

TEKFEN

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Tekfen Holding

Annual Report 2018



TEKFEN HOLDING

www.tekfen.com.tr

Trade Registration Number: 111233



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With extensive and deep-rooted experience in oil, gas, and petrochemical facilities, the Tekfen Contracting Group supplies its customers with mostly turnkey-delivery EPC (engineering, procurement & construction) solutions in such areas as pipelines, onshore and marine terminals, tank farms, oil refineries, off-shore platforms, pumping and compressor stations, power plants, industrial facilities, motorway and rail system projects, sports complexes, infrastructure projects, and other civil engineering projects.

52 Agri-Industry Group

Tekfen Agri-Industry Group provides Turkish farmers with productivity and quality-enhancing agricultural inputs in the areas of plant nutrients, crop seeds, seedlings and techno-agriculture products and services, and agricultural produce such as fresh fruits and their saplings. The group also engages in complementary business lines such as marine terminal services, and free zone and fuel station management.

78 Real Estate Group

Projects that Tekfen Real Estate has carried out to date are successful undertakings that are representative of the quality, functionality, sustainability, and reliability values for which the group's brand is synonymous.

88 Tekfen Ventures

Leveraging Tekfen Holding's deep expertise across the Agri-business, Contracting, and Manufacturing verticals, Tekfen Ventures invests in the technology impacting the future of these sectors.

96 Corporate Responsibility

Tekfen Group companies adhere to an approach that safeguards the health and safety of their employees, minimizes their environmental impact, builds all stakeholder relationships on the tenets of transparency and honesty, and gives precedence to social wellbeing over its own narrow interests.

With foundations laid in 1956 by three civil engineers – Feyyaz b Berker, Nihat Gökyiğit, and Necati Akçağlılar – Tekfen Holding today conducts its operations through forty-three companies and eleven 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

With foundations laid in 1956 by three civil engineers—Feyyaz Berker, Nihat Gökyiğit, and Necati Akçağlılar—the Tekfen Group today is a publicly-traded corporate group consisting of 43 companies and 11 subsidiaries. The group currently conducts its operations in three primary business lines: Contracting, Agri-Industry, and Real Estate Development.

One of the leading representatives of Turkey's business community, the Tekfen Group employs 19,180 people and is strongly positioned in all the sectors in which it is active.

In keeping with its principle of “Do the job you know best and do it in the best way possible”, Tekfen seeks to achieve perfection and regards an absolute commitment to ethical behaviour as essential. Tekfen supports its existing operations with ventures into new business lines whose profitability is sustainable as well as with innovative advances which are compatible with both its corporate values and the demands of a changing world.

Tekfen Holding's publicly-traded shares are included in the BIST 30 Index. In 2018 the company booked a turnover worth TRY12,147 million and increased its assets to TRY12 billion in value.

Contracting



Providing employment for nearly 28 thousand people when its subcontractors are taken into account as well and having undertaken nearly 400 projects to date, the Tekfen

Contracting Group is one of the most successful international representatives of the Turkish contracting industry. An international contractor active across a broad region of the world, the Tekfen Contracting Group provides turnkey-delivery solutions on an EPC (Engineering, Procurement & Construction) basis in many sectors. Repeated successes in highly challenging projects and the group's uncompromising adherence to quality standards, its strict work ethic, its reputation for keeping its word, its

experience, and its commitment to workplace safety have made it a business partner that is much sought after by international employers with the highest expectations.

Tekfen Construction, the group's flagship company, has extensive experience in petroleum, gas, and petrochemical facilities and serves customers 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 railroad projects, sports complexes, infrastructure, and other civil engineering projects. As of end-2018, Tekfen Construction's active projects portfolio had a contract value of USD 2.75 billion. In Engineering News-Record's 2018 list of the world's 250 biggest international contractors based on their 2017 operations, Tekfen Construction ranked in 98th position.

Tekfen Engineering is a leading Turkish engineering firm whose competencies enable it to effectively take part in technologically-demanding projects that require superior knowhow. The company provides engineering design, procurement, project management, and consultancy services.

Tekfen Manufacturing & Engineering, another member of the contracting group, is a specialist in the production of cylindrical and spherical storage tanks and process equipment for industrial applications.

The custom-designed steel construction and pipework for Tekfen Construction's projects is manufactured at its own structural steel and pipe fabrication facilities located in Ceyhan and Azerbaijan.

Agri-Industry



In terms of their combined business volume, product and service offerings, and market share, the companies that make up the Tekfen Group's agri-industry division

represent Turkey's biggest privately-owned concern providing Turkish farmers with productivity and quality-enhancing agricultural inputs in the areas of fertilizers, crop seeds, techno-agriculture products and services, and seedling production. The group also engages directly in agricultural production as growers of saplings and stone fruit and is also active in complementary business lines such as marine terminal services and free zone management.

The group's flagship company is Toros Tarım, which ranked in 63rd place in the İstanbul Chamber of Industry's 2017 list of Turkey's five hundred biggest industrial concerns. As the country's biggest fertilizer manufacturer, Toros Tarım accounts for 38% of Turkey's total installed fertilizer production capacity. Conducting its production operations at three plants located in Ceyhan, Mersin, and Samsun and singlehandedly capable of supplying whatever fertilizers farmers may need, the company supports its industry leadership with an extensive network of dealers and authorized sellers that give it access to every part of Turkey. Toros Tarım also exports about 350 thousand tons of fertilizer a year.

Toros Tarım's most important business line other than agriculture is marine terminal services, carried out at two terminals located in Ceyhan and Samsun and which are supported with the provision of piloting, tugboat, shipping agency services. The company's Torosport Ceyhan Terminal is the second biggest bulk cargo facility in the Gulf of Iskenderun. Two other business lines in which Toros Tarım is active are free zone and fuel station management. The first free zone in Turkey set up explicitly for industrial endeavours, the Adana Yumurtalık Free Zone's 4,635 thousand m2 make it one of Turkey's biggest free zones.

Set up in 2017, in order to be involved in agricultural production, Tekfen Tarım is active in the areas of techno-agriculture as well as crop seed and fruit production and export. Adana-based Tekfen Tarım Agripark, one of Turkey's first techno-agriculture research centres, explores and exploits Turkey's rich biodiversity in order to produce disease-free quality seeds and saplings for farmers. Tekfen Tarım Agripark was awarded R&D centre certification in 2018.

Taken over by Tekfen Tarım in early 2018 when a 90% stake in the company was acquired, Alanar Meyve is one of Turkey's largest growers of high-quality stone fruit. About 70% of the fruit that the company grows in its own orchards or procures from other growers is exported. Alanar Meyve's sister company Alara Fidan is a nursery that produces high-quality, high-yield saplings.

Hishtil-Toros Fidencilik specializes in the production of ready-to-plant seedlings. The company produces grafted and non-grafted seedlings in fully-equipped high-tech greenhouses located in Antalya and Adana in order to meet the needs of Turkey's farmers for high-quality, disease-free inputs.

Real Estate Development

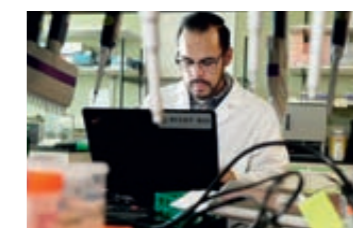


The author of numerous distinguished, innovative and award-winning projects that are harmonious with and add value to their surroundings, the Tekfen Real Estate Development

Group focuses on complete customer satisfaction with every detail by providing end-to-end service in all aspects of real estate development projects from investment and project development and design to facility management. The group's project development and management services are provided by Tekfen Real Estate while facility management services are provided by Tekfen Services.

Original projects that simultaneously combine functionality and design in properly-selected locations have made Tekfen Real Estate a benchmark name in the Turkish real estate development industry. Focusing on sustainability and energy efficiency in its projects, Tekfen Real Estate is a founding member of ÇEDBIK, a professional association that champions eco-friendly green buildings, and is also the author of Turkey's first green buildings. All of the group's new projects are based on the LEED criteria set out by the US Green Building Council.

Tekfen Ventures

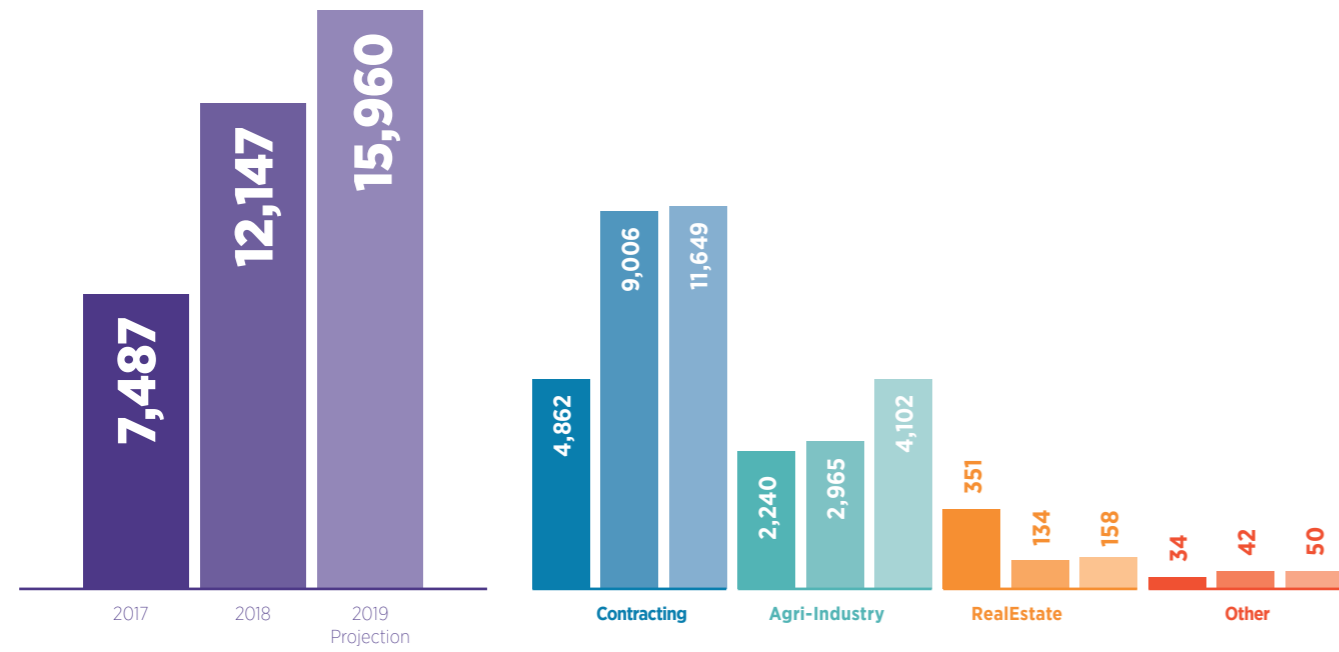


Founded in 2016 as a venture capital company, Tekfen Ventures serves as a bridge between Tekfen Group companies and the realms of technology and innovation by investing

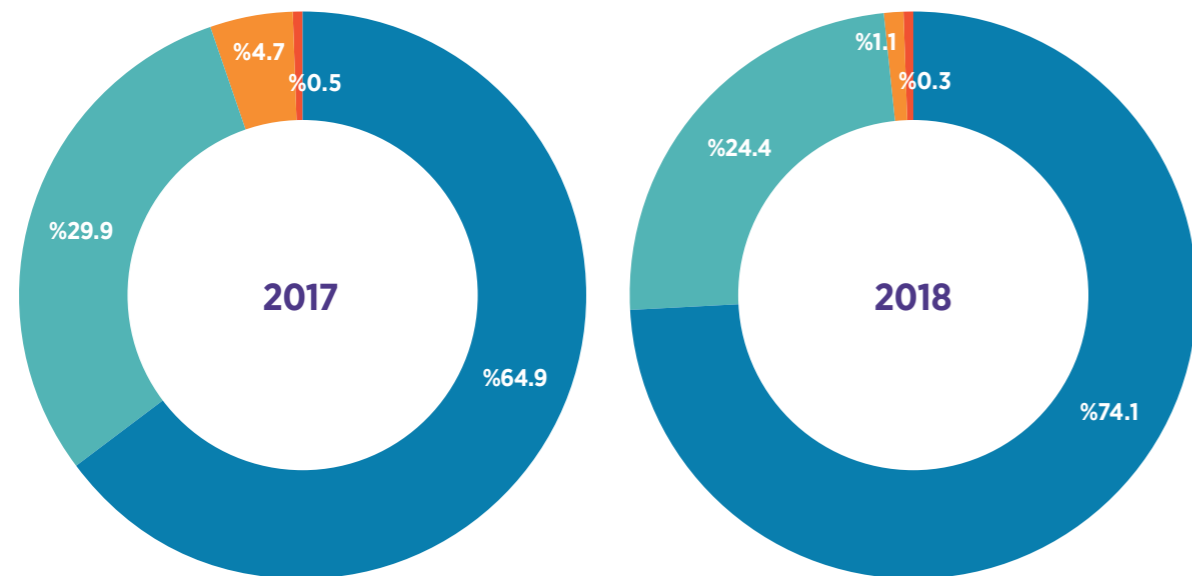
in startups anywhere in the world that come up with innovative solutions to problems which Tekfen Group companies may encounter in the conduct of their core business activities.

Basic Indicators

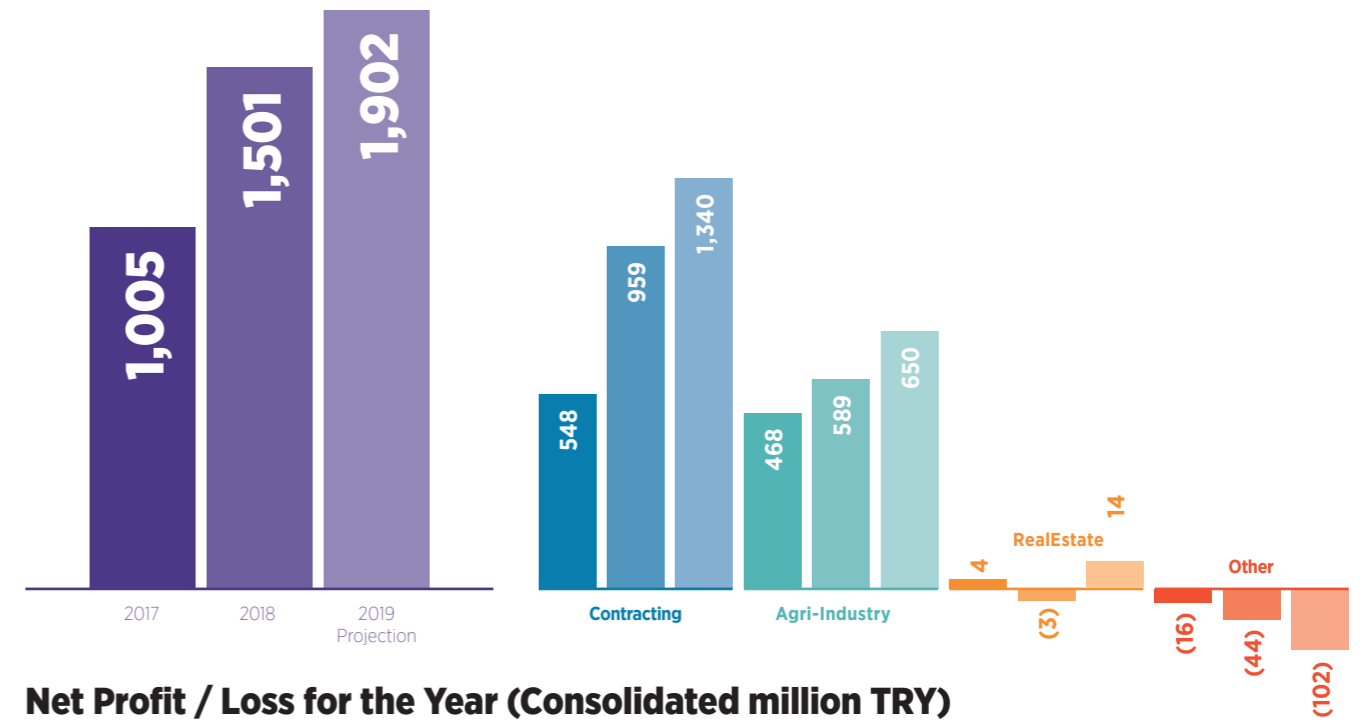
Revenues (Consolidated million TRY)



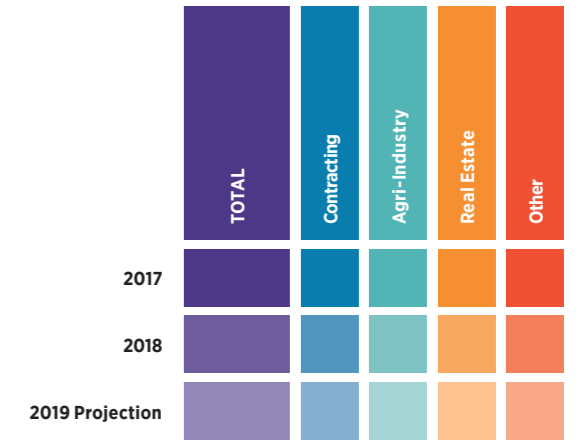
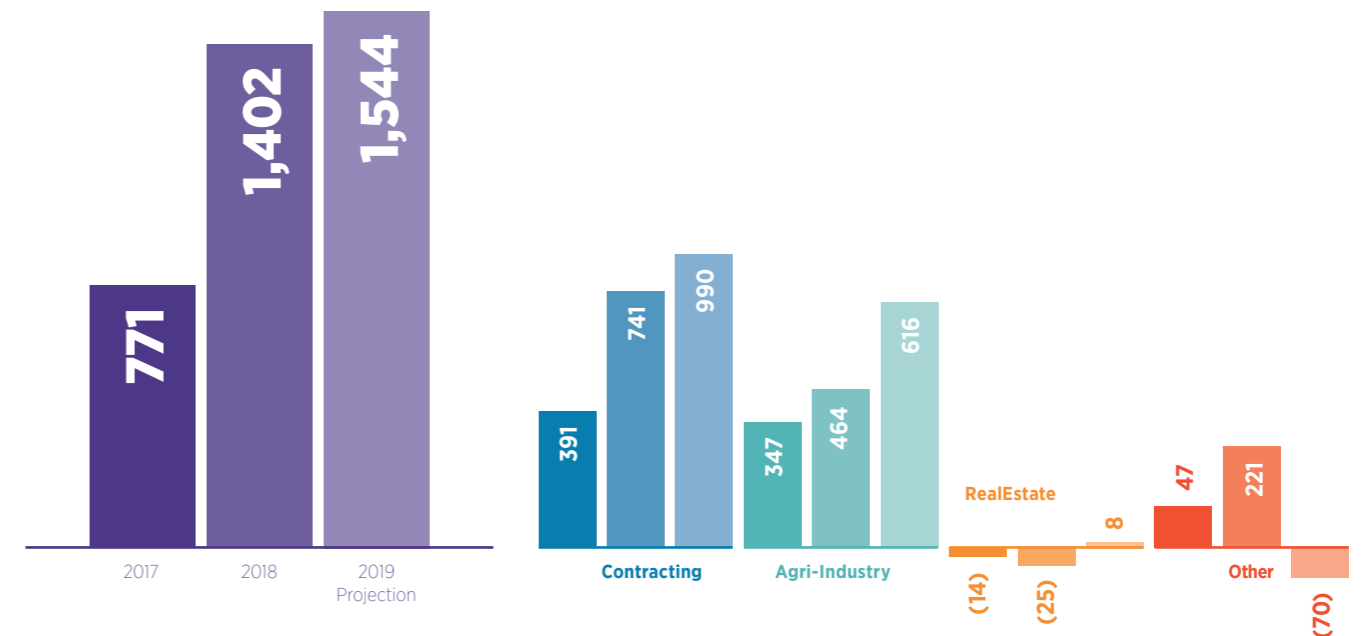
Breakdown of Revenues (%)



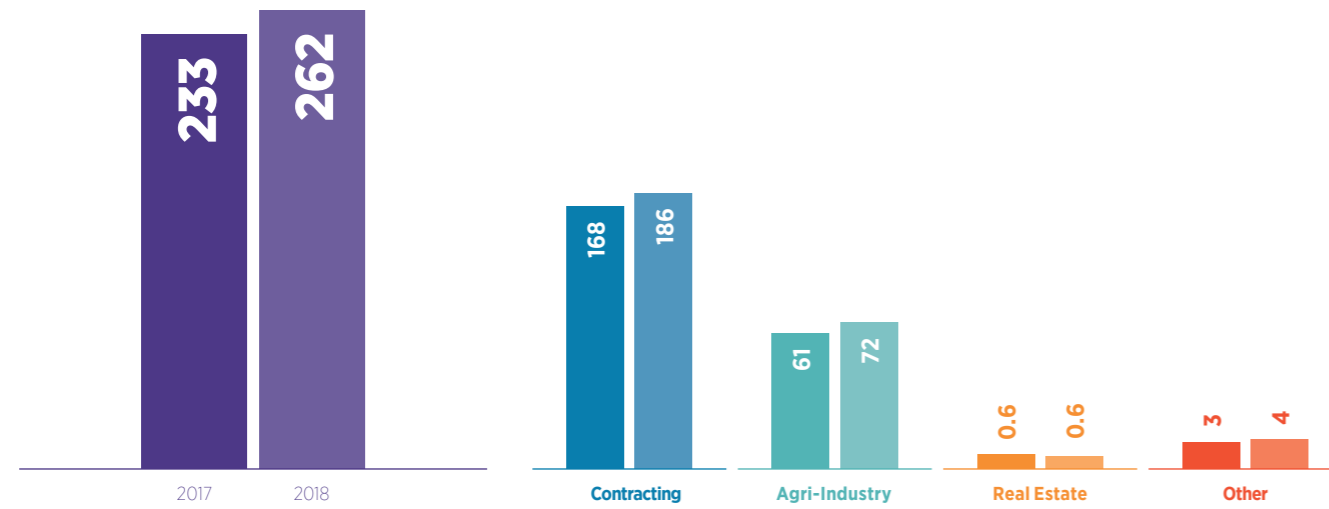
EBITDA (Consolidated million TRY)



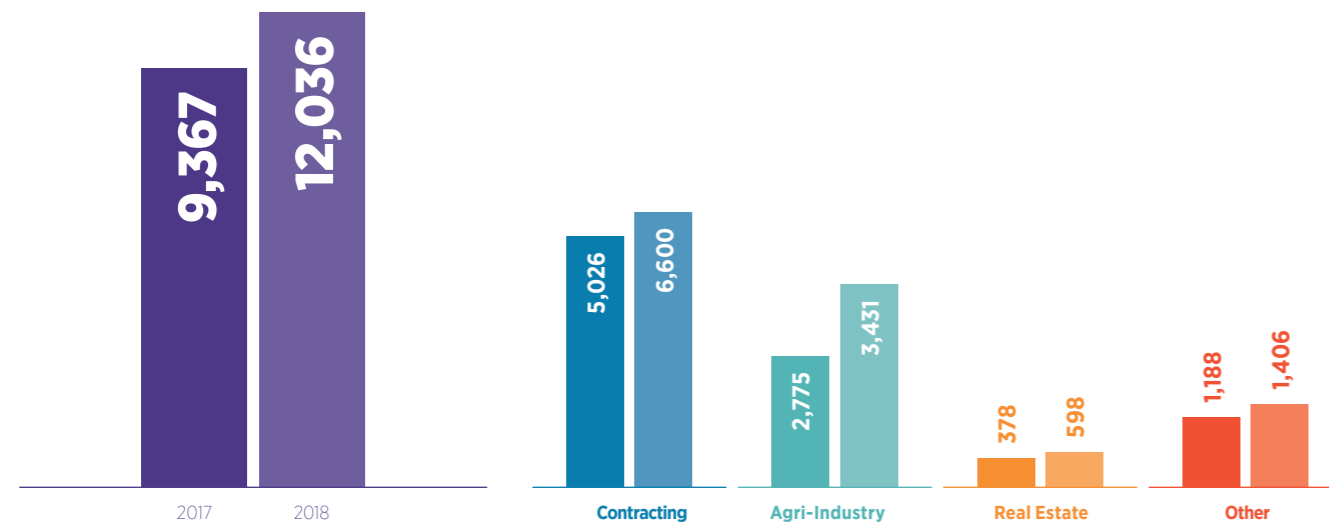
Net Profit / Loss for the Year (Consolidated million TRY)



Investment (Consolidated million TRY)



Assets (Consolidated million TRY)



Employees



2017

18,296



2018

19,180

SUMMARY BALANCE SHEET (thousand TRY)

	31 December 2017	31 December 2018
Current Assets	7,013,920	8,922,623
Non-Current Assets	2,352,830	3,112,897
Total Assets	9,366,750	12,035,520
Current Liabilities	5,586,667	6,762,257
Non-Current Liabilities	771,769	848,868
Equity Attributable to Owners of the Parent	2,975,717	4,367,587
Minority Interest	32,597	56,808
Total Shareholders' Equity and Liabilities	9,366,750	12,035,520

SUMMARY INCOME STATEMENT (thousand TRY)

	1 January - 31 December 2017	1 January - 31 December 2018
Revenue	7,487,133	12,147,171
Gross Profit	1,028,435	1,803,342
Operating Profit	778,197	1,112,062
Profit Before Taxation	902,254	1,641,377
Net Profit	770,728	1,401,527

IMPORTANT RATIOS

	31 December 2017	31 December 2018
Liquidity		
Current Ratio	1.26	1.32
Liability and Indebtness		
Total Liabilities		
Equity Attributable to Owners of the Parent	2.14	1.74
Current Liabilities /		
Total Liabilities	0.88	0.89
	1 January - 31 December 2017	1 January - 31 December 2018
Profitability		
Gross Profit Margin	%13.74	%14.85
EBITDA Margin	%13.42	%12.36
Net Profit for the Year	%10.29	%11.54



Tekfen Holding Board of Directors

Standing, from left to right:

- Doç. Dr. Ahmet İpekçi**
Member
Zekeriya Yıldırım
Independent Member
Çiğdem Tüzün
Independent Member
Murat Gigin
Chairman
Neriman Ülsever
Independent Member
Dr. Ercan Kumcu
Member
Prof. Dr. Çelik Kurtoğlu
Member

Sitting, from left to right:

- Cansevil Akçağlılar**
Vice Chairwoman
Ali Nihat Gökyiğit
Member
Gülsüm Azeri
Independent Member
Sinan K. Uzan
Member

Message from the Chairman



“ In an environment in which clarity is lost and uncertainty is accepted as the “new normal”, corporate agility and a knack for keeping pace with change become more important than ever. ”

Esteemed partners,

We have put behind us a year in which the world, our country, and business all suffered from severe turbulence that made itself felt both as diplomatic tensions at the global level and as serious economic volatility everywhere. A worldwide agenda beset with trade wars, a stalemate in the Brexit process, lingering policy uncertainty, and the reintroduction of monetary tightening in some developed countries all meant that the modest recovery that got under way in 2017 was replaced by the resumption of heightened perceived risks in 2018.

Last year’s uncertainty-fraught global agenda also had a deep impact on our own country which, in many respects, had reached a critical threshold of its own. In an environment in which clarity is lost and uncertainty is accepted as the “new normal”, it is apparent that this situation is not going to change in a short time. Corporate agility and a knack for keeping pace with change have become more important than ever in order to maintain one’s footing on such slippery ground.

It is on this point that I am both proud and happy to say that Tekfen not only overcame all of the difficulties posed by 2018 but also made very important progress towards achieving both its financial and corporate objectives. In most of our main business lines we surpassed our turnover and profitability targets and even registered historically meaningful successes.

Successfully completing such large-scale projects as the TANAP Pipeline and the Star Refinery in 2018, Tekfen Construction’s outstanding business portfolio as of year-end was worth on the order of USD 2.75 billion. Having so far done business across a vast region of the world that embraces twenty countries and ten time zones, the Tekfen Contracting Group is resolutely exploring ways in which to further expand its geographical presence with the addition of new countries and customers to its portfolio and to enrich its existing business lines with the addition of new activities and services. It gives me pleasure to see the same resolve in our contracting division’s other members as well. Having moved into new office premises in 2018, Tekfen Engineering is experiencing significant growth while Tekfen Manufacturing is strengthening its existing position with new contacts and markets and with innovative new products.

Despite having to contend with higher costs arising from exchange rate movements as well as with shrinking markets, Toros Tarım managed to overcome its home market difficulties by turning to exports. In recent years Toros Tarım has been taking important steps in the direction of streamlining its multi-stakeholder business processes involving the management of everything from supply chains to production and storage facilities to distribution networks. In 2018 we all took justifiable pride when Toros Tarım became the first Turkish company in its sector to receive the International Fertilizer Association’s “Protect & Sustain” award.

In early 2018, majority stakes in Alanar Meyve (one of Turkey’s leading fruit producers) and in its sister company Alara Fidan were acquired by Tekfen Tarım in a move into agricultural production that was as bold as it is befitting the Tekfen ethos. Gearing up to clinch its sectoral leadership with new orchards as well as handling and processing facilities, Alanar repeated its previous years’ success in 2018 with its award-winning export performance.

“We desire to reinvigorate the attributes that are inherent in Tekfen’s genes with brand-new approaches by placing technology and innovation at the heart of our activities.”

We desire to reinvigorate the attributes that are inherent in Tekfen’s genes with brand-new approaches and a brand-new spirit by placing technology and innovation at the heart of all of our activities. One of the main things that will distinguish us in technology is research and development, which we support by means of strong structures that are capable of shaping the direction of all of our business lines’ activities. Following up the R&D centre which we set up at Toros Tarım’s Mersin plant and which is very likely equipped with some of the most advanced kit to be found in Turkey’s agri-industry today, we transformed our Agripark Techno-Agriculture centre, whose operations are also being overseen by Tekfen Tarım since the beginning of 2018, into an R&D centre in its own right. We regard the work that is being carried out at both of these centres as being essential to our role as an enduring pioneer and leader of Turkey’s farming industry.

Having been set up to keep a close lookout for creative undertakings (no matter where they may be in the world) which will improve both our quality and our productivity in our business lines while also making us sustainably more competitive and capable of generating sustainable added value and which we embrace when they have reached just the right stage, our venture-capital company Tekfen Ventures increased the number of firms in which it has invested to seven in 2018. We take great pleasure to be seeing the first examples of the splendid synergy that arises out of the union of these youthful firms’ exciting discoveries and inventions with Tekfen’s 62 years of experience.

Sometimes with the right approach, difficulties can be transformed into opportunities. As an example, the Tekfen Real Estate Development Group, which suffered from the near-complete cessation of activities in Turkey’s real estate sector in 2018, managed to do exactly that by undertaking a renovation project in Germany that enabled it to put its more than two decades of experience to work in another country. Feeling certain that this undertaking is going to open new doors for us in the future, we are committed to maintaining our entrepreneurial spirit in every potential endeavour and at all times.

Even more gratifying and encouraging than the successful results that we achieved in our business activities in 2018 is the progress that we made in the direction of strengthening and developing our human resources, our business processes, and our corporate structure.

Today’s generation puts more store in how well companies make their values a reality and contribute to society than in just their balance-sheet performance. For this reason, we regard it as one of our fundamental objectives to properly fulfill and build the responsible corporate citizenship duties that we inherited from our group’s founders. Our collaboration with the Darüßsafaka society in the areas of education and sport that we initiated in 2018 is a development that we shall always be able to recall with pride. This is a moral communion between two exemplary organizations that cherish our country’s shared values and it is our sincerest hope that this union of hearts and minds will continue to endure for many years yet to come.

Another of our focuses in 2018 was our human resources, which we have always regarded as our most precious asset. Believing that our employees’ ability to be more efficient, productive, and creative depends first and foremost on their being happy at work, we provide them with training and career opportunities as well as with workplace environments that are safe and healthy. Tekfen Group companies operate training programmes under the

“We regard it as one of our fundamental objectives to properly fulfill and build the responsible corporate citizenship duties that we inherited from our group’s founders.”

general heading of Tekfen Academy, whose aim is to increase not only their job-related knowledge and competencies but also their management skills.

Conducting our operations in ways which are respectful of people and nature, which minimize their environmental impact, and whose business processes are sustainable, was just as high a priority for us in 2018 as it ever was. Having joined the Carbon Disclosure Project in 2017 out of its awareness of its environmental responsibilities, Tekfen also joined the CDP Water Security programme in 2018 and achieved a notable success by being included in the “B” list in both programmes. The fact that there are only three companies in Turkey that have qualified for admission to the CDP “A” list and that there are none in the Water Security programme’s “A” list at all, Tekfen Holding’s inclusion in both “B” lists so soon after joining the programmes is evidence of the significant progress that it was able to make in very little time. Tekfen’s signature of the United Nations Global Compact in 2018 is also a matter of great importance from the standpoint of the progress that it will be making in the future on sustainability-related issues.

After a successful year, we have embarked upon 2019 with hope and good expectations knowing full well all of the uncertainties and difficulties that await us. Our steps along the path of change and growth on which we are advancing will continue in this new year as we continue to keep pace with whatever developments may take place around us. With almost every day that passes we are witness to intellects unfettered by the limitations of political or economic turbulence achieving mind-boggling successes that are beneficial to humanity in every field of endeavour ranging from space exploration to agriculture and from human health to materials science. Tremendous advances in such areas as artificial intelligence, robotics, Industry 4.0, virtual reality, nanotechnology, and genetic engineering open vast horizons that keep reminding us that we cannot isolate ourselves from the great changes taking place all around us.

At a time when artificial intelligence has become a part of our everyday lives, we have launched a digital transformation that will continue without letup in the period ahead as well. Blending the benefits made possible by technology with our own knowledge, experience, and capabilities, our primary goal will be to take our group even further ahead in line with our commitment to the values inherited from Tekfen’s founders and to the principles of sustainability.

As we journey into the future, our greatest source of confidence will be stakeholders whose support for us I believe will be no less in the future than it has been so far. In closing therefore and speaking both personally and on behalf of the other members of the board, I acknowledge the debt of thanks that we owe them all.

Very truly yours,

Murat Gigin
Chairman of the Board of Directors





**Tekfen Holding
Executive Management**

From left to right:

Hakan Göral
Vice President Agri-
Industry Group

Ahmet Okçular
Vice President, Strategy
Business Development,
Investments
Deputy Vice
President, Finance

**Zeynep Hüveyda
Akdilli Oral**
Vice President, Real Estate
Development Group

Osman Cengiz Birgili
President

Gürbüz Alp Kireç
Vice President,
Contracting Group

Assoc. Prof. Reha Yolalan
Vice President,
Corporate Affairs

Message from the President



Esteemed Tekfen stakeholders,

2018 will forever be remembered as a year that witnessed a number of developments that were historically momentous for both the world and our own country.

From the standpoint of the global economy, the events that first come to mind were escalating protectionist sentiments championed first and foremost by the United States and the US' preference for decisions capable of stifling international trade (and indeed the very process of globalization) at the expense not just of China but of its traditional European allies as well and the adverse impact of capital whose flow into developing countries was diverted by a succession of US Federal Reserve Bank interest rate hikes. One of the most important items on Europe's agenda was the process of formulating and negotiating the terms of the UK's departure from the European Union.

Here in Turkey, two events of the utmost importance were the conduct of the first elections under the presidential system of national government whose adoption through a constitutional amendment marked a sea change in the history of the Turkish Republic on the one hand and, on the other, the far-ranging military action launched in northern Syria to combat terrorist activity originating from that region.

Having to contend with the macro-level implications of such a national and international context, the Turkish economy had a difficult time indeed in 2018. This was particularly true in the second half of the year, when economic growth slowed (and may even have gone negative in the last quarter), unemployment began to rise again, consumer and (especially) producer price inflation reached the highest levels witnessed in the decade and half after the 2001 economic crisis, interest rates soared, and exchange rates probed historically new heights.

All these developments posed serious risks for Turkish businesses and impacted on their financial performance to a significant degree. Nevertheless, the Tekfen Group completed 2018 showing financial results that were very successful with historically high levels of both turnover and profitability.

“ In recent years the Tekfen Group has been giving importance to its strategy of diversifying by investing in new business lines, especially those associated with its existing ones, and integrating them into its operations.”

In 2018, the Tekfen Group registered a consolidated turnover of TRY12,147 million, an EBITDA profit of TRY1,501 million, and a net profit of TRY1,402 million. As of end-2018, the Tekfen Group had total assets worth TRY12,036 million and total equity amounting to TRY4,424 million.

Our contracting division, which has always played the biggest role in making Tekfen an international brand by successfully carrying out hundreds of projects in numerous Asian, African, and European countries as well as in Turkey, once again contributed the biggest share of the Tekfen Group's consolidated revenues. In 2018, the Tekfen Contracting Group achieved brilliant results showing a turnover of TRY9,006 million and a net profit of TRY741 million. Tekfen Construction, the Tekfen Contracting Group's flagship company, was carrying out project operations in Azerbaijan, Saudi Arabia, Qatar, Iraq, Kazakhstan, and Georgia as well as in Turkey at 2018. As of the same date, Tekfen Construction's order backlog was worth around USD2,747 million in value.

The second biggest contributor to the Tekfen Group's consolidated revenues is its agri-industry division, which in 2018 succeeded in showing a turnover of TRY2,965 million and a net profit of TRY464 million in what was a very tough year indeed. Owing to the nature of Turkey's fertilizer industry, Toros Tarım, the largest member of the Tekfen Agri-Industry Group is obliged to import a substantial volume of its inputs; consequently its ability to report successful financial results in 2018, a year in which exchange rates rose rapidly, is an important achievement indeed. It is also worth noting at this juncture that, as measured by weight, Toros Tarım exported more goods in 2018 than in any previous year of its history.

The Tekfen Group's real estate division's business line is the one that probably suffered the most from the economic conditions which prevailed in 2018 as was detailed above. Tekfen Real Estate Group close its 2018 books showing a net loss of TRY25 million.

In recent years, the Tekfen Group has been giving importance to its strategy of diversifying by investing in new business lines, especially those associated with its

existing ones, and integrating them into its operations. A specific example of this strategy is to be seen in the Tekfen Group's acquisition of a 90% stake in two firms—Alanar Meyve ve Gıda Üretim Pazarlama Sanayi ve Ticaret AŞ and Alara Fidan Üretim ve Pazarlama Sanayi ve Ticaret AŞ. We expect that these companies, which produce and handle agricultural produce, will create new synergies for our agri-industry division.

Advancing confidently and steadfastly along the path on which it embarked in 1956, the Tekfen Group has continued to grow ever since. So in closing, allow me to take this opportunity to offer my appreciation to all of our shareholders, employees, customers, and business partners who have accompanied us on that journey and whose support we have never felt a lack of. I also extend my best wishes that 2019 will be a prosperous year for ourselves and for our country as a whole.

Very truly yours,

Osman Birgili,
President, Tekfen Group Companies

A handwritten signature in black ink, appearing to read 'Osman Birgili', with a large, sweeping flourish extending to the right.



The Al Thumama Stadium in Doha will be one of the venues hosting the 2022 World Cup matches in Qatar.

Contracting Group Profile

Representing one of Tekfen Holding's two principal business lines, the Tekfen Contracting Group's nearly 28 thousand employees and more than 400 projects that have been undertaken to date make it a successful international standard-bearer of Turkey's contractor services industry. With its experience and commitment to workplace and occupational health and safety, its approach to quality, and a business model that is rooted in keeping one's word, the group is a solution partner preferred by leading employers and project-owners around the world.

With extensive and deep-rooted experience in oil, gas, and petrochemical facilities, the Tekfen Contracting Group supplies its customers with mostly turnkey-delivery EPC (engineering, procurement & construction) solutions in such areas as pipelines, onshore and marine terminals, tank farms, oil refineries, off-shore platforms, pumping and compressor stations, power plants, industrial facilities, motorway and rail system 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 region of the world that embraces more than twenty countries and ten time zones.

In the conduct of all of its operations, the Tekfen Contracting Group abides strictly with internationally-recognized quality,

workplace and occupational health and safety, and environmental management system standards. The group is the recipient of numerous employer awards and citations on account of its superior performance when addressing HSEQ (Health, Safety, Environment & Quality) issues and practices.

Tekfen Construction

With its 62 years of experience, Tekfen İnşaat ve Tesisat (Tekfen Construction) is one of the most seasoned contracting companies in Turkey and also a highly-respected firm and successful international champion of Turkey's contractor services industry. Tekfen Construction's outstanding business portfolio as of end-2018 was worth USD 2.75 billion. In Engineering News Record's 2018 list of the world's biggest international contractors based on their 2017 performance figures, Tekfen Construction

With its 62 years of experience, Tekfen Construction is one of the most seasoned contracting companies in Turkey.

In a significant number of the projects that it undertakes, the Tekfen Contracting Group provides turnkey-delivery EPC (engineering, procurement & construction) solutions. Tekfen Construction, Tekfen Engineering, and Tekfen Manufacturing and its steel fabrication plants are the mainstays of the Tekfen Contracting Group.



ranked 98th, fourteen places higher than its previous year's position.

With extensive experience and competencies in the fulfillment of EPC projects, Tekfen Construction fabricates all of the steel equipment and pipework needed for such projects at its own structural steel and pipe fabrication facilities located in Ceyhan and Azerbaijan.

The company carries out its operations in accordance with the ISO 9001:2008, ISO 14001:2004, OHSAS 18001:2007, and ISO 27001:2013 standards. In the conduct of all work activities, the company provides a safe workplace environment and seeks to protect environmental wellbeing.

Tekfen Engineering

A provider of design, engineering, procurement, and project management services and possessing competencies that enable it to take part in projects that are technologically challenging and demand advanced levels of knowledge and experience, Tekfen Mühendislik (Tekfen Engineering) is one of Turkey's trailblazing engineering firms. Tekfen Engineering was founded in 1984 in order to serve as the "engineering" pillar of the Tekfen Contracting Group's EPC services in the conduct of turnkey-delivery projects. Thanks to the company's experience especially in industrial plant and infrastructure projects, it also serves non-group customers as well. Tekfen Engineering seeks to maximize labour and time efficiencies by keeping abreast of the latest technological developments and it continues to thrive as an engineering firm capable of holding its own in the highly competitive international EPC arena.

Tekfen Manufacturing and Engineering

Known in the trade as the "steel tailor", Tekfen İmalat (Tekfen Manufacturing)

produces cylindrical and spherical storage tanks, pressurized vessels, process columns, reactors, heat exchangers, waste-heat recovery boilers, pressurized pipe systems, and heavy steel construction for use in the petroleum, petrochemical, and chemical industries and for industrial applications in gas, iron & steel mills, and power stations. Since its inception the company has successfully undertaken and carried out countless projects both in Turkey and abroad.

International Subsidiaries and Affiliates

Based in Germany, Hallesche Mitteldeutsche Bau AG (HMB) is a member of the Tekfen Contracting Group that specializes in procurements and procurement financing. AZFEN, which was founded in 1996 as a Tekfen Construction and SOCAR (Azerbaijan's state-owned petroleum company) joint venture, has undertaken numerous major petroleum and gas-processing projects in Azerbaijan and Georgia. GATE, which started out as a Gama-Tekfen joint venture, has been active in Kazakhstan since 2002, began conducting its operations as a wholly-owned Tekfen Contracting Group member last year.

Commencing its operations as a wholly-owned Tekfen Contracting Group member in 2018, GATE, which started out as a Gama-Tekfen joint venture, has been active in Kazakhstan since 2002.

The headquarters of the Azerbaijan tax ministry consist of a 168-meter tower with two basements, 31 stories, and a podium. Its extraordinary design and execution position it as one of the potential classics of 21st-century architecture.



Operations in 2018

According to figures published by ENR, an international construction industry trade journal, the total volume of the world's contractor services sector's business was worth USD 544 billion in 2013 but subsequently began to fall as energy prices fell, investment waned, and geopolitical risks proliferated in the years that followed. By 2016, the value was down to USD 468 billion. This trend was reversed somewhat in 2017 owing in part to higher oil prices. The international contractor services sector growth is thought to have continued in 2018 as well.

According to figures published by Turkey's economy ministry, the total value of international projects undertaken by Turkey's contractor services industry amounted to USD 13.9 billion in 2016 and to USD 15.6 billion in 2017. This performance was achieved at a time when the world was beset with political and economic turbulence and oil prices were at record lows. Owing in part to a recovery in oil prices, Turkish contractors undertook 261 projects with a total value of about USD 19.5 billion in 2018.

Looking now at a breakdown of these projects we see that the biggest share (15.9%) is accounted for by power plants, which are followed in turn by motorway, tunnel & bridge projects and projects to build military facilities, railways, and airports. One thing that this picture shows is that Turkey's international contractors are undertaking more projects in sectors whose added value is higher. If the recovery in commodity and oil prices can be sustained and they remain high in the period ahead, it is possible that the Turkish contractor services industry may

soon be writing USD 20-25 billion worth of business a year.

Turkey's contractor services firms first went abroad in 1972. Between then and the end of 2018, they undertook a total of 9,590 projects in 123 countries with an aggregate contract value was USD 379 billion. A breakdown of all these projects by host country shows that the top five were the Russian Federation, Turkmenistan, Libya, Iraq, and Kazakhstan in that order. In 2018 the top five were the Russian Federation (20.1%), Saudi Arabia (15.5%), Qatar (10.4%), Sudan (8.6%), and Poland (7.9%). The Russian Federation's presence at the head of the most recent list is evidence that relations between Russian Federation and Turkey are on the mend.

In ENR's "The World's Top 250 International Contractors" list based on contractors' revenues from their international operations, the number of Turkish firms increased by two to 48 in 2018, a performance which meant that Turkey once again placed second on the list after China. Turkish firms' aggregate

USD 19.5m

Turkish contractors undertook 261 projects with a total value of about USD 19.5 billion in 2018.



The Eastern Industrial Road Project is one of the major highway construction projects which the Qatari Public Works Authority (ASHGHAL) has been entrusting to Tekfen Construction ever since 2007.



A letter of intent concerning a strategic collaboration in the development of solar, wind, and geothermal energy projects was signed with Azerbaijan's energy ministry in 2018.

Capable human resources are foremost among the factors that will be carrying the Tekfen Contracting Group into the future.

share of such revenues on the other hand slipped from 5.5% to 4.8%. Turkey's market share rose from 9.1% to 9.7% in the Middle East, declined from 7% to 5% in Asia, and remained unchanged (5.1%) in Africa.

The renormalization 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 contractor services providers. However this industry is one of those that are the most susceptible to changes in the economic outlook and to geopolitical risks, which means that Turkish contractors will need to keep a close eye on adverse developments, especially in the Gulf region, and to persevere in their search for alternative markets.

Tekfen Construction

Despite growing competition and changeable market conditions, Tekfen Construction managed to hold its outstanding works portfolio to around USD 2.75 billion as of end-2018. Overall 2018 was a profitable year in which the company fulfilled its targets.

An in-house programme that had previously been initiated to better exploit market opportunities and to increase productivity made additional progress in 2018. A new organizational structure introduced in 2017 with the idea of making use of the experience gained especially during the construction of industrial works in the provision of maintenance and repair services in already existing facilities truly proved its worth last year when, for example, maintenance & repair works contract for the TÜPRAŞ İzmit refinery was awarded.

During 2018, Tekfen Construction carried out contracting operations in Azerbaijan,

Kazakhstan, Saudi Arabia, Qatar, Iraq, Georgia, and Turkey. Last year an even closer watch was kept on developments in African countries which are rich in natural resources but which are in need of major infrastructure and industrial plant investments in order to benefit from those resources economically. Bids were submitted for a number of projects in countries such as Uganda, Tanzania, Senegal, and Nigeria. Likewise in keeping with the motto "there is a potential market wherever we may go", in 2018 the company continued to seek out and assess business opportunities in alternative markets where competition is less stiff. Taking advantage of its youthful, dynamic, and experienced team, its extensive knowledge and experience, and its sterling references, the company will continue to give priority to its strategy of taking its services into new territories in the years ahead as well.

In addition to the two representative offices that currently exist in Saudi Arabia and Qatar, beginning in 2019 the company plans to open others in markets on which it is keeping a close eye. With the renormalization of relations between Turkey and the Russian Federation, potential business opportunities in the latter country are once again closely followed up. Kuwait, the country in which Tekfen Construction undertook its first international project back in 1978, also retains a leading place among the company's plans for the future.

During 2018, Tekfen Construction maintained its presence in Kazakhstan with three projects in the Tengiz region. With the acquisition of the Gama-owned shares in GATE, a company, which has construction and contracting operations in the same country, became a wholly-owned member of the Tekfen Contracting Group. In the wake of this development, the intention is to keep a closer and more dynamic watch on new projects in the region, with particular attention being given to oil, gas, and petrochemical investments. In Azerbaijan, a country where many successful projects were



undertaken in previous years, a close watch is also being kept on gas and oil investments that are expected to get under way in the period ahead.

The exploration of renewable energy, environment, and water treatment technologies initiated in recent years continued in 2018. As such, a letter of intent concerning a strategic collaboration in the development of solar, wind, and geothermal energy projects was signed with Azerbaijan's Ministry of Energy last year.

In 2018, Tekfen Construction successfully completed the Shah Deniz Phase II Sangachal Onshore Terminal and the Shah Deniz Phase II Offshore Platforms construction work projects in Azerbaijan; the TANAP Gas Pipeline Lot 3 project in Turkey; and the Al

Bidda Park Pavilion Expansion Works Design and Construction projects in Qatar. New additions made to the company's business portfolio last year consisted of Repair and Improvement Works on the BCT Georgia, SCPC, and GPC Pipelines and, in Saudi Arabia, the Haradh Satellite Gas Compressor Stations Pipeline Construction Works. Both projects are scheduled to get under way in 2018.

Although its business portfolio consists mainly of international undertakings, large-scale projects have also been coming up for discussion in Turkey as well in recent years. Tekfen Construction therefore keeps a close watch on potential business opportunities in its home market, especially projects such as oil, gas, energy, and infrastructure investments that fall within

With its two viaducts, the Eastern Industrial Road will significantly relieve the heavy vehicle traffic in the industrial zone. This project is slated for completion by the end of 2019.

the scope of its expertise.

During 2018, the Tekfen Contracting Group was witness to many important developments that Tekfen Construction initiated in order to ensure the sustainability of its turnover and profitability successes that have been achieved in recent years. Important among these were efforts related to human resources, which are foremost among the factors that will be carrying the group into the future. A performance measurement and evaluation system that was introduced at Tekfen Construction the previous year in order to make the company and its structure more effective and productive in achieving its strategic goals was expanded to include the other companies in the Tekfen Contracting Group in 2018.

Training activities conducted under the three main headings of Technical Issues, Management & Progression, and Quality & HSE continued all year long at an ever-increasing pace. A web-based Tekfen Academy Platform that allows every employee to request training and to take part in individualized online training was launched in 2018.

A key issue associated with the Tekfen Contracting Group's future is the matter of its digital transformation. Some of the projects which were started in previous years and which continued in 2018 include the conversion of archival documents into digital format, a changeover to an enterprise resource planning system, and a supplier-management system whose aim is to enhance headquarters and project

Attention to human resources ranks high among efforts to propel the Tekfen Contracting Group into the future. In 2018 a web-based Tekfen Academy Platform was launched in 2018 in order to allow the online management of training activities under the main headings of "Technical Issues", "Management & Progression", and "Quality & HSE".



One designed for production, the other as living quarters, the two topsides sailed away to take their place in the Caspian in 2017 and started operating in 2018.



management functions with the addition of more effective supplier-management capabilities..

Pipeline Projects

Pipeline systems make up one of Tekfen Construction's main areas of expertise and have had a significant place among the company's operations since the day it was founded. Having laid more than 7,500 kilometers of pipeline in the course of its 62-year history, Tekfen Construction has accumulated tremendous experience in this business line.

Jeddah-Yanbu Pipeline Project

Work continued in 2018 on the construction of this 341-km pipeline project in Saudi Arabia under a 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 December 2018, 37% of the works had been completed under a project that is scheduled to be finished in the last quarter of 2021..

BTC Turkey Pipeline Construction, Mechanical, Instrumentation, and Electrical Repair Works 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. Transporting one million barrels of Azerbaijani oil to Turkey's Mediterranean coast at Ceyhan every day, the BTC pipeline is considered to be one of the world's most important petroleum-industry investments. This project, comprising such operations as making route changes and by-pass lines at designated points along the pipeline and repairing and reinforcing damaged sections, was completed as of end-2018.

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 area are the İPRAŞ

7,500km

Pipeline systems make up one of Tekfen Construction's areas of expertise. Over the last 62 years, the company has laid more than 7,500 kilometers of pipeline in a wide range of diameters and for the transmission of a variety of liquids and gases in different parts of the world.

and TÜPRAŞ refineries, the Aliğa Petrochemical Complex, and the BTC Ceyhan Marine 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 Petrorabigh Refineries in Saudi Arabia.

STAR Aegean Refinery Project

Construction work on the STAR Aegean Refinery, a project that involves investments worth about USD 5.7 billion in İzmir's Aliğa township in western Turkey by SOCAR, the State Oil Company of Azerbaijan, began in 2014. By virtue both of its total investment and of 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. Soon after the letter of intent that was signed in August 2017, Tekfen Construction signed a contract in October under which it undertook the STAR 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 electromechanical works. Work was completed as of end-2018 and the target is to finalize delivery in the first quarter of 2019.

TANAP Compressor & Metering Stations Project

In addition to the Lot 3 section of the TANAP project on which it did the work, the Tekfen Contracting Group has also undertaken the EPC construction works of two compressor and four metering stations for TANAP along the Turkish section of the pipeline. As of end-2018 the project was 98% complete and the target is to finalize delivery in the first quarter of 2019.

TurkStream Gas Receiving Terminal and Onshore Gas Pipeline Project

In 2017, Tekfen Construction signed an agreement for the construction of a gas receiving terminal near Kiyıköy on the Black Sea coast west of İstanbul. The employer is Petrofac International UAE LLC, the overall project's main contractor. This project is intended to

TANAP Compressor & Metering Stations Project, Eskişehir.

create a dependable source of energy for Turkey and Southern and Southeastern Europe by connecting the Russian Federation's 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 Turkey's border. As of end-2018, 44% progress has been achieved on this 24-month unit-price contract. The project is scheduled for completion in the last quarter of 2019.

FGP projects

GATE Construction, a Tekfen Construction subsidiary active in Kazakhstan, continues to increase the number of projects being undertaken in the Tengiz Oil and Gas Field, where some of the world's biggest proven oil and gas reserves have been identified. As a first step in the investment stage of the Future Growth Project (FGP), a gigantic undertaking of which Kazakhstan's biggest oil-producer Tengizchevroil is the owner, the company undertook the infrastructure works for FGP Construction Compound Main Works. In 2017, first the FGP Temporary Construction Facilities and then the FGP Multi-Wellhead projects were added to that initial project. All three projects are moving along successfully and on schedule. The first two are targeted for completion in the first quarter of 2019 and the targeted completion date for the FGP Multi-Wellhead project is set in the second quarter of 2022.

Dehydrator & Desalter Units Project

In 2016 Tekfen Construction and BP Iraq NV signed a three-year contract under which Tekfen Construction has agreed to build dehydratorseparation & desalter units in the Rumalia Oil Field in the Basra region of southern Iraq. As of end-2018, the project was 41% complete.

TÜPRAŞ İzmit Refinery Maintenance & RepairS Project

In line with its newly-identified objective of undertaking the maintenance and repair works for projects in whose construction it has had a part after the projects have been delivered to their owners, in January 2018 Tekfen Construction signed a TÜPRAŞ İzmit Refinery maintenance and repair services project agreement under which it will be providing scheduled and unscheduled maintenance and repair services that may be required in the course of the refinery's operations.

Offshore Platforms

Offshore platforms provide some of the best possible evidence of 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 Bayil Steel Fabrication Plant near Baku, was installed at its location on 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 on the Caspian Sea.

In 2017, two offshore platforms whose total weight amounted to 26,442 tons and which were built as part of the Shah Deniz Phase II investment were completed and launched. Simultaneously built, one of the two was designed to be a production platform where effluents from the wells are collected and processed and which sends them to the onshore terminal through separate pipelines carrying gases and liquids while the other is a services platform with personnel accommodation units. Tekfen Construction provided the support services associated with the transportation and installation of the two platforms by another of the employer's

In the Tengiz Oil and Gas Field in Kazakhstan, where some of the world's biggest proven oil and gas reserves have been identified, GATE is carrying out three projects under the Future Growth Project (FGP), a gigantic undertaking of which the country's biggest oil-producer Tengizchevroil is the owner.



Tengizchevroil FGP works, Kazakhstan.

solution partners. This aspect of the project was completed in the second quarter of 2018.

Motorway and Transportation Projects

Motorway projects represent one of Tekfen Construction's most enduring areas of expertise and the company has successfully undertaken and carried out numerous works of this nature both in Turkey and abroad. Some of the projects for which the company has been responsible are the Tarsus-Adana-Gaziantep (TAG), Gaziantep-Birecik, Perşembe-Bolaman, and Çiftelhan-Pozantı motorways in Turkey; the Fahaheel Motorway in Kuwait; the Tangier-Port de l'Oued Rmel Motorway 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 was carrying out in Qatar, has the distinction of being the biggest single contract that Tekfen Construction 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, the construction of ten multilevel interchanges, and the construction of some 900 kms of cable and underground pipework lines. As of end-2018, the project was about 70% finished and the targeted completion date is the last quarter of 2019.

Eastern Industrial Road Project

The agreement with the Qatari Public Works Authority (ASHGHAL) to undertake the Eastern Industrial Road Project was signed in 2017. The specifications for this 27-month project call for the building of about 2.5 kilometers of roadway including two separate viaducts. As of end-2018, the

project was about 37% finished and the targeted completion date is the last quarter of 2019.

Ankara-İzmir High-Speed Train Project

In 2016, Tekfen Construction and Doğu İnşaat began working together on the construction of the Afyonkarahisar-Uşak (Banaz) and Afyonkarahisar Direct Transfer sections of the ongoing Ankara-İzmir High-Speed Train Project. This part of the project consists of the construction of 8 tunnels, 44 underpasses, 20 overpasses, 10 viaducts, and 8 bridges along 83 kilometers of railway track. The targeted completion date is the second quarter of 2020.

Superstructure Projects

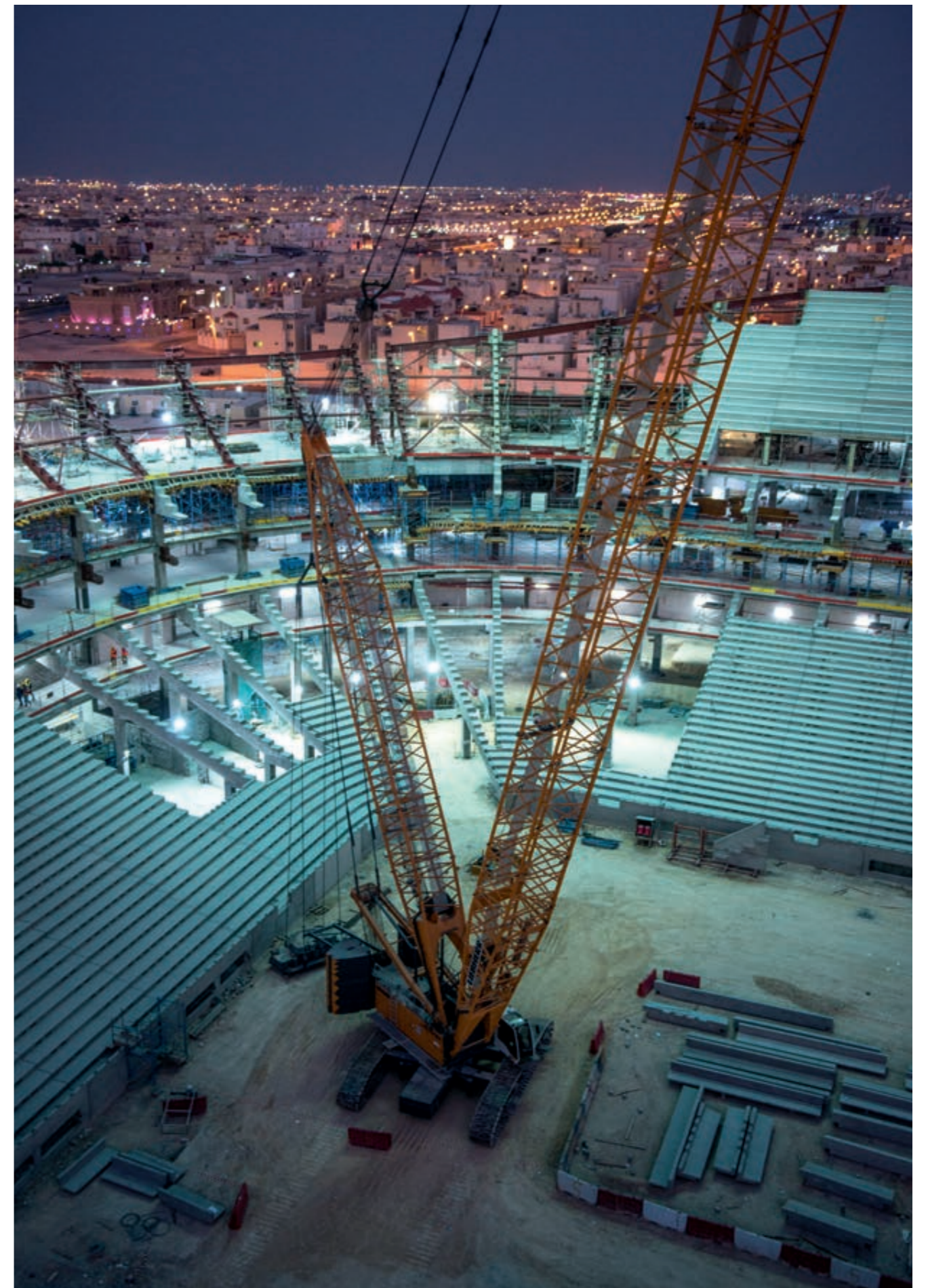
Tekfen Construction has extensive experience with projects that involve building high-profile structures like skyscrapers and stadiums that frequently become landmarks in a city's identity. Examples of this sort of project that Tekfen Construction has carried out are Tekfen Tower and the Atatürk Olympic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

Al Thumama Stadium Project

A joint venture consisting of Tekfen Construction and Al Jaber Engineering in which each controls a 50% stake was awarded a turnkey-delivery contract in 2017 for the conduct of engineering and construction works related to the building of a fully-enclosed and air-conditioned 40,000-seat stadium in which matches till 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 will be dismantled and the building will continue to be used as a 20,000-seat club stadium. As of end-2018 the project was 27% completed.

Tekfen Engineering strives to achieve interdisciplinary integration and engineering perfection by developing its own software and engineering tools.

Tekfen Engineering provided building information modeling (BIM) support for the Al Thumama Stadium project on which Tekfen Construction is currently working in Qatar.



Azerbaijan Ministry of Taxes Headquarters Building Project

The construction of a new headquarters building for the Azerbaijan Ministry of Taxes was added to Tekfen Construction's project portfolio in 2016. Set to become a distinctive architectural landmark in the Baku cityscape, the 33-story building has 44,200 m2 of indoor space.

Tekfen Engineering

Tekfen Engineering plays an important role in the Tekfen Contracting Group's ability to carry out 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 450 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 of its human resources and their knowledge and experience as well as of the innovative technologies that it is capable of putting to work.

In 2018, Tekfen Engineering added commissioning to the lineup of services that it provides in the disciplines of process flow, instrumentation, technology, pipework, and controls systems. Last year the company began working on developing an ability to provide digital installation services as well. Tekfen Engineering's goal in acquiring expertise in such areas is to be

able to provide Tekfen Contracting Group companies with the critical services they may need in order to fulfill EPC and EPCM-based contracts.

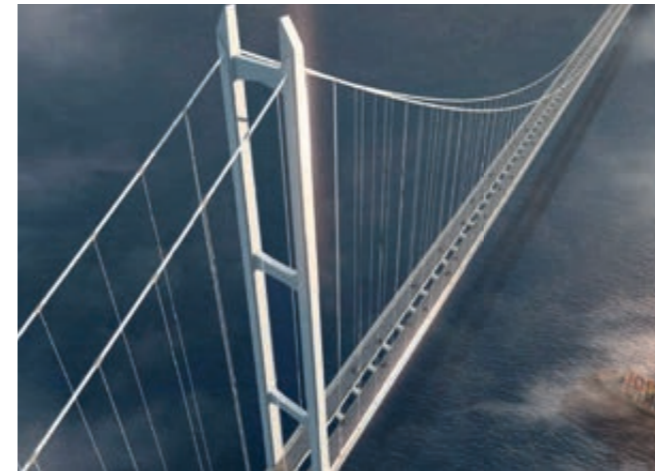
Continuous investment in the development of its own human resources means that the company can easily put together teams competent in different specialties and disciplines. This is what especially sets Tekfen Engineering apart in projects demanding a multidisciplinary approach. In 2018, the company set up Tekfen Engineering Academy in order to develop the qualified manpower that it needs and to institutionalize its existing knowledge and experience.

During 2018, Tekfen Engineering worked together with other group companies in many different areas. It continued to carry out projects to modernize fluid catalytic cracking units (among the most complex of units to be found in today's refineries) at the İzmit and İzmir refineries of TÜPRAŞ, a company for which Tekfen Construction was formerly a service provider.

In Qatar, Tekfen Engineering rapidly and successfully completed the design work for the modification and expansion of the ceremonial parade ground and associated structures which were built by Tekfen Construction and which figure in the annual celebrations of Qatar National Day on 18 December. Building information modeling support was also provided for the Al Thumama Stadium project, on which Tekfen Construction is currently working. A temporary branch office that Tekfen Engineering has opened in Qatar has begun exploring substantial engineering project opportunities in the region.

In 2018, Tekfen Engineering played an important role by introducing technologies in which Tekfen Ventures invests to markets that it dominates and by familiarizing the sectors' leading firms with them. The company also actively involved itself in the technical aspects of investment projects in which the Tekfen Group was interested. For example Tekfen Engineering is taking care of the concept

Together with İstanbul Technical University's Department of Chemical Engineering, Tekfen Engineering submitted a research project to TÜBİTAK on the subject of developing membrane-based CO₂ retention technologies in synthetic natural gas and energy production from coal and biomass. This proposal has been approved.



Leading the sector through its approach to engineering and use of technology, Tekfen Engineering is also pointed to as a model for others on international platforms.

design work for the handling plant that Alanar Meyve, a subsidiary of Tekfen Tarım, is setting up in Manisa. The goal is to complete much of this project, which is being carried out in line with sustainability principles, a zero-waste approach, and a commitment to the use of advanced technology and renewable energy resources, before the end of 2019.

In 2018, Tekfen Engineering also served on many major projects for non-Tekfen companies as well. Last year it continued to provide consultancy services for the Malkara-Çanakkale Motorway and the Çanakkale 1915 Bridge projects: as of end-2018, it was employing a control team of 125 people for this purpose. Measuring 3,563 meters in length, the Çanakkale 1915 Bridge is a high-profile project whose progress the whole world has been keeping a close watch on. When completed, its 2,203-meter span will make it the longest suspension bridge in the world. By serving as a consultant on a project that demands engineering skills of the highest level, Tekfen Engineering has significantly enhanced its international recognition as well as its market value. The company's performance on the Çanakkale 1915 Bridge Project has given rise to the possibility of its undertaking similar large-scale projects on its own.

Work on the two sections (Ankara-Dumlupınar and Dumlupınar-Manisa) of the Ankara-Izmir Motorway being undertaken by Tekfen Engineering reached the completion stage in 2018. Other major projects on which the company worked last year included the Merzifon-Koyulhisar Motorway (an important section of the Gerede-Merzifon-Gürbulak Motorway that will link up with Iran), the Bodrum Ring Road, the Muğla-Kale State Motorway, and the Ağva-Kandıra-Kaynarca Motorway, the last of which is a continuation of the Şile-Ağva State Motorway and whose construction works have been completed. During 2018, the company continued to provide engineering services for the Şile-Ağva Railway project, the first railway design project whose infrastructure and electromechanical works the Turkish State Railways

company has ever tendered in a single contract.

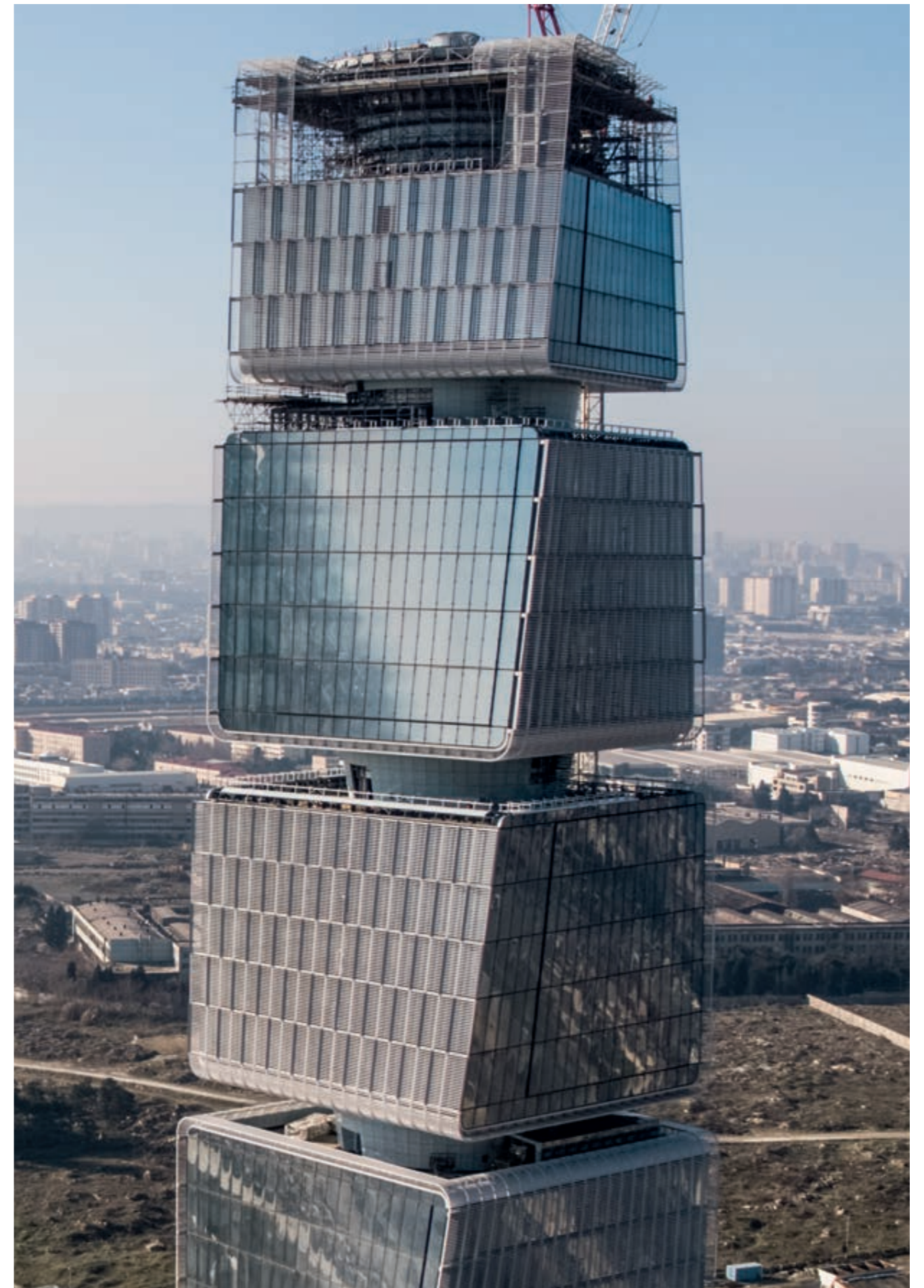
A large number of bids were submitted on transportation and industrial projects both at home and abroad and new contracts were signed last year.

In the conduct of other international operations last year, in Azerbaijan work was successfully completed on part of the Baku Haydar Aliyev Oil Refinery Modernization Project, for which Tekfen Engineering is serving as commissioning supervisor; new contracts were also signed to undertake works whose bidding processes had been completed. Owing to the newly-acquired projects and the associated increase in personnel, Tekfen Engineering's Baku office was enlarged and the range of the engineering disciplines of its staff was also expanded. Field engineering work on the tax ministry's headquarters in Baku was also successfully concluded.

One of Tekfen Engineering's priorities in 2018 was to develop innovative technologies that would create added value for the group. In line with this, Tekfen Engineering submitted a research project to TÜBİTAK on the subject of developing membrane-based CO₂ retention technologies in synthetic natural gas and energy production from coal and biomass. This proposal, which was submitted jointly with Istanbul Technical University's Department of Chemical Engineering, has been approved.

Responding to a call for demonstrations of "solutions based on renewable sources that provide flexibility to the energy system" under the Horizon 2020 program, the European Commission's biggest research and innovation fund, Tekfen Engineering contributed to the submission of a project proposal by a consortium of ten firms from EU-member countries. If this project seeking to develop concentrated solar energy technology is successful, Tekfen Engineering will also be playing a key role in the commercialization stage as well.

Field engineering work on the Azerbaijan tax ministry's headquarters was completed during the year.





38 meters in length and weighing 182 tons, this underground storage tank was manufactured from carbon steel by Tekfen Manufacturing at its Derince plant for the Petrofac-Salah LPG Project.

Tekfen Manufacturing & Engineering

Tekfen İmalat ve Mühendislik AŞ (Tekfen Manufacturing & Engineering) was set up in 1970 to provide 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 & steel, and power plants.

The company carries out these operations in 19,250 m² of enclosed space at its plant in Derince, where it produces cylindrical and spherical storage tanks, pressurized vessels, process columns, reactors, heat exchangers, waste-heat recovery boilers, pressurized pipe systems, and heavy steel construction while also providing customers with engineering, fabrication, and installation services that conformed to international standards.

In addition to the work that it does for Tekfen Contracting Group companies, Tekfen Manufacturing also manages a portfolio of customers that include major international contractors, refineries, petrochemical, chemical, and fertilizer plants, and domestic and foreign companies engaged in the storage and distribution of LPG. With the ability to handle individual units of up to 1,000 tons, the company can work in every kind of corrosion-resistant steels and alloyed steels (including both high-tensile quenched and tempered), in special duplex, Monel, Inconel, and Hastelloy alloys, and in brass, copper, and nickel alloy-coated sheet steel. Tekfen Manufacturing continues to expand its production competencies and to enrich its services portfolio. The most recent additions to its product line were titanium and titanium-clad materials.

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. The company is currently involved in bringing itself into compliance with ISO 31000:2018, Risk Management Guidelines with the expectation that the process will be completed in the near future.

Oil and petrochemical companies, which make up Tekfen Manufacturing's primary customer group, continued to cut back on their investments and this severely hampered the company's efforts to increase its business volumes in 2018. Nonetheless, the company did manage to register a turnover worth TL 55.5 million last year with an average of 195 people on its payroll. 80% and 20% shares of Tekfen Manufacturing's total sales were made to the domestic and international markets respectively in 2018. Exports were shipped to Oman and Azerbaijan last year and the company has booked export orders for shipment to the latter country and to Nigeria in 2019.

Tekfen Manufacturing is keeping a close watch on a variety of potential projects in African countries such as Mozambique, Tanzania, Ghana, Cameroon, Senegal, Egypt, Algeria, and Morocco and also in countries like Albania, Azerbaijan, Uzbekistan, Kazakhstan, and Bangladesh where investment projects that are likely to be of interest to the company are a possibility.

The most recent additions to Tekfen Manufacturing's product line consist of titanium and titanium-clad materials.

Tekfen Manufacturing was awarded design center certification by Turkey's ministry of industry and technology in 2018.

35 meters in length and weighing 90 tons, this process column was manufactured from stainless steel-clad carbon steel by Tekfen Manufacturing at its Derince plant for Tecnimont under a project to modernize and rebuild the SOCAR HAOR Refinery.





Alanar Meyve's white nectarine orchard in Adala Salihli, Manisa.

Agri-Industry Group Profile

Founded in 1974 and offering a wide range of products and services that center on agricultural activities, the Tekfen Agri-Industry Group provides Turkish farmers with productivity and quality-enhancing agricultural inputs in the areas of plant nutrients, crop seeds, seedlings and techno-agriculture products and services, and agricultural produce such as fresh fruits and their saplings. The group also engages in complementary business lines such as marine terminal services, and free zone and fuel station management. Turkey's biggest privately-owned concern in the agricultural sector in terms of its business volumes, product and service lineup, and market share, the Tekfen Agri-Industry Group's 24,4% and 33,3% shares respectively of Tekfen Holding's total turnover and operational profit make it one of that company's two core business activities.

The Tekfen Agri-Industry Group conducts its operations through four main entities.

Toros Tarım Sanayi ve Ticaret A.Ş.

Toros Tarım Sanayi ve Ticaret AŞ (Toros Tarım) focuses primarily on fertilizer production and marketing but also on marine terminal services. In the Istanbul Chamber of Industry's 2017 list of Turkey's 500 biggest industrial concerns it ranked 63rd. Toros Tarım accounts for 38% of Turkey's total installed fertilizer production capacity and is also the country's largest manufacturer of nutrients in terms of output and market share. In addition to the ammonium nitrate (AN), calcium ammonium nitrate (CAN), diammonium phosphate (DAP), and compound (NPK) fertilizers that it produces in its plants located in Ceyhan, Mersin, and Samsun, the company also produces and sells organomineral and water-soluble specialty fertilizers. Singlehandedly able to supply whatever fertilizers farmers may need, Toros Tarım supports its sectoral leadership with an

extensive network of dealers and authorized sellers that give it access to every part of Turkey. The company also manufactures the sacks used to package fertilizer in a self-owned plant whose production capacity is 33 million sacks a year.

Toros Tarım's primary business line other than fertilizer consists of marine terminal services, which it provides through its terminals in Ceyhan and Samsun. The Torosport Ceyhan Terminal, located within the grounds of the Ceyhan plant, is one of the Eastern Mediterranean's largest international bulk cargo terminals. The Torosport Samsun Terminal is located within the grounds of the Samsun fertilizer plant, which was acquired when it was privatized in 2005. The Samsun terminal contributes to the group's operations 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.

Singlehandedly able to supply whatever fertilizers farmers may need, Toros Tarım supports its sectoral leadership with an extensive network of dealers and authorized sellers that gives it access to every part of Turkey.

The Tekfen Agri-Industry Group is Turkey's biggest privately-owned concern in the agricultural inputs sector in terms of its business volumes, product and service lineup, and market share.





Tekfen Tarımsal Araştırma, Üretim ve Pazarlama A.Ş.

Set up in 2017 in order to engage directly in agricultural production, Tekfen Tarımsal Araştırma, Üretim ve Pazarlama AŞ (Tekfen Tarım) seeks to put the Tekfen Group's nearly forty years of experience with agricultural inputs to work in the area of agricultural production. Given the mission of deploying its corporate vision, scientific approach, and financial strength in order to increase the efficiency of the increasingly more vital business of agricultural production, Tekfen Tarım is active in the areas of crop seeds, techno-agriculture, and fresh fruit and sapling production and export across a broad front ranging from seeds to fresh produce for supermarkets.

Located in Adana is Tekfen Tarım Agripark R&D Centre, which engages in the production of disease-free seeds and seedlings using the plant tissue-culture method. The company also works in the improvement of crop seeds using both modern and classical methods. In 2018 Agripark was certified as an R&D centre qualified to engage in molecular breeding and plant production. The center also

collaborates with universities in the conduct of biotechnological research aimed at developing Turkish agriculture. Through Alanar Meyve and Alara Fidan, two sister companies in which Tekfen Tarım acquired majority stakes in early 2018, the company exports fresh fruit to more than twenty countries. It is also raising bananas in trial facilities located in Antalya's Çandır district.

Hishtil-Toros Fidencilik San. ve Tic. A.Ş.

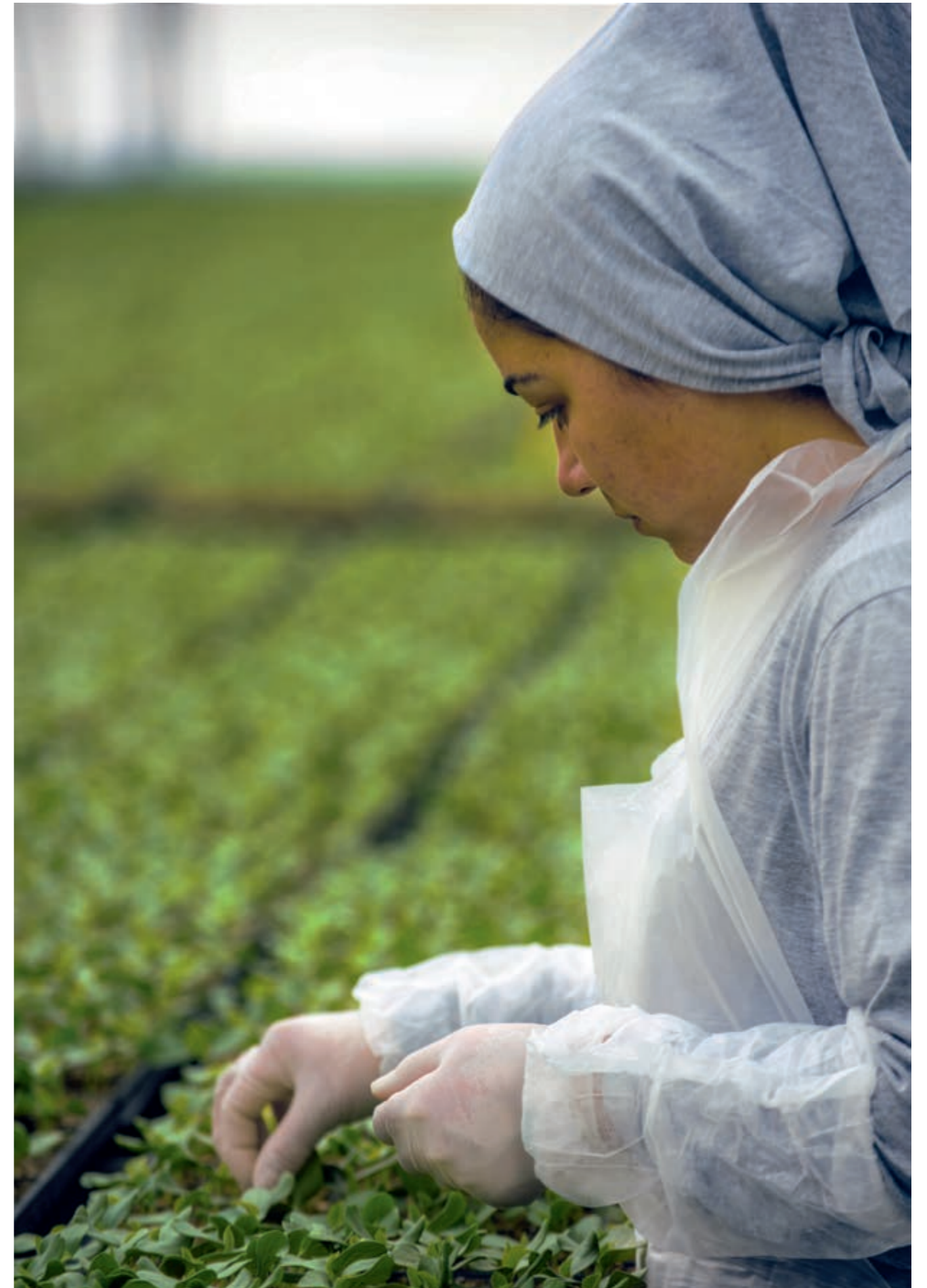
Hishtil-Toros Fidencilik (H-T Nursery) engages in the production of grafted and non-grafted seedlings in fully-equipped greenhouses located in Antalya and Adana.

Toros Adana Yumurtalık Serbest Bölgesi Kurucu ve İşleticisi A.Ş.

Established in 1990, the Adana Yumurtalık Free Zone (TAYSEB) was the first free zone in Turkey to be set up explicitly for the conduct of industrial endeavours. With 4,635 thousand m2 of space and fully-installed infrastructure, it is still one of Turkey's biggest free zones today. Because of its convenient location and accessibility options, TAYSEB is an attractive venue for manufacturing-based high value-adding industrial investments.

In 2018, Agripark was certified as an R&D centre qualified to engage in molecular plant breeding and production.

Tekfen Tarım's mission to deploy a corporate vision, scientific approach, and financial strength in order to increase the efficiency of agricultural production.





**Toros Tarım Mersin Plant,
Mersin**

Toros Tarım's Ceyhan, Mersin, and Samsun plants together account for 38% of Turkey's total installed production capacity of fertilizers.

2018 Operations

Since the day it was founded, the Tekfen Agri-Industry Group has been supplying Turkish farmers with the basic inputs that they need to improve both their output and their quality and it has been demonstrating its determination to do so through new investments in agricultural production. Despite the difficult economic conditions that prevailed in 2018, the group carried out its operations successfully and registered significant gains while fulfilling its budget targets.

Toros Tarım

The biggest concern active in Turkey's fertilizer industry, Toros Tarım maintained its sectoral leadership once again in 2018, registering a successful year despite a shrinking market harried by serious exchange rate volatilities especially in the second half of the year. Thanks to knowledge and experience gained over many years as well as to a dynamic management structure, Toros Tarım successfully accommodated itself to the radical shifts in market conditions that continued all year long. Efforts to improve productivity have been one of the company's basic priorities in recent years and these too helped Toros Tarım remain on course with no loss of momentum at a time when conditions became increasingly tougher.

The difficult market conditions that prevailed in 2018 unmistakably demonstrated the value of the company's Lean Management activities, whose aims are to improve all processes from order-acceptance to delivery so as to identify and methodically improve those that do not generate added value, to prevent waste by increasing efficiency, and to involve every employee in problem-solving. The concrete results and benefits that were achieved encouraged all Toros Tarım employees to take even greater responsibility for such efforts and to embrace change.

As in previous years, occupational health and safety remained one of Toros Tarım's high-priority concerns in 2018. In addition

to the "No Safety Without You" activities that were initiated in 2017, a "Safety Academy" was launched with the aims of increasing safety awareness, developing employees' safety competencies, and making workplace safety an element of our corporate culture. The first programme of its kind in Turkey, Toros Tarım Safety Academy is intended to serve as a model not just for the sector but for all businesses in Turkey.

Addressing its environmental and social responsibilities at the highest level, Toros Tarım's efforts on behalf of its sustainable growth, operational excellence, and continuous development targets made it the first company of its kind in Turkey to qualify for International Fertilizer Association's (IFA) "Protect & Sustain" certification. This certification is evidence of Toros Tarım's compliance with occupational health and safety, environment, product safety, and security standards that exceed statutory requirements.

The Leadership School that was introduced in 2017 to develop leadership skills among low and mid-level managers turned out its first graduates in 2018. Toros Academy, which was set up in partnership with Bilgi University in order to provide Toros Tarım with qualified human resource, seeks to create a shared leadership culture that is consistent with the company's vision of the future. The Leadership School is the first

Toros Tarım's efforts on behalf of its sustainable growth and operational excellence made it the first company in Turkey to be awarded "Protect & Sustain" certification by the International Fertilizer Association (IFA).



product of Toros Academy. A hundred twenty managers who took part in the school's first programme were awarded certificates in evidence of their having successfully completed the course.

Since the day it was founded, Toros Tarım has been providing farmers with free support on such issues as training and soil analysis. In line with its goal of creating enduring value for the sector, in 2018 the company launched its mobile training bus and mobile technical team project. The teams, all of whose members are agricultural engineers, accompany a fully-equipped bus and other vehicles as they tour the country's villages in support of Toros Tarım's efforts to enhance the company's effectiveness in the field through such farmer-oriented activities as projects, information provision, new crop ideas, publication dissemination, and plant nutrient recommendations. Besides generating extremely positive feedback, this project also makes it possible to collect information in the field through both technical measurements and personal observations.

Having received its Ministry of Industry and Technology license in 2017, the Toros Tarım Mersin plant's R&D centre began working at the same year. 2018 was a year

in which substantial progress was made by engaging in scientific efforts to meet the agricultural sector's demands and needs, and giving priority to the development of new products that will help improve agricultural productivity. Employing a staff of 33 people, the centre's goals include developing new products that will further diversify Toros Tarım's plant nutrients portfolio as well as addressing such issues as improving existing products, developing production processes, optimization, production-related energy conservation, and reducing environmental impact. It is for this reason the R&D centre prioritises Scientific and Technological Research Council of Turkey (TÜBİTAK) projects under the same headings.

"Industry-University Collaboration Preliminary Protocols" have also been signed with Ankara University and Mersin University under TÜBİTAK's BİDEB 2244 Industrial Doctorate Programme. Important steps have been taken in the direction of employing personnel who have completed doctoral programmes through projects catering for the needs the industry.

In 2018 Toros Tarım satisfied customers' needs in a timely and efficient manner through the manufacturing and logistical optimization of its three plants, eight

Staffed by agricultural engineers, Mobile Agricultural Consultant teams tour Turkey's villages to provide farmers with product information, and recommendation for fertilizer.



regional warehouses, and network of more than 1,200 authorized dealers and sellers. One of the company's highest priorities last year was the development of software and other planning resources that would optimize its overall procurement, production, and distribution costs. Software has been developed to better manage the market-dynamic variables that are inherent in manufacturing and sales processes and to more insightfully explore different procurement, production, stock-control, and distribution scenarios according to different sales projections. This software is expected to contribute significantly towards making sounder strategic decisions for the company and maximizing its profitability.

Fertilizer Operations

The course of the global fertilizer industry in 2018 paralleled that of the previous year. According to figures published by the International Fertilizer Association, total global production of plant nutrients in 2018 is thought to have reached 250 million tons, or 1.2% more than 2017's 247 million tons. IFA data also show that total consumption of plant nutrients similarly increased during the same period from 186 million tons in 2017

to 188 million tons in 2018.

For Turkey's fertilizer industry however, 2018 was a more problematic and volatile year. For the first five months or so, customary market and growth conditions prevailed but severe exchange rate turbulence that began in June undermined consumer confidence and led to a new period in which demand was deferred and the market suffered a radical contraction. Under highly uncertain market conditions owing the exchange rate movements and expectations of state subsidies, dealers avoided adding to or even keeping up their stocks. This forced the sector to contend with a new set of market dynamics transcending the routine seasonality to which it was accustomed. In this new business model, smaller orders were being placed with greater frequency and this change made it necessary for Toros Tarım to review and revise its production and logistics planning.

Owing to severe increases in the cost of FX-priced raw material inputs, 2018 was also a year in which fertilizer prices rose considerably. Farmers who had sold their produce in the low-inflation environment of

The Mersin plant's R&D centre gives priority to the development of new products that will help improve agricultural productivity.

Toros Tarım succeeded in countering the effects of domestic market contraction and unfavourable conditions through exports and it completed the year with turnover and profitability results that exceeded targets.

the first half-year saw their buying power shrivel when their costs soared owing to higher input prices in the second. This also led to a serious contraction in the fertilizer market. On current estimates, fertilizer consumption in Turkey contracted by 11% from its 2017 level of 6.33 million tons and amounted to 5.65 million tons in 2018.

Despite the surge in input prices, market competition constrained Toros Tarım's ability to translate its higher costs into higher sales prices and obliged it instead to work with slimmer profit margins. Nonetheless Toros Tarım succeeded in neutralizing the effects of domestic market contraction and unfavourable conditions through exports with the company posting both turnover and profitability results that exceeded the year's targets. Indeed exports were the most important contributor to the company's ability to counteract the adverse impact of year-long domestic market volatilities. Having reached 273,095 tons for the first time in 2017, Toros Tarım's exports weighed in at 353,897 tons in 2018. This 30% increase was largely possible owing to the addition of new export markets. Thanks also to a flexible business model that was

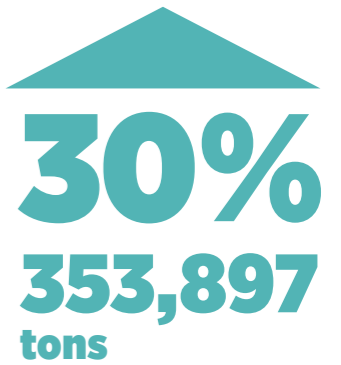
implemented throughout 2018, Toros Tarım successfully accommodated itself to the year's tough market conditions while similarly benefitting from efforts to improve efficiency in all of its processes.

Controlling 38% of Turkey's total installed fertilizer production capacity, Toros Tarım is the country's biggest fertilizer manufacturer. During 2018, the company's Ceyhan, Mersin, and Samsun plants operating at an average 86% capacity produced 1,603,702 tons of fertilizer. That performance corresponds to a 1.8% increase in output and a 3.6% rise in capacity utilization as compared with 2017..

Although total sales in 2018 were down by 6% year-on and weighed in at 1,834,807 tons, Toros Tarım boosted its market share from 26% to 27% during the same twelve-month period.

Strong logistical infrastructure and an extensive dealership network have regularly played just as important a role in Toros Tarım's ability to maintain its standing as market leader over the years as do production muscle and product quality.

Thanks to the addition of new export markets, 2018 exports increased by



Capacity utilization rates at Toros Tarım production facilities

Plant	Product	Capacity (tons/year)	2017 CUR Kullanim Orani (%)	2018 CUR Kullanim Orani (%)
Ceyhan	NPK	660,000	80%	73%
Mersin	CAN 26 (equivalent)	660,000	91%	99%
Samsun*	NPK / DAP	654,192*	76%	85%
Total		1,974,192	83%	86%

*Revised in 2017. 2016: 624.720 tons/year.

A total of 550 thousand tons of storage capacity dispersed in locations all over Turkey enables the company to supply the fertilizer it makes wherever and whenever it is needed without interruption. A huge dealership network able to reach even the remotest parts of the country serves as Toros Tarım's most effective delivery channel. This network, consisting of a total of 1,256 outlets (751 dealers and 505 authorized sellers) located all over Turkey, ensured that Toros Tarım also remained the sector's leader in terms of point-of-sale accessibility in 2018 as well.

As in previous years, the biggest share of the company's sales was made through its dealership network in 2018. However, as market uncertainties obliged dealers to reduce stock levels, sales through this channel were down by 17% as compared with 2017 and amounted to 1.27 million tons. Bulk sales by contrast shot up by 42%, although they still only weighed in at 208.1 thousand tons. Besides its own production, the company also imported 323.4 thousand and 12.3 thousand tons respectively of standard and specialty

2018 Fertilizer sales	tons
Dealers	1,272,832
Wholesalers	208,078
Exports	353.897
Total	1,834,807

fertilizers in 2018.

Last year boron-doped 25.5.10 compound and MAP fertilizer was added to Toros Tarım's standard fertilizer portfolio while the specialty fertilizer portfolio was enriched by the addition of Toros Organomix (worm castings), CalMag, two new entries with new ingredients in the water-soluble NPK market (Nutriactive and Greenfeed) and FloraTech (lawn fertilizer).

Toros Tarım pioneered the specialty fertilizer product group in Turkey and continues to have a significant presence in it. The company's operations in this market continued to increase in 2018, with sales up by 49% year-on and reaching a total of 29 thousand tons. Owing to their water-solubility, specialty fertilizers are particularly suitable for advanced irrigation techniques such as drip irrigation and sprinkling and the market for them in Turkey is expected to grow even more in the years ahead. Having spotted specialty fertilizers as a product group with strong long-term growth potential, Toros Tarım undertook an investment to manufacture them itself. Located in the company's Mersin plant, this new investment became operational in 2018. Besides generating significant FX savings immediately, this investment is also expected to have long-term beneficial consequences for the company because it will be working closely with the R&D centre located at the same plant.

Sales of water-soluble specialty fertilizers used in advanced irrigation techniques such as drip irrigation and sprinkling were up by:

49%

Toros Tarım conducted its operations in 2018 through a network of 1,256 outlets (751 dealers and 505 authorized sellers) that are located all over Turkey.

1,256

Operating at an average 86% of capacity, Toros Tarım's Ceyhan, Mersin, and Samsun plants produced 1,603,702 tons of fertilizer in 2018.







Marine Terminal Services

As one of its principal business lines, marine terminal services make a significant contribution to Toros Tarım's volume and profitability. The company provides these services at two terminals located one each in Ceyhan and Samsun.

Anticipating that the volume of goods arriving and departing by sea would grow, a jetty that was originally built in Ceyhan in 1981 to meet Toros Tarım's own logistical requirements was expanded in the 1990s in order to serve other users as well. Benefitting from the convenience of its location, the Torosport Ceyhan Terminal thrived and today ranks as the second-biggest bulk cargo facility in the Gulf of Iskenderun.

The Torosport Ceyhan Terminal today provides customers with loading, unloading, and storage services for a huge range of goods embracing 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 terminal, which consists of two separate jetties with berths for up to eight ships as well as a ro-ro jetty, can accommodate liquid bulk, dry bulk, and general cargo vessels of between 40,000 DWT and 110,000 DWT. Also on offer at the Torosport Ceyhan Terminal are 24-hour uninterrupted handling services as well as mooring, dolphin, piloting, towing, agency, garbage collection, solid & liquid waste collection, water supply, and similar services.

Operating under the "Torosport" name, the Ceyhan and the Samsun terminals are suitable for discharging both dry bulk and liquid chemical cargos.

The other facility where Toros Tarım 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.

The company's marine terminal service operations were also adversely affected by the severe market conditions that prevailed in 2018. Imported cargos account for the biggest share of demand for the two terminals' services and although operations remained largely in line with budget and volume targets in the first half-year, they were unable to keep pace with those targets in the second half owing to the downturn in imports resulting from huge rises in exchange rates. Indeed, the total volume of cargo handled at both facilities fell by 36% year-on and amounted to 4.8 million tons. When fuel and petroleum products are excluded, the total volume of bulk dry, bulk liquid, and general cargo that was handled weighed in at 4.2 million tons. In the case of fuel and petroleum products, handling was down by 35.3% year-on and was around 42% of capacity.

24-hour uninterrupted handling services as well as mooring, dolphin, piloting, towing, agency, garbage collection, solid & liquid waste collection, water supply, and similar services are also on offer at the Torosport Ceyhan Terminal.

Tekfen Tarım

Founded in 2017 mainly to engage in plant production, Tekfen Tarımsal Araştırma, Üretim ve Pazarlama AŞ (Tekfen Tarım) pursued a strategy focused on investment and inorganic growth in 2018, its first full year of operation. Last year the company booked a turnover of TRY160 million and undertook TRY127 million worth of investments.

Techno-agriculture and crop seed operations

Launched in 2004 to provide Turkish farmers with high-quality, high-yield, and healthy seed, Agripark was Turkey's first and is still one of its only very few technological agriculture centres. Benefitting from Turkey's rich biodiversity as a resource, Agripark produces disease-free quality seeds and saplings for farmers at its facility in Adana, where it is also giving priority to improving bread or common wheat (*triticum aestivum*) seed and also engaging in biotechnological agricultural production and research. This facility has sufficient storage capacity for 26 thousand tons of bulk and 5 thousand tons of packaged wheat seed.

Focusing on operations that will have an impact on the future of Turkish agriculture, Agripark was awarded Ministry of Industry and Technology certification as an R&D centre in 2018. That makes it the first—and still the only—registered centre qualified to engage in plant breeding and production in the province of Adana. Agripark is currently developing or carrying out eight R&D projects. In 2018, Tekfen Tarım's preliminary application was accepted to take part in Gendibar, an international research programme initiated in 2018 to breed new varieties of barley and to adapt them to new ecological areas in the Mediterranean basin. Besides making



Making good use of Turkey's rich biodiversity as a resource in order to produce disease-free quality seeds and saplings for farmers, Agripark was awarded Turkish Ministry of Industry and Technology R&D centre certification in 2018.

Tekfen Tarım the only commercial participant in a TÜBİTAK-run project which will last 36 months and in which eight organizations from seven different countries are taking part, this acceptance is important because it is evidence of the level of R&D competency that Tekfen Tarım has already reached.

Another of the activities being pursued at Agripark is tissue culture, This is currently focused largely on the production of seed potatoes, crops of which have been suffering huge losses owing to disease. The approximately 5 thousand tons of seed potatoes of various grades that were produced in 2018 make Tekfen Tarım Turkey's biggest concern currently at work in this area. The Agripark Tissue Culture Laboratory's capacity and quality give it an unrivalled position in a domestic market which, at present, has to import about 20 thousand tons of seed potato every year.

High-grade seed potatoes after being harvested are placed in specially-made wooden crates and taken to a 5,600 m2 underground storage facility in Nevşehir where they are kept under fully computer-controlled ventilation and temperature conditions. This facility has storage capacity for 7,000 tons of seed potatoes and enjoys a reputation for having the lowest rate of loss due to non-viability in Turkey today.

Agripark also provides storage facilities for banana saplings, winter and summer wheat, and sesame production. With the ability to produce 300 thousand banana saplings a year, Tekfen Tarım controls a 35% market share of the Turkish agriculture ministry-certified disease-free banana sapling production. With the ability to produce 10 thousand tons a year of certified summer wheat seed, the company also commands an important position in a market that currently demands about 60 thousand tons of it a



With the ability to produce 300 thousand banana saplings a year, Tekfen Tarım controls a 35% market share of the Turkish agriculture ministry's certified disease-free banana sapling production.

Alanar Meyve exported fruit to 49 customers in 20 countries in 2018.

year. Tekfen Tarım conducts its wheat seed production activities through 114 contractually-bound growers on 24 thousand decares of land.

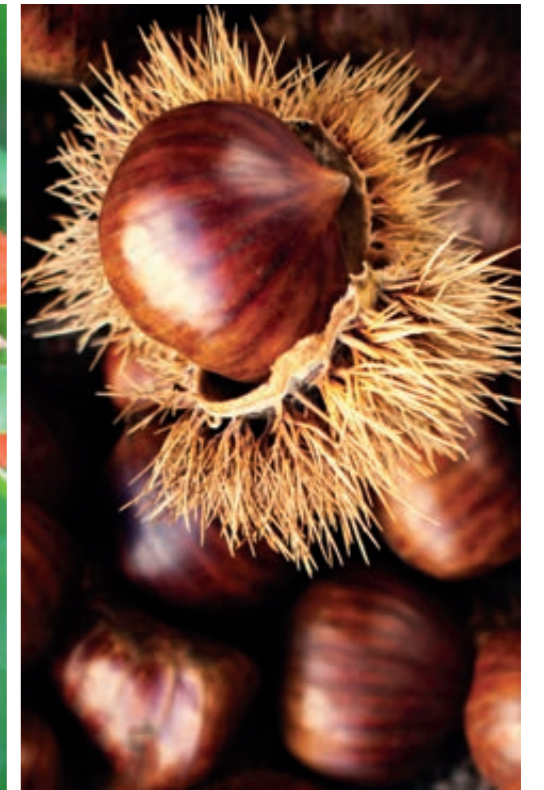
Another of the R&D projects currently in progress at Agripark is concerned with breeding domestic sesame seed varieties that are suitable for mechanical harvesting. Turkey consumes about 170 thousand tons of sesame a year of which 150 thousand tons have to be imported. Sesame however is a very labour-intensive crop so coming up with a variety that can be harvested mechanically is crucial. This project has reached the final stage leading to variety registration and once that has been completed, the seeds will be marketed commercially.

Banana Breeding

Tekfen Tarım's project to grow a domestic variety of banana continued last year in trial greenhouses with 17 decares of space in Antalya's Çandır township. Each of the five thousand banana saplings that have been planted there is subjected to productivity and phenological monitoring and the findings are being recorded in order to identify which are suitable for use and reproduction in banana cultivation. A total of 120 tons of bananas were grown and sold in 2018.

Fruit Production and Export

In February 2018, Tekfen Tarım acquired a 90% stake in Alanar Meyve (Alanar Fruit) one of Turkey's biggest and highest-quality growers of stone fruit. Alanar produces mainly cherries, Bursa black figs, pomegranates, two varieties of apricot, Japanese plums, Trabzon dates, and chestnuts and it exports much of what it grows. The company pioneered the exportation of cherries and Bursa black figs. It was the country's biggest exporter of Bursa black figs in 2016 and 2017 and continued to hold that distinction in 2018 as well.



In 2018, Alanar Meyve sold a total of 11,200 tons of fresh fruit, of which 2,200 tons were grown in its own orchards and 9,000 tons were procured from other growers. 70% of these sales were made abroad while the remaining 30% was supplied to the domestic market. In 2018, Alanar Meyve shipped fruit to 49 customers in 20 countries.

After being acquired by Tekfen Tarım, Alanar Meyve decided to undertake a TRY160 million investment in order to expand its approximately 4,000 decares of orchards to 10,000 decares and also to set up a new, high-tech packaging plant in Manisa with a 25,000-ton handling capacity. The land on which this processing facility will be built in Manisa has been purchased and Tekfen Engineering is currently overseeing the design and construction of the facility, whose output is intended for export. One of the project's goals is to create and operate a plant which qualifies for LEED (Leadership in Energy and Environmental Design) certification and which will be one of the best examples of its kind in the world from the standpoint of complying with sustainability principles in terms of both its design and the technologies that it employs.

Alanar Meyve is also developing collaborations in different parts of the world such as South America, South Africa, and India in order to be able to export black figs under its own brand during every season of the year. Continuing to explore such opportunities in 2018, Alanar Meyve plans to make its first move in this direction in Peru in February 2018.

Alanar Meyve's sister company Alara Fidan (Alanar Nursery) is a nursery that produced about 130 thousand fruit saplings of various kinds in 2018. While most of these were used in Alanar Meyve's own orchards, they were also offered for sale online as well.

Hishtil-Toros Fidecilik

Ready-to-plant seedlings have become an indispensable feature of agriculture nowadays owing to the benefits that they provide to farmers. Already the standard in greenhouse operations, the use of ready-to-plant seedlings is expanding day by day in open fields as well. What with the progress achieved in recent years, Turkey's ready-to-plant seedling sector is now producing more than 4 billion seedlings a year.

The Tekfen Agri-Industry Group carries out its seedling operations through Hishtil-Toros Fidecilik (H-T Nursery), one of the most important names in this business. This company's production takes place in high-tech greenhouses at two locations, with 50 decares in Antalya and 26 decares in Adana. High-quality, healthy seedlings are raised in these greenhouses in compliance with recognized Good Seeds and Plants Practices (GSPP) standards. These seedlings help Turkish farmers increase their income by reducing their exposure to input risks.

2018 was a difficult year for nurseries owing to unfavourable weather as well as to market conditions. Both changeable weather and an increase in the number of cold and/or cloudy days also had an adverse impact on seedling quality. That said, some producers, such as early-season watermelon farmers, registered higher profits while highland tomato growers' earnings were boosted by prices that were stronger than expected.

As was the case in every other sector, market conditions and competition in the nursery business was worsened by the economic turbulence experienced in 2018;



Setting the standards for grafted seedling production in Turkey, Hishtil-Toros is one of the country's leading producers.

receivables management was likewise made more difficult by inflation and exchange rate pressures. Increased competition also greatly widened the range of price and payment-due options on offer in the market. H-T Nursery's corporate structure, balanced customer portfolio, and market clout nevertheless successfully protected it from the effects of these developments.

In 2018, H-T Nursery produced a total of 116.2 million seedlings in the conduct of

its operations at both facilities. Of this number, 21.6 million were grafted and 94.6 million were not. Owing to the expansion in operations, employee numbers were increased to 219 and 94 at the company's Antalya and Adana facilities respectively.

Hishtil-Toros's seedling production takes place in greenhouses at two locations, consisting of 50 decares in Antalya and 26 decares in Adana. These seedlings are raised in compliance with recognized Good Seeds and Plants Practices (GSPP) standards.



Adana-Yumurtalık Free Zone (TAYSEB)

Located in the same area as Toros Tarım's production and terminal facilities in Ceyhan, the Adana Yumurtalık Free Zone was established in 1990. The zone's current operator is Toros Adana Yumurtalık Serbest Bölgesi Kurucu ve İşleticisi AŞ (TAYSEB), which was also the zone's original founder. TAYSEB was the first free zone in Turkey that was set up explicitly for the conduct of industrial endeavours. Today it is one of the world's biggest free zones with 4,635 thousand m2 of operational space.

Because of its convenient location on the Gulf of Iskenderun and its access to a wide range of transportation options, TAYSEB provides substantial logistical and strategic benefits for industrial concerns that want to take advantage of Turkey's free-zone incentives regime.

The zone currently has 26 tenants with operations in the chemicals, cement, construction materials, shipyard, iron & steel, foodstuffs, and animal feed sectors. Owing especially to a surge in petrochemical and chemical industry activities in recent

Toros Tarım's status as TAYSEB's founding operator has been extended until 2030.

years, TAYSEB has become a preferred investment and production centre to which both sectors are giving priority. Thanks to new investment plans, TAYSEB is expected to become a predominantly chemicals and petrochemicals industry and export centre capable of making itself heard in the global arena.

Toros Tarım's status as TAYSEB's founding operator was due to end as of the beginning of 2020. An application that was submitted to the trade ministry to extend its license for another ten years was approved in 2018 and the company will now be TAYSEB's operator until 2030. In the decade ahead, Toros Tarım will begin working on the infrastructure

investments which the ministry required for the license extension and also on other projects which have been planned and scheduled with the aim of modernizing the zone.

Attracting new investors and creating new sources of revenue, TAYSEB had a successful year in 2018 with a performance that did better than its budget targets. The zone's average rate of occupancy in last year was 36%.

The free zone currently has 26 tenants with operations in the chemicals, cement, construction materials, shipyard, iron & steel, foodstuffs, and animal feed sectors.



A firm believer in the future of Turkey's real estate sector, Tekfen keeps track of upcoming changes in the industry in parallel with worldwide trends.

Real Estate Development Group Profile

Founded in 2000 to undertake high-quality and innovative projects in the real estate industry, the Tekfen Real Estate Development Group is active in the areas of real estate investment, project development, construction management, facility and service management. Authoring projects at insightfully selected locations and which are outstanding by virtue of their concepts and quality, are harmonious with and add value to their surroundings, and improve the quality of its inhabitants' lives; the group holds a distinguished place in the sector.

Projects such as Akmerkez, Tekfen Tower, Taksim Residences, Tekfen Yalıkavak Evleri, Levent Ofis, Kâğıthane OfisPark, Tekfen Bomonti Apartmanları, and HEP İstanbul, that Tekfen Real Estate has carried out to date are successful undertakings that are representative of the quality, functionality, sustainability, and reliability values for which the group's brand is synonymous. Giving importance to building living spaces that simultaneously combine functionality and design, Tekfen Real Estate collaborates with the best architects in the field and has won numerous awards for projects that attract attention with their distinctive approaches.

Another priority for the group is making the most productive use of resources and ensuring that the projects which it develops are sustainable in every way from design to operational management. Focusing on energy efficiency in all the projects which it develops and being the founding member of ÇEDBİK (Turkish Green Building Council), Tekfen Real Estate has also realized Turkey's first green buildings. The group has been adopting the LEED criteria set out by the US Green Building Council (USGBC) in all its projects since 2008.

With an aim of achieving customer satisfaction at every detail throughout the life of its projects, Tekfen Real Estate undertakes

the projects as a whole from investment, design development, construction management to facility management stages of every project conducting these operations through two firms, each of which is specialized in its own area:

Tekfen Real Estate Development Investment and Trade Co.

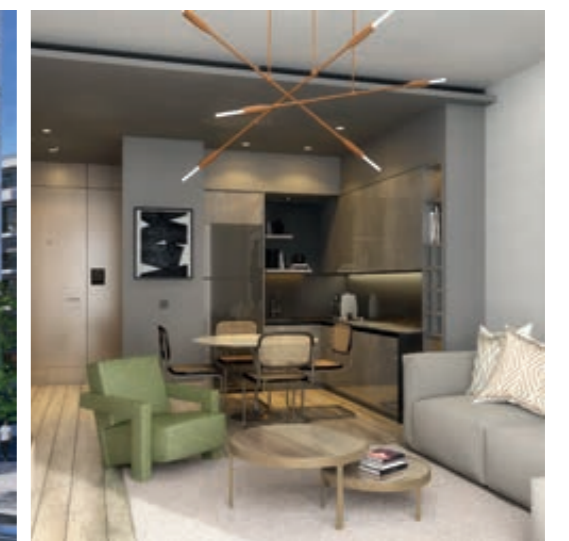
Tekfen Real Estate Development provides the group's real estate development and project management services. Basing its investment decisions on detailed market research and analysis in order to develop the right projects in the right locations, the Company seeks to achieve high levels of user satisfaction through the superior design, functionality, and build quality of its projects.

Tekfen Tourism and Management Co.

Tekfen Tourism & Management (active under the name of "Tekfen Services") was set up in 2003 with the aim of ensuring that the facility and service management of Tekfen Real Estate Group projects are operated in a manner that befits their quality. The company provides maintenance, repair, cleaning, and security services for buildings and it also operates parking facilities, conference halls, restaurants, and fitness centres in the facility. The company has also been the operator of Akmerkez-based S Café & Brasserie for many years.

As a founding member of ÇEDBİK (Turkish Green Building Council), a professional association that champions eco-friendly green buildings, Tekfen Real Estate conforms to the LEED criteria set out by the US Green Building Council in all of its new projects.

The brand values of quality, functionality, sustainability, and reliability for which Tekfen Real Estate is known are reflected in even the smallest details of every project that it undertakes.



Operations in 2018

As the engine of growth in recent years, Turkey's construction industry was necessarily affected by developments that took place on the economic front in 2018. Having grown by 9.6% in the first three quarters of 2017, the construction sector managed to grow by a mere 0.8% in the face of a 4.7% rate of overall growth in the same period of 2018.

During the first nine months of 2018, there was a notable decline especially in Turkey's housing starts, with municipality-issued building licenses down by 41.4%, 44.7%, and 55.1% on a single-building, total-area, and residential-unit basis respectively. First- and second-hand sales of residential units numbered 1,375,398 in all, a 2.4% year-on decline as compared with 2017.

The attraction of Turkey's real estate market for foreign investors on the other hand increased substantially in 2018, especially in the second half of the year. After the threshold for qualifying for Turkish citizenship as a result of buying a real estate property was reduced from USD 1 million to USD 250 thousand, there was a surge in non-nationals' purchases, which reached an annualized 78.4% rate of increase. Furthermore exemptions and incentives such as free disposition of foreign currencies if more than half of a purchase qualifies as foreign direct investment, made Turkey an appealing market for foreign investors.

Market volatility helped give rise to attractive opportunities which particularly drew the attention of extremely enthusiastic investors and investment funds, especially companies in the Asia-Pacific region. The run-up to municipal elections due to take place on 31 March 2019 along with the course of the Turkish economy in general are being closely watched by investors eager to take advantage of such opportunities and will thus determine the overall outlook of Turkish Real Estate Market in 2019.

Tekfen Real Estate Development

Despite the tough conditions that have prevailed of late, Tekfen Real Estate believes in the future of Turkey's real estate market and keeps a close watch on worldwide trends that may bring about changes in it.

Interacting with trends that have an impact on day-to-day life across a broad spectrum ranging from sustainability to energy conservation, from new technologies to environmental awareness, and from changing living habits to spending choices, the real estate sector is an industry that is inevitably susceptible to innovation and transformation.

Demographic changes in cities driven by population movements all over the world, younger generations' needs for different kinds of living and working spaces, the spread of home-office work as an occupation, the impact of e-commerce on traditional forms of trade, and factors such as shopping malls that alter direct-use habits all make it necessary to break out of conventional real estate industry molds. Moreover the impact of sustainability approaches on how the industry does business and the materials that it uses together with technological changes in everything from project design to implementation and from marketing and financial modelling to management are forcing the sector to change itself more and more.

As a company that aims to be in the vanguard of this transformation, Tekfen Real Estate considers its highest priorities

Seeking to put its more than twenty years of experience to good use abroad, Tekfen Real Estate signed a contract for its first renovation project in Berlin.



Launched with the slogan "The Home of My Life", one of the HEP İstanbul project's strongest points is the richness of its communal spaces and landscaped grounds.

to be those of keeping a close watch on changing trends and coming up with useful projects that set it apart from its competitors. In this way, the company seeks to address the needs of a broader audience by responding to consumers' evolving expectations through a wide range of technology and product solutions.

In 2018, Tekfen Real Estate boosted its efforts to distinguish itself in the market and focused especially on exploring and developing business abroad. In Emerging Trends in Real Estate, a 2018 report of a survey conducted jointly by the Urban Land Institute and PwC, the European cities with the most promising potential are Berlin, Frankfurt, and Düsseldorf. In keeping with its vision of being a global player in real estate development, these are the cities to which the Tekfen Real Estate Group gave the most attention last year. However in the period ahead, the group will not be confining its business development efforts exclusively to Germany and it intends to expand them into other foreign markets as well.

Tekfen Real Estate Development's operations in 2018 focused mainly on the following projects.

HEP İstanbul

Located at the convergence of Avcılar, Beylikdüzü, and Esenyurt (three of İstanbul's fastest-growing townships), HEP İstanbul's 253 thousand m² of construction space on 57 thousand m² of land and TRY687 million investment value make it the biggest project undertaken by Tekfen Real Estate to this day. Besides eleven high-rise blocks and fourteen blocks of low-rise row houses containing 1,424 residential units, the project also includes commercial units that provide another 2,600 m² of sellable & leasable space.

Designed with the goal of providing well-planned, qualified and eco-friendly living accommodations to middle-income buyers at affordable prices, HEP İstanbul is the first major residential development project in İstanbul's Esenyurt township to be awarded LEED Silver and LEED Gold certification. Launched with the slogan "The Home of My Life", one of the HEP İstanbul project's strongest selling-points is the richness and variety of its communal



spaces and landscaped grounds. 74% of HEP İstanbul's grounds have been landscaped and planted so that there will be greenery in all four seasons of the year. The project's two separate social facilities with combined indoor space of 2,600 m² have been designed to appeal to different age groups while playgrounds, 2 kms of walking trails, 1 km of bike paths, indoor

Historical buildings in Dahlem's Berlin district that were constructed in 1907 are to be renovated and transformed into luxury residences.

and outdoor swimming pools, mini-football pitches, and basketball and tennis courts provide opportunities for year-round indoor and outdoor activities.

HEP İstanbul achieved a notable success in 2018 when sales of its units accounted for 1.1% of all İstanbul residential properties sold to foreign nationals. As of 31

December 2018, 1,226 residential and 3 commercial units had been sold; and life has begun in more than 1,000 flats.

Luxury Residential Project in Germany

On 21 December 2018, a contract was signed for a project to restore two venerable

Real Estate Development Group

buildings in the Dahlem district of Berlin in Germany. Shares representing Tekfen's 80% stake in this project were acquired on behalf of Hallesche Mitteldeutsche Bau AG, a Tekfen Holding subsidiary registered in that country.

Dahlem, one of the most affluent and prestigious parts of Berlin, is about 14 kms from downtown and 13 kms from the city's main international airport. The project, with a contract value of EUR60 million, consists of two buildings which were originally constructed in 1907 and which have a total of 4,500 m² (1,500 m² + 3,000 m²) of sellable/leasable space. The project site also contains a shared-use underground parking facility capable of accommodating 31 vehicles.

Refurbishment licenses have already been issued for the buildings, which are to be transformed into 42 luxury residences for sale or rent. The plan is to finish all project design work by the end of 2019, to renew the construction licenses, and to complete all renovation works within about 24 months' time.

Topkapı Housing Project

Located in İstanbul at a district 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, the Topkapı Housing Project aims to provide buyers with a well-designed, superior-quality urban living environment by rehabilitating a former industrial site and converting it into residential properties. The architectural concept competition that was held for the project intended to serve as an example for other urban transformation projects in the vicinity, was won by Germany-based HPP Architects, one of Europe's leading architectural practices. The project's interior design work is carried out by Toner Architects, which has previously collaborated with Tekfen Real Estate on other successful projects.

There will be 333 apartment units and a total of about 80 thousand m² of construction space located on 14 thousand m² of land. The project consists of low-rise blocks and ground-level commercial spaces



that are located around a broad courtyard designed to be the main social living space. The project also contains commercial units whose combined usable space is 2,600 m². 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.

Designed to qualify for LEED Gold certification, the project calls for the use of next-generation smart-home technologies and also for the installation of charging stations for electric vehicles. 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.

The project's license was issued in 2018. Decisions concerning its investment calendar will be made in 2019 as market conditions warrant.

İzmir Mixed-Use Project

Located at the intersection of Bayraklı, Konak, and Bornova (three of İzmir's most important residential townships), the İzmir Mixed-Use Project is to be undertaken as a joint venture with Rönesans Real Estate

The Topkapı Housing project's interior design works are to be done by Mustafa Toner, whose previous successes included Taksim Residences and Bomonti Apartments.

Investment. With 270 thousand m² of space under construction and 140 thousand m² of sellable/leasable space, this is one of the biggest real estate development projects ever undertaken in İzmir. Once finished, it will consist of residences, home-offices, and a shopping mall occupying about 43 thousand m² of grounds. This project's concept and design works have been finalized and project preparatory works will be continuing in 2019.

Tekfen Services

The other member of the Tekfen Real Estate Group is Tekfen Tourism & Management, a company which specializes in real estate management services and which conducts its operations under the name of "Tekfen Services".

Founded in 2003 with the aim of achieving and maintaining customer satisfaction, Tekfen Services operates in a market whose real estate industry is growing rapidly but in which the importance of after-sales services is not sufficiently appreciated. The company provides real estate operation

and management services for a portfolio of properties consisting 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. Tekfen Services also took part in the operations of HEP İstanbul project last year.

Tekfen Services continued to carry out renovation and improvement works throughout 2018 in order to maintain both the value of and customer satisfaction with the properties under its management. Owing to the steadily increasing importance of security in particular nowadays, matters pertaining to it were reviewed and improvements were made in security-related infrastructure, personnel, and functions. The company had a successful year in which it achieved its budget targets. Despite the market contraction in 2018, confidence in Tekfen Tower was reaffirmed once again last year by its 100% occupancy rate.

Tekfen Tower's 100% occupancy rate last year was yet another reaffirmation of confidence in Tekfen Services.



A joint venture of the Akkök, Tekfen, and İstikbal groups located in İstanbul's prestigious Etiler district, Akmerkez was one of Turkey's first modern shopping malls when it opened its doors in 1993. The new high standards that it set soon became the benchmark for shopping and entertainment venues in Turkey. In 1995 Akmerkez was selected by the International Council of Shopping Centers as Europe's and in 1996 as the world's best shopping mall.

Akmerkez underwent an extensive renovation in 2015. For its compliance with internationally-recognized methods of assessing, rating, and certifying the sustainability of buildings, in 2018 Akmerkez was awarded BREEAM certification in two categories, receiving a "Perfect" citation in Building Performance and an "Extraordinary" citation in Building Management.



Employee safety has always been critically important at Tekfen and we believe that StrongArm is on the forefront of market distribution in workplace safety.

Tekfen Ventures

Profile

Leveraging Tekfen Holding's deep expertise across the Agri-business, Contracting, and Manufacturing verticals, Tekfen Ventures invests in the technology impacting the future of these sectors.

Tekfen's founders had a vision of embracing technology and innovation to build Turkish industries. Our mission is to ensure that technology remains at the core and forefront of our business. As leading operators, we have the responsibility to drive innovation, helping to ensure and define the future.

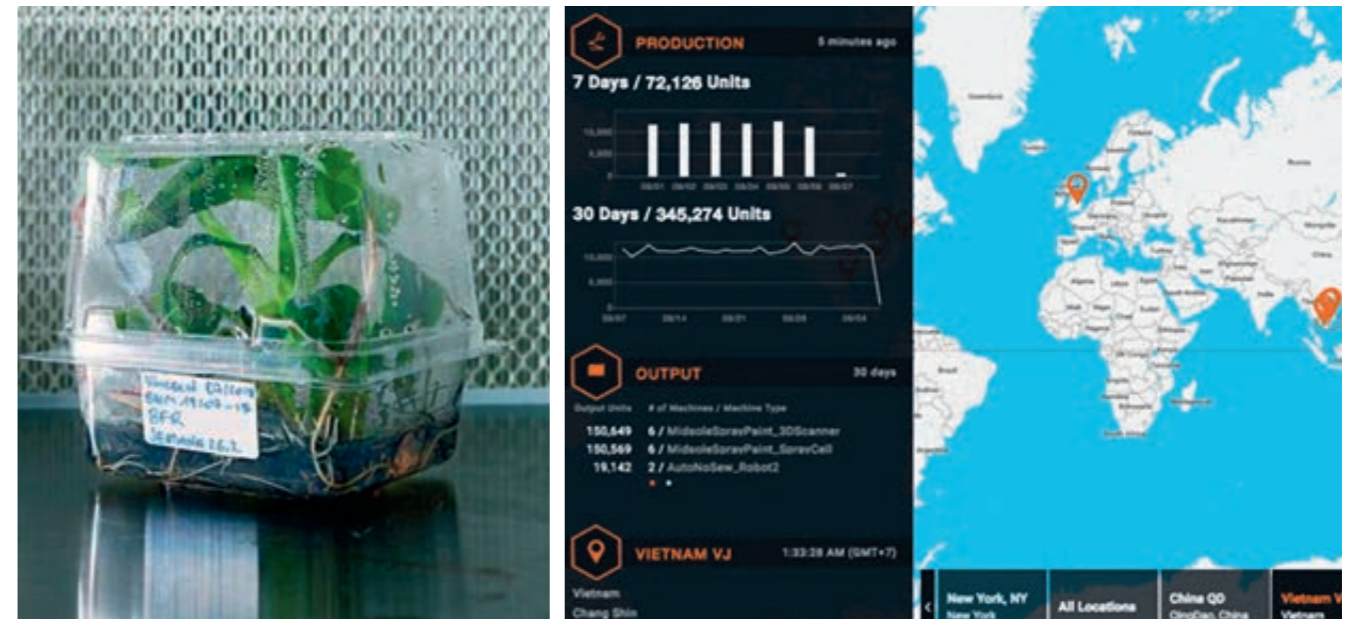
As a fund, Tekfen Venture invests in companies at the 'early stage', defined as Series A and B rounds. Investing alongside other top-tier financial and corporate investors, we take small minority positions, supporting the future growth of these businesses and working tirelessly to advance their efforts along the way. Our criteria are simple: we invest in category-leading companies, solving the most important problems, using cutting edge technology and science, stewarded by visionary founding teams.

The fund itself is 2 years old and we've made 7 investments to date, 5 of which were

closed in 2018. The industries we focus on typically receive less attention, and that's part of what makes our fund so interesting. Our portfolio reflects cutting-edge innovation spanning Robotics, LiDAR, CRISPR, microbial plant nutrition, manufacturing analytics, industrial cybersecurity, and industrial wearables.

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Claroty is a leading industrial cybersecurity vendor providing visibility and continuous threat and vulnerability monitoring for critical assets.



Investments

Tekfen Ventures invests in category-leading companies utilizing technology and science to modernize agriculture, construction, manufacturing, and real estate.

Claroty

Industrial assets like power plants, oil & gas facilities and chemical manufacturing operations are a critical component of global infrastructure, but are under-protected from cyberattack.

Cyberattacks are broadly recognized as one of the top risks facing the global economy with over \$12T dollars of revenue at risk. As industry increasingly takes note of mounting threats from nation states and malicious individuals, industrial OT (operational technology) security has emerged as an important line of defense. Claroty is a leading industrial cybersecurity vendor providing visibility and continuous threat and vulnerability monitoring for critical assets. The cybersecurity landscape is rapidly changing, with a dramatic increase in the number and sophistication of attacks in recent years.

In response to this increased threat environment, Claroty, and other next-generation security software vendors, are developing solutions to detect, prevent, and manage cybersecurity incidents across the industrial stack. As both builders and operators of industrial assets, we understand the problem and support Claroty's mission.

Pivot Bio

With an increasing global population and a growing middle class demanding more meat, we need to produce more food than ever before. Meeting this need will require food supplies to increase at least 50% in the next 30 years. Resource efficiency will be a critical component of achieving this goal.

Pivot Bio is utilizing microbes to improve the delivery and production of nitrogen, the key driver of plant growth. Before chemical fertilizer, plants relied on microbes to provide the required nitrogen. With the introduction of chemical fertilizer, this proved to be an inefficient use of energy for microbes, and the capability to produce nitrogen became dormant.

Pivot reinvigorated microbes' natural ability to produce nitrogen, creating a highly efficient, environmentally friendly alternative to chemical fertilizer. This new solution gives farmers confidence their crops are receiving the nitrogen

and increases the reliability of yield. We're proud to be supporters of such breakthrough innovation and excited about the far-reaching impact this company will have.

Quanergy

LiDAR (light detection and ranging) is an important sensor for autonomous vehicles. It also has valuable applications in industrial and security settings. By measuring the distance between two objects or an object and oneself, LiDAR is able to map its field of view in real time.

The difficulty; however, in making LiDAR commercially viable is with price, performance, reliability, size, weight, and power efficiency. Quanergy is the market leader in this regard. The company's products have a variety of use cases and we think its security solution is valuable for monitoring physical assets, especially those in remote locations.

Many of Tekfen's construction projects have the needs that Quanergy's security product solves, and we believe that its advanced LiDAR solution will meaningfully impact a range of industries.

Sight Machine

Manufacturing represents 16% of global GDP, but has seen almost no productivity gains in recent years. This is economically inefficient and results in manufacturing contributing a large and ever-increasing percentage of greenhouse gases.

Sight Machine is working to improve the manufacturing industry through data. The company ingests any type of machine or process information and provides real time visibility and analytics. It is used by large corporations around the globe to better understand and improve their operations. The benefits range from greater equipment utilization to better reliability and reduced energy consumption.

The global nature of Sight Machine's solution is compelling for Tekfen and our customers. The combination of economic and environmental benefits presents a strong value proposition.



CLAROTY
Clarity for OT Networks



Bananas are the primary source of nutrients for 300 million people and coffee is the second most consumed beverage globally, after water. Tropic Biosciences' goal is to transform the global tropical agriculture industry through the development and commercialization of high-performing genetically edited varieties that improve cultivation efficiencies, promote consumer health, and support environmentally sustainable practices.



Soft Robotics

Historically, automation has struggled to succeed in environments that deal with non-homogenous objects - those that differ in size, shape, weight, or density. Semi-structured environments or those with high and constantly changing SKU counts like food processing, advanced manufacturing, and e-commerce/consumer goods fulfillment have struggled to add efficiency through robotics. Soft Robotics designs and builds soft robotic gripping systems and automation solutions for industrial and manufacturing applications. The company's solution enables robots to excel in situations that used to represent a challenge. Achieving the speed, flexibility, dexterity, and gentle handling capabilities of human hands is a meaningful step forward for industrial automation across industries. We're eager to see how Soft Robotics can improve the fruit industry and improve the lives of workers that can now focus more on skill-based tasks.

StrongArm Tech

One of the largest operational costs to any organization is employee injuries - U.S. companies spend \$250 billion a year in direct and indirect expenses. Safety in industrial workplaces is currently a lagging indicator. Companies look to last year's statistics (number of recordable injuries, number of days off, etc.) and compare that to their current safety trajectory. StrongArm was founded on the goal to eliminate injuries in the workplace. Delivering a platform that can help actively manage industrial safety, StrongArm is defining the safety science industry. Leveraging wearable technology, StrongArm's FUSE Risk Management Platform uses IoT sensors to capture risk data about multiple

ergonomic and environmental factors to accurately and effectively measure safety and detect high risk. This allows for real-time safety interventions and quantifiable insights, saving time and resources while driving injuries down and productivity up. Employee safety has always been critically important at Tekfen and we believe that StrongArm is on the forefront of market distribution in workplace safety. The attractive, cost-savings benefits to employers, coupled with a decrease in workers injuries, is compelling and will ensure the health and longevity of today's labour force.

Tropic Biosciences

Bananas and coffee are critically important tropical crops. The former is the primary source of nutrients for 300 million people and the latter is the second most consumed beverage globally, after water. Both are grown on thin margins and bananas as we know them today face the threat of extinction by disease. Tropic Biosciences, armed with cutting edge CRISPR technology, aims to come to the rescue. The company's goal is to transform the global tropical agriculture industry through the development and commercialization of high-performing genetically edited varieties that improve cultivation efficiencies, promote consumer health, and support environmentally sustainable practices. To achieve this, the company has assembled a world-class team of researchers and scientists. In addition to operating at the forefront of innovation, Tropic's mission aligns with our vision for the future of agriculture. Producing novel, high-quality inputs that improve grower economics, reduce fungicide use and reduce waste in the supply chain makes Tropic an exciting company with enormous potential.



Tekfen Ventures invests in category-leading companies, solving the most important problems, using cutting edge technology and science, stewarded by visionary founding teams.

Many aspects of agriculture present extensive opportunities for the use of technology.



The Sight Machine team



Darüşşafaka'da ilk günüm



Furthering its long-standing contribution to education, Tekfen Foundation signed a new contract to support Darüşşafaka Cemiyeti.

Corporate Responsibility

For more than sixty years, Tekfen has been standing for and a champion of such values as excellence, diligence, keeping one's word, respect for people and the environment, and ethical behaviour in all of its business lines. Through the corporate sustainability structure that it has erected on these values, Tekfen seeks to further advance its stature as a point of reference for businesses in Turkey and to fully respond to its stakeholders' expectations when addressing such issues.

In the conduct of their activities, Tekfen Holding and Tekfen Group companies adhere to an approach that safeguards the health and safety of their employees, minimizes their environmental impact, builds all stakeholder relationships on the tenets of transparency and honesty, and gives precedence to social wellbeing over its own narrow interests. Responsibly managing all of their operations within the same framework, Tekfen Group companies make it a principle to give some of the value they create back to society through education, culture & art, and social development projects.

The roles which Tekfen's founding partners played as initiators, administrators, and supporters in numerous non-governmental organizations committed to dealing with 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 its activities since the very first day. This corporate mindset still underpins Tekfen's sustainability approach even today.

Mindful of the present-day needs and expectations of the values which Tekfen has upheld for more than six decades, in 2017 two important steps were taken at Tekfen Holding in order to take a more integrated approach to sustainability management. In 2017, two new departments were set up at Tekfen Holding, with one being given responsibility for coordinating sustainability issues and the other responsibility for coordinating health, safety & environment and quality issues (HSE-Q); a HSE-Q Coordination Group representing group companies was also set up to develop a shared HSE-Q culture among Tekfen Group companies; a Sustainability Committee headed by Tekfen Holding's Vice President for Corporate Affairs was established; and work was begun to publish the first sustainability report conforming to Global Reporting Initiative standards.

Having thus made sustainability an element of its corporate structure, Tekfen Holding took another step in this direction last year by joining the United Nations Global Compact on 19 July



Since the very first day, a concern for people, social wellbeing, and the environment has been an element of Tekfen Group companies' business culture and a focal point of all of their activities.





The roles which Tekfen's founding partners played 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.

2018. With this signature, Tekfen Holding commits itself to the ten universal principles which the United Nations had defined under the headings of "Human Rights", "Labour", "Environment", and "Anti-Corruption" and will strive to promote adherence to the same principles among individuals and organizations over which it has influence.

Last year, Tekfen Holding also had a prioritization analysis study conducted in order to determine what the strategic priorities of its sustainability efforts should be and what areas its sustainability reporting should focus on. The opinions of different stakeholder groups were solicited through surveys and the results were analyzed so as to be sure that the company's sustainability efforts were compatible with stakeholders' needs and expectations. An "External Trends & Literature" study focusing on sectors in which group companies are active was also carried out.

On 2 April 2018, a Vision Workshop was held with the participation of as many as seventy Tekfen Holding and group companies' managers with the aim to define a sustainability vision that would help in the drawing-up of Tekfen's sustainability roadmap. As a result of the workshop, 36 vision statements, 11 sustainability vision proposals, 116 action proposals, 238 sustainable-organization attributes, 12 sustainability sub-areas, and 6 sustainability focus areas/components were defined.

Tekfen believes that priority must be given to investing in human intelligence and skill for the sake of a brighter future.



People

Tekfen regards its employees as its most precious resource and their abilities as the greatest assurance of its own product and service quality. For this reason, the painstaking approach with which Tekfen selects its personnel continues in the subsequent stages of their careers as well. A variety of development programmes are conducted to support Tekfen employees in their efforts to act as well-coordinated members of a team and to mobilize their creativity and make effective and good decisions. A key tenet of Tekfen's human resources policy is that a bright future can only be achieved through the light provided by science and technology and that priority must be given to investing in human intelligence and skill in order for this to happen.

Tekfen Holding's human resources department was reorganized in 2018 with standard practices being formulated so as to be applicable to all group companies. This reorganization focused especially on the issues of strategic recruitment, individual goal-based performance and reward management, talent management, and development.

Besides addressing the expectations of newly-recruitable talent, a fundamental concern is holding onto existing talent and helping middle- and higher-level managers become change-managing leaders capable of dealing with the world's constantly-shifting requirements. In all projects associated with these efforts, Tekfen Holding works with independent internationally-recognized consultants in order to ensure impartiality and consistently high standards.

Performance Evaluation

In the Tekfen Group's employee performance management system, individual companies' performance targets are identified based on Tekfen Holding strategies. These targets are successively reduced to the individual-employee level and communicated accordingly. At the end of each year, the performance management process is completed by measuring the degree to which each employee has been successful in meeting agreed-upon targets, communicating this to the employee, and coming to an agreement on what needs to be done.

Competency Model Design Project

Last year a comprehensive project was launched to foster a performance culture among Tekfen Group companies and to determine what competencies will shape the future course of talent development. The goal of this project is to identify what sorts of behaviour are to be expected not just of leaders but of all employees in the realization of strategic priorities.

In the first stage of the Competency Model Design Project, task priorities and critical behaviours that will enable companies to achieve their goals were defined. In the subsequent steps, workshops attended by mixed groups of managers and personnel at different levels formulated a competency model that will be incorporated into Tekfen's performance management system and provide input for the group's career-planning and training & development processes.

Employee Loyalty

Believing that productivity arises fundamentally from employees' satisfaction with their jobs and workplaces, Tekfen Group companies conduct surveys in order to quantify their employees' loyalty to their employer and their ability to perform their jobs effectively. In this survey, which covers the entire Tekfen Group, employees' opinions are solicited on such issues as how much confidence they have in their company and their leaders.

Each Tekfen company allocates funds for social responsibility projects pertaining to their respective industries, stakeholders and priorities. Whilst doing so, they also strive to operate their own businesses in harmony with society and the environment.



Internal Customer Surveys

Grup Internal customer surveys are carried out in order to understand inter-company and inter-unit dynamics within the Tekfen Group and also to determine the impact that employees have on business processes. These surveys help provide awareness and knowledge of the teams current conditions.

These surveys are also intended to identify any areas that need to be improved or changed and to mobilize efforts that will increase service quality and internal communication.

Tekfen Workshop

Tekfen Workshop is a training platform that was created to come up with a variety of solutions capable of meeting the training needs of all Tekfen Group companies in line with Tekfen Holding's strategic planning. Believing that corporate development is possible only through individual development informed by a strategic outlook, Tekfen Workshop seeks to contribute to employees' development and to increase their knowledge about various issues through training programmes and seminars.

Tekfen Workshop is constantly being updated and improved to satisfy employees' individual needs. Besides providing classroom training, Tekfen Workshop also serves as a conduit for the dissemination of employee e-learning videos through the Learning Management System. In 2019 the scope of the workshop will be further expanded so as to make it a single platform capable of addressing the training requirements of all group companies.

Leadership Programme

Designed for the middle- and upper-level management of Tekfen Group companies, the Leadership Programme seeks to contribute to managers' personal development by making them aware of global trends in various issues and by providing them with support in such areas as leadership, strategy, and change management.

Executive Development Programme

An essential component of the Leadership Programme, the Executive Development Programme is attended by the top-level management of all Tekfen Group companies. The programme helps

participants develop their personal and leadership skills when dealing with such issues as basic management, feedback, and management by objectives.

Employee Development Plans

Personal Inventories are used to create awareness among managers about their behaviour and its impact on their career advancement and to shape Tekfen's pool of managers who show promise. Another inventorying process that is concerned with identifying "leadership potential" involves the participation of an employee's immediate supervisor. Its aim is to identify individuals who may be playing key roles in Tekfen's future management within the framework of its strategies and objectives.

Tekfen HR Oracle System

In order to serve as a single platform for the management and real-time reporting of information about Tekfen Group companies' human resources, an HR Oracle database has been created and all personnel-related information has been transferred to it. Group companies are now using Oracle to keep track of such matters as hiring approval processes and employees' leave and travel requests. Guides and videos have also been published to help make the system easy to use.

Remuneration Management

A grading analysis was carried out to provide input for remuneration management at Tekfen Holding and Tekfen Group companies. To date, 1,071 individuals were graded while the results been discussed and agreed upon by Group companies' senior managements.

Tekfen Payroll System

With incorporation of all Tekfen Group companies into the Oracle database, employees' payroll-related information is being centrally managed via the IT Payroll System.

Tekfen HR Information Reporting System

The goal of the Tekfen HR Information Reporting System is to permit information contained in the Oracle database and IT Payroll System to be centrally managed, analysed, and reported visually in order to respond to senior management's needs in the fastest and most accurate way possible.

Environment

Tekfen knows that its operations in all of its business lines are matters that are closely linked to people, the community, and the environment and it therefore regards it as essential to strengthen those links. In keeping with its sustainability principles, Tekfen takes a mindful approach when dealing with the proper use of natural resources and carries out its operations so as to have the least possible impact on the environment. The Tekfen Group regards it as one of its most fundamental priorities to incorporate respect for the community and the environment and to support the development of eco-friendly technology in every plan that it draws up.

The United Nations Global Compact that Tekfen Holding signed in 2018 in keeping with its sustainability vision also provides an important way for the Group to further advance its approaches to dealing with environmental issues. By subscribing to UNGC, the Group commits itself to increasing measures aimed at minimizing the environmental impact of its operations, formulating and adhering to sustainable production and consumption practices in the conduct of business processes, increasing stakeholders' awareness of potential environmental risks, and making stakeholders knowledgeable about the benefits of cleaner, more eco-friendly technologies by using them itself.

Having joined the Carbon Disclosure Project in 2017, Tekfen Holding also joined the CDP Water Security Programme in 2018 in a process that involved identifying and publishing the principles to which it will adhere when dealing with water-security issues and practices.

As was the case in 2017, Tekfen Holding was again included in CDP's "B" list in 2018 and thus became one of the 20 companies with the best reporting ratings in Turkey. Participating in the CDP Water Programme for the first time in 2018, the Tekfen Group was also included in the "B" list and joined the ranks of "Turkey's Water Leaders" as one of the top five

companies with the best performance results. As of last year, no companies based in Turkey were included in the CDP Climate Change or Water Security programmes' "A" lists.

An environmental management system conforming to the ISO 14001:2015 Environmental Management System standard has been installed and is now being implemented at Tekfen Construction's headquarters and all project workplaces and sites; at Tekfen Manufacturing's headquarters and Derince plant; and at Toros Tarım's headquarters and Mersin, Samsun, and Ceyhan production facilities.

A significant portion of the Tekfen Group's greenhouse gas emissions are the result of nitric acid production at Toros Tarım's Mersin plant. As part of efforts to reduce greenhouse gas emissions and to identify areas where improvements and environmental project investments are needed, work has begun on ways in which to reduce nitrous oxide (NO₂) emissions. Tekfen is working with the Nitric Acid Climate Action Group (NACAG) in addressing the issues of technical support, feasibility, plant-specific technology selection, and finance with the aims of undertaking essential technology investments in 2019 and considerably reducing the Group's greenhouse gas emissions by at least 80%.



Having joined the Carbon Disclosure Project in 2017, Tekfen Holding also joined the CDP Water Security programme in 2018.

TANAP: An environmentally-aware pipeline project

The TANAP Lot 3 project that Tekfen Construction completed in 2018 looks set to serve as a model demonstrating to others how a gigantic pipeline project can be carried out with minimum impact on the local environment. Before any construction work was started, environmental, ecological, and archaeological assessments were carried out in the areas through which the pipeline would pass, potential vulnerabilities that were identified were recorded, and all construction work was carried out in line with experts' observations and advice.

Wildlife and endemic species assets near as well as on the route, watercourse crossing, the potential impact of dust and noise pollution, and archaeological finds were all matters of prime concern and were taken into account. Routes were changed when necessary and even the programme's work schedule was adjusted to provide leeway for wildlife migration and breeding seasons. Wildlife identified as being too close to the pipeline was relocated to more distant places while various methods were employed to protect two invertebrate, three fish, and eight plant endemic species that were encountered along the route.

The seeds of endemic plant species were collected when they matured. These seeds were carefully conserved and also given to the agriculture and forestry ministry's seed and gene bank. Once work was completed, more than ten thousand seeds were planted in the areas from which they had been taken.

Although very little of the route along which the pipeline passed qualified as officially recognized forest, the company worked with the forestry directorate to plant nearly twelve thousand trees in seven areas in need of rehabilitation near the route.

At 86 of the watercourses that the pipeline traversed, various measures were taken to combat erosion. Slope breakers that were built at 174 locations that were exposed to erosion risks were also revegetated.

About a million cubic meters of water used during various stages of the project were either purified for reuse or else sampled and analysed before being discharged if reuse was not possible. Horizontal directional drilling methods were employed at four major river crossings (Delice-1, Delice-2, Sakarya, Kızılırmak) so as to mitigate any ecosystem damage. All waste generated at camps and worksites was collected at regular intervals and sent to licensed recycling or disposal plants.



Participating in the CDP Water Programme for the first time in 2018, the Tekfen Group was also included in the "B" list and joined the ranks of "Turkey's Water Leaders" as one of the top five companies with the best performance results.

Greenhouse gas emissions generated by Tekfen operations in Turkey:

Greenhouse gas emission data (tCO₂e):

Type	2017	2016
Scope 1 emissions	796,410	1,052,537
Scope 2 emissions	39,888	45,050
Scope 3 emissions	148,685	141,562

Water (1 mn liters):

Water	2017	2016
Total water taken	114,605	136,879
Total water consumed	4,324	4,354
Total water discharged	110,281	132,525
Reused water	1,327	1,114

Water taken by source (1 mn liters):

Water taken by source	2017	2016
Sweet surface water	667	348
Salt water	106,111	128,873
Groundwater	4,223	4,258
Production-supplied water supply	3,372	3,194
Third-party-supplied water	233	206

Occupational Health & Safety

Believing human resources to be its most precious asset, Tekfen Holding regards it as a primary goal to create a workplace environment that will allow its employees to do their jobs in safety and health, to improve working conditions, and to minimize any potential harm to employees, third parties, and property during the conduct of operations.

Besides the importance given to job fitness and competencies, Tekfen Group companies also regard it as necessary to equip their employees with knowledge, material, and awareness that will enable them to perform their jobs according to occupational health and safety standards. Group companies espouse the objective of making OHS attitudes a vital element of their corporate culture and they address matters pertaining to this issue in line with this shared goal.

2018 was a year in which substantial progress was made in the direction of strengthening a common, sound, and sustainable HSE culture among Tekfen Group companies. During the year, a “Culture Transformation” programme embracing all Group companies was put into effect with the aim of altering the behaviour not just of project and workplace managers but also of mid-level managers and blue-collar workers. In line with this, the HSE&Q Coordination Group consisting of representatives from every Tekfen Group company reviewed the maturity of each company’s HSE culture, analyzed its findings, and identified steps that need to be taken to effect culture change.

As part of the same effort, minimum HSE requirements were identified on an individual sector and company basis and Group companies active in different business lines while uniform terms of reference and performance benchmarks were defined for them all to use. The creation of such a common denominator when dealing with HSE issues is important

from the standpoint of making more accurate comparisons both among Tekfen Group companies and with external entities.

For the training of managers who have such an important impact on cultural change, the Toros Security Academy was launched in December while work on organising on-the-job safety leadership training for management personnel was begun at Tekfen Construction. Intensive training intended for personnel and subcontractors who are engaged in especially high-risk tasks continued to be provided in 2018 as it was in previous years. On average, 1.16 hours of HSE training and 0.76 hours of on-the-job worksite training were provided for every one hundred hours worked during 2018.

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. Daily field inspections, 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. In 2018, a pilot programme was started at the Tekfen Manufacture Derince plant with the aim of standardizing project site and workplace HSE inspections according to a new “report-card” system involving the use of objectively-assigned points for the first time. It is planned to introduce this system at the Group’s other project sites



and workplaces in 2019.

An occupational health and safety management system conforming to the OHSAS 18001:2007 Occupational Health and Safety Management System standard is being implemented at Tekfen Construction headquarters and at all of its project workplaces and sites; at Tekfen Manufacture headquarters and at its Derince plant; and at Toros Tarım headquarters and at its Mersin, Samsun, and Ceyhan production facilities. Owing to the revision of the OHSAS 18001 standard in 2018 and to its eventual replacement with ISO 45001, Group companies have begun reviewing and revising their own management systems accordingly. The first steps towards setting up an ISO 45001 system at Tekfen Real Estate were also taken last year.

Necessary resources are allocated to ensure that the OHS management system is being consistently implemented and constantly improved in the conduct of all operations. Potential emergencies that may

arise during operations are identified and what action should be taken if they occur is determined beforehand. Worksite-specific emergency plans are drawn up while methods for dealing with emergencies and emergency preparedness are tested by means of drills conducted at regular intervals. HSE teams on duty in the field are constantly on the lookout for ways to eliminate or minimize risks before they become accidents and they take such measures as may be required. As of end-2018, a total of 312 HSE and 68 health personnel were being employed by Tekfen Group companies.

In keeping with their proactive approach to management, Tekfen Group companies not only monitor predictive indicators but also review performance statistics, which they compare with national and international data. The comparisons provide them with input that serves as guidance for future action. Tekfen Group companies base measurements of their OHS performance on the internationally-recognized LTIR (Lost Time Injury Rate: the number of lost time injuries occurring in a workplace per 1 million hours worked) and TRIR (Total Recordable Injury Rate: the number of recordable injuries (fatalities + lost work day cases + restricted work day cases + medical treatment cases) per million hours worked) metrics.

In 2018, Tekfen Group companies registered a 23.5% year-on improvement in their LTIR performance, which was 0.370 (2017: 0.484). Their TRIR performance also improved by 8.2% and was 0.774 (2017: 0.843).

During 2018, a total of 86,521,058 man-hours were clocked at Tekfen Group companies in sectors such as contracting, agri-industry, and real estate development that are deemed to be exposed to serious OHS risks. Although significant improvements in Tekfen’s overall OHS indicators were registered last year, there were six work-related fatalities during the reporting period. Five of these occurred in the Contracting Group and one in the Agri-industry Group.

Recognizing the important impact that management-level personnel have on OHS cultural change, Toros Safety Academy has been set up to provide them with training on OHS issues. At Tekfen Construction, managers are being provided with OHS Leadership training.



As of end-2018, a total of 312 HSE and 68 health personnel were being employed by Tekfen Group companies.



Tekfen Construction

One of the leaders of Turkey's contractor services industry from the standpoint of its OHS practices, Tekfen Construction has been adhering to the OHSAS 18001 Occupational Health and Safety Management System standard since its introduction at all of its project sites and workplaces in 2002 while it has also been constantly improving such practices based on its own experience. However, as nearly 94% of the personnel are employed in jobs deemed to be in the "high-risk" category Tekfen Construction has a significant impact on the Tekfen Group's overall OHS performance. It is for this reason that Tekfen Construction is at the focal point of efforts towards a group-wise OHS cultural change.

Tekfen Construction's TRIR metric increased by 64% year-on in 2018 and was 0.447 (2017: 0.272).

Tekfen Construction also seeks to make OHS an element of its employees' lifestyle by making a positive contribution to their health and safety even when they are not working. In both 2017 and 2018, the Safety Off the Job booklet that was prepared as part of this campaign received awards from IPLOCA (International Pipe Line & Offshore Contractors Association), of which Tekfen Construction is a founding member. The publication placed second in the Occupational Health & Safety category.

Toros Tarım

In line with the "Zero Accident" target that it set for its production facilities and terminal operations, Toros Tarım has initiated a "Not Without You!" safety campaign for several years. In 2018, the company continued these efforts with a focus on identifying what processes,



infrastructure assets, and competencies are needed to make them sustainable and on strengthening its organizational structure accordingly.

Toros Tarım's efforts on behalf of achieving sustainable growth, operational excellence, and continuous development in OHS and other issues made it the first company in Turkey to be awarded a "Protect & Sustain" certificate from IFA (International Fertilizer Industry Association) in 2018. This certificate is evidence that Toros Tarım complies with OHS, environment, product safety, and security standards that are higher than mandatory regulatory requirements.

The "Operational Risk & Process Safety Management Assessment" project that had been initiated to identify what competency, skill, and process improvements are needed to spot operational risks in plants in advance, to reduce their impact, and to set up an Integrated Safety Management System was completed in the first quarter of

Daily safety checks and weekly safety audits conducted at Tekfen Construction worksites as part of the company's "Zero Accident" campaign play an important role in maximizing OHS awareness.

2018. Based on its results, work has begun to make improvements in high-priority areas and an organizational structure has also been created to keep track of and coordinate progress at production facilities.

In December 2018, a Safety Academy was launched with the aims of increasing OHS awareness among those employed in Toros Tarım workplaces, developing their competencies when dealing with such issues, and making on the job safety an element of corporate culture. The first of its kind in Turkey, this academy has put together a multistep, hands-on training programme for white- and blue-collar personnel at every level. As a first step in the programme, a "Work Safety-Focused Leadership" workshop was conducted for Toros Tarım's senior management.

- **Qatar North Road Highway Side Roads & Junctions Project (Qatar)**
27 million accident-free man-hours
- **TANAP Compressor and Metering Stations Project (Turkey)**
20 million accident-free man-hours
- **Al Khor Expressway Project (Qatar)**
10 million accident-free man-hours
- **GATE-FGP projects (Kazakhstan)**
7 million accident-free man-hours
- **Eastern Industrial Road Project (Qatar)**
2 million accident-free man-hours
- **BTC Pipelines & Facilities Repair Services (Turkey)**
4.5 million accident-free man-hours (about 10 years)
- **Jeddah-Yanbu Pipeline Project (Saudi Arabia)**
3 million accident-free man-hours
- **TürkAkım Gas Acceptance Terminal & Onshore Pipeline Project (Turkey)**
1 million accident-free man-hourst

Social Responsibility

The social, cultural, and environmental wellbeing efforts in which Tekfen has been engaged since its inception are essential elements of its corporate culture. Conducting its operations mindful of their sustainability and putting some of the value that it creates to work in socially-beneficial projects, Tekfen undertakes a variety of corporate social responsibility projects under the headings of “Education”, “Culture & Art”, and “Sustainable Development”.

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 set up 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 2018, Tekfen Group companies donated a total of TRY2,019,244 to socially beneficial projects.

Tekfen Foundation

Education

Tekfen Foundation provides unconditional educational grants to successful but financially needy students studying in Turkey and also to the children of Tekfen personnel who are lycee or undergraduate university students to help support their education. To date, more than 2,500 students have graduated with the financial support of Tekfen Foundation. For the 2017-2018 academic year, the foundation increased the number of its scholarships from 500 to 550.

Tekfen Foundation gives its university scholarship recipients priority when accepting applications for internship positions at Tekfen Group companies.

Forty-five Tekfen Foundation scholarship recipients were employed as interns at Tekfen Group companies in 2018. 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 arranges mentoring support by Tekfen staff for its scholarship recipients.

In 2018 Tekfen Foundation forged another link in the chain of its support for education by signing a donation agreement with Darüßsafaka, Turkey’s oldest non-governmental educational support institution established in 1863. The decision to do this was made shortly after Tekfen Holding became a prime sponsor of the Darüßsafaka Basketball Team. Under the agreement, Tekfen Foundation is covering all of the educational expenses of 24 students enrolled in the middle school division for a period of four years.

Having joined the Education Reform Initiative (ERG) in 2017, Tekfen Foundation continued to support the initiative’s activities in 2018. ERG is 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 to be a cultural ambassador to the world, the Tekfen Philharmonic Orchestra has been



With a programme featuring Charlie Siem, one of today’s foremost young violinists, the Tekfen Philharmonic gave a concert at Aya İrini Museum as part of the 46th İstanbul Music Festival.

giving performances in Turkey and abroad without interruption ever since. Starting out as a chamber orchestra with musicians from eleven Black Sea countries, the ensemble has since grown into a philharmonic orchestra that now brings together performers from 23 countries in the Black Sea, Caspian Sea, and Eastern Mediterranean regions. A bespoke repertoire of music that includes instruments that are indigenous to the countries from which its artists hail adds unique value to this orchestra as a cultural mosaic.

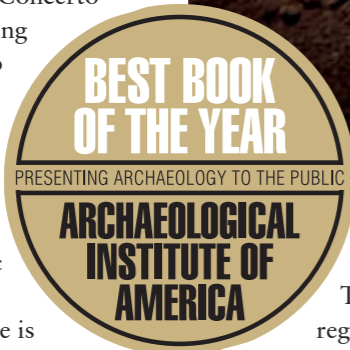
Tekfen Philharmonic’s permanent conductor and artistic director Aziz

Shokhkimov presided over eleven concerts in 2018. The year’s programme began with a 6-8 March series of “Spring Classics” concerts that took place in Ankara, İstanbul, and Eskişehir. For the Ankara and İstanbul concerts the soloist was the German cellist Alban Gerhardt, whom one critic has referred to as “one of the best cellists alive”. For the Eskişehir concert, which coincided with the observance of International Women’s Day, the soloist was Nil Kocamangil, a Tekfen Foundation scholarship recipient and also one of the youngest members of the Tekfen Philharmonic.



Just as each and every member of the Tekfen family, the musicians of Tekfen Philharmonic also strive for excellence.

With a programme featuring Charlie Siem, one of today's foremost young violinists, the Tekfen Philharmonic gave two concerts in May: the first as part of the İstanbul Foundation for Culture and Arts' 46th İstanbul Music Festival at Aya İrini and the second as part of the International İzmir Festival at the Ahmed Adnan Saygun Arts Centre. Following up these performances, the orchestra once again gave evidence of its role as an intercultural bridge and peace ambassador with a June 5th concert given in Baku on the occasion of the 100th anniversary of the founding of the Azerbaijan People's Republic. The programme of this concert, which took place at the Haydar Aliyev Cultural Centre, consisted largely of works by Azeri and Turkish composers with Azerbaijan State Artist Mehri Arifkızı performing Hacı Hanmemmedov's Kemancha Concerto and Hüseyin Sermet performing Ulvi Cemal Erkin's first piano concerto.



It has become a fall tradition for the Tekfen Philharmonic to give concerts designed to foster a love of classical music among youngsters, on which occasions the orchestra's name is changed to "Tekfen Philhar-Mini". The 2018 Philhar-Mini concerts took place on October 20th and 21st with a programme produced by Yiğit Sertdemir and narrated by Tilbe Saran in İstanbul at the Lütfi Kırdar Auditorium, whose lobby was transformed into an entertaining festival ground for the occasion. In keeping with the performances' "Dream & Transformation" theme, families attending the concert were encouraged to bring toys and books in good condition to be donated to Tekfen Foundation, which later handed them out to needy children.

The Tekfen Philharmonic completed its 2018 programme with fall concerts that took place at the Ankara CSO Concert Hall, the Mersin Cultural Centre, and the İstanbul Lütfi Kırdar Auditorium on October 24th, 25th, and 26th respectively.

The soloist taking part in this tour was Omar Tomasoni, a young Italian regarded as one of Europe's most talented trumpet players today.

For Tekfen Foundation, protecting Turkey's cultural values is as important a part of the mission for which it was set up as is supporting culture and art. Celebrating the 20th year of its establishment in early 2019, the foundation once again was honoured with international recognition for its successful efforts on this behalf with the 2017 publication of Ziyaret Tepe: Exploring the Anatolian frontier of the Assyrian Empire, a book that had received the prestigious American Institute of Archaeology's Felicia A. Holton Book Award. This book relates the 18-year-old story of excavations which Tekfen Foundation has been supporting for years and which have significantly helped shed light on Assyrian

Ziyaret Tepe: Exploring the Anatolian frontier of the Assyrian Empire, a book that received the prestigious American Institute of Archaeology's Felicia A. Holton Book Award as the best book of the year, was published with the support of Tekfen Foundation.



history. The Felicia A. Holton Book Award is given annually to a writer who, through a major work of non-fiction, represents the importance and excitement of archaeology to the general public.

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 deaths of 301 miners, the Tekfen Foundation Microcredit Branch opened its doors on 17 November 2014 under the auspices of the Turkey Grameen Microfinance Programme with the mission of creating alternative sources of income for local women. As of end-2018, 684 low-income female business owners had benefited from the branch's credit support and 391 of them were actively doing so.

On 13 November 2017 Tekfen Foundation signed an agreement with TISVA (Turkish Foundation for Waste Reduction) to also

support the Mersin Microfinance Branch, which has been in operation since 2012. One thousand ninety-seven female business owners have so far received microloans from this branch, which is currently supporting 515 of them under the programme.

Tekfen Holding

Sport

Having previously focused its social responsibility efforts mainly on education and art, Tekfen Holding turned its attentions to sport for the first time in 2018 when it became the main sponsor of the Darüşşafaka Basketball Team, which qualified to take part in the Turkish Airlines EuroLeague after it brought a EuroCup championship home the previous year. Tekfen Holding referred to its support for Darüşşafaka as a "spiritual

Tekfen Holding turned its attentions to sport for the first time in 2018, becoming a sponsor of the Darüşşafaka "Black Panthers" basketball team. The team competes under the name of "Darüşşafaka Tekfen" in the Turkish Airlines EuroLeague and Tahincioğlu Basketball Super League.



union” of two institutions which have consistently upheld the same superior and strong human and moral values for many years. The Darüşşafaka “Black Panthers” basketball team is competing under the name of “Darüşşafaka Tekfen” in the Tahincioğlu Basketball Super League’s 2018-2019 season.

Education

ARC 6014, the Robert College Robotics Team that Tekfen Holding supports, qualified to represent Turkey in the FIRST Robotics Competition’s Houston championships having taken first place at the FRC’s İstanbul meet. A US-based foundation set up to inculcate a love of science, technology, engineering, and mathematics among young people. The Turkish round of the foundation’s competition took place on 10-12 March at the İstanbul Ülker Sports Arena, with the Robert College Robotics Team’s “Mr Pink” robot picking up three separate awards for its superior performance.

Culture & Art

Tekfen Holding’s ongoing efforts to support art and artists continued in 2018 with its sponsorship of the İstanbul State Opera and Ballet’s performances of Don Quixote. Tekfen Holding has also been regularly supporting one local theater company’s performances at the İstanbul Foundation for Culture and Arts Theater Festival for many years and did so again during the 22nd edition of the festival between 17 November - 4 December 2018 as a show sponsor of DasDas Theatre’s performances of The Crocodile, a stage adaptation of a Fyodor Dostoevsky short story.

Tekfen Holding supported the 14th Japanese Films Festival organized by Japan’s İstanbul consulate-general by providing a venue at Tekfen Tower in İstanbul on the occasion of Japan Week celebrations.

Sponsorships and Support

One of the contributors to AKUT, a search and rescue association and one of Turkey’s leading non-governmental organizations, since 2012 as an “AKUT Friend”, Tekfen Holding continued its

membership in 2018.

Tekfen Holding hosted “Sustainable agriculture and access to food”, a conference held on 12 October 2018 at Tekfen Tower by the Business Council for Sustainable Development in association with SOLARENA, a solar power summit which took place on October 2nd and which was organized by GÜNDER, the Turkish chapter of the International Solar Energy Society.

Tekfen Construction

Culture & Art

Having sponsored archaeological work at the Küllüoba mound near the Yenikent village in Eskişehir’s Seyitgazi in 2017, Tekfen Construction continued to do so in 2018, providing meal support during the months of July and August to the 35-person excavation team working in the vicinity of the TANAP worksite. A prefabricated building which the company had previously donated to the excavation team in 2009 is still being used as a laboratory and guest accommodations.

Social Welfare

Believing that it should behave as responsibly towards local inhabitants and governments as it does towards the environment in the conduct of its project operations, Tekfen Construction has engaged in many efforts to improve the quality of people’s lives in the areas associated with its TANAP Compressor and Metering Stations Project. Two examples of such efforts are a summer school at Sarıcaali village in Edirne that teaches chess, photography, documentary-making, and paper marbling to kids and a ski run, also for youngsters, at Hanak in Ardahan at the far eastern end of the country. In rural areas through which the route of the TANAP project passes, intermodal containers equipped with showers are provided for seasonal workers in agriculture and their families, for whom bathing and personal hygiene resources may otherwise be lacking. In 2018, Tekfen Construction also continued to provide tents for use as nurseries and play areas for the families’ preschool children and as annexes for the instruction of their school-age children.



Toros Tarım gives priority to supporting the development of Turkish agriculture by giving farmers access to its own knowledge and experience.

Toros Tarım

Education

As it does every year, in 2018 Toros Tarım once again met the maintenance, repair, and general needs of the Toros Tarım Anadolu Lycee in Adana’s Ceyhan township and of the Toros Tarım Primary School in that township’s Kurtpınarı district.

Sustainable Development

As the biggest player in Turkey’s fertilizer industry, Toros Tarım not only feels a responsibility to provide Turkish farmers with high-quality inputs but also gives priority to supporting the development of Turkish agriculture by giving farmers access to its own knowledge and experience. Toros Tarım provides farmers with no-charge support on issues such as training and soil analysis. In 2018, the company further strengthened its contacts with farmers through mobile technical teams sent out by its regional units.

Made up of agricultural engineers, these teams travel from village to village in technically equipped buses and minivans

providing demonstrations, information, and publications about Toros Tarım products and also advice about dealing with fertilizer issues. These teams listen to farmers’ problems and make recommendations by taking advantage of technological solutions such as real-time measurement kits and hand-held monitors to make observations in crop fields. If necessary, they also collect soil and plant samples to be sent for analysis.

More extensive use of Toros Farmer, a mobile app that Toros Tarım introduced in 2016 and supplies free of charge to farmers, continued to be actively promoted in 2018. Toros Farmer is 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. In the twelve months to end-2018, the number of active Toros Farmer users increased by 30% to 8,469.