977	1.621	71.775	194.145	955.924	324.411	2.349.681	29.776	2.379.457
Audited													
Opening balance as of 1 January 2017	370.000	3.475	300.984	1.369	125.977	1.621	71.775	194.145	955.924	324.411	2.349.681	29.776	2.379.457
Transfers	-	-	-	-	-	-	-	3.035	321.376	(324.411)	-	-	-
Total comprehensive income	-	-	-	(3.718)	28.503	(4.029)	(4.535)	-	-	771.299	787.520	2.821	790.341
- Profit for the period	-	-	-	-	-	-	-	-	-	*771.299*	*771.299*	*(571)*	*770.728*
- Other comprehensive income (loss)	-	-	-	*(3.718)*	*28.503*	*(4.029)*	*(4.535)*	-	-	-	*16.221*	*3.392*	*19.613*
Dividends	-	-	-	-	-	-	-	-	(120.292)	-	(120.292)	-	(120.292)
Increase (decrease) due to changes in the proportion of shares in subsidiaries that doesn't result in loss of control	-	-	-	-	-	-	-	-	(244)	-	(244)	-	(244)
Other changes	-	-	-	-	-	-	-	-	(40.948)	-	(40.948)	-	(40.948)
Closing balance as of 31 December 2017	370.000	3.475	300.984	(2.349)	154.480	(2.408)	67.240	197.180	1.115.816	771.299	2.975.717	32.597	3.008.314

The accompanying notes form an integral part of these consolidated financial statements.
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TEKFEN HOLDİNG ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

AUDITED CONSOLIDATED STATAMENTS OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2017

(Amounts are expressed in Thousands of Turkish Lira ("TRY") unless otherwise stated.)

	Notes	Audited 1 January - 31 December 2017	Audited 1 January - 31 December 2016
A. CASH FLOWS FROM OPERATING ACTIVITIES		**1.829.978**	**686.422**
Profit for the Period		770.728	330.323
Adjustments to Reconcile Net Profit		218.474	183.657
- Depreciation and Amortization	13,14,15	136.995	114.396
- Impairment/Reversed Provision	14	-	2
- Provision Adjustments	8,18,20	197.781	66.400
- Dividend Income and Expenses	27	(8.612)	(8.972)
- Interest Income and Expense Adjustments	28	(19.540)	(35.195)
- Gain/Loss on Fair Valuation	6,33	97	(90)
- Group's Share on Profit of Investments in Associates Accounted by Equity Method	12	(211.000)	(57.238)
- Allowance for Taxation	30	131.526	108.615
- Adjustments for Gain/Loss on Sale of Fixed Assets	27	(8.773)	(2.906)
- Adjustments for Gain/Loss on Sales of Assets Held for Sale	27	-	(1.355)
Movements in Working Capital		1.012.451	401.799
- Changes in Financial Investments	6	(222.005)	(108.121)
- Changes in Trade Receivables	8	(770.535)	(144.393)
- Changes in Other Assets		34.315	(40.621)
- Changes in Receivables from Ongoing Construction Contracts	11	220.583	59.396
- Changes in Inventories	10	11.262	(51.967)
- Changes in Prepaid Expenses	16	(242.176)	(26.227)
- Changes in Trade Payables	8	583.115	358.840
- Changes in Payables Related to Employee Benefits	20	1.883	33.953
- Changes in Ongoing Construction Progress Payments	11	407.823	222.482
- Changes in Other Liabilities		34.542	22.289
- Changes in Deferred Revenue	16	953.644	76.168
Cash Generated by Operating Activities		2.001.653	915.779
Interest Paid		(39.533)	(46.718)
Interest Received		101.456	68.427
Provision Paid Related to Employee Benefits	20	(95.546)	(46.722)
Other Provision Paid	18	(807)	(63.693)
Tax Paid/Return	30	(137.245)	(140.651)
B. CASH FLOWS FROM INVESTING ACTIVITIES		**(84.892)**	**(163.651)**
Proceeds from Disposal of Subsidiary Resulting in Loss of Control	29	-	2.716
Acquisition of Non-controlling Interests' Shares		(244)	(109)
Cash Outflows for Acquisition of Shares in Other Entities or Shares in Funds or Borrowing Instruments	6	(43.984)	(56.414)
Proceeds from Sales of Tangible and Intangible Assets	14,15	9.918	4.682
Acquisition of Tangible and Intangible Assets	14,15	(209.204)	(155.671)
Acquisition of Investment Properties	13	(23.527)	(770)
Proceeds from Sales of Assets Held for Sale		-	1.005
Advances and Debts Given	16	1.513	2.611
Dividend Received	12,27	180.636	38.299
C. CASH FLOWS FROM FINANCING ACTIVITIES		**(361.855)**	**(207.581)**
Proceeds from Borrowings		908.171	911.879
Repayments of Borrowings		(1.141.606)	(1.047.341)
Payments of Financial Lease Obligations		(8.128)	(8.453)
Dividend paid	22	(120.292)	(63.666)
CHANGE IN CASH AND CASH EQUIVALENTS BEFORE CURRENCY TRANSLATION RESERVE EFFECT		**1.383.231**	**315.190**
D. CURRENCY TRANSLATION RESERVE EFFECT ON CASH AND CASH EQUIVALENTS		119.173	136.037
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS (A+B+C+D)		**1.502.404**	**451.227**
E. CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD		1.483.429	1.032.202
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD (A+B+C+D+E)	5	**2.985.833**	**1.483.429**

The accompanying notes form an integral part of these consolidated financial statements.
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TEKFEN HOLDİNG ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

(Amounts are expressed in Thousands of Turkish Lira ("TRY") unless otherwise stated.)

1. ORGANIZATION AND OPERATIONS OF THE GROUP

Majority shares of Tekfen Holding A.Ş. ("the Company") are controlled by Akçağlılar Family, Berker Family, and Gökyiğit Family. The Company and its subsidiaries are referred to as the "Group" in the accompanying notes to the consolidated financial statements.

As of 31 December 2017, the Group has employees 18.296 (31 December 2016: 14.295) including the personnel of subcontractors. Registered address of the Company is Kültür Mahallesi, Budak Sokak, Tekfen Sitesi, A Blok, No: 7, Beşiktaş, İstanbul, Türkiye.

Company shares are listed on Borsa İstanbul since 23 November 2007.

As of 31 December 2017 the details of registered names of the subsidiaries, joint ventures and branches, their nature of business, their countries of origin, their business segments and their direct / effective share participation rates are listed below:

Subsidiaries	Nature of Business	Country of Origin	Direct/Effective Share Participation Rate % 2017	2016	Business Segment
Tekfen İnşaat ve Tesisat A.Ş. "Tekfen İnşaat"	Construction	Turkey	100	100	Contracting
Tekfen Mühendislik A.Ş. "Temaş"	Engineering	Turkey	100	100	Contracting
Tekfen İmalat ve Mühendislik A.Ş. "Timaş"	Manufacturing	Turkey	100	100	Contracting
Cenub Tikinti Servis ASC "Cenub Tikinti"	Construction	Azerbaijan	51	51	Contracting
HMB Hallesche Mitteldeutsche Bau-Aktiengesellschaft "HMB"	Trading	Germany	100	100	Contracting
Tekfen International Limited "Tekfen International Ltd"	Investment	United Kingdom	100	100	Contracting
Tekfen Cons. and Inst. Co. Ltd. "Tekfen Construction"	Construction	Ireland	100	100	Contracting
Toros Tarım Sanayi ve Ticaret A.Ş. "Toros Tarım"	Agriculture-Shipping Agent	Turkey	100	100	Agriculture
Toros Adana Yumurtalık Serbest Bölgesi Kur. ve İşleticisi A.Ş. "Tayseb"	Service	Turkey	100	100	Agriculture
Toros Terminal Servisleri ve Denizcilik A.Ş. "Toros Terminal"	Service	Turkey	100	100	Agriculture
Toros Gemi Acenteliği ve Ticaret A.Ş. "Toros Gemi"	Shipping Agent	Turkey	100	100	Agriculture
TST International Trading Limited "TST Trading"	Trading	Ireland	100	100	Agriculture
TST International Limited "TST Ltd."	Trading	United Kingdom	100	100	Agriculture
Industrial Supply and Trading Company Limited "Industrial Supply"	Trading	United Kingdom	100	100	Agriculture
Petrofertil Trd. Ltd "Petrofertil Trading"	Trading	United Kingdom	100	100	Agriculture
Tekfen Tarımsal Araştırma Üretim ve Pazarlama A.Ş. "Tekfen Tarımsal"	Manufacturing	Turkey	100	-	Agriculture

Translated into English from the report originally issued in Turkish.

1. ORGANIZATION AND OPERATIONS OF THE GROUP (cont'd)

Subsidiaries	Nature of Business	Country of Origin	Direct/Effective Share Participation Rate % 2017	Direct/Effective Share Participation Rate % 2016	Business Segment
Tekfen Turizm ve İşletmecilik A.Ş. "Tekfen Turizm"	Service	Turkey	100	100	Real Estate
Tekfen Emlak Geliştirme Yatırım ve Ticaret A.Ş. "Tekfen Emlak"	Real Estate	Turkey	100	100	Real Estate
Tekfen Gayrimenkul Yatırım A.Ş. "Tekfen Gayrimenkul"	Investment	Turkey	100	100	Other
Belpa Belediye Tüketim Malları İthalat İhracat Ticaret ve Yatırım A.Ş. "Belpa"	Trading	Turkey	100	96	Other
Tekfen Sigorta Aracılık Hizmetleri A.Ş. "Tekfen Sigorta"	Insurance Service	Turkey	100	100	Other
Tekfen Endüstri ve Ticaret A.Ş. "Tekfen Endüstri"	Trading	Turkey	100	100	Other
Tekfen International Finance and Investments S.A. "Tekfen Finance"	Investment	Luxembourg	100	100	Other
Antalya Stüdyoları A.Ş. "Antalya Stüdyoları"	Studio Management	Turkey	100	100	Other
Tekfen Teknoloji Yatırım ve Ticaret A.Ş. "Tekfen Teknoloji"	Investment	Turkey	100	100	Other
Tekfen Ventures L.P. "Tekfen Ventures"	Investment	USA	100	100	Other
Tekfen Venture Management LLC "Venture Management"	Management Service	USA	100	100	Other
Petrofertil Shipping S.A. "Petrofertil Shipping"	Service	Panama	100	100	Agriculture/ Contracting/ Other

Joint Ventures	Nature of Business	Country of Origin	Direct/Effective Share Participation Rate % 2017	Direct/Effective Share Participation Rate % 2016	Business Segment
Blacksea Gübre Ticaret A.Ş. "Black Sea"	Fertizilier Trade	Turkey	30	30	Agriculture
Hishtil Toros Fidecilik San. ve Tic. A.Ş. "H-T Fidecilik"	Agriculture	Turkey	50	50	Agriculture
Azfen Birge Müessesi "Azfen"	Construction	Azerbaijan	40	40	Contracting
Florya Gayrimenkul Yatırım İnş. Tur. San. Tic. A.Ş. "Florya Gayrimenkul"	Real Estate	Turkey	50	50	Real Estate

TEKFEN HOLDİNG ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

(Amounts are expressed in Thousands of Turkish Lira ("TRY") unless otherwise stated.)

1. ORGANIZATION AND OPERATIONS OF THE GROUP (cont'd)

As of 31 December 2017, branches included in the Group's consolidation are as follows:

Branches	Nature of Business	Country of Origin	Business Segment
Tekfen İnşaat – Baku Branch	Construction	Azerbaijan	Contracting
Tekfen İnşaat – Saudi Arabia Branch	Construction	Saudi Arabia	Contracting
Tekfen İnşaat – Morocco Branch	Construction	Morocco	Contracting
Tekfen İnşaat – Qatar Branch	Construction	Qatar	Contracting
Tekfen İnşaat – Dubai Branch	Construction	United Arab Emirates	Contracting
Tekfen İnşaat – Turkmenistan Branch	Construction	Turkmenistan	Contracting

The Group's management conducts its operations within four principal business segments; Contracting, Agriculture, Real Estate and Other operations. Each segment company has liability to prepare financial statements according to the Group's accounting policies. Natures of businesses of the Group companies are summarized below.

Contracting Group

Contracting group undertakes infrastructure and industrial construction projects in Turkey, Azerbaijan, Kazakhstan, Turkmenistan, Saudi Arabia, Qatar, the UAE and Morocco. Petroleum, gas and petrochemical facilities, pipelines, land and marine terminals, off-shore platforms, tank farms, oil refineries, pumping stations, power plants, and highway, subway, bridge and tunnel construction, electrical and instrumentation projects, infrastructure projects, production facilities, commercial and technical building complexes and major sports complexes are included in Contracting group's scope of activity. Tekfen İnşaat's income provided from the consolidation of Azfen by equity method is disclosed in this group.

Agricultural Group

Agricultural group has operations in chemical fertilizer, ground and vegetable grain, production, distribution and trade of seedling and sapling. In addition to these operations, harbor and free zone operations are included in the operations of agricultural group. Toros Tarım's income provided from the consolidation of H-T Fidecilik and Black Sea by equity method is disclosed in this group.

Real Estate Group

Real Estate group operates in designing, constructing, renting, and sale of real estate such as residents, offices, shopping centers and hotels. Income provided from the consolidation of Florya Gayrimenkul by equity method is disclosed in this group.

Other Operations

Operations of "Other" segment comprise of insurance services and holding operations. Holding operations are executed by the Company and include responding to Group's financial needs when needed. Dividend income and rent income provided constitute Holding's revenue.

Approval of consolidated financial statements

Consolidated financial statements are approved by the Board of Directors and have been granted authorization to be published on the date of 22 February 2018. The General Assembly and other regulatory organs reserve their right to modify and change these consolidated financial statements.

2. BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS

2.1 The Basis of Presentation

Basis of Preparation of Financial Statements and Summary of Significant Accounting Policies

The Company and its subsidiaries registered in Turkey maintain their books of account and prepare their statutory financial statements in accordance with accounting principles in the Turkish Commercial Code ("TCC") and Tax Legislation. Subsidiaries, associates, joint ventures and branches that are registered in foreign countries maintain their books of account and prepare their statutory statements in the currency of their registered countries and in accordance with the prevailing accounting principles in their registered countries.

The accompanying consolidated financial statements have been prepared in accordance with the Communiqué Series II, 14.1 "Communiqué on the Principles of Financial Reporting In Capital Markets" ("the Communiqué") announced by the Capital Markets Board ("CMB") on 13 June 2013 which is published on Official Gazette numbered 28676. Turkish Accounting Standards and additions and interpretations regarding these standards ("TAS") as adopted by the Public Oversight Accounting and Auditing Standards Authority ("POA") are predicated on in accordance with article 5th of the Communiqué.

Additionally, the consolidated financial statements and notes are presented in accordance with the formats complying with CMB's announcement dated 7 June 2013.

Consolidated financial statements are prepared on the historical cost basis. Determination of historical cost is generally based on the fair value of the consideration paid for the assets.

Functional and Reporting Currency

The separate financial statements of each Group entity are prepared in the currency of the primary economic environment in which the entity operates (its functional currency). For the purpose of the consolidated financial statements, the results and financial position of each entity are expressed in Turkish Lira ("TRY"), which is the functional currency of the Company, and the reporting currency for the consolidated financial statements.

In accordance with TAS 21 (The Effects of Changes in Foreign Exchange Rates), balance sheet items of functional currencies are differed from TRY, are translated with the rate prevailing at the balance sheet date and revenue, expenses and cash flows are translated with the exchange rates at the transaction date (historical rates) or yearly average rate in the case of uncertain transaction date. Gain/loss arising from the translation is recognized in the currency translation reserve under equity.

The exchange rates used in the consolidation process as of 31 December 2017 is; 1 USD= 3,7719 TRY, 1 EUR= 4,5155 TRY, 1 MAD= 0,4026 TRY, 1 SAR= 1,0058 TRY, 1 QAR= 1,0334 TRY (As of 31 December 2016; 1 USD= 3,5192 TRY, 1 EUR= 3,7099 TRY, 1 MAD= 0,3481 TRY, 1 SAR= 0,9385 TRY, 1 QAR= 0,9642 TRY)

Comparative Information and Reclassification of Prior Period Consolidated Financial Statements

Consolidated financial statements of the Group have been prepared comparatively with the prior period in order to give information about financial position and performance. In order to maintain consistency with current year consolidated financial statements, comparative information is reclassed and significant changes are disclosed if necessary.

Consolidation Principles

Consolidated financial statements are made of entities' financial statements that are either controlled by the Company or its subsidiaries. The Company and its subsidiaries control an investee when it is exposed, or have rights, to variable returns from its involvement with the investee and have the ability to affect those returns through its power over the investee.

Control is maintained by the Company where it has less voting rights than the majority of an investee but still voting rights are sufficient to give the practical ability to direct or manage relevant activities of the related investee unilaterally. The Company considers all relevant facts and circumstances in assessing whether or not the Company's voting rights in an investee are sufficient to maintain power.

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. The results of the purchased or sold subsidiaries of the Group are shown in the consolidated profit or loss and consolidated other comprehensive income statement that belongs to the dates after they purchased or the dates before they sold.

2. BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (cont'd)

2.1 The Basis of Presentation (cont'd)

Consolidation Principles (cont'd)

Profit or loss and each component of other comprehensive income are attributed to the owners of the parent and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Investments in associates and joint ventures

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The results and assets and liabilities of associates or joint ventures are included in these consolidated financial statements using the equity method of accounting, except the ones that are classified as assets held for sale in accordance with Turkish Financial Reporting Standards ("TFRS") 5. Under the equity method, an investment in associate or a joint venture is initially recognized in the consolidated statement of financial position at cost and adjusted thereafter to recognize the Group's share of the profit or loss and other comprehensive income of the associate or joint venture and any impairment. When the Group's share of losses of an associate or a joint venture exceeds the Group's interest in that associate or joint venture (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate or joint venture), the Group discontinues recognizing its share of further losses. Any additional losses are recognized if Group is exposed to any legal or constructive obligation or Group has made payments on behalf of the associate or a joint venture.

Profits and losses arising from the transactions between one of the Group companies and Group's associate are eliminated pro-rata per Group's share in the related associate or joint venture.

Interests in Joint Operations:

A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control. The details of the joints operations of the Group as of 31 December 2017 are as follows:

2. BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (cont'd)

2.1 The Basis of Presentation (cont'd)

Interests in Joint Operations (cont'd)

Joint Operations	Nature of Business	Country of Origin	Direct/Effective Share Participation Rate % 2017	2016	Business Segment
Gate İnşaat Taahhüt San. ve Tic. A.Ş. "Gate J.V." (*)	Construction	Turkey	50	50	Contracting
Tekfen-Tubin-Özdemir J.V. "TÖT J.V."	Construction	Turkey	71	71	Contracting
Tubin-Tekfen-Özdemir J.V. "TTÖ J.V."	Construction	Turkey	25	25	Contracting
Gama-Tekfen-Tokar J.V. "GTT J.V."	Construction	Turkey	35	35	Contracting
Tekfen TML J.V. "Tekfen TML J.V."	Construction	Libya	67	67	Contracting
North Caspian Constr. B.V. "NCC J.V." (**)	Construction	Netherlands	-	50	Contracting
Doğuş - Tekfen Adi Ortaklığı "Doğuş - Tekfen"	Construction	Turkey	50	50	Contracting
Tekfen - Al Jaber Engineering "Tekfen – Al Jaber J.V."	Construction	Qatar	50	-	Contracting
Tekfen Rönesans Adi Ortaklığı "Tekfen Rönesans"	Construction	Turkey	50	50	Real Estate

(*) Company is a joint venture in terms of its operations; however, it is established as an equity company in terms at its legal structure.

(**) Liquidated within the year.

When a group entity undertakes its activities under joint operations, the Group as a joint operator recognizes in relation to its interest in a joint operation:

- Its assets, including its share of any assets held jointly,
- Its liabilities, including its share of any liabilities incurred jointly,
- Its revenue generated from the sale of any product/output arising from the joint operation,
- Its share of the revenue from the sale of the output by the joint operation,
- Its expenses, including its share of any expenses incurred jointly.

The Group accounts for the assets, liabilities, revenues and expenses relating to its interest in a joint operation in accordance with the TAS applicable to the particular assets, liabilities, revenues and expenses.

2.2 Changes in Accounting Policies

Significant changes in accounting policies have been applied retrospectively and prior period consolidated financial statements are restated.

2.3 Changes in Accounting Estimates and Errors

If changes in accounting estimates and errors are for only one period, changes are applied in the current year but if the estimated changes affect the following periods, changes are applied both on the current and following years prospectively. In the current year, there are not any material changes in accounting estimate methods of the Group.

If any significant accounting errors are found out, changes are applied retrospectively and prior year's financial statements are restated. The Group did not determine any significant accounting errors in the current year.

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2. BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (cont'd)

2.4 Adoption of New and Revised Turkey Accounting Standards

New and revised standards and interpretations are presented below:

(a) Amendments in TAS affecting the notes and amounts in the consolidated financial statements:

None.

(b) Standards and interpretations and amendments to existing standards that are effective as of the year 2017, but not affecting the consolidated financial statements of the Group:

- TAS 7 (amendments), "Disclosure Initiative", effective for annual periods beginning after 1 January 2017.
- TAS 12 (amendments), "Recognition of Deferred Tax Assets for Unrealized Losses", effective for annual periods beginning after 1 January 2017.
- Annual Improvements to TFRS 2014-2016 Cycle (TFRS 12), effective for annual periods beginning after 1 January 2017.

(c) Standards and interpretations and amendments to existing standards that are issued but not yet effective and have not been early adopted by the Group:

- TFRS 9, "Financial Instruments", effective for annual periods beginning after 1 January 2018.
- TFRS 15, "Revenue from Contracts with Customers", effective for annual periods beginning after 1 January 2018.
- TFRS 4 (amendments), "Insurance Contracts", effective for annual periods beginning after 1 January 2018.
- TAS 40 (amendments), "Transfers of Investment Property", effective for annual periods beginning after 1 January 2018.
- TFRS 2 (amendments), "Classification and Measurement of Share-Based Payment Transactions", effective for annual periods beginning after 1 January 2018.
- Annual Improvements to TFRS 2014-2016 Cycle (TFRS 1, TAS 28), effective for annual periods beginning after 1 January 2018.
- TFRS interpretation 22, "Foreign Currency Transactions and Advance Consideration", effective for annual periods beginning after 1 January 2018.
- TAS 28 (amendments), "Long-term Interests in Associates and Joint Ventures", effective for annual periods beginning after 1 January 2019.
- TFRS 16, "Leases", effective for annual periods beginning after 1 January 2019.

(d) New standards, amendments and interpretations that are issued by the International Accounting Standard Boards (IASB) but not issued by POA:

- TFRS interpretation 23, "Uncertainty over Income Tax Treatments", effective for annual periods beginning after 1 January 2019.
- TFRS 17, "Insurance Contracts", effective for annual periods beginning after 1 January 2021.

The Group evaluates the effects of these standards on the consolidated financial statements.

2. BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (cont'd)

2.5 Summary of Significant Accounting Policies

Revenue

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated and actual customer returns, discounts, commissions, rebates, and taxes related to sales.

Sale of goods:

Revenue from sale of goods is recognized when all the following conditions are satisfied:

- The Group transfers the buyer the significant risks and rewards of ownership of the goods;
- The Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold,
- The amount of revenue can be measured reliably,
- It is probable that the economic benefits associated with the transaction will flow to the entity and,
- The costs incurred or to be incurred in respect of the transaction can be measured reliably.

Rental income:

Rental income from investment properties is recognized on an accrual basis over the term of the relevant lease.

Construction Contracts:

In contracts where third parties undertake the management, control and coordination of the construction activities are referred to as service contracts and they are only recognized as revenues when they are presented to third parties.

When the revenue of a construction contract can be estimated reliably, contract revenue associated with the construction contract shall be recognized by reference to the percentage of completion of the contract activity at the balance sheet date. Percentage of completion is measured by the proportion of the contract costs incurred for work performed to date divided by the estimated total contract costs. This calculation does not apply if the percentage of completion cannot be measured reliably. Changes in construction contract, additional receivable claims and incentive payments are included in the project revenue in accordance with the probable consent of the employer if the revenue is measured reliably.

When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognized to the extent of contract costs incurred that it is probable will be recoverable. Contract costs are recognized as expenses in the period in which they are incurred.

Construction contract costs consist of direct costs such as; all raw materials and direct labor expenses and indirect labor costs related with contract performance, equipment, maintenance, and depreciation expenses. Selling and general administration expenses are recognized when they occur. Provision for cost of estimated loss of incomplete contracts is recognized immediately in the year, which such loss is forecasted. Changes in estimated profitability due to business efficiency, business conditions, provisions for contract penalties and final contract arrangements can cause revisions in costs incurred and revenues obtained at the end of the project. Impact of these revisions is accounted for in the year, in which such revision is made.

Receivables from ongoing construction contracts indicates the revenue recognized on construction contracts in excess of billings, and ongoing construction progress payments indicate the billings in excess of the revenue recognized on construction contracts.

Group management does not recognize the additional receivables under compensation outside the scope of the contract that may be subject to litigation as income, unless negotiations have reached to an advanced stage such that it is probable that the customer will accept the claim and the amount of the additional receivable can be measured reliably.

Dividend and interest income:

Dividend income from investments is recognized when the shareholder's right to receive payment has been established (provided that it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably). Interest income from a financial investment is recognized when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial investment to that investment's net carrying amount on initial recognition.

2. BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (cont'd)

2.5 Summary of Significant Accounting Policies (cont'd)

Retention Receivables from Contractors

The Group's interim progress billings from its employees are subject to retention deductions, which vary, based on the individual agreements. These balances are collected from the contractors upon successful completion of the contract at the end of the warranty period. Retention receivables are measured at initial recognition at fair value, and are subsequently measured at amortized cost using the effective interest rate method.

Retention Payables to Subcontractors

The Group's interim progress billings to its subcontractors are subject to retention deductions, which vary, based on the individual agreements. These payables are paid to subcontractors after they successfully complete the guarantee periods. Retention payables are measured at initial recognition at fair value, and are subsequently measured at amortized cost using the effective interest rate method.

Inventories

Inventories are stated at the lower of cost and net realizable value. Costs, including an appropriate portion of fixed and variable overhead expenses, are assigned to inventories held by the method most appropriate to the particular class of inventory, with the majority being valued on a weighted average basis. Net realizable value represents the estimated selling price in the ordinary course of business less all estimated costs of completion and costs necessary to make a sale.

For construction projects, the materials have been produced especially for these projects are included in the project costs when they are delivered to contract sites.

Property, Plant and Equipment

Property plant and equipment are carried at cost less accumulated depreciation and any accumulated impairment losses.

Properties in the course of construction for production, rental or administrative purposes, or for purposes not yet determined, are carried at cost, less any recognized impairment loss. Cost includes legal fees. In case of the qualifying assets which necessarily take a substantial period of time to get ready for its intended use or sale, borrowing costs are capitalized. When the construction of these assets is completed and they are ready for use, they are transferred to the relevant property, plant and equipment class. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

Depreciation is charged so as to write off the cost of property, plant and equipment, other than land and properties under construction, over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation methods are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis.

Property, plant and equipment purchased through financial lease is depreciated same as the property, plant and equipment with the shorter of expected useful life and financial lease term.

The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in profit or loss.

Financial Leasing Operations

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Assets held under finance leases are recognized as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the balance sheet as a finance lease obligation. Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged to profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalized in accordance with the Group's general policy on borrowing costs.

2. BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (cont'd)

2.5 Summary of Significant Accounting Policies (cont'd)

Intangible Assets

Intangible assets acquired separately are reported at cost less accumulated amortization and any accumulated impairment losses. Amortization is charged on a straight-line basis over their estimated useful lives. The estimated useful life and amortization method are reviewed at the end of each annual reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. Acquired computer software licenses are capitalized on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortized over their estimated useful lives.

Impairment of Assets

Assets that are subject to amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

Borrowing Costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. When the Group borrows funds specifically for the purpose of the qualifying assets, the amount of borrowing costs eligible for capitalization is the actual borrowing costs incurred on that borrowing during the period less any investment income on the temporary investment of those borrowings. All other borrowing costs are recognized in the statement of profit or loss in the period in which they are incurred.

Financial Instruments

Financial Assets

Financial assets are classified into the following specified categories: financial assets as "at fair value through profit or loss", "held-to-maturity financial investments", "available-for-sale financial investments" and "loans and receivables". The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. Financial assets that are bought and sold in the normal way transaction (the delivery date) on the date of is recorded. Financial assets are measured at initial recognition at fair value. Fair value of financial assets and financial liabilities that are not reflected in profit or loss at initial recognition, transaction costs that are directly attributable to the acquisition of a financial asset to fair value are added.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short-term. These financial assets are presented at fair value and any gain or loss after valuation is recognized in profit or loss.

Available-for-sale financial investments

Quoted equity investments held by the Group that are traded in an active market are classified as being available-for-sale financial investments and are stated at fair value. The Group also has unquoted equity investments that are not traded in an active market but are also classified as available-for-sale financial assets and stated at cost since their value can't be reliably measured. Gains and losses arising from changes in fair value are recognized in other comprehensive income and accumulated in the gain / (loss) on revaluation and reclassification with the exception of impairment losses, interest calculated using the effective interest method, and foreign exchange gains and losses on monetary assets, which are recognized in profit or loss. Where the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously accumulated in the gain / (loss) on revaluation and reclassification reserve is reclassified to profit or loss.

2. BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (cont'd)

2.5 Summary of Significant Accounting Policies (cont'd)

Financial Instruments (cont'd)

Financial assets (cont'd)

Held-to-maturity investments

Held-to-maturity investments are financial investments with fixed or determinable payments and fixed maturity dates that the Group has the positive intent and ability to hold to maturity. Held-to-maturity investments are measured at amortized cost using the effective interest method less any impairment and relevant income is calculated through effective interest method.

Loans and receivables

Trade receivables, loans, and other receivables that have fixed or determinable payments that are not quoted in an active market are classified in this category. Loans and receivables are measured at amortized cost using the effective interest method less any impairment.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits and other short-term highly liquid investments which their maturities are three months or less from date of acquisition and that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

Financial liabilities

During the initial recognition, a financial liability measured at fair value. At fair value during the initial recognition of financial liabilities that are not reflected in profit or loss, transaction costs that are directly attributable to the financial liability related to fair value are added. In subsequent periods, interest expense is calculated on the effective interest rate financial liabilities that are accounted at amortized cost with using the effective interest method.

Derivative financial instruments and hedge accounting

The resulting gain or loss is recognized in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

If the cash flow hedge of a firm commitment or an expected forward transaction result in the recognition of an asset or liability, at the initial recognition of this asset or liability the gain or loss previously recognized under equity related to derivatives are included in the measurement of the initial amount of the asset or liability. In a hedge accounting that does not result in the recognition of an asset or liability, the amounts previously recognized under equity are transferred to statement of profit or loss in the period in which the hedged item has an effect on profit or loss.The changes in the fair value of derivatives that do not meet the criteria for hedge accounting are recognized in the statement of profit or loss.

Hedge accounting is discontinued when the Group revokes the hedging relationship, when the hedging instrument expires or is sold, terminated, or exercised, or when it no longer qualifies for hedge accounting. Any gain or loss recognized in other comprehensive income and accumulated in equity at that time remains in equity and is recognized when the forecast transaction is ultimately recognized in profit or loss. When a forecast transaction is no longer expected to occur, the gain or loss accumulated in equity is recognized immediately in profit or loss.

Foreign Currency Transactions

The individual financial statements of each Group entity are presented in the currency of the primary economic environment in which the entity operates (its functional currency). For the purpose of the consolidated financial statements, the results and financial position of each entity are expressed in TRY, which is the functional currency of the Company, and the presentation currency for the consolidated financial statements.

In preparing the financial statements of the individual entities, transactions in foreign currencies are recorded at the rates of exchange prevailing on the dates of the transactions. At each balance sheet date, monetary items denominated in foreign currencies are retranslated to functional currency at the rates prevailing on the balance sheet date.

2. BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (cont'd)

2.5 Summary of Significant Accounting Policies (cont'd)

Foreign Currency Transactions (cont'd)

Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated to functional currency at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences are recognized in profit or loss in the period in which they arise except for which relate to assets under construction for future productive use, which are included in the cost of those assets where they are regarded as an adjustment to interest costs on foreign currency borrowings.

For the purpose of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations are expressed in TRY using exchange rates prevailing on the balance sheet date. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuated significantly during that period, in which case the exchange rates at the dates of the transactions are used. Arising translation differences are recognized in other comprehensive income and transferred to accumulated other comprehensive income (loss) that will be reclassified in profit or loss under equity. Such translation differences are recognized in profit or loss in the period in which the foreign operation is disposed of.

Earnings Per Share

Earnings per share disclosed in the accompanying consolidated statement of income is determined by dividing net income by the weighted average number of shares in existence during the year concerned.

In Turkey, companies can raise their share capital by distributing "bonus shares" to shareholders from retained earnings. In computing earnings per share, such "bonus share" distributions are assessed as issued shares. Accordingly, the retrospective effect for those share distributions is taken into consideration in determining the weighted-average number of shares outstanding used in this computation.

Events After the Reporting Period

Events after the reporting period comprise of events which occur between the reporting date and the date on which the financial statements are authorized for issue, even if they occur after an announcement related with the profit for the year or after public disclosure of any other selected financial information.

The Group adjusts the amounts recognized in its financial statements if adjusting events occur after the balance sheet date.

Provisions, Contingent Assets and Liabilities

Provisions are recognized when the Group has a present obligation as a result of a past event, and it is probable that the Group will be required to settle that obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the balance sheet date, taking into account the risks and uncertainties surrounding the obligation.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

Onerous contracts

Present obligations arising under onerous contracts are recognized and measured as a provision.

An onerous contract is considered to exist where the Group has a contract under which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it.

Warranties

Provisions of warranty costs are recognized at the date of sale of the relevant products, at management's best estimate of the expenditure required to settle the Group's obligation.

Reporting of Financial Information According to Segments

The Group has four operating segments which are Contracting, Agriculture, Real Estate and Other including information in order to monitor performance and to allocate resources. These segments are managed separately because of the risk and benefits attributable to these segments are influenced from different economical environments and different geographical locations.

2. BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (cont'd)

2.5 Summary of Significant Accounting Policies (cont'd)

Government Grants and Incentives

Government incentives are not recognized in the financial statements unless there is a reasonable assurance that Group will comply with the conditions attaching to them and the incentives will be received.

Government incentives are accounted systematically in profit or loss where they are matched with the relevant costs recorded as expenses during the period. Government incentives as a financial instrument should be associated with the balance sheet as unearned revenue to offset the related expense item instead of being recognized in profit or loss and have to be accounted systematically in profit or loss depending on useful lives of the related assets.

Government incentives that become receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognized in profit or loss in the period in which they become receivable.

Investment Property

Investment property, which is property, held to earn rentals and/or for capital appreciation is carried at cost less accumulated depreciation and any accumulated impairment losses. The carrying amount includes the cost of replacing part of an existing investment property at the time that cost is incurred if the recognition criteria are met; and excludes the costs of day to day servicing of an investment property. Depreciation is provided on investment property on a straight line basis.

An investment property is derecognized upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from disposal. Any gain or loss arising on derecognition of the property is included in profit or loss in the period in which the property is derecognized.

Corporate Income Tax

Turkish tax legislation does not permit a parent company and its subsidiary to file a consolidated tax return, therefore, provisions for taxes, as reflected in the accompanying consolidated financial statements, have been calculated on a separate-entity basis.

Tax expense represents the sum of the period tax expense and deferred tax income / (expense).

Controlled foreign corporation income:

Turkish CFC regime was introduced in 2006 by Turkish Corporate Income Tax Act. Due to CFC regulations, Turkish Corporate income tax payer which manages their investments via foreign subsidiaries will need to declare and pay corporate income tax in Turkey under certain conditions regardless of whether or not the income generated through foreign subsidiaries is transferred to Turkey. In other words to gain the profit is forced to be free from the distribution of the generated profit. Corporations which are established in foreign companies directly or indirectly controlled by a Turkish individual or corporation which holds (separately or together) at least 50% of their capital, dividend or voting rights which will be deemed as CFC. The other conditions of CFC are; 25% or more of the income of the foreign subsidiary should be passive income (such as rent, dividend, interest), the foreign subsidiary should be subject to less than 10% effective tax burden over its corporate income and the gross revenue of foreign company should exceed the foreign currency equivalent of TRY 100.000.

If the CFC earnings, which are declared in Turkey and related taxes are paid, will be brought up to scene as dividend in the forthcoming periods; they will not be included into taxable income to prevent double taxation.

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the statement of income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted for each entity included in the consolidation by the balance sheet date.

2. BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (cont'd)

2.5 Summary of Significant Accounting Policies (cont'd)

Corporate Income Tax (cont'd)

Deferred tax

Deferred tax is recognized on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases which is used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognized for all taxable temporary differences and deferred tax assets are recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realized, based on tax rates that have been enacted or substantively enacted by the balance sheet date. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Current and deferred tax for the period

Current and deferred tax are recognized in profit or loss except when they are directly related to a transaction which is accounted under equity. Otherwise they are recognized in equity, along with the related transaction.

Assets Held For Sale

Non-current assets are classified as "assets held for sale" and stated at the lower of carrying amount and fair value less costs to sell if their carrying amount is to be recovered principally through a sale transaction rather than through continuing use. These assets may be a component of an entity, a disposal group or an individual non-current asset.

Employee Benefits

Termination and retirement benefits:

Under Turkish law and union agreements, lump sum payments are made to employees retiring, involuntarily leaving the Group or when the conditions presented in law are met. Such payments are considered as being part of defined retirement benefit plan according to the revised TAS 19 *Employee Benefits* ("TAS 19").

The retirement benefit obligation recognized in the consolidated financial statements represents the net present value of the defined benefit obligation. The actuarial gains and losses are recognized in other comprehensive income.

The Company and its subsidiaries are liable to pay retirement benefit for its qualified personnel. In addition to this, according to Group's retirement benefit policy, the Group pays retirement benefits to its retirees. The Group and its consolidated subsidiaries, regarding the retirement benefits of its personnel employed abroad, is subject to laws and regulations of the countries its personnel is located within. Regarding the laws mentioned, required provision has been provided for in the consolidated financial statements.

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2. BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (cont'd)

2.5 Summary of Significant Accounting Policies (cont'd)

Redeemed Shares

As determined in the articles of association of Tekfen Holding A.Ş., 30 of the registered redeemed shares belong to Tekfen Eğitim Sağlık Kültür Sanat ve Doğal Varlıkları Koruma Vakfı ("Tekfen Vakfı"). The constitutive redeemed shares grant no voting rights or any membership rights to their owners.

As explained in the articles of association of the Company, after the first dividend is distributed in the ratio of 30% in accordance with the communiqués of Capital Market Board, a maximum ratio of 3%, which is determined by the General Assembly, of the remaining net distributable profit amount is allocated to the Tekfen Vakfı.

According to TAS 32, if, as a result of contingent settlement provisions, the issuer does not have an unconditional right to avoid settlement by delivery of cash or other financial instrument, the instrument is a financial liability of the issuer.

Redeemed shares owned by Tekfen Vakfı are considered as negotiable instruments and realized as a financial liability assuming that they will continue to take advantage of the right at upper limit as long as the Group's existing shareholders structure and management remains the same. In assessment of fair values of related constitutive redeemed shares, the Group's market value as of balance sheet date is taken into consideration. Calculated fair value depends on different conditions which may occur in foreseeable future and is therefore discounted and realized as liability in the consolidated financial statements.

2.6 Critical Accounting Judgments, Key Sources of Estimation Uncertainty and Assumptions

In the process of applying accounting policies, which are described in Note 2.5, management has made the following judgments that have the most significant effect on the amounts recognized in the consolidated financial statements:

Deferred taxes

The Group recognizes deferred tax assets and liabilities based upon temporary differences arising between its financial statements as reported for TAS purposes and its statutory tax financial statements. These differences usually arise from the fact that certain income and expense items are recognized in different reporting periods for TAS and tax purposes. In the subsidiaries of the Group, there are deferred tax assets resulting from tax loss carry-forwards and deductible temporary differences, all of which could reduce taxable income in the future. Based on available evidence, both positive and negative, it is determined whether it is probable that all or a portion of the deferred tax assets will be realized. The main factors which are considered include future earnings potential; cumulative losses in recent years; history of loss carry-forwards and other tax assets expiring; the carry-forward period associated with the deferred tax assets; future reversals of existing taxable temporary differences; tax-planning strategies that would, if necessary, be implemented, and the nature of the income that can be used to realize the deferred tax asset. As a result of the assessment made, the Group recognizes deferred tax assets in certain entities because it is probable that taxable profit will be available sufficient to recognize deferred tax assets in those entities.

Income tax

The Group operates in various tax jurisdictions and is subject to applicable tax legislation and tax laws in these countries. The Group requires the use of significant estimates of determining provision of income tax. The Group estimates the usage of financial losses carried forward and the tax provision arising from tax liabilities. When the final tax results are determined, realized amounts may be different than the estimated amounts and as of the balance sheet date an adjustment may be made on the recognized income tax provision.

Change in contract fee

Changes in contract fees are recognized in the consolidated financial statements to the extent that those changes are likely to be approved by the customers, based on the percentage of completion method of the construction projects. Estimates on the collection of those changes are made based on the Group management's past experiences, the related contract terms and the related legislation.

Percentage of completion

The Group uses the percentage of completion method in accounting for its construction contracts. Use of the percentage of completion method requires the Group to estimate the proportion of work performed to date as a proportion of the total work to be performed.

(Amounts are expressed in Thousands of Turkish Lira ("TRY") unless otherwise stated.)

2. BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (cont'd)

2.6 Critical Accounting Judgments, Key Sources of Estimation Uncertainty and Assumptions (cont'd)

Construction costing estimates

The Group calculates the remaining costs to complete on construction projects through its internally developed projections. Factors such as escalations in material prices, labour costs and other costs are included in these projections based on best estimate as of the balance sheet dates. Any unanticipated escalation in the subsequent periods will require the reassessment of the remaining costs.

Non-current retention receivables

Non-current retention receivable and payable are stated at their fair value each period end by discounting the Group's effective deposit and borrowing rates respectively, which management considers to be the appropriate discount rates for these assets and liabilities.

Fair value of derivatives and other financial instruments

The fair value of financial instruments that are not traded in an active market is determined using valuation techniques based on market-observable data, market comparable approach that reflects recent transaction prices for similar properties and discounted cash flows (Note 33).

3. JOINT OPERATIONS

Group's significant partnerships subject to joint operations are described in Note 2.

Financial information related to these joint operations is as follows:

	31 December 2017	31 December 2016
Current assets	159.247	75.502
Non-current assets	50.887	6.066
Current liabilities	498.181	238.266
Non-current liabilities	2.222	1.439
Shareholders' equity	(290.269)	(158.137)

	1 January- 31 December 2017	1 January- 31 December 2016
Revenue	220.573	24.531
Cost of revenue (-)	(268.235)	(29.514)
Loss for the period	(116.611)	(10.702)

4. SEGMENTAL REPORTING

a) Segmental results

	1 January - 31 December 2017				
	Contracting	Agriculture	Real Estate	Other	Total
Revenue	4.861.540	2.240.434	350.744	34.415	7.487.133
Cost of revenue (-)	(4.470.547)	(1.647.984)	(333.770)	(6.397)	(6.458.698)
GROSS PROFIT	**390.993**	**592.450**	**16.974**	**28.018**	**1.028.435**
General administrative expenses (-)	(120.557)	(38.365)	(8.129)	(47.614)	(214.665)
Marketing expenses (-)	(1.977)	(146.345)	(6.968)	-	(155.290)
Research and development expenses (-)	(47)	(1.860)	-	(23)	(1.930)
Other operating income	125.016	206.448	508	7.739	339.711
Other operating expenses (-)	(145.921)	(264.396)	(5.078)	(13.669)	(429.064)
Share on profit (loss) of investments valued using equity method	209.213	1.787	-	-	211.000
OPERATING PROFIT (LOSS)	**456.720**	**349.719**	**(2.693)**	**(25.549)**	**778.197**
Investment income	1.204	7.930	22	8.240	17.396
Investment expense (-)	-	(5)	-	(16)	(21)
PROFIT (LOSS) BEFORE FINANCIAL INCOME (EXPENSES)	**457.924**	**357.644**	**(2.671)**	**(17.325)**	**795.572**
Financial income	50.783	213.499	2.147	309.673	576.102
Financial expenses (-)	(32.451)	(200.174)	(18.659)	(218.136)	(469.420)
PROFIT (LOSS) FROM CONTINUING OPERATIONS BEFORE TAXATION	**476.256**	**370.969**	**(19.183)**	**74.212**	**902.254**
Tax (expense) income from continuing operations	(85.670)	(24.317)	5.315	(26.854)	(131.526)
PROFIT (LOSS) FROM CONTINUING OPERATIONS FOR THE PERIOD	**390.586**	**346.652**	**(13.868)**	**47.358**	**770.728**

For the year ended 31 December 2017, revenue amounting 1.883.403 was obtained from a non-related client of construction segment which constitute 25,2% of the Group's revenue.

The Group has 170.935 of revenue and 115.417 of operating income from terminal operations classified as agricultural operation in 2017.

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4. SEGMENTAL REPORTING (cont'd)

a) Segmental results (cont'd)

	1 January - 31 December 2016				
	Contracting	Agriculture	Real Estate	Other	Total
Revenue	2.823.581	1.851.309	32.714	29.793	4.737.397
Cost of revenue (-)	(2.577.125)	(1.469.063)	(29.761)	(7.903)	(4.083.852)
GROSS PROFIT	**246.456**	**382.246**	**2.953**	**21.890**	**653.545**
General administrative expenses (-)	(98.372)	(28.245)	(8.651)	(36.367)	(171.635)
Marketing expenses (-)	(1.780)	(116.023)	(5.909)	-	(123.712)
Research and development expenses (-)	-	-	-	(1.256)	(1.256)
Other operating income	158.190	107.956	715	2.812	269.673
Other operating expenses (-)	(165.408)	(192.483)	(520)	(12.149)	(370.560)
Share on profit (loss) of investments valued using equity method	54.522	2.719	(3)	-	57.238
OPERATING PROFIT (LOSS)	**193.608**	**156.170**	**(11.415)**	**(25.070)**	**313.293**
Investment income	1.680	2.555	-	9.140	13.375
Investment expense (-)	(121)	(1)	(10)	(8)	(140)
PROFIT (LOSS) BEFORE FINANCIAL INCOME (EXPENSES)	**195.167**	**158.724**	**(11.425)**	**(15.938)**	**326.528**
Financial income	9.312	73.249	3.122	222.018	307.701
Financial expenses (-)	(39.289)	(86.066)	(835)	(69.101)	(195.291)
PROFIT (LOSS) FROM CONTINUING OPERATIONS BEFORE TAXATION	**165.190**	**145.907**	**(9.138)**	**136.979**	**438.938**
Tax (expense) income from continuing operations	(83.887)	(6.297)	19.941	(38.372)	(108.615)
PROFIT (LOSS) FROM CONTINUING OPERATIONS FOR THE PERIOD	**81.303**	**139.610**	**10.803**	**98.607**	**330.323**

For the year ended 31 December 2016, revenue amounting 594.959 was obtained from a non-related client of construction segment which constitute 12,6% of the Group's revenue.

The Group has 136.679 of revenue and 82.936 of operating income from terminal operations classified as agricultural operation in 2016.

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4. SEGMENTAL REPORTING (cont'd)

b) Segmental assets and liabilities

	31 December 2017				
Balance sheet	Contracting	Agriculture	Real Estate	Other	Total
Total assets	5.025.575	2.774.958	377.906	1.188.311	9.366.750
Current and non-current liabilities	4.424.252	1.379.507	425.941	128.736	6.358.436
Equity attributable to owners of the parents	219.136	1.181.919	(1.196)	1.575.858	2.975.717
Non-controlling interests	32.337	241	-	19	32.597

	31 December 2016				
Balance sheet	Contracting	Agriculture	Real Estate	Other	Total
Total assets	2.620.960	2.273.292	583.594	1.190.963	6.668.809
Current and non-current liabilities	2.432.790	1.129.705	598.783	128.074	4.289.352
Equity attributable to owners of the parents	(133.072)	868.149	12.970	1.601.634	2.349.681
Non-controlling interests	29.632	192	-	(48)	29.776

c) Segmental information related to property, plant and equipment, intangible assets, investment property and revenue

	1 January - 31 December 2017				
	Contracting	Agriculture	Real Estate	Other	Total
Capital expenditures (*)	167.935	61.087	642	3.067	232.731
Depreciation and amortization expense for the period (**)	70.751	60.228	1.994	4.022	136.995
Intra-segment revenue	149.330	40.342	67	4.506	194.245
Inter-segment revenue	554	1.109	1.410	15.386	18.459

	1 January - 31 December 2016				
	Contracting	Agriculture	Real Estate	Other	Total
Capital expenditures (*)	45.730	119.984	2.577	1.362	169.653
Depreciation and amortization expense for the period (**)	60.593	48.873	871	4.059	114.396
Intra-segment revenue	38.856	35.358	40	297	74.551
Inter-segment revenue	18	934	1.598	10.546	13.096

(*) Fixed assets purchases through financial lease (2017: None, 2016: 690) and additional capitalized borrowing costs (2017: None, 2016: 12.522) are also included.

(**) Depreciation expense of 1.001 is deducted from the cost of inventory (2016: 5.932 added to the cost of inventory).

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4. SEGMENTAL REPORTING (cont'd)

d) Geographical segmental information

	Turkey	CIS	Northern Africa	Middle Eastern Countries	Other	Eliminations	Total
Revenue (1 January - 31 December 2017)	4.814.599	793.271	-	2.049.470	42.497	(212.704)	7.487.133
Total assets (31 December 2017)	9.821.715	2.768.683	45.340	2.461.092	116.552	(5.846.632)	9.366.750
Capital expenditures (1 January - 31 December 2017) (*)	117.205	38.187	-	77.250	89	-	232.731

	Turkey	CIS	Northern Africa	Middle Eastern Countries	Other	Eliminations	Total
Revenue (1 January - 31 December 2016)	2.918.200	1.141.920	(1.406)	761.262	5.068	(87.647)	4.737.397
Total assets (31 December 2016)	9.041.938	2.484.914	52.655	727.912	99.883	(5.738.493)	6.668.809
Capital expenditures (1 January - 31 December 2016) (*)	164.865	4.356	-	432	-	-	169.653

(*) Fixed assets purchases through financial lease (2017: None, 2016: 690) and additional capitalized borrowing costs (2017: None, 2016: 12.522) are also included.

5. CASH AND CASH EQUIVALENTS

	31 December 2017	31 December 2016
Cash on hand	1.245	2.141
Cash at banks		
Demand deposits	228.382	134.403
Time deposits with maturity of three months or less	2.680.704	1.305.930
Other cash equivalents	75.502	40.955
	2.985.833	1.483.429

Explanations about the nature and level of risks related to cash and cash equivalents are provided in Note 34.

6. FINANCIAL INVESTMENTS

Short-term financial investments	31 December 2017	31 December 2016
Time deposits with maturity of longer than three months	330.126	108.121
Short-term financial investments total	330.126	108.121
Long-term financial investments		
Available for sale financial investments	170.651	175.435
Fair value through profit or loss financial investments	11.320	-
Long-term financial investments total	181.971	175.435
Financial investments total	512.097	283.556

Short-term financial investments consists of time deposits with maturity of longer than three months with an annual interest rate of 4,06% amounting to 122.292 (32.422 Thousand USD) and annual interest rate of 2,10% amounting to 207.834 (46.027 Thousand EUR) (31 December 2016: 108.121 (30.723 Thousand USD) with annual interest rate of 3,74%, EUR None).

6. FINANCIAL INVESTMENTS (cont'd)

Long-term financial investments are as follows:

Details	Share %	31 December 2017	Share %	31 December 2016
Available for sale financial investments				
Traded				
Akmerkez Gayrimenkul Yatırım Ortaklığı A.Ş.	10,79	83.371	10,79	88.436
Türkiye Sınai Kalkınma Bankası A.Ş.	<1	1.667	<1	1.375
Akçansa Çimento Sanayi ve Ticareti A.Ş.	<1	61	<1	77
Turcas Petrolcülük A.Ş.	<1	12	<1	7
		85.111		89.895
Non-traded				
Toren Doğalgaz Depolama ve Madencilik A.Ş.	2,50	42.349	2,50	42.349
Gaz Depo ve Madencilik A.Ş.	2,50	41.501	2,50	41.501
Sınai ve Mali Yatırımlar Holding A.Ş.	<1	2.536	<1	2.536
Mersin Serbest Bölge İşleticisi A.Ş.	9,56	898	9,56	898
Akmerkez Lokantacılık Gıda San. ve Tic. A.Ş.(*)	30,50	441	30,50	441
Üçgen Bakım ve Yönetim Hizmetleri A.Ş. (*)	27,45	109	27,45	109
Tümteks Tekstil Sanayi ve Ticaret A.Ş.	7,45	6.147	7,45	6.147
Other		1.657		1.593
		95.638		95.574
Less: Allowance for impairment				
Sınai ve Mali Yatırımlar Holding A.Ş.		(2.536)		(2.536)
Tümteks Tekstil Sanayi ve Ticaret A.Ş.		(6.147)		(6.147)
Other		(1.415)		(1.351)
		(10.098)		(10.034)
Fair value through profit or loss financial investments		11.320		-
Long-term financial investments total		181.971		175.435

(*) As of 31 December 2017 and 2016, entities classified as financial investment are shown at cost due to the fact that their total assets do not have a significant effect at the accompanying consolidated financial statements.

Traded available for sale financial investments actively are carried at quoted market prices. The positive difference of 67.240 in the fair value of the available for sale financial investments traded in active markets is directly recognized in equity (31 December 2016: 71.775 positive difference). There is a negative difference amount of 10 in the fair value of the available for sale financial investments traded in active markets is directly recognized in the statement of profit or loss (31 December 2016: 3 positive difference).

85.540 of the above available for sale financial investments that do not have a quoted market value and their fair values cannot be reliably measured as the range of reasonable fair value estimates is significant and the probabilities of the various estimates cannot be reasonably assessed (31 December 2016: 85.540). For this reason they are stated at cost less provision for impairment in value, if any.

Explanations about the nature and level of risks related to financial investments are provided in Note 34.

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7. SHORT AND LONG-TERM BORROWINGS

	31 December 2017	31 December 2016
Short-term bank loans	605.081	916.751
Short-term portion of long-term bank loans and interest payments	108.693	85.024
Short-term obligations under finance leases	-	3.890
Short-term portion of long-term obligations under finance leases	1.815	3.750
Total short-term borrowings	715.589	1.009.415
Long-term bank loans	463.894	249.660
Long-term obligations under finance leases	210	1.890
Total long-term borrowings	464.104	251.550
Total borrowings	1.179.693	1.260.965

The details of bank loans are as follows:

Original currency	Weighted average interest rate % Short-term	Long-term	31 December 2017 Short-term	Long-term	Total
US Dollars	4,41	-	386.740	-	386.740
EUR	1,17	2,66	176.672	214.108	390.780
TRY	14,49	16,36	150.362	249.786	400.148
			713.774	463.894	1.177.668

Original currency	Weighted average interest rate % Short-term	Long-term	31 December 2016 Short-term	Long-term	Total
US Dollars	3,70	-	620.213	-	620.213
EUR	2,14	2,76	153.841	249.660	403.501
TRY	12,75	-	227.721	-	227.721
			1.001.775	249.660	1.251.435

7. SHORT AND LONG-TERM BORROWINGS (cont'd)

Repayment schedule of bank loans is as follows:

	31 December 2017	31 December 2016
To be paid within 1 year	713.774	1.001.775
To be paid within 1-2 year	291.660	83.220
To be paid within 2-3 year	172.234	83.220
To be paid within 3-4 year	-	83.220
	1.177.668	1.251.435

Group's bank loans; as of 31 December 2017 in the amounts of 102.532 Thousand USD (386.740), 15.055 Thousand EUR (67.981) and 400.148 are subject to fixed interest rates and expose the Group to fair value interest risk (31 December 2016: 176.237 Thousand USD (620.213), 18.556 Thousand EUR (68.841), 227.721). Other bank loans are borrowed at floating interest rates thus exposing the Group's cash flow to interest rate risk.

The subsidiary of the Company, Toros Tarım, has borrowed ECA (SACE) and ECA (Hermes) bank loans from Unicredit Bank Austria AG in August 2013 and Deutsche Bank AG in January 2014 for sulfuric acid facility in Samsun factory. The duration of repayments for Unicredit Bank Austria AG loan lasts 7 years, including no principal payment within the first 2 years and 10 equal payments in 5 years where duration of repayments for Deutsche Bank AG loan lasts 6,5 years with 10 equal payments, including no principal payment within first 1,5 years. The interest rates for Unicredit Bank Austria AG and Deutsche Bank AG loans are 6 months Euribor plus 2% and 6 months Euribor plus 0,9% respectively. Toros Tarım fulfilled the financial performance criteris obliged due to the agreement as of 31 December 2017. Additional loan amounting 20.168 (4.466 Thousand EUR) borrowed from Deutsche Bank AG in 2017. As of 31 December 2017, remaining balance of the loans used from Unicredit Bank Austria AG and Deutsche Bank AG after principle payments is 150.677 (33.369 Thousand EUR) and 170.483 (37.755 Thousand EUR) respectively. Principle payments made to the loans from Unicredit Bank Austria AG an Deutsche Bank AG for the year ended 31 December 2017 is 50.226 (11.123 Thousand EUR) and 53.947 (11.947 Thousand EUR) respectively.

Details of obligations under finance leases are as follows:

	Minimum Lease Payments		Present Value of Minimum Lease Payments	
	31 December 2017	31 December 2016	31 December 2017	31 December 2016
Obligations under finance leases				
Within one year	1.970	7.895	1.815	7.640
Within 2-5 year	223	2.041	210	1.890
	2.193	9.936	2.025	9.530
Less: finance expenses related to following years	(168)	(406)	-	-
Present value of obligations finance leases	2.025	9.530	2.025	9.530
Less: Payments within 12 months (in short-term payables)			1.815	7.640
Due beyond 12 months			210	1.890

It is the Group policy to lease some of its furniture, fixtures and equipment under finance leases. Average lease term varies between 36 months and 48 months (2016: 12 – 48 months). For the year ended 31 December 2017 effective weighted average interest is 4,35% for USD and 5,65% for EUR (31 December 2016: 3,95% for USD, 4,23% for EUR). Financial lease obligations currency type distribution is disclosed in Note 34. The fair value of the Group's lease obligations approximates their carrying amount.

Explanations about the nature and level of risks related to financial debts are provided in Note 34.

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8. TRADE RECEIVABLES AND PAYABLES

a) Trade Receivables:

As at balance sheet date, details of trade receivables of the Group are as follows:

Short-term trade receivables	31 December 2017	31 December 2016
Receivables from Contracting group operations	1.402.427	842.204
Receivables from Agriculture group operations	190.873	92.569
Receivables from Real Estate group operations	15.770	36.933
Receivables from Other group operations	7.118	7.566
Provision for doubtful receivables	(32.998)	(30.850)
Retention receivables (Note: 11)	283.764	98.056
Due from related parties (Note: 32)	14.468	20.680
Other	8.592	8.164
	1.890.014	1.075.322
Long-term trade receivables		
Retention receivables (Note: 11)	64.374	143.163
Receivables from Real Estate group operations	12.211	9.379
	76.585	152.542

Postdated cheques amounting to 126.185 (31 December 2016: 59.339), notes receivables amounting to 23.459 (31 December 2016: 42.269), positive foreign currency differences amounting to 73 (31 December 2016: positive foreign currency differences amounting to 155) are included in short and long-term trade receivables. There are no due date differences included in short and long-term trade receivables (31 December 2016: 110).

Average maturity date for trade receivables varies between the segments. Average maturity date for Contracting group, for projects in abroad is 135 days (31 December 2016: 123 days), for domestic projects is 39 days (31 December 2016: 47 days), for Agriculture group is 43 days (31 December 2016: 40 days), for Real Estate group for short-term trade receivables are 150 days, for long-term trade receivables is 770 days (31 December 2016: short-term trade receivables is 84 days, long-term trade receivables are 647 days) and for other segment is 27 days (31 December 2016: 30 days).

As of 31 December 2017, receivables amounting 935.627 was obtained from a non-related client which constitute 48% of the Group's receivables (31 December 2016: 316.228, 26%).

Amount of provision for doubtful receivables was determined based on past uncollectible receivable cases encountered. As of 31 December 2017, trade receivables of 32.998 (31 December 2016: 30.850) is provided provision for in the amount of 32.998 (31 December 2016: 30.850).

The movement of the Group's provision for doubtful receivables is as follows:

	2017	2016
Provision as at 1 January	(30.850)	(26.068)
Charge for the year	(1.959)	(3.302)
Collected	808	165
Write off of bad debt	6	-
Currency translation effect	(1.003)	(1.645)
Provision as at 31 December	(32.998)	(30.850)

1.006 and 953 of doubtful receivable expense has been charged to cost of revenue and general administrative expenses respectively (2016: Doubtful receivable charge for the period has been charged to general administrative expenses).

Explanations about the nature and level of risks related to trade receivables are provided in Note 34.

8. TRADE RECEIVABLES AND PAYABLES (cont'd)

b) Trade Payables:

As at balance sheet date, details of trade payables of the Group are as follows:

Short-term trade payables	31 December 2017	31 December 2016
Payables from Contracting group operations	1.063.448	718.254
Payables from Agriculture group operations	836.921	677.546
Payables from Real Estate group operations	5.105	27.315
Payables from Other group operations	12.707	14.300
Due to related parties (Note: 32)	6.128	10.919
Retention payables (Note: 11)	114.159	80.457
Other trade payables	161	32
	2.038.629	1.528.823

Long-term trade payables	31 December 2017	31 December 2016
Payables from Agriculture group operations	60.869	30.684
Retention payables (Note: 11)	55.674	12.979
Trade payables from Contracting group operations	799	370
	117.342	44.033

Foreign currency differences amounting to 218.219 (31 December 2016: 176.147) are included in short and long-term trade payables. There are not any notes payables and postdated cheques in the current year (31 December 2016: Notes payables 533, no postdated cheques)

For Agriculture Group, payables attributable to inventory supplied through imports constitute 95% (31 December 2016: 95%) of trade payables as at balance sheet date and average payable period for these import purchases is 172 days (31 December 2016: 219 days) whereas average payable period for domestic purchases is 30 days (31 December 2016: 30 days). For Contracting group, import purchases through letter of credit constitute 3% (31 December 2016: 7%) of trade payables as at balance sheet date. The average payable period for these import purchases is 87 days (31 December 2016: 88 days) whereas the average payable period for other purchases is 90 days (31 December 2016: 122 days). The average payable period for Real Estate group is 35 days (31 December 2016: 31 days). For the other operations of the Group, the average payable period is 61 days (31 December 2016: 59 days).

Explanations about the nature and level of risks related to trade payables are provided in Note 34.

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9. OTHER RECEIVABLES AND PAYABLES

a) Other Receivables:

Other short-term receivables	31 December 2017	31 December 2016
Deposits and guarantees given	10.999	5.370
VAT receivables	9.865	-
Other doubtful receivables	571	571
Other doubtful receivable provision (-)	(571)	(571)
Related party receivables (Note: 32)	-	53.922
Other receivables	2.654	1.791
	23.518	61.083

Other long-term receivables		
Deposits and guarantees given	4.235	3.823
	4.235	3.823

b) Other Payables:

Other short-term payables	31 December 2017	31 December 2016
Taxes and funds payable	69.565	33.397
Deposits and guarantees received	6.341	7.510
Payables related to share acquisitions	-	29.679
Other payables	2.534	3.229
	78.440	73.815

Other long-term payables		
Fair value of reedemed shares	66.045	25.097
Deposits and guarantees received	4.101	3.420
	70.146	28.517

Explanations about the nature and level of risks related to other receivables and payables are provided in Note 34.

(Amounts are expressed in Thousands of Turkish Lira ("TRY") unless otherwise stated.)

10. INVENTORIES

	31 December 2017	31 December 2016
Raw materials	144.221	103.605
Work in progress	146.499	171.762
Finished goods	19.138	26.635
Trading goods	72.868	41.922
Goods in transit	30.800	35.846
Inventory from real estate projects	256.473	432.253
Inventory at construction sites	225.214	115.721
Other inventories	53.576	40.997
	948.789	968.741

During the year ended 31 December 2017, borrowing costs deducted from inventory amount to 4.886 (31 December 2016: Borrowing costs capitalized 15.901).

The Group does not have any inventories whose net realizable value is less than its current cost (31 December 2016: None). Accordingly, there is not any provision for allowance for impairment on inventory (31 December 2016: None).

11. CONSTRUCTION CONTRACTS

	31 December 2017	31 December 2016
Cost incurred on uncompleted contracts	16.125.698	13.884.066
Recognised gain less losses (net)	1.140.279	784.831
	17.265.977	14.668.897
Less: Billings to date (-)	(17.887.221)	(14.661.735)
	(621.244)	7.162

Costs and billings incurred on uncompleted contracts in consolidated financial statements are follows:

	31 December 2017	31 December 2016
From customers under construction contracts	171.361	391.944
To customers under construction contracts	(792.605)	(384.782)
	(621.244)	7.162

	31 December 2017	31 December 2016
Receivables from uncompleted contracts		
Contracts undersigned abroad	125.117	340.773
Contracts undersigned in Turkey	46.244	51.171
	171.361	391.944
Payables from uncompleted contracts		
Contracts undersigned abroad	(503.887)	(20.511)
Contracts undersigned in Turkey	(288.718)	(364.271)
	(792.605)	(384.782)
	(621.244)	7.162

The Group has 292.548 of advances given to subcontractors and other suppliers for construction projects classified in short-term prepaid expenses (31 December 2016: 48.437). Also, the Group has 1.559.333 of advances received for contracting projects classified in deferred revenue (31 December 2016: 302.765) (Note 16).

As of 31 December 2017, the Group has 169.833 of retention payables to subcontractors (31 December 2016: 93.436). Also, the amount of retention receivables is 348.138 (31 December 2016: 241.219) (Note 8).

(Amounts are expressed in Thousands of Turkish Lira ("TRY") unless otherwise stated.)

12. INVESTMENTS VALUED BY EQUITY METHOD

The details of the joints ventures of the Group, which are valued by equity method, are as follows:

		31 December 2017		31 December 2016			
Joint Ventures	Location of foundation and operation	Participation Rate	Amount	Participation Rate	Amount	Power to appoint	Industry
H-T Fidecilik	Turkey	50,00 %	11.543	50,00 %	10.039	50,00 %	Agriculture
Azfen	Azerbaijan	40,00 %	94.227	40,00 %	47.608	40,00 %	Construction
Black Sea	Turkey	30,00 %	1.092	30,00 %	1.034	30,00 %	Fertilizer Trade
Florya Gayrimenkul	Turkey	50,00 %	87.648	50,00 %	59.764	50,00 %	Real Estate
			194.510		118.445		

Movement of Group's joint ventures during the year is as follows:

	2017	2016
Opening balance as at 1 January	118.445	147.848
Group's share on profit (loss)	211.000	57.238
Group's share on other comprehensive incom	(225)	-
Dividends	(172.024)	(90.588)
Capital increases	29.635	-
Currency translation effect	9.430	5.211
Profit eliminations	(1.751)	(1.264)
Closing balance as at 31 December	194.510	118.445

Group's share on profit /loss of joint ventures is as follows:

	2017	2016
H-T Fidecilik	1.729	2.491
Azfen	209.213	54.522
Black Sea	58	228
Florya Gayrimenkul	-	(3)
Shares on profit (loss) of joint ventures consolidated by equity method	211.000	57.238

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12. INVESTMENTS VALUED BY EQUITY METHOD (cont'd)

Information related to financial position:

31 December 2017	H-T Fidecilik	Azfen	Black Sea	Florya Gayrimenkul	Total
Cash and cash equivalents	98	153.208	2.698	294	156.298
Other current assets	48.872	299.910	1.169	57.666	407.617
Other non-current assets	22.279	52.435	12	120.396	195.122
Total Assets	71.249	505.553	3.879	178.356	759.037
Short-term financial debts	26.937	-	-	-	26.937
Other short-term liabilities	18.253	260.971	223	596	280.043
Long-term financial debts	835	-	-	-	835
Other long-term liabilities	2.139	9.014	17	2.465	13.635
Total Liabilities	48.164	269.985	240	3.061	321.450
Net Assets	23.085	235.568	3.639	175.295	437.587
Group's Ownership Rate	50,00%	40,00%	30,00%	50,00%	
Group's share on Net Assets	11.543	94.227	1.092	87.648	194.510

31 December 2016	H-T Fidecilik	Azfen	Black Sea	Florya Gayrimenkul	Total
Cash and cash equivalents	58	103.072	8.000	83	111.213
Other current assets	41.183	732.506	663	57.652	832.004
Other non-current assets	18.326	123.338	31	114.585	256.280
Total Assets	59.567	958.916	8.694	172.320	1.199.497
Short-term financial debts	21.107	-	-	-	21.107
Other short-term liabilities	16.919	839.895	5.237	50.335	912.386
Long-term financial debts	244	-	-	-	244
Other long-term liabilities	1.220	-	10	2.458	3.688
Total Liabilities	39.490	839.895	5.247	52.793	937.425
Net Assets	20.077	119.021	3.447	119.527	262.072
Group's Ownership Rate	50,00%	40,00%	30,00%	50,00%	
Group's share on Net Assets	10.039	47.608	1.034	59.764	118.445

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12. INVESTMENTS VALUED BY EQUITY METHOD (cont'd)

Information related to statement of profit or loss :

31 December 2017	H-T Fidecilik	Azfen	Black Sea	Florya Gayrimenkul	Total
Revenue	65.773	1.751.478	138.708	-	1.955.959
Depreciation and amortization expense	2.001	28.179	20	-	30.200
Operating profit (loss)	7.337	671.454	(986)	-	677.805
Financial income	8	970	5.924	7	6.909
Financial expense (-)	(3.269)	-	(4.746)	-	(8.015)
Tax (expense) income	(868)	(147.042)	1	(7)	(147.916)
Profit for the Period	3.458	523.033	193	-	526.684
Group's Ownership Rate	50,00%	40,00%	30,00%	50,00%	
Group's Share on Profit for the Period	1.729	209.213	58	-	211.000

31 December 2016	H-T Fidecilik	Azfen	Black Sea	Florya Gayrimenkul	Total
Revenue	49.968	1.785.108	229.943	-	2.065.019
Depreciation and amortization expense	1.719	24.920	126	-	26.765
Operating profit (loss)	8.257	174.214	(3.772)	-	178.699
Financial income	2	-	7.734	3	7.739
Financial expense (-)	(2.367)	-	(3.168)	(7)	(5.542)
Tax expense (-)	(855)	(37.789)	(36)	(1)	(38.681)
Profit (Loss) for the Period	4.982	136.305	759	(5)	142.041
Group's Ownership Rate	%50,00	%40,00	%30,00	%50,00	
Group's Share on Profit (Loss) for the Period	2.491	54.522	228	(3)	57.238

13. INVESTMENT PROPERTY

Cost	Land	Buildings	Total
Opening balance as at 1 January 2017	21.403	91.308	112.711
Currency translation effect	1.153	-	1.153
Additions	21.179	2.348	23.527
Transfers from inventory	-	2.803	2.803
Transfers	-	(4.683)	(4.683)
Closing balance as at 31 December 2017	43.735	91.776	135.511
Accumulated Depreciation			
Opening balance as at 1 January 2017	-	(30.152)	(30.152)
Charge for the year	-	(2.795)	(2.795)
Transfers	-	1.302	1.302
Closing balance as at 31 December 2017	-	(31.645)	(31.645)
Carrying value as at 31 December 2017	43.735	60.131	103.866

Cost	Land	Buildings	Total
Opening balance as at 1 January 2016	21.208	99.184	120.392
Currency translation effect	195	-	195
Additions	-	770	770
Transfers	-	(8.646)	(8.646)
Closing balance as at 31 December 2016	21.403	91.308	112.711
Accumulated Depreciation			
Opening balance as at 1 January 2016	-	(31.562)	(31.562)
Charge for the year	-	(2.875)	(2.875)
Transfers to property, plant and equipment	-	4.285	4.285
Closing balance as at 31 December 2016	-	(30.152)	(30.152)
Carrying value as at 31 December 2016	21.403	61.156	82.559

Investment Property includes buildings over rental income earned and lands that are held for the investment purposes. Useful lives of investment properties are within 4 and 50 years.

Depreciation expense has been charged to cost of revenue (2016: Cost of revenue 2.646, general administrative expenses 229)

For the year ended 31 December 2017 total rental income earned from investment properties is 34.072 (31 December 2016: 29.774). Direct operating and depreciation expenses arising on the investment properties in the year amounted to 6.473 (31 December 2016: 7.099).

The fair value of the Group's investment property has been arrived based on a valuation carried out by independent expertise not connected with the Group which is one of the accredited independent valuers by Capital Market Board. The fair values of the lands were determined based on the market comparable approach that reflects recent transaction prices for similar properties. The fair market value of the investment properties as of 31 December 2017 is 490.251 (31 December 2016: 484.182) according to the valuation carried out by independent expert.

There are not any restrictions on the realizability of investment property or any remittances of income and proceeds of disposal and there are not any contractual obligations to purchase, construct or develop investment property or for repairs, maintenance or enhancements.

14. PROPERTY, PLANT AND EQUIPMENT

	Land and land improvements	Buildings	Machinery and equipment	Vehicles	Furniture and fixtures	Construction in progress	Leasehold improvements	Total
Cost Value								
Opening balance as at 1 January 2017	472.398	416.442	2.082.689	41.080	96.888	42.605	146.544	3.298.646
Currency translation effect	26.153	16.849	70.642	3.184	5.620	(132)	913	123.229
Additions	8.740	8.476	84.371	21.560	12.565	57.040	11.673	204.425
Disposals	(1.076)	-	(12.375)	(1.426)	(148)	-	(5.110)	(20.135)
Transfers	7.741	18.505	52.926	1.210	2.215	(85.407)	6.339	3.529
Closing balance as at 31 December 2017	513.956	460.272	2.278.253	65.608	117.140	14.106	160.359	3.609.694
Accumulated Depreciation								
Opening balance as at 1 January 2017	(179.301)	(187.644)	(1.237.063)	(37.743)	(77.076)	-	(92.146)	(1.810.973)
Currency translation effect	(11.975)	(11.269)	(57.818)	(2.400)	(4.812)	-	(407)	(88.681)
Charge for the year	(13.144)	(9.407)	(90.738)	(3.566)	(7.457)	-	(6.109)	(130.421)
Disposals	591	-	11.819	1.329	143	-	5.110	18.992
Transfers	-	(1.302)	-	-	-	-	-	(1.302)
Closing balance as at 31 December 2017	(203.829)	(209.622)	(1.373.800)	(42.380)	(89.202)	-	(93.552)	(2.012.385)
Carrying value as at 31 December 2017	310.127	250.650	904.453	23.228	27.938	14.106	66.807	1.597.309

Property, plant and equipment include fixed assets with carrying value of 8.540 purchased through financial lease. These property, plant and equipment purchased through financial lease consist of various prefabricated buildings, machinery, equipment and vehicles employed in construction sites. During the current period, there are no property, plant and equipment purchases through financial lease (31 December 2016: 690). For the year ended 31 December 2017, no additional capitalized borrowing costs are included in property, plant and equipment (31 December 2016: 12.522 additional capitalized borrowing costs, capitalization rate 18,75%). There are not any restrictions on the realizability of property, plant and equipment or any remittances of income and proceeds of disposal.

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14. PROPERTY, PLANT AND EQUIPMENT (cont'd)

	Land and land improvements	Buildings	Machinery and equipment	Vehicles	Furniture and fixtures	Construction in progress	Leasehold improvements	Total
Cost Value								
Opening balance as at 1 January 2016	393.352	385.614	1.820.663	36.221	89.568	74.310	145.415	2.945.143
Currency translation effect	41.563	21.128	165.271	6.098	11.610	-	1.589	247.259
Additions	25.643	1.186	19.101	843	7.213	108.857	2.964	165.807
Disposals	(925)	(853)	(33.161)	(2.286)	(12.793)	-	(4.995)	(55.013)
Transfers	12.765	9.367	110.815	204	1.290	(140.562)	1.571	(4.550)
Closing balance as at 31 December 2016	472.398	416.442	2.082.689	41.080	96.888	42.605	146.544	3.298.646
Accumulated Depreciation								
Opening balance as at 1 January 2016	(143.559)	(174.893)	(1.048.696)	(33.418)	(73.939)	-	(91.394)	(1.565.899)
Currency translation effect	(24.313)	(10.416)	(136.179)	(5.630)	(10.203)	-	(1.243)	(187.984)
Charge for the year	(12.071)	(7.669)	(84.625)	(890)	(5.627)	-	(4.470)	(115.352)
Allowance for impairment	-	-	(2)	-	-	-	-	(2)
Disposals	642	307	32.439	2.195	12.693	-	4.961	53.237
Transfers	-	5.027	-	-	-	-	-	5.027
Closing balance as at 31 December 2016	(179.301)	(187.644)	(1.237.063)	(37.743)	(77.076)	-	(92.146)	(1.810.973)
Carrying value as at 31 December 2016	293.097	228.798	845.626	3.337	19.812	42.605	54.398	1.487.673

Property, plant and equipment include fixed assets with carrying value of 12.117 purchased through financial lease.

14. PROPERTY, PLANT AND EQUIPMENT (cont'd)

Property, plant and equipment are depreciated over the following useful lives:

	Useful life
Land and land improvements	2-50 years
Buildings	4-50 years
Machinery and equipment	2-50 years
Vehicles	2-30 years
Furniture and fixtures	2-50 years
Leasehold improvements	3-50 years

Depreciation expense of 126.809 (2016: 105.699) has been charged to cost of revenue, 895 (2016: 1.303) to marketing expenses, 3.707 (2016: 2.418) to general administrative expenses, 11 (2016: None) to research and development expenses. Depreciation expense of 1.001 is deducted from the cost of inventory (2016: 5.932 added to the cost of inventory).

15. INTANGIBLE ASSETS

Cost value	Rights	Other	Total
Opening balance as at 1 January 2017	43.732	3.188	46.920
Currency translation effect	2.125	64	2.189
Additions	4.227	552	4.779
Disposals	(88)	-	(88)
Transfers	1.154	-	1.154
Closing balance as at 31 December 2017	51.150	3.804	54.954
Accumulated amortization			
Opening balance as at 1 January 2017	(29.899)	(343)	(30.242)
Currency translation effect	(1.728)	(56)	(1.784)
Charge for the year	(2.778)	-	(2.778)
Disposals	86	-	86
Closing balance as at 31 December 2017	(34.319)	(399)	(34.718)
Carrying value as at 31 December 2017	16.831	3.405	20.236

Cost value	Rights	Other	Total
Opening balance as at 1 January 2016	36.280	2.383	38.663
Currency translation effect	4.754	38	4.792
Additions	2.309	767	3.076
Transfers	389	-	389
Closing balance as at 31 December 2016	43.732	3.188	46.920
Accumulated amortization			
Opening balance as at 1 January 2016	(23.754)	(305)	(24.059)
Currency translation effect	(4.044)	(38)	(4.082)
Charge for the year	(2.101)	-	(2.101)
Closing balance as at 31 December 2016	(29.899)	(343)	(30.242)
Carrying value as at 31 December 2016	13.833	2.845	16.678

Intangible assets are amortized over useful lives of rights through 2 to 25 years and useful lives of other intangibles through 2 to 5 years.

Amortization expense of 2.305 (2016: 1.806) has been charged to general administrative expenses, 473 (2016: 295) to cost of revenue.

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16. PREPAID EXPENSES AND DEFERRED REVENUE

Short-term prepaid expenses	31 December 2017	31 December 2016
Advances paid for construction projects (Note: 11)	292.548	48.437
Prepaid expenses	37.555	26.109
Order advances given	5.036	15.892
Business advances given	615	775
	335.754	91.213
Long-term prepaid expenses		
Prepaid expenses	1.860	4.225
Advances given for fixed assets	610	2.123
	2.470	6.348
Short-term deferred revenue		
Advances received for Real Estate projects	9.437	330.599
Advances received for construction projects (Note: 11)	1.559.333	302.765
Other advances received	58.651	45.189
Income relating to future months	11.476	6.700
	1.638.897	685.253

17. GOVERNMENT GRANTS AND INCENTIVES

Toros Tarım benefits from the certified seed production support according to the support amounts determined in the Communiqué about "Supporting Domestic Certified Seed Production" published in the Official Gazette for its production of certified wheat and potato seeds.

Before the harvest period, the support amounts per kilogram are conveyed in the Official Gazette by Republic of Turkey Ministry of Food, Agriculture and Livestock annually. For the harvest period in 2017, unit price conveyed at 17.09.2017 for wheat is 0,10 TRY/kg and unit price conveyed at 04.08.2016 for potato is 0,10 TRY/kg. Additional supports have been obtained gradually in the unit prices for the elite and super elite types of wheat and potato seeds. As of 31 December 2017, income generated from wheat support is 868 whereas the income generated from potato support is 2.160 which make a total income of 3.028 (31 December 2016: wheat supporting 912, potato supporting 219, total 1.131) (Note 26). Support income generated from current year sales is recognized as income accrual every reporting period is collected in the following period. Support income from potato sales in 2017 was collected during the current year.

Within the scope of Tübitak, The Scientific and Technological Research Council of Turkey Teydeb (The Scientific and Technological Research Council of Turkey Technology and Innovation Grant Programs Directorate), several programs are being conducted for private sector entities on a project basis in order to provide support for Research and Development activities. 1511 numbered Research Technology Development and Innovation Projects in Priority Areas Grant Program is one of those programs. Toros Tarım applied for support within the context of this program with "Wheat Breeding Project" and its project is approved. The purpose of the project is to breed high quality and efficient wheat types that are resistant to biotic and abiotic stress conditions for different ecological zones of Turkey. 36 month long support duration began on 1 September 2013 and ended on 31 August 2016. In parallel with the budget given to Tübitak; personnel expenses, fixed asset and material acquisitions, service and labor costs are taken in the scope of the support.

In order to meet the demands and requirements of the industry, improve the product range, domestically produce fertilizers that are not produced in Turkey and optimize the logistics factors, it's been dediced to establish a R&D center in Mersin factory plant of Toros Tarım. Permission application to the Ministry of Science and Industry was made on 22 June 2017 and R&D center was approved on 1 August 2017.

In order to meet the demands of the industry by creating new designs for the products in its scope of operation and especially products that are suitable for petroleum refineries, Tekfen İmalat ve Mühendislik A.Ş., a subsidiary of the Group, dediced to establish a Design Center in its İstanbul headquarter. Permission application to the Ministry of Science and Industry was made on 9 May 2017 and Design Center was approved on 3 August 2017.

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17. GOVERNMENT GRANTS AND INCENTIVES (cont'd)

Within the scope of Law numbered 5746, various tax (R&D discount) advantages are provided to the firms which provide innovative approaches with R&D and Design Center activities and develop new products and technologies to the industry. Accordingly, the R&D and Design Centers are covered by income tax withholding tax and insurance premium support. In addition, the innovation and design expenditures determined in the law are subject for deduction from the corporate tax base.

18. PROVISIONS, CONTINGENT ASSETS AND LIABILITIES

a) Provisions

Short-term other provisons	31 December 2017	31 December 2016
Provision for litigation	17.873	9.998
Other provisions	94.581	32
	112.454	10.030

Long-term other provisons	31 December 2017	31 December 2016
Other provisions	72	81
	72	81

	Provision for litigation	Other liability provisions	Total Other Provisions
Opening balance as at 1 January 2017	9.998	113	10.111
Currency translation effect	198	3.105	3.303
Charge for the period	12.232	91.453	103.685
Provision paid	(789)	(18)	(807)
Provision released	(3.766)	-	(3.766)
Closing balance as at 31 December 2017	17.873	94.653	112.526
Opening balance as at 1 January 2016	64.904	447	65.351
Currency translation effect	2.833	19	2.852
Charge for the period	6.480	6	6.486
Provision paid	(63.693)	-	(63.693)
Provision released	(526)	(359)	(885)
Closing balance as at 31 December 2016	9.998	113	10.111

b) Contingent Assets and Liabilities

Contractual Obligations:

Defects Liabilities

Based on the agreements signed with customers, the Group's subsidiary Tekfen İnşaat ensures to maintain its contract operations until the end of guarantee period and undertake the construction, maintenance, and general maintenance of related assets for the periods and conditions stated on the agreements. In case the customer determines any defects subsequent to the provisional acceptance of the contract, Tekfen İnşaat can be obliged to remedy the defect.

Penalty of Default

Based on the agreements signed with the customers, if Tekfen İnşaat fails to complete in full or partially its contract operations within the determined period, it may pay penalty amount for such defaults to its customers.

18. PROVISIONS, CONTINGENT ASSETS AND LIABILITIES (cont'd)

b) Contingent Assets and Liabilities (cont'd)

Litigations:

As of 31 December 2017, except Libya counterclaim, lawsuit filed against the Group is totally 138.468 (31 December 2016: 106.822) and the management has decided to accrue 17.873 (31 December 2016: 9.998) of provision for lawsuits that might have high probability of potential outflow from the Group upon the consultation of legal advisors. Based on the legal advice of lawyers, no significant risks is foreseen regarding of lawsuits filed against the Group.

Libya Arbitration Claim

Tekfen-TML J.V., a joint operation of which 67% is owned by the Group, had to suspend its operations and evacuate its sites in Libya from 2011 February for an uncertain period of time due to the civil unrest in the country.

The Group resolved to proceed with an International Arbitration claim for recovery of project-related rights, receivables and assets in Libya. In line with this decision, on 16 June 2015, a plea of commercial arbitration was placed with the International Court of Arbitration of the International Chamber of Commerce (ICC) against the contracting management for the project, Libyan Man-Made River Authority (MMRA), and Libyan State via offering "Request for Arbitration".

Besides, an additional plea of commercial arbitration was placed with ICC against Libyan State in the context of Treaty on Bilateral Investment Protection signed between Libyan and Turkish States. MMRA initiated a counterclaim against Tekfen TML J.V. with ICC.

Based on the legal advice of lawyers, no significant risks is foreseen regarding of lawsuit filed against the Group. Letters of guarantees given related to Libya project to various institutions amount to 126.

Other

The financial, economic, and social policies of the foreign countries in which the Group has operations may affect the Group's profitability.

National and international commodity market price volatility may affect the Group operations and profitability.

19. COMMITMENTS

Guarantee, pledge and mortgage position of the Group as of 31 December 2017 and 2016 is as follows:

31 December 2017	Equivalent of Thousands TRY	*Thousands of US Dollars*	*Thousands of EUR*	*Other (Equivalent of Thousands TRY)*
A. GPM given on behalf of its own legal entity	-	-	-	-
-Guarantee	-	-	-	-
-Pledge	-	-	-	-
-Mortgage	-	-	-	-
B. GPM given on behalf of subsidiaries that are included in full consolidation	10.299.998	1.856.593	35.538	3.136.644
-Guarantee	*10.295.498*	*1.856.593*	*35.538*	*3.132.144*
-Pledge	-	-	-	-
-Mortgage	*4.500*	-	-	*4.500*
C. GPM given in order to guarantee third parties' debts for the routine trade operations	113.681	-	-	113.681
-Guarantee	*113.681*	-	-	*113.681*
-Pledge	-	-	-	-
-Mortgage	-	-	-	-
D. Total amounts of other GPM given	-	-	-	-
i. Total amount of GPM given on behalf of parent company	-	-	-	-
ii. Total amount of GPM given on behalf of other group companies that are not included group B and C	-	-	-	-
iii. Total amount of GPM given on behalf of third parties that are not included group C	-	-	-	-
Total as of 31 December 2017	10.413.679	1.856.593	35.538	3.250.324

31 December 2016	Equivalent of Thousands TRY	*Thousands of US Dollars*	*Thousands of EUR*	*Other (Equivalent of Thousands TRY)*
A. GPM given on behalf of its own legal entity	-	-	-	-
-Guarantee	-	-	-	-
-Pledge	-	-	-	-
-Mortgage	-	-	-	-
B. GPM given on behalf of subsidiaries that are included in full consolidation	8.763.286	1.554.919	67.676	3.040.146
-Guarantee	*8.758.786*	*1.554.919*	*67.676*	*3.035.646*
-Pledge	-	-	-	-
-Mortgage	*4.500*	-	-	*4.500*
C. GPM given in order to guarantee third parties' debts for the routine trade operations	125.662	-	-	125.662
-Guarantee	*125.662*	-	-	*125.662*
-Pledge	-	-	-	-
-Mortgage	-	-	-	-
D. Total amounts of other GPM given	-	-	-	-
i. Total amount of GPM given on behalf of parent company	-	-	-	-
ii. Total amount of GPM given on behalf of other group companies that are not included group B and C	-	-	-	-
iii. Total amount of GPM given on behalf of third parties that are not included group C	-	-	-	-
Total as of 31 December 2016	8.888.948	1.554.919	67.676	3.165.808

Since there are not any GPMs mentioned in D item, the ratio to the total equity is not presented.

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20. EMPLOYEE BENEFITS

Employee benefit payables

	31 December 2017	31 December 2016
Salary accruals	43.614	37.720
Social security witholding payables	28.718	32.729
	72.332	70.449

Short-term provisions attributable to employee benefits	31 December 2017	31 December 2016
Retirement pay provision	18.811	40.483
Unused vacation pay liability provision	25.268	18.453
Premium provision	21.534	13.969
	65.613	72.905

Long-term provisions attributable to employee benefits		
Retirement pay provision	57.924	40.054

	31 December 2017	31 December 2016
Short-term retirement pay provision	18.811	40.483
Long-term retirement pay provision	57.924	40.054
	76.735	80.537

Retirement pay provision:

Retirement pay provision regarding Turkish employees located abroad:

The Group is liable to pay retirement benefit for each qualified personnel abroad according to the legislation of the relevant country. In addition to this, according to Group's retirement benefit policy, the Group pays retirement benefits to its retirees.

Retirement pay provision for Turkish personnel employed in Turkey:

Group is obliged to pay severance pay to each employee who is retiring (58 years for women and 60 years for men) after over 25 years working life by completing at least one year of service, whose business relationship is terminated, who is called for military service or who is died, according to the Turkish Labor Law.

Group has calculated current year's amount by using the upper limit 5.001,76 TRY which is effective on or after 1 January 2018 (31 December 2016: 4.426,16 TRY). The amount payable to the employee is limited to employee's one month worth salary or to the upper limit of retirement pay provision for each period of service as of 31 December 2017.

There is no legal funding requirement for retirement pay liability.

The provision is calculated by estimating the present value of the future probable obligation of the Group arising from the retirement of employees (not applicable for employees who are working in construction projects). TAS 19 ("Employee Benefits") requires actuarial valuation methods to be developed to estimate the Group's obligation under defined benefit plans. Accordingly, the following actuarial assumptions are used in the calculation of the total liability.

20. EMPLOYEE BENEFITS (cont'd)

Retirement pay provision (cont'd):

Retirement pay provision for Turkish personnel employed in Turkey (cont'd):

The principal assumption is that the maximum liability for each year of service will increase parallel with inflation. Thus, the discount rate applied represents the expected real rate after adjusting for the anticipated effects of future inflation. Consequently, in the consolidated financial statements as of 31 December 2017, the provision has been calculated by estimating the present value of the future probable obligation arising from the retirement of the employees. As of 31 December 2017, the provisions have been calculated by taking the real discount rate as approximately 4,11% (31 December 2016: 6,56%). Approximately proportion of voluntarily terminations requiring no payments are also taken into account.

Retirement pay provision of foreign employees located abroad:

The Group and its consolidated subsidiaries are subject to regulations where they operate in. Provisional amounts for the subject matter laws have been provided in the consolidated financial statements.

Retirement pay provision for subcontractor employee:

The Group and the subcontractor companies are conjointly responsible for the retirement pay provision of subcontractor employees at the construction projects. In order to guarantee subcontractors commitment, the Group provides deductions from subcontractor's progress billings and letter of guarantee. Retirement pay provision calculation for subcontractor's personnel is subject to regulations where they operate in and the agreements between the Group and the subcontractors.

	Retirement Pay Provision	Premium Provision	Unused vacation pay liability provision	Total provisions attributable to employee benefits
Opening balance as at 1 January 2017	80.537	13.969	18.453	112.959
Currency translation effect	3.546	603	910	5.059
Charge for the period	43.890	26.323	25.010	95.223
Interest expense	2.062	-	-	2.062
Provision paid	(57.654)	(19.361)	(18.531)	(95.546)
Provision released	-	-	(574)	(574)
Actuarial loss	4.354	-	-	4.354
Closing balance as at 31 December 2017	76.735	21.534	25.268	123.537
Opening balance as at 1 January 2016	65.510	14.284	13.594	93.388
Currency translation effect	8.082	717	1.989	10.788
Charge for the period	34.585	12.314	10.982	57.881
Interest expense	1.523	-	-	1.523
Provision paid	(26.819)	(12.335)	(7.568)	(46.722)
Provision released	(187)	(1.011)	(544)	(1.742)
Actuarial gain	(2.157)	-	-	(2.157)
Closing balance as at 31 December 2016	80.537	13.969	18.453	112.959

41.218 (2016: 32.334) of current year charge and released provision for retirement pay has been included in cost of revenue, 3.301 (2016: 3.429) has been included in general administrative expenses, 912 (2016: None) has been included in research and development expenses and 521 (2016: 158) has been included in marketing expenses.

2.536 (2016: 3.074), 22.503 (2016: 7.480) and 1.284 (2016: 749) of current year charge and released provision for premiums have been included in cost of revenue, in general administrative expenses and in marketing expenses respectively.

22.485 (2016: 8.247) of current year charge and released provision for unused vacation pay liability has been included in cost of revenue, 1.844 (2016: 2.113) has been included in general administrative expenses and 107 (2016: 78) has been included in marketing expenses.

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(Amounts are expressed in Thousands of Turkish Lira ("TRY") unless otherwise stated.)

21. OTHER CURRENT/NON-CURRENT ASSETS AND OTHER SHORT-TERM LIABILITIES

Other current assets	31 December 2017	31 December 2016
VAT receivables	221.539	240.103
Witholding tax of ongoing construction contracts	2.938	37.047
Other current assets	3.593	2.028
	228.070	279.178

Other non-current assets	31 December 2017	31 December 2016
Witholding tax of ongoing construction contracts	94.472	40.526
	94.472	40.526

Other short-term liabilities	31 December 2017	31 December 2016
VAT calculated	8	3.761
Other	453	137
	461	3.898

22. SHAREHOLDERS' EQUITY

a) Share Capital

After the changes in the shareholders' structure during the period, the structure of the paid in capital as of 31 December 2017 and 2016 is as follows:

Shareholders	(%)	31 December 2017	(%)	31 December 2016
Berker family	22,28%	82.422	22,28%	82.422
Gökyiğit family	22,78%	84.272	22,78%	84.272
Akçağılar family	6,65%	24.611	6,65%	24.611
Other (*)	1,48%	5.480	4,61%	17.043
Publicly traded	46,81%	173.215	43,69%	161.652
Paid in capital	100,00%	370.000	100,00%	370.000
Capital structure adjustments		3.475		3.475
Restated capital		373.475		373.475

(*) Indicates the total of owners with shares less than 5%.

Registered and issued capital comprises 370.000.000 shares at 1 TRY par value (31 December 2016: 370.000.000). All these shares consist of bearer common shares.

According to the articles of association of the Company, 5% of the net profit is reserved as first order legal reserves up to 20% of the paid-up capital. At least 30% but not less than the rate and amount determined by the CMB of the amount that to be found by the addition of donations made within the year to the remaining part of the net profit is distributed as first dividend. Up to 3% of the remaining net profit is devoted to Tekfen Eğitim Sağlık Kültür Sanat ve Doğal Varlıkları Koruma Vakfı which holds redeemed shares.

22. SHAREHOLDERS' EQUITY (cont'd)

b) Accumulated other comprehensive income or loss that will be not reclassified / reclassified in profit or loss

	31 December 2017	31 December 2016
Accumulated other comprehensive income or loss that will not be reclassified in profit or loss		
- Profit (loss) on revaluation of defined retirement benefit plans	(2.349)	1.369
	(2.349)	1.369
Accumulated other comprehensive income or loss that will be reclassified in profit or loss		
- Currency translation reserve	154.480	125.977
- Gain on revaluation and reclassification (Note: 6)	67.240	71.775
- Gains on hedging (Note: 33)	(2.408)	1.621
	219.312	199.373

Gain (loss) on revaluation and remeasurement:

Gain (loss) on revaluation and remeasurement consists of all actuarial gains and losses, which are calculated in accordance with revised TAS 19 and recognized in other comprehensive income.

Currency Translation Reserve:

Group's consolidated reporting currency is TRY. In accordance with TAS 21 (The Effects of Changes in Foreign Exchange Rates), balance sheet items of the companies, whose functional currencies are differed from TRY, are translated into TRY with the rates prevailing at the balance sheet date and revenue, expenses and cash flows are translated with the exchange rates at the transaction date (historical rates) or yearly average rate in the presentation of Group's consolidated financial statements. Gain or loss arising from the translation is recognized in the foreign currency translation reserve under equity which is 154.480 (31 December 2016: 125.977).

Gain / (loss) on revaluation and reclassification:

Gain / (loss) on revaluation and reclassification consists of changes in fair value of financial assets available for sale. In the event of the disposition of a revalued financial asset at fair value, revalued portion and the sale proceed difference is directly accounted in profit or loss. In case of a revalued at fair value financial assets impairment, amount impaired is accounted in profit or loss.

Gains (loss) on hedging:

The hedging reserve represents the cumulative effective portion of gains or losses arising on changes in fair value of hedging instruments entered into for cash flow hedges under equity. The cumulative gain or loss arising on changes in fair value of the hedging instruments that are recognized and accumulated under the heading of cash flow hedging reserve will be reclassified to profit or loss only when the hedged transaction affects the profit or loss.

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22. SHAREHOLDERS' EQUITY (cont'd)

c) Restricted Profit Reserves

	31 December 2017	31 December 2016
Restricted profit reserves	197.180	194.145

The legal reserves consist of first and second legal reserves, appropriated in accordance with the Turkish Commercial Code. The first legal reserve is appropriated out of historical statutory profits at the rate of 5% per annum, until the total reserve reaches 20% of the historical paid-in share capital. The second legal reserve is appropriated after the first legal reserve and dividends, at the rate of 10% per annum of all cash dividend distributions.

Profit Distribution:

Listed companies distribute profit in accordance with the Communiqué No. II-19.1 issued by CMB which is effective from 1 February 2014.

Companies distribute profit in accordance with their dividend payment policies settled and dividend payment decision taken in general assembly and also in conformity with relevant legislations. The communiqué does not constitute a minimum dividend rate. Companies distribute profit in accordance with the method defined in their dividend policy or articles of incorporation. In addition, dividend can be distributed by fixed or variable installments and advance dividend can be paid in accordance with profit on interim financial statement of the Company.

In accordance with TCC, unless the required reserves and the dividend for shareholders as determined in the article of association or in the dividend distribution of the company are set aside, no decision may be made to set aside other reserves, to transfer profits to the subsequent year or to distribute dividends to the holders of usufruct right certificates, to the members of the board of directors or to the employees; and no dividend can be distributed to these persons unless the determined dividend for shareholders is paid in cash.

As of 22 February 2018, Board of Directors offered to pay shareholders 0,63 TRY (2016: 0,31 TRY) gross dividends per share. That dividend payment is subject to approval of the shareholders in General Shareholders' Meeting and so that the amount is not accounted as liability to the consolidated financial statements. Projected gross dividend amount to be paid to shareholders and the holders of the redeemed shares is 232.530 (2016: 113.546) and 16.163 (2016: 6.746), respectively.

Resources That Can Be Subject To Profit Distribution:

Total amount of other resources that may be subject to profit distribution in the statutory records of Tekfen Holding A.Ş. is 1.583.938 (31 December 2016: 1.577.393). 1.240.699 portion of this amount belongs to shares issued and 343.239 portion of this amount belongs to bonus shares issued (31 December 2016: shares issued 1.102.516, bonus shares issued 474.877).

d) Premiums in Capital Stock

Group has done public offering (22,50%) of issued 66.775 shares by increased capital on 23 November 2007. The income from this public offering is 380.618. After 12.859 expenses directly related to the public offering deducted, 300.984 is accounted as premium in capital stock in shareholder's equity.

(Amounts are expressed in Thousands of Turkish Lira ("TRY") unless otherwise stated.)

23. REVENUE AND COST OF REVENUE

Revenue	1 January - 31 December 2017	1 January - 31 December 2016
Contract revenue	4.861.540	2.823.581
- Contract revenue – abroad	*2.765.067*	*1.880.888*
- Contract revenue – domestic	*1.927.434*	*923.614*
- Joint operations – abroad	*78.433*	*12.388*
- Joint operations – domestic	*90.606*	*6.691*
Good and merchandise sales	2.240.199	1.851.634
- Domestic goods and merchandise sales	*2.040.296*	*1.797.815*
- Export goods and merchandise sales	*208.317*	*55.957*
- Sales returns and discounts from goods and merchandise sales (-)	*(8.414)*	*(2.138)*
Other sales	385.394	62.182
- Real estate development revenues	*324.428*	*5.027*
- Other revenues	*62.891*	*57.155*
- Other sales returns and discounts (-)	*(1.925)*	*-*
	7.487.133	4.737.397

Cost of revenue (-)	1 January - 31 December 2017	1 January - 31 December 2016
Cost of raw materials used	(2.183.633)	(1.680.713)
Subcontractor expenses	(2.064.602)	(928.427)
Personnel expenses	(887.329)	(691.829)
Construction site expenses	(282.416)	(197.010)
Machinery, vehicle and other rent expenses	(257.388)	(133.632)
Depreciation expenses (Note: 13, 14, 15)	(130.077)	(108.640)
Consultancy expenses	(110.141)	(24.425)
Engineering expenses	(78.791)	(2.727)
Energy and fuel expenses	(73.882)	(79.611)
Project loss provisions	(63.854)	(31.606)
Maintenance expenses	(47.083)	(35.329)
Transportation expenses	(36.735)	(36.310)
Outsourcing expenses	(35.798)	(35.819)
Insurance expenses	(34.459)	(20.579)
Custom expenses	(15.678)	(10.927)
Cost of merchandises sold	(2.387)	(4.901)
Consumable and other material expenses	(1.907)	(1.759)
Provision for doubtful receivables (Note: 8)	(1.006)	-
Other	(151.532)	(59.608)
	(6.458.698)	(4.083.852)

24. GENERAL ADMINISTRATIVE EXPENSES, MARKETING EXPENSES, RESEARCH AND DEVELOPMENT EXPENSES

	1 January - 31 December 2017	1 January - 31 December 2016
General administrative expenses (-)	(214.665)	(171.635)
Marketing expenses (-)	(155.290)	(123.712)
Research and development expenses (-)	(1.930)	(1.256)
	(371.885)	(296.603)

Details of general administrative expenses	1 January - 31 December 2017	1 January - 31 December 2016
Personnel expenses	(138.447)	(102.312)
Consultancy expenses	(16.051)	(14.080)
Office and administration expenses	(17.960)	(13.065)
Depreciation and amortization expenses (Note: 13, 14, 15)	(6.012)	(4.453)
Rent expenses	(4.485)	(3.140)
Communication expenses	(4.093)	(2.203)
Traveling expenses	(2.587)	(1.521)
Duties, charges and other tax expenses	(2.435)	(2.962)
Bank and notary expenses	(1.459)	(1.663)
Maintenance expenses	(1.337)	(1.159)
Hospitality expenses	(1.301)	(568)
Provision for doubtful receivables (Note: 8)	(953)	(3.302)
Energy and fuel expenses	(692)	(525)
Tender preparation expenses	(653)	(4.293)
Reversal of doubtful receivable provision (Note: 8)	808	102
Other expenses	(17.008)	(16.491)
	(214.665)	(171.635)

Details of marketing expenses		
Transportation expenses	(121.005)	(93.832)
Personnel expenses	(12.021)	(9.843)
Advertisement expenses	(7.080)	(6.547)
Duties, charges and other tax expenses	(1.148)	(713)
Rent expenses	(1.033)	(925)
Energy and fuel expenses	(996)	(860)
Traveling expenses	(903)	(600)
Depreciation and amortization expenses (Note: 14)	(895)	(1.303)
Maintenance expenses	(605)	(419)
Consultancy expenses	(462)	(393)
Hospitality expenses	(468)	(388)
Office and administration expenses	(414)	(317)
Communication expenses	(302)	(256)
Other expenses	(7.958)	(7.316)
	(155.290)	(123.712)

24. GENERAL ADMINISTRATIVE EXPENSES, MARKETING EXPENSES, RESEARCH AND DEVELOPMENT EXPENSES (cont'd)

Details of research and development expenses	1 January - 31 December 2017	1 January - 31 December 2016
Payroll expenses and fringe benefits	(1.849)	-
Depreciation and amortization expenses (Note: 14)	(11)	-
Consultancy expenses	-	(729)
Rent expenses	-	(47)
Traveling expenses	-	(10)
Other expenses	(70)	(470)
	(1.930)	(1.256)

25. QUALITATIVE EXPENSES

	1 January - 31 December 2017	1 January - 31 December 2016
Personnel expenses	(152.317)	(112.155)
Transportation expenses	(121.005)	(93.832)
Office and administration expenses	(18.374)	(13.382)
Consultancy expenses	(16.513)	(15.202)
Advertisement expenses	(7.080)	(6.547)
Depreciation and amortization expenses (Note: 13, 14, 15)	(6.918)	(5.756)
Rent expenses	(5.518)	(4.112)
Communication expenses	(4.395)	(2.459)
Duties, charges and other tax expenses	(3.583)	(3.675)
Traveling expenses	(3.490)	(2.131)
Maintenance expenses	(1.942)	(1.578)
Hospitality expenses	(1.769)	(956)
Energy and fuel expenses	(1.688)	(1.385)
Bank and notary expenses	(1.459)	(1.663)
Provision for doubtful receivables (Note: 8)	(953)	(3.302)
Tender preparation expenses	(653)	(4.293)
Reversal of doubtful receivable provision (Note: 8)	808	102
Other expenses	(25.036)	(24.277)
	(371.885)	(296.603)

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26. OTHER OPERATING INCOME AND EXPENSES

Other operating income	1 January - 31 December 2017	1 January - 31 December 2016
Foreign exchange gains	266.379	219.354
Due date difference income	30.501	23.486
Indemnity income	17.853	5.244
Rent income	4.306	4.116
Reversal of litigation provision (Note: 18)	3.766	526
Government grants and incentives income (Note: 17)	3.028	1.131
Refundment income of social benefit	2.699	1.920
Discount income	1.636	3.195
Hedging income (Note: 33)	1.519	87
Scrap sale income	1.262	1.442
Reversal of other unnecessary provisions (Note: 18)	-	359
Project management income	-	314
Other income	6.762	8.499
	339.711	269.673
Other operating expenses (-)		
Foreign exchange losses	(329.587)	(332.854)
Hedging expenses (Note: 33)	(23.311)	-
Discount expenses	(15.033)	(2.332)
Due date difference expenses	(14.714)	(10.146)
Litigation provision (Note: 18)	(12.232)	(3.516)
Grants and contributions	(3.792)	(7.344)
Other provision expenses	(524)	(6)
Penalty and damages expenses	(351)	(373)
Rent expenses	(290)	(262)
Damages subject to litigation	(97)	-
Additional tax expenses	(69)	(2.157)
Other expenses	(29.064)	(11.570)
	(429.064)	(370.560)

27. INVESTMENT INCOME AND EXPENSES

Investment income	1 January - 31 December 2017	1 January - 31 December 2016
Gain on sale of fixed asset	8.778	3.038
Dividend income	8.612	8.972
Gain on sale of assets classified as held for sale	-	1.355
Other	6	10
	17.396	13.375

Investment expense (-)	1 January - 31 December 2017	1 January - 31 December 2016
Loss on sale of fixed assets	(5)	(132)
Impairment of fixed assets (Note: 14)	-	(2)
Other	(16)	(6)
	(21)	(140)

28. FINANCIAL INCOME AND FINANCIAL EXPENSES

Financial income	1 January - 31 December 2017	1 January - 31 December 2016
Foreign exchange gains	462.702	235.504
Interest income	110.156	69.835
Currency translation reserve gains	3.244	2.362
	576.102	307.701

Financial expenses (-)	1 January - 31 December 2017	1 January - 31 December 2016
Foreign exchange losses	(404.134)	(156.061)
Interest expenses	(61.691)	(47.722)
Other finance expenses	(21.532)	(8.030)
Currency translation reserve losses	(2.651)	(11.901)
Less: Financial expenses included in costs of property, plant and equipment and inventories	20.588	28.423
	(469.420)	(195.291)

Translated into English from the report originally issued in Turkish.

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29. ASSETS CLASSIFIED AS HELD FOR SALE

Assets classified as held for sale consist of Group's assets which are being actively marketed at a price that is reasonable.

	31 December 2017	31 December 2016
Assets classified as held for sale	28.397	24.181
	28.397	24.181

The movement of assets classified as held for sale is as follows:

	2017	2016
Net book value as at 1 January	24.181	23.851
Currency translation effect	4.216	3.816
Disposals	-	(2.360)
Impairment of subsidiary	-	(1.126)
Net book value as at 31 December	28.397	24.181

All shares of Papfen, a subsidiary of the Group, whose net assets had been classified to the account of "Assets classified as held for sale" in the consolidated financial statements as of 31 December 2015 were transferred on 23 May 2016.

30. TAX INCOME AND EXPENSES (INCLUDING DEFERRED TAX ASSETS AND LIABILITIES)

Assets related to current tax	31 December 2017	31 December 2016
Prepaid corporate tax	65.598	48.324
	65.598	48.324

Current tax liability	31 December 2017	31 December 2016
Corporate tax provision	62.100	57.062
Less: Prepaid taxes and funds	(65.598)	(48.324)
	(3.498)	8.738

Tax expense in the statement of profit or loss:

Tax expense comprises as follows:	1 January - 31 December 2017	1 January - 31 December 2016
Current tax provision	125.009	144.562
Deferred tax income	6.517	(35.947)
	131.526	108.615

Translated into English from the report originally issued in Turkish.

30. TAX INCOME AND EXPENSES (INCLUDING DEFERRED TAX ASSETS AND LIABILITIES) (cont'd)

Tax legislation in Turkey:

Corporate Tax:

The Group is subject to Turkish corporate taxes. Provision is made in the accompanying consolidated financial statements for the estimated charge based on the Group's results for the year.

Corporate tax is applied on taxable corporate income, which is calculated from the statutory accounting profit by adding back non-deductible expenses, and by deducting dividends received from resident companies, other exempt income and investment incentives utilized.

The effective rate of tax in 2017 is 20% (2016: 20%). In Turkey, advance tax returns are calculated, accrued and paid on a quarterly basis. The advance corporate income tax rate in 2017 is 20% (2016: 20%). But, with the Law numbered 7061 on Amendment of Certain Taxes and Laws and Other Acts which was published on the Official Gazette dated 5 December 2017 and numbered 30261, the 20% corporate tax rate, will be applied as 22% for entities' corporate income belonging to the taxation periods of 2018, 2019 and 2020 as amended in the provisional clause of article 10 of the Law (To financial years, which start within the related year for entities appointed a special accounting period.). The rate will be applied in the first temporary tax period in 2018. Losses can be carried forward for offset against future taxable income for up to 5 years. Losses cannot be carried back for offset against profits from previous periods.

The Group is able to use its losses carried forward occurred in 2017 until 2022.

In Turkey, there is no procedure for a final and definitive agreement on tax assessments. Companies file their tax returns between 1-25 April following the close of the accounting year to which they relate (Companies with special accounting periods file their tax returns between 1-25 of the fourth month subsequent to the fiscal year end). Tax authorities may, however, examine such returns and the underlying accounting records and may revise assessments within five years.

As of 31 December 2017, 75% of sale proceeds from subsidiary and fixed asset acquisitions are exempt from corporate tax with the condition that these assets are held more than two years and the proceeds are included in equity for five years. There are not any restrictions for these proceeds to be added to capital. But, with the Law numbered 7061 on Amendment of Certain Taxes and Laws and Other Acts which was published on the Official Gazette dated December 5, 2017 and numbered 30261, article 5 entitled "Exceptions" of the Corporate Tax Law has been amended in Article 89 of the Law, in accordance with (a) clause in the first paragraph of the Article, the exemption of 75% applied to gains from the sales of lands and buildings held by the entities for two full years has been reduced to rate of 50%. The rate will be applied in the first temporary tax period in 2018.

Income Withholding Tax:

In addition to corporate taxes, companies should also calculate income withholding taxes and funds surcharge on any dividends distributed, except for companies receiving dividends who are resident companies in Turkey and Turkish branches of foreign companies.

The rate of income withholding tax is 10% between 24 April 2003 and 22 July 2006. This rate was changed to 15% commencing from 22 July 2006 with the Cabinet Decision 2006/10731. Undistributed dividends incorporated in share capital are not subject to income withholding taxes.

Taxation of Foreign Subsidiaries and Operations:

Subsidiaries and operations included in consolidation in the accompanying consolidated financial statements are subject to corporate tax and withholding tax effective in the relevant country. Effective tax rates in those countries in which the Group operates are summarized below:

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30. TAX INCOME AND EXPENSES (INCLUDING DEFERRED TAX ASSETS AND LIABILITIES) (cont'd)

Countries	Corporate Tax Rate %	Witholding Tax Rate %
Azerbaijan	20%	10% - 14%
Kazakhstan	20%	15% - 20%
Germany	15% - 33%	0% - 25%
Saudi Arabia	20%	5% - 15%
Luxembourg	19%	0% - 15%
Ireland	12,5% - 25%	0% - 20%
United Kingdom	19%	0% - 20%
Morocco	31%	10%
United Arab Emirates	0%	0%
Qatar	10%	0% - 7%
Turkmenistan	0% - 20%	15%

Exemption of Foreign Branch Earnings:

In accordance with private judgment related with overseas construction earnings in Corporate Tax Law's Article 5/1-h: "Earnings, which are provided from overseas construction, maintenance, installation or technical services, are transferred to income statement in Turkey" are exempted from corporate tax. According to the judgment, the only requirement is transferring of these earnings to income statement in Turkey. It is not obligatory that the earnings to be brought in Turkey.

General Directorate of Exports of Ministry of Economy of Turkey has given tax, duties and charge incentive for the below mentioned contract undertaken by Tekfen İnşaat and its joint operations.

- Ankara – İzmir High Speed Train Project's Afyonkarahisar-Uşak (Banaz) Section and Afyonkarahisar Transpassing's Infrastructure. Incentive will be applied until 8 May 2019.

Investment Incentive Tax Exemption:

Upon the Decree of the Council of Ministers numbered 2016/9139, it's been decided to apply reduced income and corporate tax to the investors' other income during the investment period, as long as not to exceed investment expenditure amount and 80% investment contribution ratio. In addition, upon the law numbered 6745, provided that the investment is complete, remaining portion of the contribution is taken into consideration by being increased with the revaluation ratio in accordance with Tax Procedures Law in the following years.

Concerning the sulfuric acid, phosphoric acid and NPK investments undertaken relating to Samsun Facility, Toros Tarım has obtained Investment Incentive Certificate as of 3 April 2013 in the scheme of "Large Scale Investment" from the Ministry of Economy. The features of this incentive are employer's share of social security premium support, VAT exemption, and customs duty exemption and this incentive provides a tax exemption of 60% in the taxation of the income arising from the investment within the framework of 35% investment contribution ratio. Additionally, Toros Tarım has obtained 5th Region Investment Incentive Certificate (investments priority subject) for electricity investment as of 7 July 2014 from Ministry of Economy. The features of this incentive are employer's share of social security premium support, VAT exemption, and customs duty exemption and this incentive provides a tax exemption of 80% in the taxation of the income arising from the investment within the framework of 40% investment contribution ratio.

Toros Tarım has obtained 2nd Area Investment Incentive Certificate as of 1 June 2015 from Ministry of Economy for its crane investment. The features of this incentive are employer's share of social security premium support, VAT exemption, and customs duty exemption and this incentive provides a tax exemption of 55% in the taxation of the income arising from the investment within the framework of 20% investment contribution ratio.

Toros Tarım has obtained 3rd Area Investment Incentive Certificate as of 24 December 2015 from Ministry of Economy for its prilling tower chimney gas washing investment. The features of this incentive are employer's share of social security premium support, VAT exemption, and customs duty exemption and this incentive provides a tax exemption of 60% in the taxation of the income arising from the investment within the framework of 25% investment contribution ratio.

In the scope of incentive, deferred tax asset has been created arising from timing differences in the amount of 50.029 on the basis of two years over Toros Tarım's profit projections. (2016: 34.148).

30. TAX INCOME AND EXPENSES (INCLUDING DEFERRED TAX ASSETS AND LIABILITIES) (cont'd)

Deferred Tax:

The Group recognizes deferred tax assets and liabilities based upon temporary differences arising between its financial statements as reported for TAS purposes and its statutory tax financial statements. These differences usually result in the recognition of revenue and expenses in different reporting periods for TAS and tax purposes and shown below. Tax rate used in calculating deferred tax assets and liabilities is the effective tax rate in the relevant countries where the Group undertakes its operations.

Tax rate used in the calculation of deferred tax assets and liabilities was %22 over temporary timing differences expected to be reversed in 2018, 2019 and 2020, and %20 over temporary timing differences expected to be reversed in 2021 and the following years (2016: 20%).

Due to entities in Turkey are not allowed to declare consolidated tax returns, subsidiaries titled to deferred assets may not be netted of with their subsidiaries titled to deferred tax liabilities; hence are required to declare separately.

Components of deferred tax (assets) liabilities bases:	31 December 2017	31 December 2016
Restatement and depreciation / amortization differences of tangible and intangible assets	154.085	122.208
Provision for retirement benefits and vacation liability	(62.045)	(40.647)
Investment incentive undertaken	(250.147)	(170.739)
Contract costs and progress billings (net)	255.068	82.651
Undistributed profits of joint operations	(62.235)	(2.463)
Provision for doubtful receivables	(10.140)	(11.279)
Effect of income accruals	877	1.046
Tax losses carried forward	(37.876)	(25.813)
Provision for litigation	(13.197)	(8.939)
Available for sale investments	70.706	75.490
Provision for premium payments	(21.437)	(12.769)
Derivative instruments	(3.087)	-
Other	(34.098)	(52.383)
Deferred tax liabilities / (assets)	(13.526)	(43.637)

Components of deferred tax (assets) liabilities:	31 December 2017	31 December 2016
Restatement and depreciation / amortization differences of tangible and intangible assets	26.795	18.584
Provision for retirement benefits and vacation liability	(13.153)	(8.130)
Investment incentive undertaken	(50.029)	(34.148)
Contract costs and progress billings (net)	55.540	16.546
Undistributed profits of joint operations	(13.042)	(492)
Provision for doubtful receivables	(2.228)	(3.279)
Effect of income accruals	193	209
Tax losses carried forward	(8.330)	(5.196)
Provision for litigation	(2.904)	(1.786)
Available for sale investments	3.535	3.775
Provision for premium payments	(4.716)	(2.565)
Derivative instruments	(679)	-
Other	(7.109)	(7.157)
Deferred tax liabilities / (assets)	(16.127)	(23.639)
Deferred tax assets	(77.176)	(50.999)
Deferred tax liabilities	61.049	27.360
	(16.127)	(23.639)

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30. TAX INCOME AND EXPENSES (INCLUDING DEFERRED TAX ASSETS AND LIABILITIES) (cont'd)

Deferred Tax (cont'd):

Movement of deferred tax assets and liabilities for the year ended 31 December 2017 is as follows:

Movement of deferred tax liabilities (assets)	2017	2016
Opening balance as at 1 January	(23.639)	6.768
Deferred tax (income) / expense	7.059	(35.947)
Effect of available for sale investments in comprehensive income	(240)	1.041
Effect of actuarial gain / (loss) in comprehensive income	(870)	424
Hedge effect	(1.085)	405
Effect of tax rate change	(542)	-
Currency translation effect	3.190	3.670
Closing balance as at 31 December	(16.127)	(23.639)

Reconciliation of tax expense for the year with the profit for the year:

Reconciliation of taxation:	1 January - 31 December 2017	1 January - 31 December 2016
Profit before tax	902.254	438.938
Expected taxation (*)	193.691	162.164
Reconciliation of expected tax to actual tax:		
- Undeductable expenses	4.771	372
- Dividend and other non-taxable income	(40.698)	(27.937)
- Carryforward tax losses deducted in current year	(17.631)	(11.015)
- Effects of unrealizable tax (losses) / income (net)	51.315	30.314
- Investment incentive undertaken	(42.085)	(9.750)
- Effects of joint ventures	(12.097)	(8.206)
- Effect of change in tax rates and consolidation adjustments	(6.925)	(11.019)
- Other	1.185	(16.308)
Income tax expense recognized in statement of profit or loss	131.526	108.615

(*) Different rates are applied for different countries where the foreign companies and joint ventures are located.

31. EARNINGS PER SHARE

Calculation of earnings per share for the current year is made in accordance with TAS 33 considering the effects of shares and bonus shares issued.

As of 31 December 2017 and 2016, the Group's weighted average number of shares and computation of earnings per share (which corresponds to per share amounting to 1 TRY) set out here are as follows:

	1 January - 31 December 2017	1 January - 31 December 2016
Average number of ordinary shares outstanding during the period (in full)	370.000.000	370.000.000
Net profit for the period attributable to owners of the Parent (Thousands TRY)	771.299	324.411
Earnings per share from operations (TRY)	2,085	0,877

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32. RELATED PARTY TRANSACTIONS

The Group has various transactions with related parties during the course of its operations. Transactions between the Company and its subsidiaries, which are related parties of the Company, have been eliminated in consolidation and are not disclosed in this note.

Due from and due to balances are unsecured and will be settled in cash. No bad debt provision is made for balances due from related parties in the current year.

Transactions with related parties are distinct and measurable.

	31 December 2017		31 December 2016	
	Due from	Due to	Due from	Due to
Balances with related parties	Short-term	Short-term	Short-term	Short-term
Azfen	5.819	-	35.720	-
Florya Gayrimenkul	71	-	25.132	1.032
Agromak	71	3	8.836	6
H-T Fidecilik	65	4	96	4
Tekzen	950	552	56	2.845
Black Sea	-	-	-	22
Turquiose Construction	-	4.241	-	3.913
Pelit Yapı Çelik	-	966	545	-
Other	109	163	180	122
Shareholders and key management	162	61	268	114
Joint operations	7.221	138	3.769	2.861
	14.468	6.128	74.602	10.919

32. RELATED PARTY TRANSACTIONS (cont'd)

	1 January - 31 December 2017							
Transactions with related parties	Purchases	Sales	Interest income	Dividend income	Rent income	Rent expense	Other income	Other costs and expenses
Black Sea	-	8.567	-	-	-	-	564	564
Azfen	-	4.042	-	172.024	6.883	-	-	-
Agromak	-	300	889	-	-	-	-	516
H-T Fidecilik	-	23	-	-	-	-	44	-
Florya Gayrimenkul	-	1.205	1.624	-	-	-	-	-
Akmerkez Lokantacılık	-	-	-	331	-	-	-	1
Tekzen	10.371	964	-	-	-	-	-	-
Üçgen Bakım	241	159	-	134	-	-	-	90
Akmerkez Gayrimenkul	-	24	-	7.638	-	830	-	-
Pelit Yapı	10.281	-	-	-	-	-	-	-
Tekfen Vakfı	-	27	-	-	2	-	-	-
Turquiose Construction	2.109	-	-	-	-	-	-	-
Other	184	118	-	509	-	-	-	-
Shareholders and key management	-	422	-	-	2	-	-	-
Joint operations	-	1.860	2.407	-	-	-	-	-
	23.186	17.711	4.920	180.636	6.887	830	608	1.171

	1 January - 31 December 2016							
Transactions with related parties	Purchases	Sales	Interest income	Dividend income	Rent income	Rent expense	Other income	Other costs and expenses
Black Sea	42.100	1	-	-	-	-	242	1.255
Azfen	-	3.492	-	90.588	7.550	-	-	-
Agromak	-	345	1.164	-	-	-	-	-
H-T Fidecilik	-	17	-	-	-	-	38	4
Florya Gayrimenkul	-	5.452	680	-	-	-	-	-
Akmerkez Lokantacılık	-	-	-	-	-	-	-	-
Tekzen	3.539	847	-	-	94	-	4	-
Üçgen Bakım	62	144	-	120	-	-	-	341
Akmerkez Gayrimenkul	-	22	-	8.281	-	844	-	-
Tekfen Vakfı	-	5	-	-	2	-	-	-
Turquiose Construction	15.761	-	-	-	-	-	-	-
Other	107	110	-	571	32	-	-	-
Shareholders and key management	-	312	-	-	2	-	-	-
Joint operations	-	11	3.151	-	-	-	48	-
	61.569	10.758	4.995	99.560	7.680	844	332	1.600

32. RELATED PARTY TRANSACTIONS (cont'd)

Compensation of key management personnel:

The remuneration of key management during the year is as follows:

	31 December 2017	31 December 2016
Salaries and other short-term benefits	14.479	10.774
	14.479	10.774

33. DERIVATIVE INSTRUMENTS

	31 December 2017		31 December 2016	
	Assets	Liabilities	Assets	Liabilities
Forward foreign exchange contracts	6.460	9.547	2.245	131
Current	6.460	9.547	2.245	131
Non-current	-	-	-	-
	6.460	9.547	2.245	131

Currency derivatives:

The subsidiary of the Company, Toros Tarım utilizes currency derivatives to hedge significant future transactions and cash flows. Toros Tarım is party to a variety of foreign currency forward contracts in the management of its exchange rate exposures. The instruments purchased are primarily denominated in the currencies of the Toros Tarım's principal markets.

At the end of the reporting period, the total notional amount of outstanding forward foreign exchange contracts to which Toros Tarım is committed are as follows:

	31 December 2017	31 December 2016
Forward foreign exchange contracts	399.347	51.082
	399.347	51.082

As of 31 December 2017, the fair value of the Toros Tarım's currency derivatives is estimated to be 6.460 assets and 9.547 liabilities which is negative 3.087 (31 December 2016: assets 2.245, liabilities 131, positive 2.114). These amounts are based on quoted market prices for equivalent instruments at the balance sheet date and fair value hierarchy classificaion of derivative instruments is Level 2 (31 December 2016: Level 2). There have been no changes in the purpose or use of derivative instruments.

The fair value of currency derivatives that are designated and effective as cash flow hedges amounting to negative 2.408 has been deferred in equity (31 December 2016: positive 1.621). Expenses amounting to 87 of ineffective part have been recognized in profit or loss (31 December 2016: Ineffective 87 gain). Gains amounting to 1.519 and expenses amounting to 23.224 concerning matured derivative contracts during the period have been recognized in profit or loss (31 December 2016: No matured derivative contracts).

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34. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

a) Capital Risk Management

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximizing the return to stakeholders through the optimization of the debt and equity balance.

The capital structure of the Group consists of financial debts as explained in Note 7 and equity items comprising paid in capital, premiums in capital stock, restricted profit reserves and retained earnings.

Within the framework of risk management activities, Group defines the undertaken risks, estimates the loss amounts caused by these risks and defines the capital base amount related to these loss amounts. Thus, Group aims to minimize its capital risk.

After the capital base is defined, the steadily management of funding structure is aimed by obtaining new debts, repayment of existing debts, and dividend payments.

Net cash position as of 31 December 2017 and 2016 are as follows:

	31 December 2017	31 December 2016
Total Financial Debts	(1.179.693)	(1.260.965)
Less: Cash and cash equivalents	2.985.833	1.483.429
Less: Time deposits with maturity of longer than three months	330.126	108.121
Net Cash Position	2.136.266	330.585

b) Financial Risk Factors

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, cash flow interest rate risk and price risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

Management provides services to the business, coordinates access to domestic and international markets, monitors, and manages the financial risks relating to the operations of the Group through internal risk reports, which analyses exposures by degree and magnitude of risk. These risks include market risk (including currency risk, fair value interest rate risk, and price risk) credit risk, liquidity risk, and cash flow interest rate risk.

The Group does not obtain any kind of financial instruments, including those of which derivative financial instruments for speculative purposes and is not associated with the trading of these financial instruments.

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34. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (cont'd)

b) Financial Risk Factors (cont'd)

b.1) Credit risk management

Credit risk exposure based on financial instrument categories	Receivables				
	Trade Receivables		Other Receivables		
31 December 2017	Related Party	Third Party	Related Party	Third Party	Bank Deposit (***)
Minimum credit risk exposure at balance sheet date (*)	14.468	1.952.131	-	27.753	3.239.212
- Secured portion of minimum credit risk via guarantee or etc. (**)	-	75.885	-	-	-
A. Net book value of not due or not impaired financial assets	9.119	1.386.776	-	27.753	3.239.212
B. Net book value of assets that are due but not impaired	5.349	565.355	-	-	-
- Secured portion via guarantee or etc.	-	57	-	-	-
C. Net book value of impaired assets	-	-	-	-	-
- Over due (gross book value)	-	32.958	-	571	-
- Impairment (-)	-	(32.958)	-	(571)	-
- Secured net value via guarantee or etc.	-	-	-	-	-
- Not due (gross book value)	-	40	-	-	-
- Impairment (-)	-	(40)	-	-	-
- Secured net value via guarantee or etc.	-	-	-	-	-
31 December 2016					
Minimum credit risk exposure at balance sheet date (*)	20.680	1.207.184	53.922	10.984	1.548.454
- Secured portion of minimum credit risk via guarantee or etc. (**)	-	41.962	-	-	-
A. Net book value of not due or not impaired financial assets	6.203	872.493	53.922	10.984	1.548.454
B. Net book value of assets that are due but not impaired	14.477	334.691	-	-	-
- Secured portion via guarantee or etc.	-	109	-	-	-
C. Net book value of impaired assets	-	-	-	-	-
- Over due (gross book value)	-	30.711	-	571	-
- Impairment (-)	-	(30.711)	-	(571)	-
- Secured net value via guarantee or etc.	-	-	-	-	-
- Not due (gross book value)	-	139	-	-	-
- Impairment (-)	-	(139)	-	-	-
- Secured net value via guarantee or etc.	-	-	-	-	-

(*) In determining the amounts, elements providing increase in loan credibility such as warrants received are not considered.
(**) Warrants consist of collateral bills, letters of guarantees and mortgages.
(***) Bank deposits include the times deposits classified under financial investments.

34. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (cont'd)

b) Financial Risk Factors (cont'd)

b.1) Credit risk management (cont'd)

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group has adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral where appropriate, as a means of mitigating the risk of financial loss from defaults. The Group's exposure and the credit ratings of its counterparties are continuously monitored. Credit exposure is controlled by counterparty limits that are reviewed and approved by the board of directors of the Group companies the risk management committee annually.

Trade receivables consist of a large number of customers, spread across diverse industries and geographical areas. Ongoing credit evaluation is performed on the financial condition of accounts receivables.

31 December 2017	Trade Receivables	Other Receivables	Total
Not due receivables	1.395.935	27.753	1.423.688
Overdue by 1-30 days	127.003	-	127.003
Overdue by 1-3 months	1.027	-	1.027
Overdue by 3-12 months	3.591	-	3.591
Overdue 1-5 years	460.975	-	460.975
Overdue by more than 5 years	11.066	571	11.637
Total receivables	1.999.597	28.324	2.027.921
Total overdue receivables	603.662	571	604.233
Secured portion via guarantee or etc.	57	-	57
Total provision provided for overdue receivables	(32.958)	(571)	(33.529)
Total provision provided for undue receivables	(40)	-	(40)
Secured portion of all impaired receivables via guarantee or etc.	-	-	-

31 December 2016	Trade Receivables	Other Receivables	Total
Not due receivables	878.835	64.906	943.741
Overdue by 1-30 days	4.052	-	4.052
Overdue by 1-3 months	2.891	-	2.891
Overdue by 3-12 months	332.375	-	332.375
Overdue 1-5 years	30.078	-	30.078
Overdue by more than 5 years	10.483	571	11.054
Total receivables	1.258.714	65.477	1.324.191
Total overdue receivables	379.879	571	380.450
Secured portion via guarantee or etc.	109	-	109
Total provision provided for overdue receivables	(30.711)	(571)	(31.282)
Total provision provided for undue receivables	(139)	-	(139)
Secured portion of all impaired receivables via guarantee or etc.	-	-	-

34. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (cont'd)

b) Financial Risk Factors (cont'd)

b.1) Credit risk management (cont'd)

As at balance sheet date, collaterals held for the past due trade receivables which are not impaired is amounting 57 (2016: 109). There are no collaterals held for the past due trade receivables which are impaired (2016: None).

b.2) Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the Board of Directors, which has built an appropriate liquidity risk management framework for the management of the Group's short, medium and long-term funding and liquidity management requirements. The Group manages liquidity risk by maintaining adequate reserves and reserve borrowing facilities by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

The following tables detail the Group's remaining contractual maturity for its derivative financial instruments and its non-derivative financial liabilities. The tables below have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows. The liquidity analysis for its derivative financial instruments has been drawn up based on the undiscounted net cash inflows/ (outflows) on the derivative instrument that settle on a net basis and the undiscounted gross inflows and (outflows) on those derivatives that require gross settlement. When the amount payable or receivable is not fixed, the amount disclosed has been determined by reference to the projected interest rates as illustrated by the yield curves existing at the reporting date.

Liquidity risk table:

31 December 2017

Due date on agreement	Carrying Value	Cash outflows according to agreements (I+II+III+IV)	Less than 3 months (I)	Between 3-12 months (II)	Between 1-5 years (III)	More than 5 years (IV)
Financial liabilities						
Bank loans	1.177.668	1.274.280	420.812	356.706	496.762	-
Finance lease obligations	2.025	2.193	1.365	605	223	-
Trade payables (due to related parties included)	2.155.971	2.164.039	1.316.029	730.668	117.342	-
Employee benefit payables	72.332	72.332	72.332	-	-	-
Other payables (due to related parties included)	148.586	148.586	76.956	1.484	69.867	279
Total liabilities	3.556.582	3.661.430	1.887.494	1.089.463	684.194	279

Due date on agreement	Carrying Value	Cash outflows according to agreements (I+II+III+IV)	Less than 3 months (I)	Between 3-12 months (II)	Between 1-5 years (III)	More than 5 years (IV)
Derivative instruments						
Cash inflows	(3.087)	382.452	164.105	218.347	-	-
Cash outflows	-	399.347	176.133	223.214	-	-

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34. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (cont'd)

b) Financial Risk Factors (cont'd)

b.2) Liquidity risk management (cont'd)

31 December 2016

Due date on agreement	Carrying Value	Cash outflows according to agreements (I+II+III+IV)	Less than 3 months (I)	Between 3-12 months (II)	Between 1-5 years (III)	More than 5 years (IV)
Financial liabilities						
Bank loans	1.251.435	1.292.698	407.620	629.501	255.577	-
Finance lease obligations	9.530	9.936	4.001	3.894	2.041	-
Trade payables (due to related parties included)	1.572.856	1.579.343	954.820	580.490	43.801	232
Employee benefit payables	70.449	70.449	70.449	-	-	-
Other payables (due to related parties included)	102.332	102.332	36.625	37.190	28.260	257
Total liabilities	3.006.602	3.054.758	1.473.515	1.251.075	329.679	489

Due date on agreement	Carrying Value	Cash outflows according to agreements (I+II+III+IV)	Less than 3 months (I)	Between 3-12 months (II)	Between 1-5 years (III)	More than 5 years (IV)
Derivative instruments						
Cash inflows	2.114	50.194	-	50.194	-	-
Cash outflows	-	51.082	-	51.082	-	-

b.3) Market risk management

The Group's activities expose it primarily to the financial risks of changes in foreign exchange rates (refer to section b.3.1) and interest rates (refer to section b.3.2).

There has been no change to the Group's exposure to market risks or the manner which it manages and measures the risks.

b.3.1) Foreign currency risk management

The Group undertakes certain transactions denominated in foreign currencies. Hence, exposures to exchange rate fluctuations arise.

The details of the Group's foreign currency denominated monetary and non-monetary assets and monetary and non-monetary liabilities as of balance sheet date are shown below:

Translated into English from the report originally issued in Turkish.

(Amounts are expressed in Thousands of Turkish Lira ("TRY") unless otherwise stated.)

34. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (cont'd)

b) Financial Risk Factors (cont'd)
b.3) Market risk management (cont'd)
b.3.1) Foreign currency risk management (cont'd)

31 December 2017	Equivalent of Thousands of TRY	Thousands of USD	Thousands of EUR	Thousands of GBP	Other (Equivalent of Thousands of TRY)
1. Trade Receivables	126.011	6.761	1.959	-	91.663
2. Monetary Financial Assets	1.509.366	305.339	72.420	17	30.559
3. Other	33.469	1.278	1.555	27	21.490
4. CURRENT ASSETS	1.668.846	313.378	75.934	44	143.712
5. Trade Receivables	198	-	-	-	198
6. Monetary Financial Assets	532	-	-	-	532
7. Other	9.556	10	2.108	-	-
8. NON-CURRENT ASSETS	10.286	10	2.108	-	730
9. TOTAL ASSETS	1.679.132	313.388	78.042	44	144.442
10. Trade Payables	1.303.355	214.597	25.658	69	377.707
11. Financial Liabilities	109.062	98	24.071	-	-
12. Monetary Other Liabilities	143.355	93	2.626	-	131.147
12b. Non-Monetary Other Liabilities	4.400	1.157	8	-	-
13. CURRENT LIABILITIES	1.560.172	215.945	52.363	69	508.854
14. Trade Payables	3.695	-	39	-	3.519
15. Financial Liabilities	214.107	-	47.416	-	-
16. Monetary Other Liabilities	25.710	995	4	-	21.939
17. NON-CURRENT LIABILITIES	243.512	995	47.459	-	25.458
18. TOTAL LIABILITIES	1.803.684	216.940	99.822	69	534.312
19. Off-balance sheet derivative instruments net position (19a-19b)	382.452	101.395	-	-	-
19a. Derivative assets	382.452	101.395	-	-	-
19b. Derivative liabilities	-	-	-	-	-
20. Net foreign currency assets / liabilities position	257.900	197.843	(21.780)	(25)	(389.870)
21. Monetary items net foreign currency assets / liabilities position (1+2+5+6-10-11-12-14-15-16)	(163.177)	96.317	(25.435)	(52)	(411.360)
22. Fair value of derivative instruments held for hedging	(3.087)	(818)	-	-	-

34. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (cont'd)

b) Financial Risk Factors (cont'd)
b.3) Market risk management (cont'd)
b.3.1) Foreign currency risk management (cont'd)

31 December 2016	Equivalent of Thousands of TRY	Thousands of USD	Thousands of EUR	Thousands of GBP	Other (Equivalent of Thousands of TRY)
1. Trade Receivables	114.991	17.771	3.785	-	38.409
2. Monetary Financial Assets	1.151.256	295.031	24.330	10	22.678
3. Other	14.265	224	862	564	7.853
4. CURRENT ASSETS	1.280.512	313.026	28.977	574	68.940
5. Trade Receivables	25	-	-	-	25
6. Monetary Financial Assets	538	-	-	-	538
7. Other	9.588	10	2.575	-	-
8. NON-CURRENT ASSETS	10.151	10	2.575	-	563
9. TOTAL ASSETS	1.290.663	313.036	31.552	574	69.503
10. Trade Payables	1.081.847	196.647	16.528	152	327.836
11. Financial Liabilities	90.161	1.056	23.301	-	-
12. Monetary Other Liabilities	107.273	127	8.613	-	74.873
12b. Non-Monetary Other Liabilities	414	107	10	-	-
13. CURRENT LIABILITIES	1.279.695	197.937	48.452	152	402.709
14. Trade Payables	313	-	-	-	313
15. Financial Liabilities	250.003	98	67.295	-	-
16. Monetary Other Liabilities	21.161	885	4	-	18.032
17. NON-CURRENT LIABILITIES	271.477	983	67.299	-	18.345
18. TOTAL LIABILITIES	1.551.172	198.920	115.751	152	421.054
19. Off-balance sheet derivative instruments net position (19a-19b)	50.194	14.263	-	-	-
19a. Derivative assets	50.194	14.263	-	-	-
19b. Derivative liabilities	-	-	-	-	-
20. Net foreign currency assets / liabilities position	(210.315)	128.379	(84.199)	422	(351.551)
21. Monetary items net foreign currency assets / liabilities position (1+2+5+6-10-11-12-14-15-16)	(283.948)	113.989	(87.626)	(142)	(359.404)
22. Fair value of derivative instruments held for hedging	2.114	601	-	-	-

(Amounts are expressed in Thousands of Turkish Lira ("TRY") unless otherwise stated.)

34. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (cont'd)

b) Financial Risk Factors (cont'd)
b.3) Market risk management (cont'd)
b.3.1) Foreign currency risk management (cont'd)

Foreign currency sensitivity

The Group is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the US Dollars and Euro.

The following table details the Group's sensitivity to a 5% increase and decrease in the US Dollars and Euro. 5% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated items and adjusts their translation at the period end for a 5% change in foreign currency rates. The sensitivity analysis includes external loans as well as loans to foreign operations within the Group where the denomination of the loan is in a currency other than the currency of the lender or the borrower. A positive number indicates an increase in profit or loss.

	31 December 2017	
	Profit / Loss	
	Appreciation of foreign currencies	Depreciation of foreign currencies
	If US Dollars changes 5% against TL	
US Dollars net assets / liabilities	37.312	(37.312)
	If Euro changes 5% against TL	
Euro net assets / liabilities	(4.917)	4.917
	If other foreign currencies changes 5% against TL	
Other foreign currency net assets / liabilities	(19.500)	19.500
TOTAL	12.895	(12.895)

	31 December 2016	
	Profit / Loss	
	Appreciation of foreign currencies	Depreciation of foreign currencies
	If US Dollars change 5% against TL	
US Dollars net assets / liabilities	22.590	(22.590)
	If Euro changes 5% against TL	
Euro net assets / liabilities	(15.618)	15.618
	If other foreign currencies change 5% against TL	
Other foreign currency net assets / liabilities	(17.488)	17.488
TOTAL	(10.516)	10.516

Forward foreign exchange contracts

The Group enters into forward foreign exchange contracts to manage the risk associated with anticipated sales and purchase transactions the exposure generated. The following table details the forward foreign currency contracts outstanding as at reporting date:

Foreign currency contracts

Outstanding contracts	Average rate		Foreign currency		Contract value		Fair value	
	2017	2016	2017	2016	2017	2016	2017	2016
Buy USD (Thousand USD / Thousand TRY)								
Less than 3 months	4,05	-	43.507	-	176.133	-	(9.084)	-
3 to 12 months	3,86	3,58	57.888	14.263	223.214	51.082	5.997	2.114
							(3.087)	2.114

As of 31 December 2017, 2.408 of unrealized loss arising from changes in fair values of forward foreign exchange contracts is classified as hedging reserve under shareholders' equity (2016: Unrealized gains 1.621).

34. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (cont'd)

b) Financial Risk Factors (cont'd)
b.3) Market risk management (cont'd)
b.3.2) Interest rate risk management

Interest rate sensitivity

Detail of the Group's financial instruments exposed to interest rate sensitivity is as follows:

	31 December 2017	31 December 2016
Financial liabilities - Fixed Interest Rate Instruments	856.894	926.305
Financial liabilities - Floating Interest Rate Instruments	322.799	334.660

At 31 December 2017 if the interest rates had been 50 basis points higher/lower and all other variables held constant, profit before tax and non-controlling interest would decrease/increase by 1.614 (31 December 2016: 1.673).

b.3.3)Other price risks

Equity pricing sensitivity

The sensitivity analyses below have been determined based on the exposure to price risks for stock.

At reporting date, if variables used in valuation methods had been 10% higher/lower and all other variables held constant:

- As at 31 December 2017, unless available for sale financial investments are disposed of and if are not subject to any impairment, they will have no effect over net profit/loss.
- There will be an increase/decrease of 8.079 (31 December 2016: 8.532 increase/decrease) in gain on revaluation and reclassification. This is mainly caused as a result of changes in fair values of available for sale financial investments.

(Amounts are expressed in Thousands of Turkish Lira ("TRY") unless otherwise stated.)

35. FINANCIAL INSTRUMENTS

31 December 2017	Loans and receivables (including cash and cash equivalents)	Available for sale financial investments	Financial liabilities at amortized cost	Fair Value	Carrying value (*)	Note
Financial assets						
Cash and cash equivalents	2.985.833	-	-	-	2.985.833	5
Trade receivables (due from related parties included)	1.966.599	-	-	-	1.966.599	8, 34
Financial investments	330.126	170.651	-	11.320	512.097	6
Other current and non-current assets (due from related parties included)	27.753	-	-	-	27.753	9, 34
Derivative instruments	-	-	-	6.460	6.460	33, 34
Financial liabilities						
Financial debts	-	-	1.179.693	-	1.179.693	7, 34
Trade payables (due to related parties included)	-	-	2.155.971	-	2.155.971	8, 34
Employee benefit payables	-	-	72.332	-	72.332	20, 34
Other short and long-term liabilities	-	-	148.586	-	148.586	9, 34
Derivative instruments	-	-	-	9.547	9.547	33, 34
31 December 2016						
Financial assets						
Cash and cash equivalents	1.483.429	-	-	-	1.483.429	5
Trade receivables (due from related parties included)	1.227.864	-	-	-	1.227.864	8, 34
Financial investments	108.121	175.435	-	-	283.556	6
Other current and non-current assets (due from related parties included)	64.906	-	-	-	64.906	9, 34
Derivative instruments	-	-	-	2.245	2.245	33, 34
Financial liabilities						
Financial debts	-	-	1.260.965	-	1.260.965	7, 34
Trade payables (due to related parties included)	-	-	1.572.856	-	1.572.856	8, 34
Employee benefit payables	-	-	70.449	-	70.449	20, 34
Other short and long-term liabilities	-	-	102.332	-	102.332	9, 34
Derivative instruments	-	-	-	131	131	33, 34

(*) The Group believes that the carrying values of its financial instruments reflect their fair values.

35. FINANCIAL INSTRUMENTS (cont'd)

Fair Value of Financial Instruments

The fair values of financial assets and financial liabilities are determined and grouped as follows:

• Level 1: The fair value of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market prices.

• Level 2: The fair value of financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on using prices from direct or indirect observable current market transactions.

• Level 3: The fair value of the financial assets and financial liabilities are determined where there is no observable market data.

The fair values of financial assets are as follows:

		Fair value level as of reporting date		
Financial instruments	31 December 2017	Level 1	Level 2	Level 3
Available for sale financial investments	85.111	85.111	-	-
Fair value through profit or loss financial investments	11.320	-	11.320	-
Derivative instruments	(3.087)	-	(3.087)	-
Total	93.344	85.111	8.233	-

		Fair value level as of reporting date		
Financial instruments	31 December 2016	Level 1	Level 2	Level 3
Available for sale financial investments	89.895	89.895	-	-
Derivative instruments	2.114	-	2.114	-
Total	92.009	89.895	2.114	-

36. OTHER MATTERS MATERIALLY AFFECTING FINANCIAL STATEMENTS

Tekfen İnşaat and BP Iraq N.V. have signed a unit-price based contract to provide man power and machinery for installation of Rumalia Oil Field Water Separation & Salt Separation Units. Duration of the project is 3 years. It is expected that the total amount of the works to be done according to the contract will reach approximately 373.418 (99 Million USD) by the end of the project period. The Company has given a letter of guarantee to the employer on behalf of Tekfen İnşaat in the amount of the contract price.

Tekfen-Al Jaber Engineering Joint Arrangement, which Tekfen İnşaat holds 50% partnership, has made an agreement with Qatar Supreme Committee for Delivery and Legacy to sign the contract worth 1.291.746 (1.250.000.000 Qatari Riyal) concerning turnkey engineering and construction work for the "Main Works for the Fifth Precinct Stadium" project which is one of the stadium complexes in Qatar where 2022 World Cup Finals will take place. The Company has given a letter of guarantee to the employer in the amount of the contract price.

Tekfen İnşaat secured approximately 753.967 (729.600.000 Qatari Riyal) deal from The Public Works Authority of the State of Qatar (Ashghal') for construction job of East Industrial Road. The duration of the project is 27 months.

The Group received cash advances from Al Khor Expressway project that was signed with Ministry of Municipality and Environment of the State of Qatar on 13 October 2016. Balance of the advances is amounting to 1.196.275 (1.157.614.000 Qatari Riyal) and is recognized under deferred revenue account as of 31 December 2017 (31 December 2016: None).

36. OTHER MATTERS MATERIALLY AFFECTING FINANCIAL STATEMENTS (cont'd)

Tekfen İnşaat and Petrofac Turkey, a branch of Petrofac International UAE LLC and the main project contractor of TurkStream project, has signed a unit price contract within the framework of the TurkStream Gas Pipeline Project construction works of the gas receiving terminal to be built near Kıyıköy, Turkey. The value of the 24-month contract is 442.519 (98.000.000 Euro).

On 24 November 2017, Gate J.V., a joint operation of Tekfen İnşaat with 50% share participation rate, and Tengizchevroil have signed a contract worth 1.652.092 (438.000.000 USD) within the framework of "Future Growth Project – Wellhead Pressure Management Project, Civil, Mechanical, Electrical and Instrument Installation" works. The duration of the project is 55 months.

Tekfen Emlak recognized the advances taken as cash and notes receivable from the pre-sales of Esenyurt Project amounting to 9.437 under deferred revenue account (31 December 2016: 330.599).

Construction process concerning HEP İstanbul housing project of Real Estate group has been completed. Deliveries of the project started on 23 January 2017 and as of 31 December 2017, sales of 1.004 independent sections has been completed. These sales have been recognized in the consolidated statement of profit and loss for the period ended 31 December 2017.

37. SUBSEQUENT EVENTS

Upon the resolution of the Board of Directors dated 3 November 2017, a share acquisition agreement was signed on 5 January 2018 concerning acquisition of 90% of the paid-in capitals of Alanar Meyve ve Gıda Üretim Pazarlama Sanayi ve Ticaret A.Ş. and Alara Fidan Üretim ve Pazarlama Sanayi ve Ticaret A.Ş. by Tekfen Tarımsal. The transaction was approved by the Competition Authority on 8 February 2018 and following the ratification of the Competition Authority, the closing was held on 14 February 2018.

Tekfen Ventures L.P. ,a subsidiary of the Group, made two financial investments worth 15.088 (4.000.000 USD) in total after the balance sheet date.

The Law numbered 7061 on Amendment of Certain Taxes and Laws and Other Acts was published on the Official Gazette dated 5 December 2017 and numbered 30261. The 20% corporate tax rate, will be applied as 22% for entities' corporate income belonging to the taxation periods of 2018, 2019 and 2020 as amended in the provisional clause of article 10 of the Law (To financial years, which start within the related year for entities appointed a special accounting period.). The rate will be applied in the first temporary tax period in 2018.

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