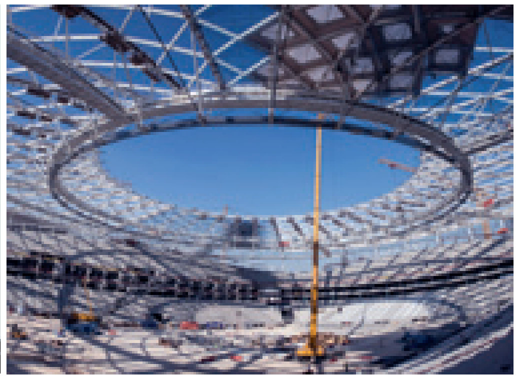
Tekfen Holding
Annual Report 2019

TEKFEN HOLDING

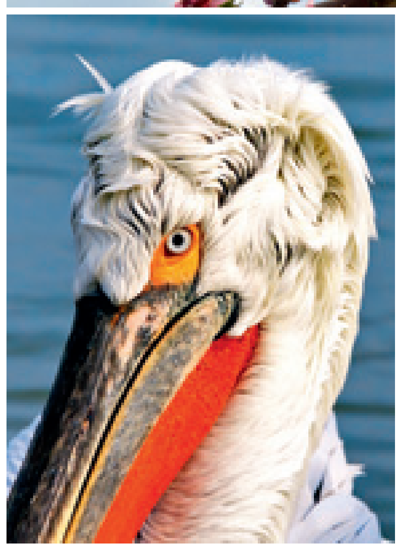
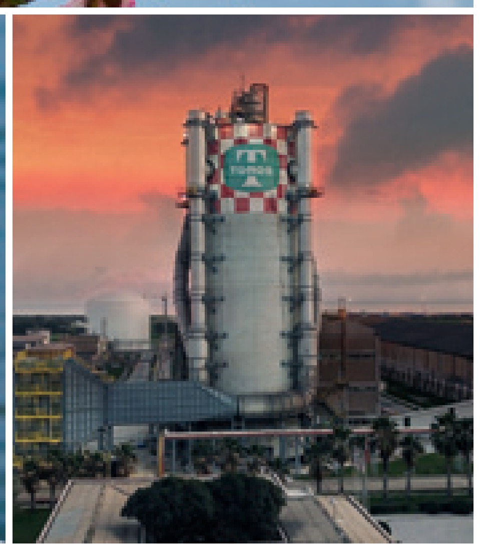
www.tekfen.com.tr
Trade Registration Number: 111233









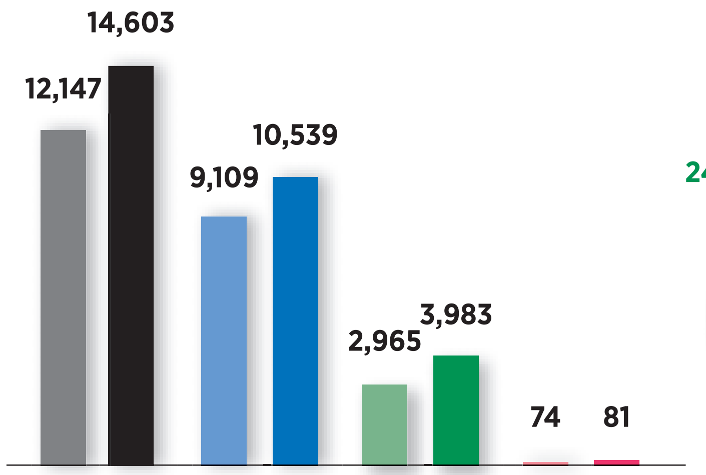



Contents

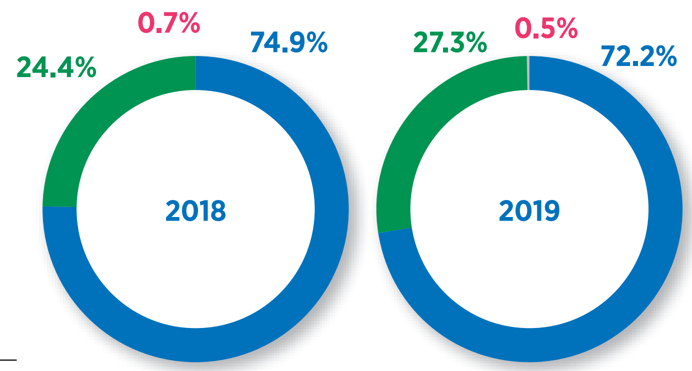
With foundations laid in 1956 by three civil engineers – Feyyaz Berker, Nihat Gökyiğit, and Necati Akçağlılar – Tekfen Holding today conducts its operations through thirty-nine companies and thirteen subsidiaries, each of which is a leading name in its respective business line, and that are active in three main areas: Contracting, Agri-Industry, and Investment and Services. Tekfen Holding is the umbrella company for all of the firms and subsidiaries in the Tekfen Group. Its shares are traded on the Borsa İstanbul 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.

Total
Contracting
Agri-Industry
Investment and Services
2018
2019

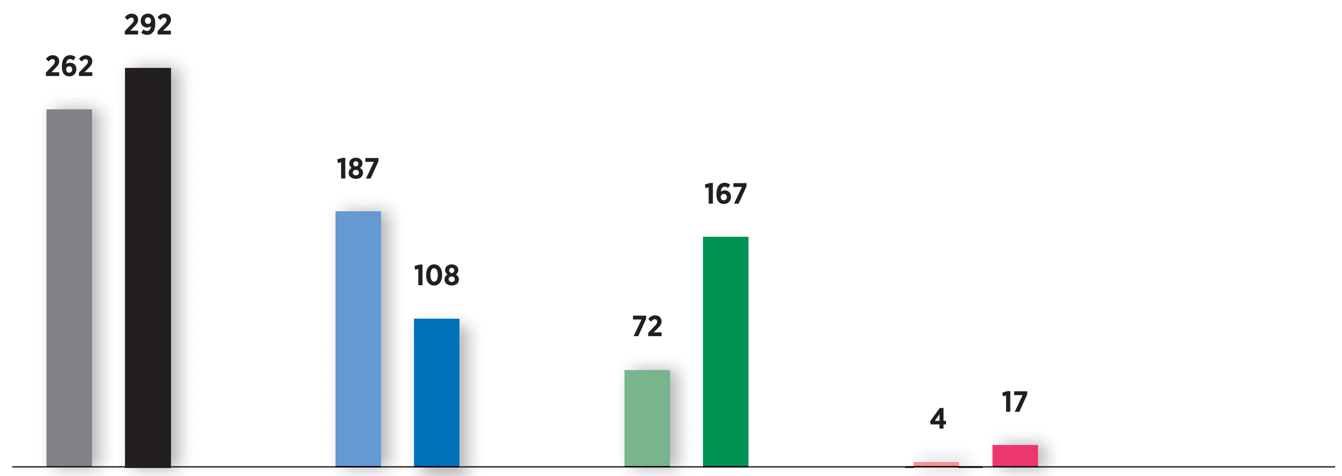
Revenues (Consolidated million TRY)



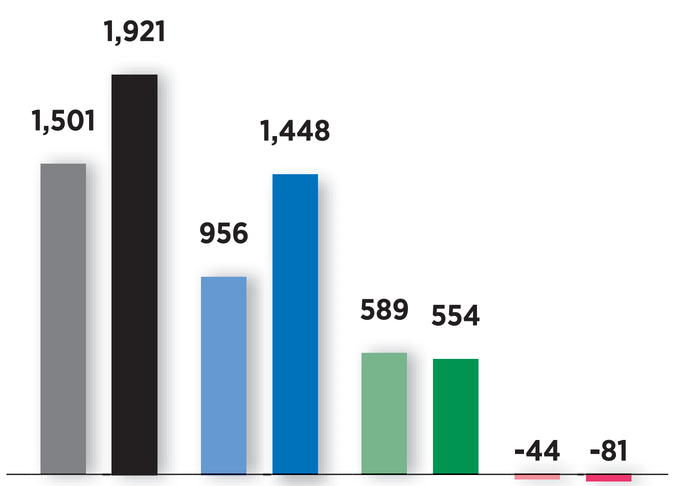
Breakdown of Revenues (%)



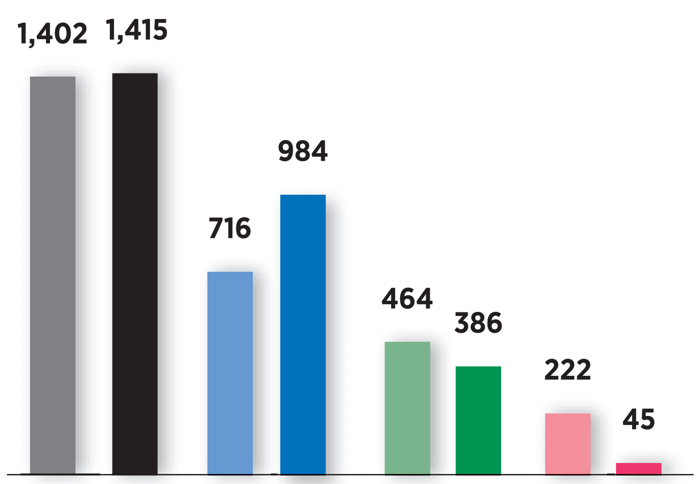
Investment (Consolidated million TRY)



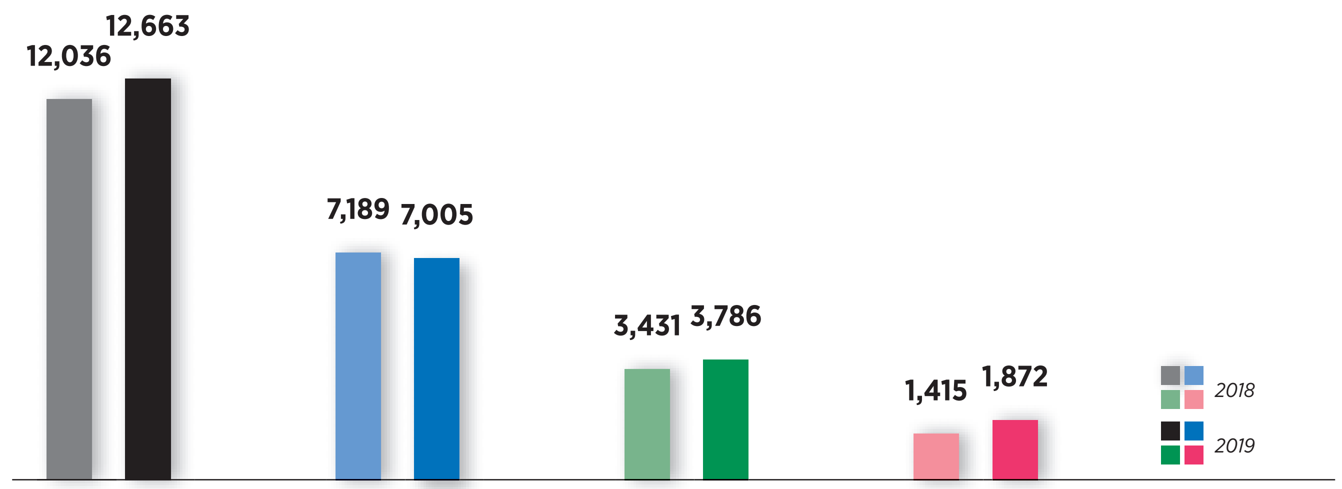
EBITDA (Consolidated million TRY)



Net Profit (Consolidated million TRY)



Total Assets (Consolidated million TRY)

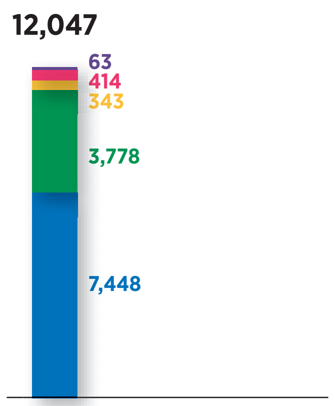


Employees

2020 Projection

- Contracting
- Chemical Industry
- Agriculture
- Services
- Investment

Revenues (Consolidated million TRY)



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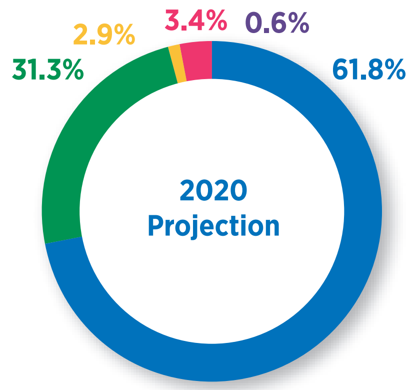
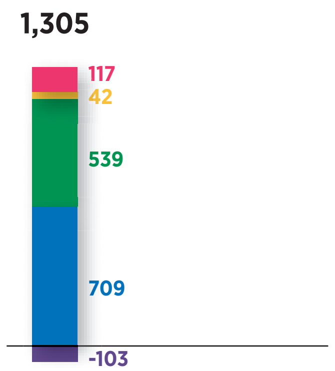
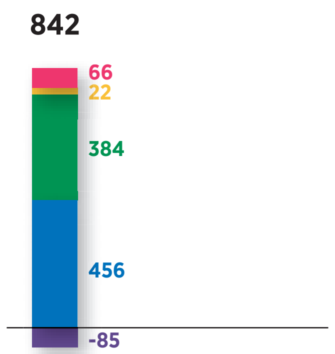


EBITDA
(Consolidated million TRY)



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



SUMMARY BALANCE SHEET (thousand TRY)	31 December 2019	31 December 2018
Current Assets	9,217,274	8,922,623
Non-Current Assets	3,445,874	3,112,897
Total Assets	**12,663,148**	**12,035,520**
Current Liabilities	6,645,129	6,762,257
Non-Current Liabilities	521,149	848,868
Equity Attributable to Owners of the Parent	5,428,680	4,367,587
Minority Interest	68,190	56,808
Total Shareholders' Equity and Liabilities	**12,663,148**	**12,035,520**

SUMMARY INCOME STATEMENT (thousand TRY)	1 January - 31 December 2019	1 January - 31 December 2018
Revenue	14,603,354	12,147,171
Gross Profit	2,401,562	1,803,342
Operating Profit	1,603,391	1,112,062
Profit Before Taxation	1,777,007	1,641,377
Net Profit	1,414,859	1,401,527

IMPORTANT RATIOS	31 December 2019	31 December 2018
Liquidity		
Current Ratio	1.39	1.32
Liability and Indebtness		
Total Liabilities / Equity Attributable to Owners of the Parent	1.32	1.74
Current Liabilities / Total Liabilities	0.93	0.89

	1 January - 31 December 2019	1 January - 31 December 2018
Profitability		
Gross Profit Margin	16.45%	14.85%
EBITDA Margin	13.15%	12.36%
Net Profit Margin	9.69%	11.54%

Net Cash Calculation	**(Thousand TRY)**
Cash and Cash Equivalents	4,094,625
Financial Investments	12,782
Short-term Borrowings	-407,897
Short-term Portion of Long-term Borrowings	-212,591
Long-term Borrowings	-215,458
Effect of TFRS 16 Adjustment	56,777
Effect of TFRS 9 Adjustment	785
Net Cash as of 31 December 2019	**3,329,023**

Tekfen Holding Board of Directors

Standing, from left to right:

Osman Birgili
Vice Chairman
Şevki Acuner
Independent Member
M. Ercan Kumcu, PhD
Member
Çiğdem Tüzün
Independent Member
Neriman Ülsever
Independent Member
Murat Gigin
Chairman
Assoc. Prof. Ahmet İpekçi
Member
Sinan Uzan
Member

Sitting, from left to right:

Cansevil Akçağlılar
Vice Chairwoman
Ali Nihat Gökyiğit
Member
Gülsüm Azeri
Independent Member

Message from the Chairman

“Last year, genuine progress was made in the direction of expanding our global footprint and becoming a global player. For us, such developments are more important that commercial success because they allow us to be even more optimistic about the future.”

Valued partners,

2019 was a year in which surprising developments were witnessed both globally and regionally as well as in Turkey and the effects of uncertainties and tensions once again made themselves felt more strongly than ever. With geopolitical risks never off the agenda, those in charge of managing economies were anxious of global recession scenarios and frequent economic punditry about the possibility of a “synchronized slowdown”. In addition to the stumbling-blocks set in the path of international trade and business relationships, the global economy’s fragility was further increased by disastrous weather events, waves of both economic and political refugees, and increasingly more vociferous protest movements.

Despite all of these adversities, the Tekfen Group for its part has completed a year in which it continued its corporate structuring, digital transformation, and investment efforts with no loss of momentum and whose successful business and financial results kept pace with developments rapidly unfolding around it. Last year, genuine progress was made by Tekfen Group companies in the direction of expanding their global footprint and becoming a global player in their own right. For us, such developments are more important that commercial success because they allow us to be even more optimistic about the future.

Owing to the Contracting Group’s operations, Tekfen has become a global player which has been managing international projects, adding to its international experience, and successfully representing Turkey abroad for more than forty years. Having said that however, today’s extremely challenging and volatile competitive environment obliges us not only to have a business model that is more flexible and nimble but also to constantly focus on innovation and originality and to expand our operational domain. In that respect, 2019 was a productive year in which we achieved some of the goals that we have identified as having priority in our transformation process.

Efforts that were initiated to define an effective corporate governance model, which we regard as being essential to our continued existence and sustainable success, were completed in 2019. Immediately afterwards we began taking steps to integrate both the ten-year strategy that Tekfen Holding will be following and the business model dictated by that strategy into our corporate structure.

While all of these intensive internal-organization efforts were being made, group companies’ own efforts to move into new markets and to expand their regional footprint ranked among their highest-priority concerns in 2019. We have begun to see the results of the mobilisation-like efforts that we have been making to break through the bottlenecks that plague the international contracting industry everywhere and, at a time when big-ticket projects are being postponed, to get our business volumes growing again. An especially exciting development in 2019 was our return, after quite a long absence, to the Russian market with a contract for an ambitious pipeline project. In offshore platform construction, a business line that presents us with the very best of opportunities to show off our contracting experience and abilities, we began work on a sixth Caspian Sea

> Publication of our first sustainability report in 2019, in one sense, is a manifesto of our sustainability strategy.

platform last year. One of our most important goals is to take our expertise in working on such projects into other parts of the world, beginning with the Eastern Mediterranean.

Tekfen Manufacturing, a Tekfen Group company that is active in the manufacture of steel equipment and structures, received orders for two refineries in the UK and France. This is a very pleasing development, not only because it shows us the kinds of markets we are able to venture into but also because it gives us a chance to show off what we can do. Similarly the fact that we produced the steel frame for the roof of the Al Thumama stadium, a construction project that is currently in progress in Qatar, in our own plant in Ceyhan is perhaps the finest evidence that our ability to take our expertise to other parts of the globe is no longer constrained by national borders.

Our rapid growth in engineering services, a business line that we regard as having the most important growth potential, continued all year long in 2019. With its staff of more than 500 people, Tekfen Engineering has reached a level where it is capable of competing successfully with the world's leading engineering firms from the standpoint not only of technical proficiency but also of service diversity and capacity. The fact that this engineering firm bearing the Tekfen name was awarded the consultancy and control services contract for the Çanakkale 1915 Bridge, which will be the world's longest single-span suspension bridge when it is completed, is a development which shows just how broad our horizons potentially are and in which we may all take justifiable pride.

For our Toros Tarım and Tekfen Tarım companies, both of which are advancing rapidly towards becoming global players, 2019 was also the setting for a number of exciting developments. Turkey's leading exporter of fertiliser, Toros Tarım not only repeated the previous year's success in 2019 but also undertook its first cross-border investment with the acquisition of Agriport, a Romanian company that will play a key role in supplying Toros Tarım products not only to that country's huge agricultural industry but likewise to markets elsewhere in Europe. In addition to this investment in Romania last year, Toros Tarım also opened an office in Ukraine and exported some 15% of its total production to eleven countries spanning the globe from Argentina to India.

Shipping its products to 31 different countries, Tekfen Tarım is the successful standard-bearer of the Tekfen name all over the world and is steadily growing its market with the addition of new destinations to its portfolio. I believe that the advanced R&D centres that have been set up at both Toros Tarım and Tekfen Tarım and the dozens of projects on which they are currently working will be creating significant added value both for the Tekfen Group and for Turkish agriculture in the years ahead.

Owing to the vital importance that it has for humanity's present and future, we approach agriculture not as merely a business line but rather with a sense of responsibility for supplying the sector with useful and effective products and solutions. This is the reason why the production of organic and organomineral fertilisers capable of providing the essential nutrients that our country's soil lacks is one of our highest-priority investment concerns. In order to produce these fertilisers ourselves, in 2019 Toros Tarım acquired a majority stake in Gönen Enerji and immediately embarked upon a series of rapid investments, thanks to which the company has already become an exemplary model for this business line in Turkey. A second plant with an even bigger production capacity is being set up in Meram in Konya province in line with our goal of being one of the most important players in the organomineral fertiliser market.

Yet another exciting development that took place in 2019 was our acquisition of a 10% stake in SOCAR Polymer, a petrochemical company in Azerbaijan. With this acquisition, we have also established our presence as an investor in a country in which we have been active as a contractor for about a quarter of a century.

Our world today is being massively transformed on every front by such developments as rapid population growth, urbanization, technological advances, and climate change. These tremendous changes are forcing businesses to constantly think about and reconsider how they conduct their activities, organize themselves, and define their objectives. Change today is taking place faster than ever and while companies try to keep pace with it, they are also being expected to behave more responsibly towards the environment, society, their employees, and all their stakeholders.

As a corporate group whose maxim has always been to behave consistently and responsibly in every undertaking that it becomes involved in, Tekfen desires to be in the vanguard of this transformation and to create a model that fuses together its deep-rooted values with universally-accepted sustainability principles. It is therefore with great pleasure to note here the 2019 publication of our first sustainability report. In one sense it is a manifesto of the sustainability strategy that Tekfen has formulated but it is also a transparent exposition of the group's performance in such areas as environmental impact, natural resource use, business ethics, digitalization, occupational health & safety, and corporate social responsibility.

We are excited by the goals set forth in our sustainability approach and we regard taking the Tekfen Group to even higher levels by blending its enduring values and its knowledge and experience with the benefits made possible by technology as being our most fundamental priority. In closing therefore, I extend my sincerest appreciation to our valued employees, for they are the greatest guarantee of our success in this effort, and to all of our other stakeholders for their continued support.

Very truly yours,

Murat Gigin
Chairman of the Board of Directors

Tekfen Holding Executive Management

From left to right:

Ahmet Okçular
Vice President,
Strategy, Business Development
and Investments

Hakan Göral
Vice President,
Agri Industry Group

Assoc. Prof. Reha Yolalan
Vice President,
Chief Financial Officer

Cahit Oklap
President,
Tekfen Group Companies

Hakan Dündar
Deputy Chief Financial Officer

Gürbüz Alp Kireç
General Secretary

Levent Kafkaslı
Vice President,
Contracting Group

Message from the President

“ Tekfen Group completed 2019 with a strong financial performance, registering both turnover and profitability results in which we may take pride. **”**

“ Influenced and shaped as it was by all of these global, regional, and local developments, 2019 was also a challenging year for the Turkish economy too. **”**

Valued shareholders,

As a country we have just completed a year in which there unfolded an uninterrupted series of extremely important issues. On the diplomatic front, Turkey’s “Operation Peace Spring” military incursion into northern Syria to ensure the security of its border, decisions taken by the government to protect Turkey’s interests in its exclusive economic zone in the Mediterranean, US threats of imposing economic sanctions on Turkey, and finally the impact and repercussions of Libya’s ongoing civil war as they affect Turkey were issues that topped the country’s 2019 agenda all year long.

On the domestic political front, among the topics to which the greatest attention was given for much of the year were the municipal elections which were held in March and for which a re-run election became necessary for Istanbul in June.

Meanwhile the world’s political and economic agenda was also fraught with such issues as protracted US-China trade negotiations (and the risk of their potentially having a global impact), the soap-opera-like saga of the UK’s departure from the EU (“Brexit”) negotiations, and the events and legal wrangling that culminated in US President Donald Trump’s impeachment. Two other issues which emerged late in 2019 and which look likely to remain important in 2020 were a resumption in US-Iran tensions and the outbreak of a coronavirus epidemic in China.

Issues such as extreme weather events in the form of storms and floods and uncontrollable forest fires that have become increasingly more frequent and severe due to climate change, indications that the harm which human beings are causing to the natural environment is approaching a tipping point, pressures on biodiversity and rapid depletion of natural resources, and worries about how progress in artificial intelligence driven by ever-evolving technology is going to impact on humankind’s economic and overall future are becoming more talked about and debated with each passing day.

Influenced and shaped as it was by all of these global, regional, and local developments, 2019 was also a challenging year for the Turkish economy too. Economic growth faltered: the 2.3% and 1.6% rates of contraction experienced in the first and second quarters of the year respectively were followed by a mere 0.9% rate of growth in the third. Joblessness was up: as of October 2019, the official unemployment rate was 13.3%. After hovering in the 15-20% range until August, twelve-month CPI inflation closed the year at 11.8%. However, much it may have been the outcome of economic torpor, there was nonetheless a significant improvement in the country’s balance of payments, which yielded a USD1,7 billion surplus in 2019. This improvement in the current balance eased the pressure being exerted on exchange rates somewhat: having closed 2018 at the TRY5,26 level, the US dollar rose by 12.9% to TRY5,94 during the next twelve months. TRY-based interest rates also registered noteworthy declines in parallel with inflation: Central Bank’s weekly repo rate (policy rate), which was 24% at end-2018, nearly halved in the subsequent twelve months and ended up at 12% as of end-2019.

In the context of such challenging externalities, the Tekfen Group completed 2019 with a strong financial performance, registering both turnover and profitability results in which we may take pride. In 2019 the Tekfen Group generated a consolidated turnover of TRY14,603 million, earnings before interest, taxes, depreciation, and amortization (EBITDA) of TRY1,921 million, and a net profit of TRY1,415 million. As of end-2019, the Tekfen Group’s total assets were worth TRY12,663 million and its total equity amounted to TRY5,497 million.

The Contracting Group, which represents the Tekfen Group’s oldest and biggest business line and which has made the Tekfen name a global brand by successfully completing hundreds of projects in different parts of the world, performed exceptionally well in 2019, booking a turnover of TRY10,539 million and a net profit of TRY984 million. Tekfen Construction, the flagship company of the Tekfen Contracting Group, had a backlog of works in progress worth USD1,715 million at end-2019 and was conducting its operations on a large number of projects in Azerbaijan, Georgia, Iraq, Kazakhstan, Qatar, Russia, and Saudi Arabia as well as in Turkey. In another development at Tekfen Construction last year and in line with our strategic business objectives, it was decided that control of the Real Estate Development Group, which hitherto had been conducting its operations as a directly-held subsidiary of Tekfen Holding, was to be transferred to Tekfen Construction and that our real estate development and investment operations henceforth will be carried out within the latter company.

The Tekfen Agri-industry Group, Tekfen’s second biggest business line, also successfully completed the year having booked a turnover of TRY3,983 million and a net profit of TRY386 million in 2019. Before passing on, I take pride in noting that Toros Agri, the group’s engine, demonstrated an exceptionally strong export performance last year.

Originally established by its founding partners in 1956 as a modest engineering firm and consultancy, the Tekfen Group has grown in the years since then, becoming a global player that is determined to go even further ahead. Hopeful as we are about our prospects in 2020 I take this occasion to extend my appreciation to our shareholders, employees, and customers as well as all of our other stakeholders: the roles they play and the support they give are forever vital to our ability to achieve our goals.

Very truly yours,

Cahit Oklap,
President, Tekfen Group Companies

The Al Thumama Stadium which will host 2022 World Cup games in Doha, Qatar.

Contracting Group

Profile

Representing one of Tekfen Holding's two principal business lines, the Tekfen Contracting Group's experience and competencies as well as its quality and sustainability-focused approaches and a business model whose cornerstone is keeping one's word make it a solution partner that is preferred by leading employers and project-owners around the world. Having earned a respected name by completing the more than 400 projects that it has undertaken successfully and on time no matter how demanding they may be, the group conducts its operations both in Turkey and across a broad region that extends from Germany to Kazakhstan. With a substantial portfolio of cross-border projects to its name, the Tekfen Contracting Group's more than 15 thousand employees and international revenues make it one of the engines of Turkey's contractor services industry.

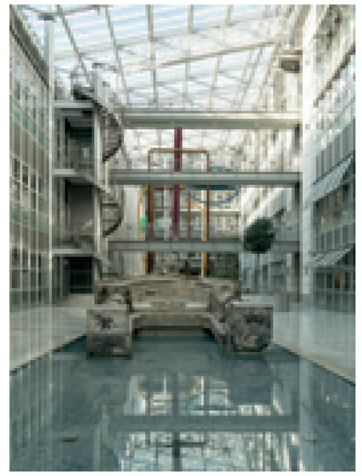
With extensive experience especially in oil, gas, and petrochemical facilities, the group supplies its customers mostly with turnkey-delivery EPC (Engineering, Procurement & Construction) and with Design & Build solutions in such areas as pipelines, oil and gas terminals, tank farms, oil refineries, pumping and compressor stations, power plants, industrial facilities, highway and rail system projects, sports complexes, and infrastructure and superstructure projects. To date, the group has successfully completed a large number of such highly challenging projects across a vast region of the world that spans more than twenty countries and ten time zones.

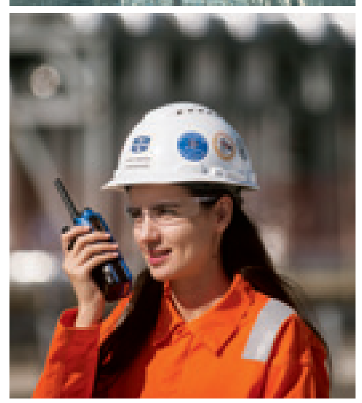
The Tekfen Contracting Group conforms strictly to internationally-recognised quality, workplace and occupational health and safety, and environmental management system standards in the conduct of all of its operations. Besides being evidence of the importance that it gives to people, the group's uncompromising approach when dealing with HSEQ (Health, Safety, Environment & Quality) issues and practices has earned it a world-class record of accident-free success in numerous projects as well as employer awards and citations.

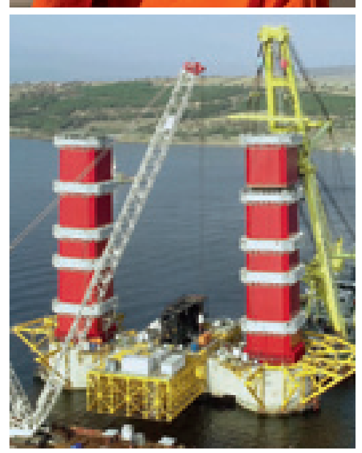
Tekfen Construction and Installation Co., Inc.
As the flagship company of the Tekfen Contracting Group, Tekfen Construction and Installation Co., Inc. is one of Turkey's oldest contracting companies with a 63-year track record, extensive international experience, and corporate values and competencies that make it a much sought-out business partner. The company's outstanding commitment to globally-accepted quality standards powers its steady and consistent growth and enables it to serve even the world's selective employers. With extensive experience and competencies in the fulfillment of EPC projects, Tekfen Construction manufactures

"Tekfen Contracting Group supplies its customers mostly with turnkey-delivery EPC (Engineering, Procurement & Construction) and with Design & Build solutions."

Tekfen Contracting Group, is one of Turkey's flagship contractors.







all of the specialized steel equipment and at its own structural steel and pipe fabrication facilities: the Ceyhan steel structure fabrication plant located in Turkey, the Bayıl steel fabrication plant located on the shore of the Caspian Sea in Azerbaijan, and the Atyrau pipe spool fabrication plant located in Kazakhstan. Tekfen Construction 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 activities, the company helps contribute to a more sustainable future through superior performance when dealing with workplace health & safety, quality, resource efficiency, and environmental wellbeing issues.

Tekfen Engineering Co. Inc.
Set up in 1984 to provide the engineering services needed for turnkey-delivery projects, Tekfen Engineering Co.,Inc., (Tekfen Mühendislik A.Ş.) is an effective solution partner whose experience arising from the completion of countless domestic and international projects and strong staff of more than 500 professionals make it especially preferred in the conduct of large-scale EPC (Engineering, Procurement & Construction), EPCM (Engineering, Procurement & Construction Management), and Design & Build projects. Possessing all of the engineering skills and resources needed to undertake and carry out expertise-demanding infrastructure projects such as refineries and petrochemical plants, terminals, fossil-fuel, gas and renewable-energy power plants, highways, rail systems, and long-span bridges, Tekfen Engineering's human resources and their knowledge and experience as well as its use of innovative technology make it one of the leading firms in its sector in Turkey. The company also serves non-group customers in the fulfillment of their own industrial plant and infrastructure projects.

Tekfen Manufacturing & Engineering Co, Inc.
Tekfen Manufacturing & Engineering (Tekfen Mühendislik A.Ş.) was set up in 1970 to provide international-standard-compliant engineering, manufacturing, and installation services related especially to the storage and process equipment needed in the oil, petrochemical, and chemical industries and by industrial facilities such as gas plants, iron & steel mills, and power stations. The company conducts its operations at a factory with 19,250 m^2 of enclosed space that is located in Derince, east of İstanbul. Providing engineering, manufacturing, and installation services that conform to international standards, Tekfen Manufacturing serves a broad customer portfolio in the production of cylindrical and spherical storage tanks, pressurized vessels, process columns, reactors, heat exchangers, waste-heat recovery boilers, pressurized pipe systems, and heavy steel construction. In addition to Tekfen Group companies, Tekfen Manufacturing serves international contractors and domestic and international firms in the conduct of projects involving such projects as refineries, petrochemical, chemical, and fertiliser plants, and LPG storage and distribution.

International Subsidiaries & 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 joint venture of Tekfen Construction and SOCAR (Azerbaijan's state-owned petroleum company), has become a solution partner most trusted by multinationals active in the region owing to its successful track record in undertaking numerous large-scale petroleum and gas-processing projects in Azerbaijan and Georgia.

GATE, which was founded in Kazakhstan in 2002, has been conducting its operations as a wholly-owned Tekfen Contracting Group member since 2018. The company has successfully carried out major project design & development, construction, and installation works.

"With more than 500 professionals, Tekfen Engineering is an effective solution partner for large-scale EPC and Design & Build projects."

Al Khor Expressway, Qatar

2019 Operations

Beset as the year was by deepening geopolitical risks arising from worries about a global recession, by antagonism and conflicting interests among national economies, and by social unrest and unforeseen political/diplomatic developments, the global construction industry's output fell short of expectations in 2019. The sector's 2.7% year-on growth rate according to Global Data estimates is the lowest witnessed in a decade.

In a country whose geopolitical risks are particularly severe, Turkey's contractor services sector suffered from the effects of diminishing business volumes and unstable business conditions all year long.

In 2019, the sector undertook 438 projects abroad worth a total of USD18 billion, about 15% less than the USD21.2 billion figure which it booked in 2018. Looking back at the sector's performance during the most recent six years, we see that the overall shrinkage in the total project value of international contractor services, which was USD31.2 billion in 2013, is more than 42%. According to a 2020 sector analysis report published by the Turkish Contractors Association, not only has the total value of the sector's business declined but the average contract value of cross-border projects being undertaken fell from USD86.8 million in 2015 to USD41.2 million in 2019.

Despite the unfavourable conditions that prevailed in the sector, for Tekfen Construction 2019 was a year in which it registered historically successful results in terms of both turnover and profitability. Projects that were completed on schedule–and occasionally even earlier–thanks to good planning, organization, and management impacted favourably on the company's revenue streams and increased its profitability. 2019 was also a year in which Tekfen Group companies further developed their project-based synergy-generation skills. By compatibly marshalling their engineering, manufacturing, and construction competencies in line with each project's specific requirements, Tekfen Contracting Group companies achieved successful results.

In keeping with its goal of joining forces in the undertaking of new projects worldwide, Tekfen Construction entered into a strategic partnership in 2019 with Thornton Tomasetti, a firm that has been providing research, analysis, and design consultancy services on engineering issues associated with countless projects all over the globe over decades.

TANAP Compressor and Metering Stations, Damal-Ardahan

Tekfen Construction

For Tekfen Construction, 2019 was a successful year in which the company brought some projects to completion and made good progress in ongoing ones as planned. As of end-2019, Tekfen Construction's portfolio of projects in progress was worth USD1.715 billion. In Engineering News-Record's 2019 list of the world's 250 biggest international contractors based on their 2018 performance, Tekfen Construction advanced 29 positions from 98th to 69th last year.

In the 2018 edition of Global Powers of Construction, a report published by Deloitte, a leading global provider of audit and consulting services, that ranks the top 100 global construction companies, Tekfen Construction rose two positions to 81st.

In order to counter the contraction in the sector, even greater attention than usual was given to seeking out new business and markets, with the result of a 50% year-on rise in the number of project bids that the company submitted. However, uncertainties caused by the geopolitical climate were such as to frustrate project-finalization processes and resulted in most projects being postponed. Of the 64 bids that were submitted by the company last year, the results of 38 are still pending. As it is expected that these will be forthcoming in 2020, it is likely that the year will be a busy one from the standpoints of business development, negotiations with employers, and bid preparation.

As countries in the Middle East and North Africa have always had an important place in the conduct of the Tekfen Contracting Group's operations, any uncertainties and volatile inter-country relationships in this region have a near-immediate impact on expectations related to large-scale projects. In 2019 the group continued to make a genuine effort in line with its policy of restructuring its customer portfolio by venturing into new markets. The approximately USD311 million contract for the Kharampur Natural Gas Pipeline Project in Russia that the company signed last year after an almost three-decade hiatus in that country is a hopeful sign that the efforts to create new business bear fruit.

Attention is also being given to business development in Africa, where the company is exploring project opportunities along many different avenues. Having previously opened an office in Morocco in order to keep a closer watch on potential business in that country, in 2019 Tekfen Construction opened another office in Algeria for the same purpose. It plans to open a third office in Nigeria (the first in Sub-Saharan Africa) in 2020. Other countries on which the company will be keeping a close watch because of their business potential are Senegal in West Africa and Mozambique, Tanzania, and Uganda in East Africa.

Tekfen Construction is also exploring ways in which to venture into new markets by looking westward in search of business opportunities in Europe and the

"The approximately USD311 million new contract for the Kharampur Natural Gas Pipeline Project in Russia that Tekfen Construction signed last year is a hopeful sign that the efforts to create new business bear fruit."

USA. Of the countries that are in the European Union, Germany in particular has announced investment plans that hold out promise for the future. A proposed programme in the United States to renovate that country's superannuated transportation infrastructure is expected to create a huge market for international contractors and the company is currently working with other members of the Tekfen Contracting Group to seek out new business opportunities there.

In keeping with its goal of working with other firms in the undertaking of new projects around the world, in 2019 Tekfen Construction entered into a strategic partnership with Thornton Tomasetti, a firm that has been providing research, analysis, and design consultancy services on engineering issues associated with countless projects all over the globe for decades. Tekfen Construction and Thornton Tomasetti have a good track record of productive collaboration, having previously worked together on such projects as the SOCAR Tower, the Baku Olympic Stadium, the Ministry of Taxes headquarters building in Azerbaijan, and the Al Thumama Stadium in Qatar.

In 2019, Tekfen Construction began work on its sixth offshore oil & gas platform at its Bayıl plant in Azerbaijan. For Tekfen Construction, such platforms have become an important area of expertise that gives it a significant leg up over its competitors. The company plans to seek out more business in this line in other markets. Natural gas exploration work currently taking place in the Eastern Mediterranean for example can be expected to lead to new opportunities.

The Tekfen Contracting Group's goal of increasing its own EPC competencies remains as strategically important as ever and, led by Tekfen Engineering, the members of the group continue to pursue planned growth in this area.

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Tekfen Construction was ranked 69th last year in Engineering News-Record's 2019 list of the world's 250 biggest international contractors.

TANAP Compressor and Metering Stations, Damal-Ardahan

Projects

Pipeline projects

Making up one of Tekfen Construction's primary areas of expertise, pipelines have had a significant place among the company's operations since the day it was founded. Having built more than 7,500 km of pipeline since its inception, Tekfen Construction has accumulated tremendous experience in this business line.

Jeddah-Yanbu Pipeline Project
Work continued in 2019 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 2019, 87% of the works had been completed under a project that is scheduled to be finished in the last quarter of 2020.

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. For this project, which has so far involved such operations as making route changes and by-pass lines at designated points along the pipeline and repairing and reinforcing damaged sections, a new three-year contract was signed in 2019.

Georgia Pipeline Enhancement & Repairs Project
Signed in 2018, this contract with BP Exploration (Caspian Sea) Limited covers various maintenance and enhancement works needed on pipelines and their pumping and compressor stations in Georgia. All activities are being conducted on a work-order basis and must be carried out while the pipeline and stations remain in operation. The contract expires as of end-March 2021.

Kharampur Natural Gas Pipeline Project
In late 2019, Tekfen Construction and Rusfen (the company's newly-formed subsidiary in Russia) signed a contract with employer Kharampurneftegaz LLC covering construction and installation works on a 48-inch, 90-km gas pipeline. This pipeline, which will carry natural gas extracted from the Senoman and Turonian gas fields in the Yamalo-Nenets Autonomous District of Western Siberia to Gazprom's main gas transmission network, is being built through extremely rugged terrain and under harsh arctic climate conditions. As planned, the pipeline is to be completed in 16 months and is scheduled for delivery around mid-2021 and has a contract value of USD311 million.

Oil, Gas, and Petrochemical Projects

Owing to its particular expertise in the oil, gas, and petrochemical industries, Tekfen Construction has repeatedly been involved in numerous, 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 and TÜPRAŞ refineries, the Aliağa Petrochemical Complex, and the BTC Ceyhan Sea Terminal in Turkey; the Samir Refinery in Morocco; the Sangachal Terminal in Azerbaijan; the Atyrau Refinery and the main works of the Kashagan Oil Field Development Project in Kazakhstan; the Fergana Refinery in Uzbekistan; the Yanbu and Petrorabigh refineries in Saudi Arabia; and a low-density polyethylene plant in Qatar.

Kharampurneftegaz is a 48-inch and 90-km gas pipeline. This pipeline, which will carry natural gas extracted from the Senoman and Turonian gas fields in the Yamalo-Nenets Autonomous District of Western Siberia to Gazprom's main gas transmission network.

The 2 compressors and 4 metering stations of the TANAP Project as well as the Gas Receiving Terminal Project whereby the TurkStream Offshore Pipeline reaches the shore in Kıyıköy, Kırklareli were completed within 2019 and their final commissionings are planned for March 2020.

TANAP Compressor and Metering Stations, Damal-Ardahan

TurkStream Gas Receiving Terminal & Onshore Gas Pipeline Project, Kırklareli

STAR Aegean Refinery Project
Construction work began in 2014 on the STAR Aegean Refinery, a project that involves investments worth about USD5.7 billion in İzmir's Aliağa township in western Turkey by SOCAR, the State Oil Company of Azerbaijan. By virtue both of its total investment outlays 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, in October Tekfen Construction signed a finalized contract 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. All work was completed as of end-2018 and delivery took place on 20 February 2019.

TANAP Compressor & Metering Stations Project
In addition to the Lot 3 section of the TANAP project, the Tekfen Construction also undertook the EPC construction works of two compressor and four metering stations for TANAP along the Turkish section of the pipeline. The goal of having 100% of the construction work completed by May 2019 was achieved and with the subsequent fulfillment of all other contractual obligations, the project was turned over to the owner on 29 October 2019.

TurkStream Gas Receiving Terminal & Onshore Gas Pipeline Project
In 2017, Tekfen Construction and prime contractor Petrofac International UAE LLC signed an agreement for the construction of a receiving terminal near Kıyıköy on the Black Sea coast in Kırklareli, west of İstanbul where the TurkStream offshore gas pipeline makes landfall in Turkey. Two 32-inch pipelines 930 kms in length running beneath the Black Sea are joined up at the terminal to Turkey's existing natural gas distribution network. From there, another pipeline will transport the gas as far as the Turkish-Bulgarian border. As of end-2019, all work had been completed and final acceptance is expected to take place in March 2020.

FGP Projects
GATE Construction, a Tekfen Construction subsidiary active in Kazakhstan, continues to increase its presence in the Tengiz Oil and Gas Field, where some of the world's biggest proven oil and gas reserves have been identified. The personnel accommodations infrastructure works which the company undertook in 2016 as the first part of the investment phase of the Future Growth Project (FGP), a gigantic undertaking of which Kazakhstan's biggest oil-producer Tengizchevroil is the owner, were completed and delivered in 2019. All the structures covered by the original FGP Temporary Construction Facilities project contract that went into effect in 2017 were commissioned last year and the works that were subsequently added to the contract are scheduled for completion in March 2020. Work on the FGP Multi-Wellhead projects, which also began in 2017 and which is contractually required to be completed in the second quarter of 2022, was 54% completed as of end-2019. GATE Construction has also succeeded in achieving a noteworthy accident-free record on all three projects since their outset.

Dehydrator & Desalter Units Project
In 2016, Tekfen Construction and BP Iraq NV signed a three-year contract under which Tekfen Construction agreed to build water separation & salt separation units in the Rumaila Oil Field in the Basra region of southern Iraq on a work-order basis. In 2019, the duration of this contract was extended by another year to a total of four. As of end-2019, 22 work orders had been

GATE Construction has been working on 3 projects within Tengizchevroil's Future Growth Project on the Tengiz Oil and Gas Field, where some of the world's biggest proven oil and gas reserves have been identified.

At the TurkStream Gas Receiving Terminal, two pipelines beneath the Black Sea are joined up to Turkey's existing natural gas distribution network. From there, another pipeline will transport the gas to the European border.

TANAP Compressor and Metering Stations, Damal-Ardahan

issued and 65% of the works had been completed. Owing to new work-order issuances, it is anticipated that the project will extend into 2021.

TÜPRAŞ İzmit Refinery Maintenance & Repair Services
A contract that was signed in 2018 to provide scheduled and unscheduled maintenance & repair services that may be required in the course of the TÜPRAŞ İzmit Refinery's operations expired in 2019 and was replaced with another three-year agreement with the same terms as the previous one. The contract covers metal maintenance, tank maintenance, insulation works, paint and sandblasting works, construction works, and scaffolding works as well as scheduled stoppage works upon request.

Offshore Platform Projects

Offshore platforms provide some of the best 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 to be built at the Bayıl Steel Fabrication Plant near Baku, was installed at its location in the Caspian Sea in 2005 and was the first project of its kind ever to be undertaken by a Turkish contractor. This project was followed in 2008 by a 13,500-ton process, compressor, water preparation, and injection platform; in 2013 by the 18,500-ton West Chirag Platform (the biggest ever erected in the Caspian Sea); and in 2017 by two offshore platforms with a combined weight of 26,442 tons that were built as part of the of Shah Deniz Phase II investment programme.

ACG Oil Drilling & Production Platform
Azfen, an Azerbaijan-based company in which Tekfen Construction controls a 40% stake, signed a USD486.3 million agreement to undertake the construction and installation works for a new oil-drilling and production platform, part of a BP Exploration investment in the Azeri-Chirag-Gunashli oil field in the Caspian Sea. Consisting of a drilling module and service and accommodations units, the platform weighs 16,936 tons. Construction work is scheduled to take 38 months.

Highway Projects

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

Al Khor Expressway Project
The Al Khor Expressway, which in 2016 was added to the portfolio of road works that Tekfen Construction was carrying out in Qatar, involves the construction of a 34-km ten-lane (five lanes in each direction) expressway, ten multilevel junctions, and some 900 kms of cable and underground pipework lines. As of end-2019, work on this project was 97.5% complete. The Al Khor Expressway will be playing a key role in the 2022 FIFA World Cup by connecting the stadiums. On 15 April 2019, a section of the highway consisting of the main road and three junctions was opened to traffic.

Eastern Industrial Road Project
The agreement with the Qatari Public Works Authority (ASHGHAL) to undertake the Eastern Industrial Road Project that was signed in 2017 covers the building of about 2.5 kms of high-capacity roadway conforming to the highest standards. The main section of the road, which connects the capital Doha to an industrial zone south of the city, has been opened to traffic. As of end-2019 some 84% of the overall project had been completed.

In 2019, Azfen, undertook the construction and installation works for a new oil-drilling and production platform weighing 16,936 tons as part of a BP Exploration investment in the Azeri-Chirag-Gunashli oil field in the Caspian Sea.

As of end-2019, work on Al Khor Expressway project was 97.5% complete.

Superstructure Projects

Tekfen Construction has extensive experience in building high-profile structures like skyscrapers and stadiums that frequently become the hallmarks of a city's identity. Examples of this sort are Tekfen Tower and the Atatürk Olympic Stadium in İstanbul and the SOCAR Tower and the Baku Olympic Stadium in Azerbaijan.

Al Thumama Stadium Project
In 2017, a Qatar-based joint venture of Tekfen Construction and Al Jaber Engineering in which each side controls a 50% stake was awarded the contract for the Al Thumama (Fifth Precinct) Stadium. This 40,000-seat stadium is one of eight in which the group, elimination, and quarter-final matches of the 2022 World Cup will be held. The joint venture is undertaking the project's engineering design and construction works on a turnkey-delivery basis. A crucial milestone was passed in 2019 with the successful lifting of the stadium roof's structural steel elements. Pre-installation work on the radial cable system that makes up the roof frame was carried out at Tekfen Construction's Ceyhan plant and took two and a half months and another seventeen days were required for lifting. As of end-2019 61% of the overall project had been completed.

Azerbaijan Ministry of Taxes Headquarters Building Project
The construction of a new headquarters building for the Azerbaijan Ministry of Taxes (MOT Tower) 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. Initially the contract covered only the building's reinforced concrete, steel, and facade works but its scope was expanded in 2018 with an annex covering its architectural, mechanical, electrical, landscaping, elevator, and equipment works as well. As of end-2019 63% of the project had been completed.

As the project poses particular challenges owing to the unique features of the building's unusual design in which each floor plan is rotated 1.2 degrees with respect to the floor below resulting in an overall 40-degree twist from bottom to top, it is one that the architectural profession is keeping its eye on. Structure, a respected professional journal catering to practicing structural engineers, made MOT Tower the cover story of its July 2019 issue.

"On 15 April 2019, a section of the Al Khor Expressway, consisting of the main road and three junctions was opened to traffic."

Al Thumama Stadium, Qatar

Azerbaijan Ministry of Taxes Headquarters Building, Baku

The Al Khor Expressway Project in Qatar, consists of the construction of a 34-km ten-lane (five lanes in each direction) expressway and ten multilevel junctions.

Fabrication Yards

The work of fabricating the structural steel and piping needed for the company's domestic and international projects is carried out at three plants owned by Tekfen Construction. These facilities play a critical role in the company's ability to deliver high-quality steel construction and steel equipment solutions in time and according to requirements as well as in the Contracting Group's ability to produce turnkey-delivery projects as an EPC contractor.

Ceyhan Steel Structure Fabrication Plant

The Ceyhan Steel Structure Fabrication Plant was commissioned in 1993 to meet the Tekfen Contracting Group's requirements for steel structures mostly in the group's international operations. Possessing the equipment and the expertise needed to respond to the demands of every sort of contracting project, the Ceyhan plant produces steel pipes and modular structures for refineries, petrochemical complexes, power plants, terminals, oil and gas platforms, stadiums, bridges, viaducts, and more. Besides steel structures, the company is also able to produce corrosion-resistant, duplex, super duplex, and carbon steel pipe spools. Situated on 160,000 m^2 of grounds with 30,000 m^2 of enclosed space, the plant has the capacity to handle 30,000 tons of steel structure and 10,000 tons of pipe spool a year. Since it originally commenced operations, the plant has turned out about 26,000 tons of pipework and 267,000 tons of steelwork.

The plant also houses a welding school in order to train the qualified technical personnel that Tekfen Construction needs. Its graduates are awarded internationally-recognised welder's licenses that satisfy worksite requirements. The 121 welders who were certified by the school in 2019 were employed on Tekfen Construction's TurkStream Gas Receiving Terminal, TÜPRAŞ FCC, Iraq Rumaila, and Qatar Al Thumama Stadium projects.

The conformity of the Ceyhan Steel Structure Fabrication Plant's operations to international standards is attested to by the ISO 9001:2008 Quality Management System, ISO 14001:2004 Environmental Management System, OHSAS 18001:2007 Occupational Health and Safety Management System, EN ISO 3834-2 Quality Requirements for Fusion Welding of Metallic Materials, EN 1090-2 EXC4 technical requirements for the execution of steel structures (CE marking), and ISO 27001:2013 Information Security Management System certifications. Fabrication and cost-control software and a barcode system ensure that productivity and traceability are maintained at every stage of production and quality control.

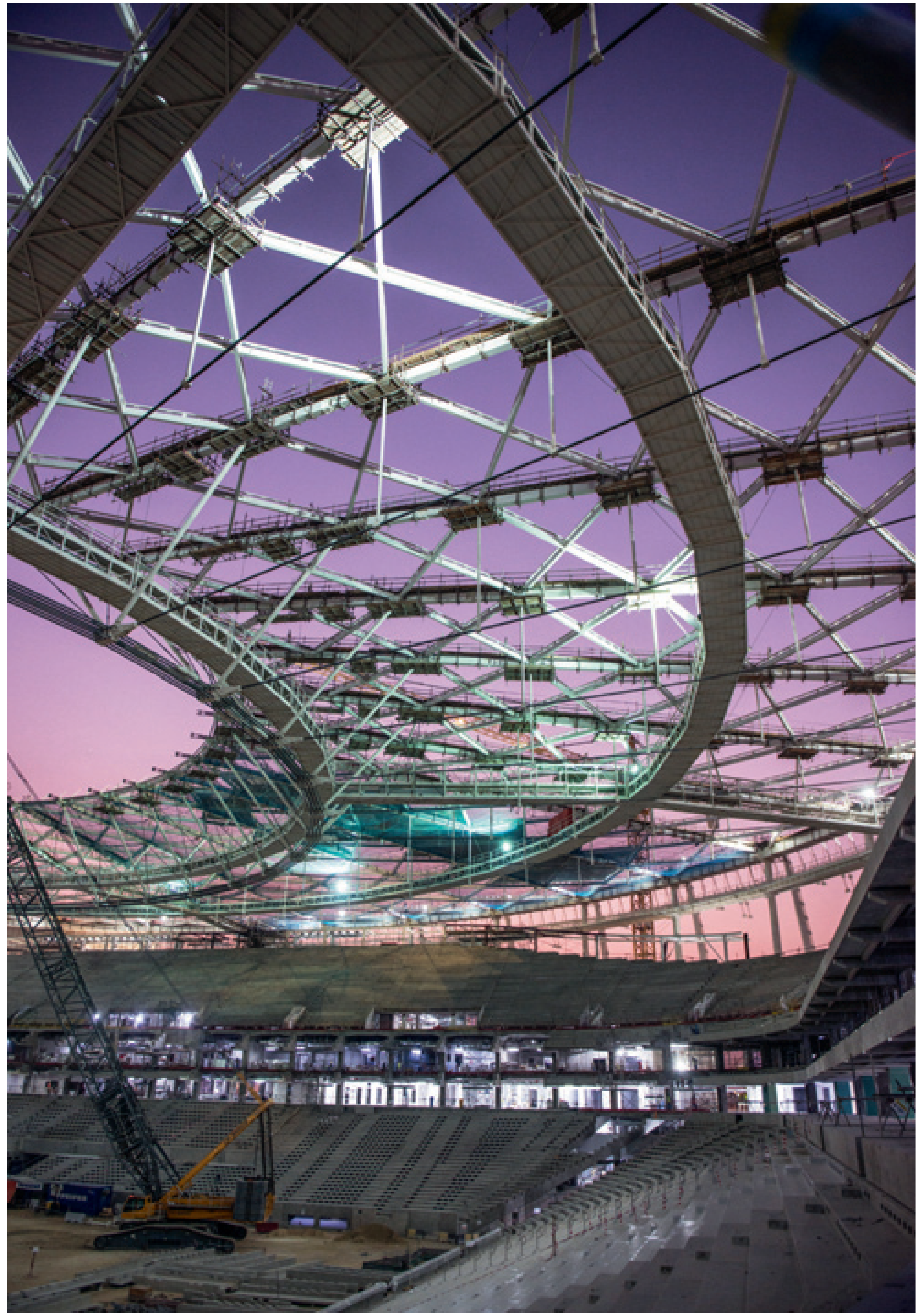
2019 was a year in which significant progress was made in addressing the high-priority- issues of operational efficiency, digital transformation, and sustainability. Substantial improvements were made in the existing database system as a lead-in to the mobile production & quality monitoring platform being developed within Tekfen Construction. In line with the modernization of production operations that is taking place concurrently with the company's digital transformation projects, automated production line and robotic welding line technologies were introduced.

Under its E-House project in 2019, the Ceyhan Steel Structure Fabrication Plant expanded its range of modular products and also won a Honeywell UOP contract for a project at a refinery in northern Iraq in 2020. 59% (about 7,000 tons) of the plant's 2019 output was for use on Tekfen Construction projects in other countries while the remaining 41% was intended for projects in Turkey.

Bayıl Steel Structure Fabrication Plant (Baku-Azerbaijan)

Acquired in order to support Tekfen Construction's undertakings in the Caspian region and then modernized at a significant investment cost by the company when it was privatized by the Azerbaijan government in 2003, the Bayıl Steel Structure Fabrication Plant was originally known as "Cenup Tikinti

The Ceyhan Steel Structure Fabrication Plant expanded its range of modular products and also won a Honeywell UOP contract for a project at a refinery in northern Iraq in 2020.



Pre-installation work on the radial cable system that makes up the roof frame of Al Thumama Stadium in Qatar was carried out at Tekfen Construction's Ceyhan plant and took two and a half months.

Servis" (CTS). Located in Azerbaijan near the capital city of Baku, the plant has 40,950 m² of enclosed space on 122,600 m² of grounds. Between 1949 and 2003, CTS was itself responsible for the fabrication and offshore installation of about 1,400 oil platforms of various sizes in the Caspian Sea. Its acquisition in 2003 is what originally gave Tekfen a foothold in the business of offshore oil platforms.

Between 2003 and 2017, five (three oil and two gas) offshore platforms with a combined weight of about 75,000 tons were successfully made for the ACG and Shah Deniz projects at the Bayıl Steel Structure Fabrication Plant. In 2019 the plant began work on a sixth platform that will weigh 18,000 tons.

Atyrau Pipe Spool Fabrication Plant (Kazakhstan)
Owned by GATE, Tekfen Construction's Kazakhstan-based subsidiary, the Atyrau Pipe Spool Fabrication Plant was commissioned in 2019. The plant conducts its operations in 4,000 m² of enclosed space on 200,000 m² of grounds. With its 200,000 WDI/year capacity giving it the ability to supply all of the region's needs for pipe, support, and steel fabrication from within Kazakhstan, the plant is a significant addition to Tekfen Construction's fabrication muscle throughout the Caspian Sea basin.

Real Estate Development

In line with Tekfen's strategic business objectives, control of the Real Estate Development Group, which hitherto had been conducting its operations as a directly-held subsidiary of Tekfen Holding, was transferred to Tekfen Construction in 2019. Tekfen's real estate development and investment operations henceforth will be carried out through that company. This reorganisation was carried out in view of a more effective project development and operational structure from the standpoints cost and efficiency optimisation as well as of competitive advantage.

Denkmal in Dahlem Project
Being undertaken in Germany's capital Berlin, the Denkmal in Dahlem Project involves the restoration of two historical buildings in Dahlem, one of the city's most affluent and prestigious districts. The project, whose contract value is EUR60 million, consists of two buildings which were originally constructed in 1907 and which will have a total of 4,500 m² of sellable/leasable space. The two buildings are to be turned into 42 deluxe residences for sale or rent. With the completion of the transfer of shareholding interests in July 2019, Tekfen now controls an 80% stake in this project. Once licensing formalities have been finalized, it is planned to complete construction work by the end of 2021.

Dortmund Office Building Investment
On 2 May 2019, Tekfen became a partner in an international joint venture to partially restore an office building located in Dortmund Germany and originally built in 1993, which will generate rental income. Situated in the heart of the city in a prominent location, the building has 24,611 m² of leasable space. Transfer of ownership took place on 31 July 2019 and renovation works will get under way in 2020.

Berlin Office Complex Investment
This project involves the partial renovation and subsequent management of a complex of five office buildings with a total of 64,774 m² of leasable space located in downtown Berlin. Tekfen signed a partnership agreement with the international joint venture that is conducting the project on 17 June 2019. Transfer of title was completed as of year-end. The project's architecture, planning, development, and marketing works are currently in progress and modification work will get under way once licensing formalities have been completed.

HEP İstanbul
Located at the convergence of Avcılar, Beylikdüzü, and Esenyurt (three of İstanbul's fastest-growing townships) and with 253 thousand m² of construction space on 57 thousand m² of grounds and a TRY687 million contract value, the

"In line with Tekfen's strategic business objectives, control of the Real Estate Development Group, in view of a more effective project development and operational structure from the standpoints cost and efficiency optimisation as well as of competitive advantage, was transferred to Tekfen Construction in 2019."

Built in the early 19th century as Germany's first lightbulb factory, the five-block property has a leasable area of 64,774 m²

HEP İstanbul project commands an important place within Tekfen's real estate development operations. 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 space. As of end-2019, 1,343 dwelling units and 7 commercial properties had been sold. With its 94% occupancy rate and 3,700 residents, HEP İstanbul is one of the most attractive branded residential-development projects in the area.

Designed with the goal of providing well-planned, superior-quality, and eco-friendly living spaces 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. The project placed first in the "Sustainable Housing" category of the fourth round of the ISBS Sustainability Awards. Ranking also among the top five contenders in the "Mid-High Rise Buildings – Built" category, HEP İstanbul was also a finalist in the 2019 round of Cityscape Awards handed out at Cityscape Global Dubai 2019, a prestigious international real estate fair.

HEP Istanbul Project, Esenyurt

Tekfen Engineering

For Tekfen Engineering, 2019 was a year in which new competencies were acquired and human resources were developed in line with new needs and potential business lines. The members of the company's team of transportation and infrastructure specialists were reorganized into three new departments: Infrastructure & Roads, Bridges & Viaducts, and Tunnels & Geotechnics. Last year, industry's digital transformation services were added to the company's existing portfolio of services in the areas of process, instrumentation, technology, pipework, and control systems.

Specialization in this new business line means that Tekfen Engineering is now able to offer Tekfen Group and non-group companies digital solutions in line with their operational requirements both in their new investments and in their existing business activities.

In 2019, Tekfen Engineering also completed the formation of its own Risk & Security Engineering Department. The first of its kind in Turkey, this department focuses on the "safe design" philosophy and, in the brief time since its inception, it has undertaken new projects for such prominent employers as Ak-Kim, STAR Refinery, Petkim, and TÜPRAŞ. Last year, Tekfen Engineering also set up another new department that will be focusing on laser scanning & 3D model integration, one of the fastest-growing engineering solutions in the world today.

Adhering to an innovative approach in which it keeps a close eye on global developments in transportation and infrastructure, Tekfen Engineering's goal is to pursue growth in markets around the world. In line with this, in 2019 the company gave added impetus to its international business-development efforts. It tracked the progress of more than a hundred potential projects in 38 countries in Africa, Europe, and elsewhere while also exhibiting its own projects on a variety of international platforms all year long. Having set up a temporary office in Qatar, the company has begun using it to seek out important engineering project opportunities in that country and the surrounding region.

Since many of Europe's existing refineries and petrochemical plants are showing their age and are facing increasingly stiffer competition, some are seen as being likely to embark upon renovation and rehabilitation projects in the near future. In anticipation of this, a technological survey of such facilities was carried out in 2019 while Tekfen Engineering's capabilities were presented to potential refineries and license-holders. The company has also begun keeping a close watch on business opportunities in Sub-Saharan African countries such as Mozambique, Nigeria, Tanzania, and Uganda.

The funding support that was awarded as a result of Tekfen Engineering's submission to a call for "Demonstration of solutions based on renewable sources that provide flexibility to the energy system" projects under the Horizon 2020 programme, the largest research and innovation programme ever conducted by the European Commission, is the largest single grant ever given to an applicant from Turkey. Tekfen Engineering will also be playing a key role in the commercialization stage of the project, which is concerned with the development of concentrated solar power technologies.

Yet another of Tekfen Engineering's priorities in 2019 was to generate added value for the group by developing innovative technologies itself. Working together with the Chemical Engineering Department of İstanbul Technical University, Tekfen Engineering has begun discussions on a research project focusing on the production of synthetic natural gas and power through coal gasification.

Projects

TÜPRAŞ Projects

In 2019, Tekfen Engineering completed the detailed engineering work on a LPG Merox Revamp project at TÜPRAŞ's İzmit Refinery and the basic engineering work on an Oily Condensate Purification project at its İzmir refinery. The company likewise began working on the detailed engineering for Vacuum Off Gas units again at TÜPRAŞ's İzmit, İzmir, and Kırıkkale refineries. Work continued last year at the İzmit and İzmir refineries to modernize their Fluid Catalytic Cracking (FCC) units, one of the most complex operational units of any refinery. The last stage of the İzmit plant's FCC detailed engineering work was reached.

STAR Refinery

In 2019, a framework agreement was signed covering engineering services that are to be provided at the STAR Refinery. This contract calls for the provision of three detailed engineering packages for the refinery. Tekfen Engineering has also begun providing the refinery with process-security related hazard and operability (HAZOP) services.

Projects in Azerbaijan

Under modernization projects taking place at the Haydar Aliyev Refinery in Azerbaijan, laser scanning, 3D modelling, and data-collection work was successfully completed at a number of units. Teams of Tekfen Engineering's Azeri and Turkish personnel also took part in structural modelling work for the Azeri Central East (ACE) offshore platform in Baku.

Tekfen Agri-Industry Group Projects

Detailed engineering services were completed in 2019 for new employee-services buildings in the Adana Yumurtalık Free Zone (TAYSEB), of which Toros Tarım is the operator. Concept design work on a fruit-handling facility to be built in Manisa for Alanar Meyve, a Tekfen Tarım subsidiary, reached 70% completion. Work was also begun looking into the use of solar power in some of the Agri-Industry Group's operations.

Malkara-Çanakkale Motorway and the Çanakkale 1915 Bridge Consultancy Services

With its total length of 3,563 meters, the Çanakkale 1915 Bridge is a high-prestige project that is commanding the attention of the whole world. At 2,023 meters, its central span will make it the longest suspension bridge worldwide. Tekfen Engineering is providing consultancy services both for this bridge and for the associated Malkara-Çanakkale Motorway. As of end-2019, the company was employing a team of 155 people in its provision of control services for both projects. Tekfen Engineering's provision of consultancy services for these two projects has given a tremendous boost to the company's international reputation and market visibility.

Metro and Railway Projects

In 2019, work began on the provision of procurement, installation, and commissioning services for the construction and the electromechanical systems of the Çekmeköy-Sancaktepe-Sultanbeyli and the Sarıgazi-Taşdelen-Yenidoğan metro projects being carried out in İstanbul by the Doğuş-Yapı Merkezi-Özaltın Joint Venture. Engineering work on the Afyon-Burdur Railway Project also continued last year. The Afyon-Burdur project is the first railway design project whose infrastructure and electromechanical works the Turkish State Railways company has ever tendered in a single contract.

Highway Projects

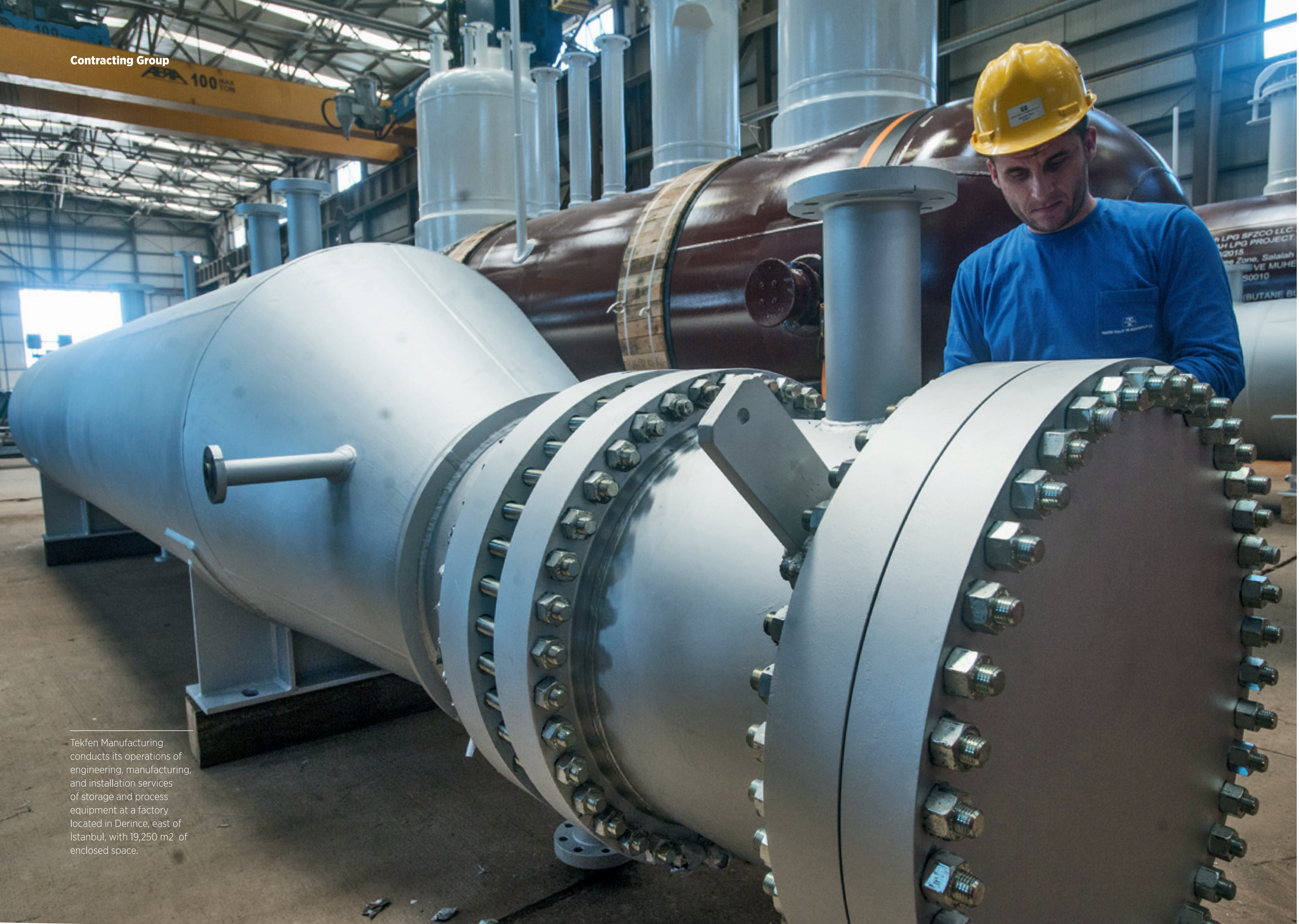
In 2019, Tekfen Engineering was awarded engineering services contracts for seven state highways (total road length: 264 kms) by the General Directorate of Highways in different parts of Turkey along with seven viaduct projects in

Mersin. The company's work on two sections (Ankara-Dumlupınar and Dumlupınar-Manisa) of the Ankara-İzmir highway was completed as of 2019. Other important highway projects for which the company provided services last year were the Merzifon-Koyulhisar highway (an important section of the Gerede-Merzifon-Gürbulak highway that will link up with Iran), the Bodrum Ring Road, the Muğla-Kale State Highway, and the Ağva-Kandıra-Kaynarca highway, the last of which is a continuation of the Şile-Ağva State Highway.

Superstructure and Building Projects

Tekfen Engineering provides engineering services for various projects whose contracts have been awarded to Tekfen Construction. In 2019, the company provided building information modelling (BIM) support for its sister company's ongoing Al Thumama Stadium construction project in Qatar; it also began working on mechanical, electrical, and air-conditioning projects associated with the Denkmal in Dahlem real estate development project, which involves the renovation and repurposing of two early 20th-century Jugendstil buildings in Berlin.

Çanakkale 1915 Bridge



Tekfen Manufacturing conducts its operations of engineering, manufacturing, and installation services of storage and process equipment at a factory located in Derince, east of İstanbul, with 19,250 m2 of enclosed space.

Tekfen Manufacturing

With the ability to handle individual units of up to 1,000 tons in weight, 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, both in 2019. Under an investment incentives certificate that was received last year, the company has also begun working on renovation, capacity-increase, and modernization projects associated with its own operations.

Tekfen Manufacturing carries out its operations in accordance with industry-recognized international standards as well as under its 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. Tekfen Manufacturing has been awarded Ministry of Science, Industry and Technology design center certification. Under an R&D project carried out jointly with TÜBİTAK, the company successfully carried out cutting, forming, and welding operations on titanium steel for use in the manufacture of pressurized vessels, built prototypes, and was awarded CE certification for the work. This was the first undertaking of its kind in Turkey. A second TÜBİTAK joint project currently in progress is scheduled for completion in 2020.

Oil and petrochemical companies, which make up Tekfen Manufacturing's primary customer group, continued to cut back on their investments which severely hampered the company's efforts to increase its business volumes in 2019. Nonetheless, the company did manage to register a turnover worth TRY86.8 million last year, with an average of 190 people on its payroll. 85% and 15% shares of Tekfen Manufacturing's total sales were made to the domestic and international markets respectively in 2019.

Successfully fulfilling its international contracting commitments, Tekfen Manufacturing completed and delivered five oversized pressurized vessels for the modernization project at the SOCAR Haydar Aliyev Refinery in Azerbaijan. The biggest of the five, which is six meters in diameter, 26 meters in length and weighs 133 tons, while the total weight of the order was 400 tons, designed and manufactured in accordance with ASME standards.

In 2019, the company added two western European countries to its portfolio for the first time: two high-pressurized vessels (65 tons and 21 tons) that were made to order for French-based multinational oil company Total's refineries in France and the UK, are evidence of Tekfen Manufacturing's standing as a strong international player. A number of export orders that were received from customers in Nigeria and the UAE in 2019 will be fulfilled in 2020.

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

Tekfen Manufacturing
Derince Factory

Peach blossom, Alanar orchard

Agri-Industry Group

Profile

Embracing a wide range of products and services from fertilisers and plant nutrients to seeds, seedlings, and saplings and fresh produce, the Tekfen Agri-Industry Group is one of Tekfen Holding's core business activities generating 27.28% and 27.25% shares respectively of total turnover and operational profit. Nourishing its steady growth through mutually-supporting investments that exploit cross-business opportunities, the Tekfen Agri-Industry Group is the biggest privately-owned concern in the Turkish agricultural industry from the standpoints of business volume, product and service lineup, industry-leading best practices, and market share.

The Tekfen Agri-Industry Group conducts its operations through an organisational structure consisting of Toros Tarım Sanayi ve Ticaret A.Ş. (Toros Tarım) and Tekfen Tarımsal Araştırma, Üretim ve Pazarlama AŞ (Tekfen Tarım).

Toros Tarım ve Ticaret A.Ş.

Toros Tarım's principal business line is the production of fertilisers. In the İstanbul Chamber of Industry's 2018 list of the five hundred business concerns in Turkey, Toros Tarım ranked in 70th place. Together with its subsidiaries and affiliates, the company conducts its operations under three headings: chemical and organic-organomineral fertiliser production and marketing, marine terminal services, and free-zone and fuel-station management.

In fertilisers, Toros Tarım controls a 38% share of Turkey's total installed production capacity and, in terms of overall output and market share, it is Turkey's biggest fertiliser producer. In addition to the ammonium nitrate (AN), calcium ammonium nitrate (CAN), diammonium phosphate (DAP), and composite (NPK) fertilisers that it makes at its Ceyhan, Mersin, and Samsun plants, the company also imports fertilisers that it does not produce itself in order to supply farmers with all of the plant nutrients that they might need. Besides conventional fertilisers, Toros Tarım's product line includes water-soluble specialty fertilisers. Having introduced the first entry in its line of organomineral fertilisers in 2017, last year Toros Tarım also became one of the leading players in the organic and organomineral fertiliser market as a result of its acquisition of Gönen Enerji's majority shares. Toros Tarım's standing as the Turkish fertiliser industry's leader is backed up by an extensive network of dealers and authorised sellers that gives it access to every locale in the country. The sacks used to package fertilisers are manufactured at a company-owned plant with a production capacity of 33 million sacks a year.

"In 2019, Toros Tarım became one of the leading players in the organic and organomineral fertiliser market as a result of its acquisition of Gönen Enerji's majority shares."

70

In the İstanbul Chamber of Industry's 2018 list of the five hundred business concerns in Turkey, Toros Tarım ranked in 70th place.

The Tekfen Agri-Industry Group has been at the service of Turkish agriculture for the last 40 years.

Of Toros Tarım's non-fertiliser business lines, marine terminal services, which are supported by other activities such as ship agency, are provided through two terminals located one each within the grounds of its Ceyhan and Samsun plants. Toros Tarım is the operator of the Adana Yumurtalık Free Zone (TAYSEB), whose 4.5 million m^2 of grounds make it not just one of the biggest free zones in the world but also the first–and still the only–free zone that was set up in Turkey explicitly for the conduct of heavy-industry investments.

Tekfen Tarımsal Araştırma, Üretim ve Pazarama A.Ş. (Tekfen Tarım)
Tekfen Agri is an agricultural research, production, and marketing company whose operations range from cultivation to the production of fresh fruit and agricultural inputs such as seeds, seedlings, and saplings. Set up in 2017, Tekfen Tarım's mission is to deploy its corporate vision, scientific approach, and financial strength in order to increase the efficiency of the increasingly more vital business of agricultural production. With its team of 69 agricultural engineers, Tekfen Tarım is one of the most important advocates of science-based farming in Turkey today.

The company's Agripark complex located in Adana engages in the production of disease-free seeds and seedlings using the plant tissue-culture method while also working on the improvement of crop seeds. Awarded ministry R&D centre certification in 2018, Agripark continues to engage in R&D activities to develop Turkish agriculture in collaboration with national and international research organizations and universities.

In May 2019, Tekfen Tarım acquired the outstanding shares in Alanar Meyve, thereby making the company a wholly-owned subsidiary. Fresh fruit bearing the Alanar Meyve label is currently being exported to 45 customers in 31 countries. The company also grows potatoes from its own seed and bananas from its own saplings. Tekfen Tarım subsidiary Hishtil-Toros Fidecilik (HTF) farmers with high-quality grafted and non-grafted seedlings that it raises in its high-tech greenhouses located in Antalya and Adana.

Through Alanar Meyve, Tekfen Tarım currently exports its produce to 45 customers in 31 countries.

With its team of 69 agricultural engineers, Tekfen Tarım is one of the most important advocates of science-based farming in Turkey today.

Production of grafted seedlings, Hishtil-Toros, Adana

Fertiliser Operations

Despite difficulties arising from economic contraction and from global developments that adversely impacted the fertiliser sector in particular last year, Toros Tarım nevertheless registered record-breaking results in fertiliser production and sales in 2019.

The sharp downturn which was witnessed in the last three quarters of 2018 and which was driven by heightened economic, political, and geopolitical uncertainties at the global level continued into 2019 as well. Just like every other sector, the world's fertiliser industry also suffered from the adverse effects of trade wars, geopolitical developments, and worries about the global economy.

A year-long decline in phosphate and other fertiliser raw material prices driven by the economic downturn adversely affected the balance between supply and demand. With the addition of the effects of floods in India (a huge market that drives global demand for fertiliser) and the Chinese government's decision to cut back fertiliser use, the sector's outlook in 2019 was harried by both unpredictability and volatility.

Global market developments, especially in raw material prices, also shaped the course of Turkey's fertiliser sector in 2019. Figures compiled from the most recent ten years show that consumption of fertiliser in Turkey normally ranges between 5 and 6 million tons a year. While 6.7 million tons were consumed in 2016, it is deemed to be an exception caused by the government's decision to exempt fertiliser sales from VAT. Consumption subsequen tly went into decline and this is attributed to higher prices: a sharp rise in exchange rates in 2018 and an associated loss in consumer confidence for example resulted in only 5.4 million tons of fertiliser being consumed that year.

Last year the picture was quite different: fertiliser prices were in decline all year long owing both to less costly raw material inputs and to lower exchange rates and in the context of a sluggish market, which fueled stiff price competition among producers. This in turn led to the anticipation, among both dealers and farmers, that prices would go even lower with the result that many put off making early additions to their inventory. As of this writing, final figures for 2019 are not yet available but taking market dynamics driven by non-seasonal movements into account, it is thought that consumption will have been on the order of 5.5 million tons last year.

R&D and Product Development

In 2017, Toros Tarım opened Turkey's first plant nutrients R&D centre at its Mersin production plant. Since then, the company's R&D budget reached a considerable level among the entire Turkish agricultural industry. Employing a team that is the equivalent of 28 full-time personnel, the centre carries out projects aimed not only at developing new products that will increase agricultural productivity but also at improving existing products, developing and optimizing production processes, making them more energy-efficient, and reducing their environmental impact. The centre also engages in a variety of joint projects with universities. In addition to undertaking projects that are being conducted under TÜBİTAK programmes that support university-industry cooperation, Toros Tarım also takes part in collaborative efforts on various national and international platforms.

5.5

million tons

Final figures for 2019 are not yet available but taking market dynamics driven by non-seasonal movements into account, it is thought that consumption will have been on the order of 5.5 million tons last year.

2,094,218 tons

14.14 %

14.14% year-on rise in Toros Tarım's sales.

By changing the air compressors at Toros Tarım's Samsun plant, as much as a yearly 432m^3 of water savings was made possible.

To date, five of the projects initiated at the Toros Tarım R&D Centre have been completed and fourteen are currently in progress. Another ten projects are also at the planning stage. Registration processes associated with four compound fertilisers resulting from the centre's work were completed in 2019 and an investment that was begun last year is scheduled for completion in 2020. The aim of this investment, which will make it possible to conduct scientific experiments on various products, is to speed up the centre's product-development activities. A microbial fertiliser development project that has been planned in line with overall product-development policy calls for both the establishment of a laboratory and the commissioning of a pilot-scale R&D implementation laboratory in 2020.

Sales & Marketing

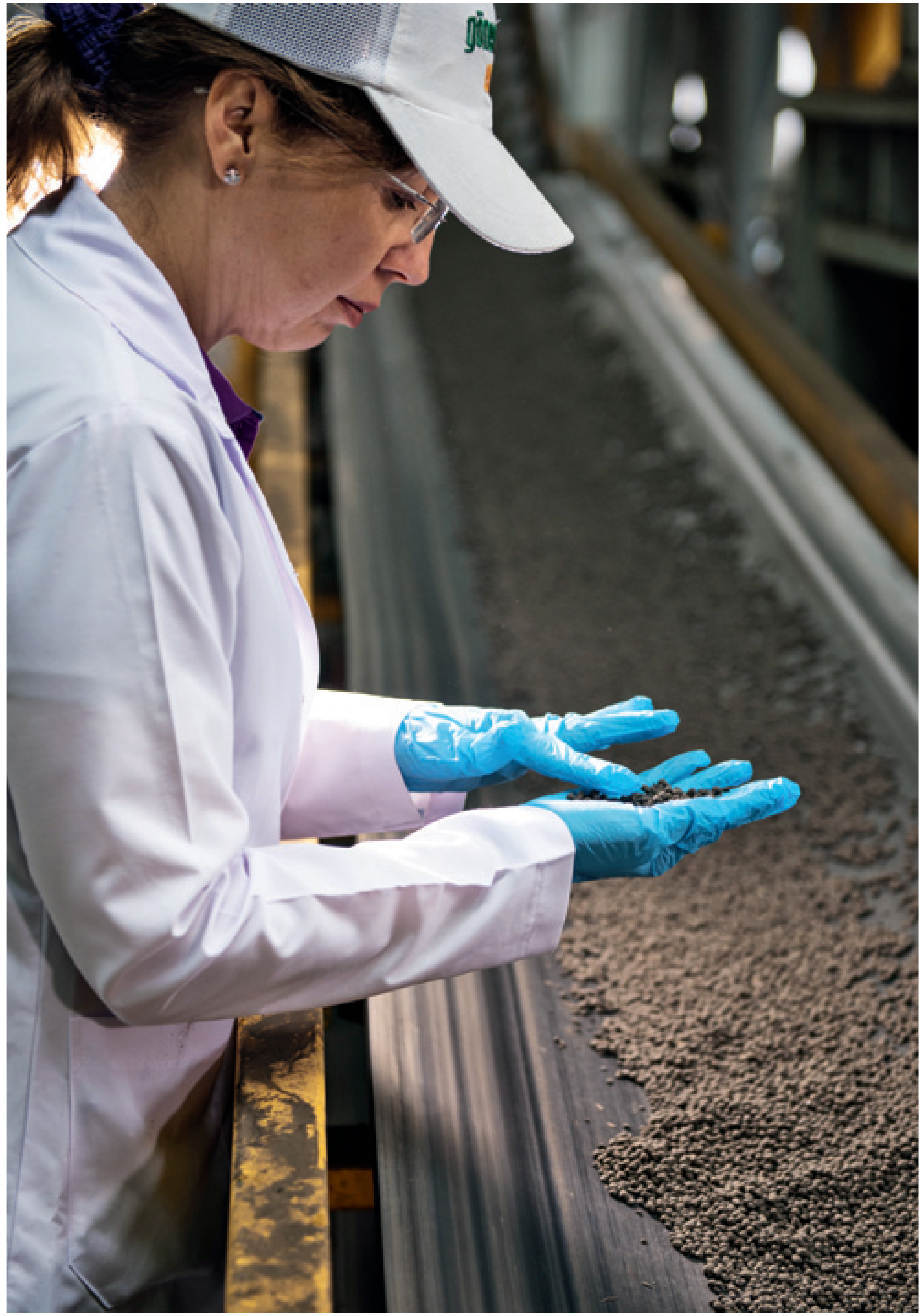
Strong logistical infrastructure and an extensive dealership network have regularly played as important a role in Toros Tarım's ability to maintain its standing as market leader over the years as do production muscle and product quality. A total of 550 thousand tons of storage capacity spread out in locations all over Turkey enables the company to supply the fertiliser 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. Efforts continued to be made all year long to improve the effectiveness of this network by acquiring new dealers and evaluating the operations of existing ones. Consisting of a total of 1,201 outlets (729 dealers and 472 authorized sellers) located all over Turkey as of end-2019, the network once again upheld Toros Tarım's standing as the sector's leader in terms of point-of-sale accessibility last year as well.

As in previous years, the biggest share of the company's sales was made through its dealership network in 2019. Although falling fertiliser prices led many of them to postpone making additions to their inventory, dealers' sales were up 19.64% year-on and reached 1.52 million tons while bulk sales increased by 10% and amounted to 228 thousand tons.

Since the day it was founded, Toros Tarım has been providing farmers with free support on such issues as training and soil analysis. The "Toros Farmers Academy" mobile training bus and mobile technical team project that the company launched in 2018 in line with its goal of creating enduring value for the sector continued to successfully fulfill its mission all year long in 2019. Project teams, all of whose members are agricultural engineers, accompany a fully-equipped bus and other vehicles as they tour the country's villages and engage in such farmer-oriented activities as information provision, new crop ideas, publication dissemination, and fertiliser recommendations. Besides increasing Toros Tarım's effectiveness in the field and generating extremely positive feedback, this project also makes it possible to collect information that is added to the company's farmer database. Under this project in 2019, seven mobile teams visited 3,807 locations while traveling more than 70,000 km and engaging in person-to-person contacts with 4,996 farmers. In 2020, it is planned to increase the number of teams to twelve. Another important source of information that is added to the company's farmer database is its "Toros Farmer" mobile app. As of end-2019, information about 9,762 farmers and 10,724 arable fields had been collected through this app.

Toros Tarım's efforts on behalf of achieving sustainable growth, operational excellence, and continuous development made it the first company in Turkey to be awarded a "Protect & Sustain" certificate from the International Fertiliser Industry Association in 2018. The company added another link to this chain of success in 2019 when its OHS, environmental management, product safety, and energy efficiency efforts earned it IFA's "Industry Stewardship Champion" accolade.

In 2019, Toros Tarım shipped goods to fifteen countries across a broad region of the world from India to Africa and fromRomania to Mexico.



Gönen Yenilenebilir Enerji Üretim A.Ş., Balıkesir

Toros Tarım Mersin Production Plant opened Turkey's first plant nutrients R&D centre.

Classical Fertilisers

Despite an unpredictable business outlook and sectoral uncertainties, Toros Tarım registered record-breaking production and sales results in 2019 thanks to a flexible business model that enabled it to successfully deal with tough market conditions all year long.

Efforts to improve efficiency in all of the company's business processes also contributed significantly to its success last year. Measures such as giving importance to R&D within the framework of the company's strategic plan, expanding the portfolio with the addition of new products and formulations, dispatching technical sales teams to interact directly with farmers in every part of the country, streamlining production processes, improving dealership network productivity, and developing the company's organizational structure based on successful models elsewhere in the world have all played a systematic role in Toros Tarım's ability to register even more successful results year after year.

In 2019, Toros Tarım booked total sales of 2,094,218 tons, of which 1,750,913 tons were supplied to its home market and 343,305 tons were exported. This successful performance corresponds to a 14.14% year-on rise in Toros Tarım's sales.

In addition to the growth in its domestic market sales, the company also performed well on the export front last year. Having topped the sector's exports league table in the İstanbul Chemicals and Chemical Products Exporters' Association's ranking in both 2017 and 2018, Toros Tarım repeated that success in 2019 by selling 343,305 tons of fertiliser to customers abroad.

Seeking to become a regional player by expanding its geographical reach and export market and also to gradually enlarge the global footprint of its own brand, in 2019 Toros Tarım acquired Agroport Romania SA, the company responsible for the conduct of the Romanian-market sales and distribution operations of Nutrien, the world's biggest fertiliser producer. Romania is a country with a major agricultural sector and this investment, whose aim is to make Romania Toros Tarım's second biggest market, is also expected to contribute to the realization of its new owner's goal of moving into the European market.

In 2019, Toros Tarım shipped goods to fifteen countries across a broad region of the world from India to Africa and from Romania to Mexico. Ukraine, which was the company's best market last year as measured by its share of total export sales, was also the destination for Toros Tarım's first exports of organic fertilisers.

As Turkey's biggest fertiliser producer and commanding 38% of the country's total

"Toros Tarım's total sales of specialty fertilisers in 2019 amounted to 41,100 tons, a year-on rise of 42.8%."

A nationwide storage capacity of

550

thousand tons

Toros Tarım Production Facility Capacity Utilisation Rates

Plant	Product	Capacity (tons/year)	2018 capacity utilisation rate (%)	2019 capacity utilisation rate (%)
Ceyhan	NPK	660,000	73%	85%
Mersin	CAN 26 (conjugate tonnage)	660,000	99%	99%
Samsun	NPK / DAP	654,192	85%	82%
Total		1,974,192	86%	89%

Entirely home-grown, ecofriendly technologies are used at Gönen Enerji.

installed fertiliser production capacity, Toros Tarım turned out 1,677,730 tons of fertiliser with an average 89% capacity utilisation rate at its Ceyhan, Mersin, and Samsun plants in 2019. This performance corresponds to a 4.6% year-on rise in total output and to a 3.5% increase in capacity utilisation. Toros Tarım also imports and sells fertilisers that it does not make itself. In 2019, the company procured 561,893 tons of fertiliser from abroad.

Specialty Fertilisers

In addition to chemical fertilisers, Toros Tarım is also the leading supplier in the markets for the water-soluble compound fertilisers and the organic and organomineral fertilisers that farmers are increasingly more in demand of.

Owing to their water-solubility, such fertilisers are preferred by growers employing drip-irrigation and sprinkling systems and especially in greenhouse cultivation. Because of the steadily-increasing importance of maximising unit-field yields and the use of drip-irrigation systems, the global market for specialty fertilisers is expected to grow by an average of 2% a year and reach about 6.4 million tons by 2028. Here in Turkey, an important member of the group of Mediterranean-climate countries, the expansion of greenhouse cultivation is fueling year-on-year rises in the consumption of specialty fertilisers.

Consumption of specialty fertilisers in 2018 fell to about 200,000 tons owing to higher exchange rates that year. With the addition of growth in the organic and organomineral markets however, consumption is likely to have reached the 250,000 ton level in 2019.

Toros Tarım is one of the most important players in the market for specialty fertilisers, a sector that it singlehandedly pioneered in Turkey. Having completed an investment to produce water-soluble fertilisers at its Mersin plant in 2018, Toros Tarım began producing them the same year. The company continues to increase its output in this product line.

Total sales of specialty fertilisers in 2019 amounted to 41,100 tons, a year-on rise of 42.8%. Projects that are currently in progress at the company's R&D centre are expected to further increase Toros Tarım's influence in specialty fertilisers and to expand its fertilizer portfolio with the addition of such products as liquid organic, liquid organomineral, and nitrification-inhibiting fertilisers.

Toros Tarım's R&D budget reached a considerable level among the overall Turkish agricultural industry.

Organic & Organomineral Fertilisers

Owing to its significant potential associated with changes in agricultural policies and practices, the organic and organomineral fertiliser market is one that Toros Tarım has targeted for growth. Organomineral fertiliser consumption in Turkey is currently around 115 thousand tons a year and is projected to reach 280 thousand tons in 2023 while the growth in organic fertiliser consumption is expected to parallel that and reach 135 thousand tons by the same year.

The spread of organic and organomineral fertiliser use is of great importance from the standpoint of dealing with the relative lack of organic content (humus) that is a characteristic of arable land in Turkey. For this reason, Toros Tarım regards investment in these fertilisers not just as making good business sense but also as a way of contributing to the sustainability of farming in this country.

Toros Tarım introduced its first organomineral fertiliser offerings to the market in 2017. With an eye on increasing both capacity and product diversity in this business line as well as on ensuring its access to reliable sources of raw materials, in 2019 the company acquired a 70% stake in Gönen Yenilenebilir Enerji Üretim, a biogas and organic fertiliser producer. At a plant based in Balıkesir's Gönen township that was set up in 2011 as an Altaca Enerji operation, entirely home-grown, eco-friendly technologies that are the products of intensive R&D work are used to produce electricity, humic acid, and organic fertiliser from biogas. In 2016, this plant was cited by the UK-based Anaerobic Digestion & Bioresources Association as the best of its kind in the world. Beside the economic value that it creates by producing electricity and organic fertiliser from biogas, this plant also plays a significant role in reducing local environmental pollution through its 400 tons/day use of organic waste as input in the conduct of its operations.

The spread of organic and organomineral fertiliser use is of great importance from the standpoint of dealing with the relative lack of the soil's organic content in Turkey.

Organic & organomineral fertilisers are among Toros Tarım's strategic priorities.

protect&sustain
IFA'S PRODUCT STEWARDSHIP INITIATIVE

Toros Tarım's efforts on behalf of achieving sustainable growth, operational excellence, and continuous development made it the first company in Turkey to be awarded a "Protect & Sustain" certificate from the International Fertiliser Industry Association in 2018. The company added another link to this chain of success in 2019 when its OHS, environmental management, product safety, and energy efficiency efforts earned it IFA's "Industry Stewardship Champion" accolade.

At the time of its acquisition by Tekfen, the plant had annual production capacities of 3.62 MW of electricity, 15,000 tons of solid fertilizer and 10,000 tons of liquid organic fertiliser. Following the transfer of shareholding interests, investments were undertaken that boosted the plant's total organomineral fertiliser production capacity to 35,000 tons/year.

Toros Tarım regards continuing to invest in organic and organomineral fertiliser production as one of its strategic priorities. With this in mind, in December 2019 newly-acquired Gönen Enerji signed an agreement to purchase shares in Altaca Meram Yeşil Enerji Üretim AŞ (another company which is active in the same business line and which already possesses all the required licenses and permissions) in order to build a power plant with 6 MW of installed capacity and a fertiliser plant with annual production capacities of 75 thousand tons of solid organomineral and 15 thousand tons of liquid organic fertiliser in Konya's Meram township. Under the terms of this agreement, Gönen Enerji will take control of the Altaca Meram shares in two stages.

Agricultural Production

The Agri-Industry Group's production of agricultural inputs such as seeds, seedlings, and saplings and its fruit grower operations are carried out through Tekfen Tarım, the group's agricultural research, production, and marketing company. Founded in August 2017, Tekfen Tarım adhered to a mainly investment-focused strategy in 2018. The company next concentrated on addressing internal organization and structural issues and these were largely finalized last year.

Although it is barely two years old, Tekfen Tarım has already achieved its organisational and investment targets. Thanks to its strong export focus, the company has also built up a solid customer portfolio and increased its export tonnage.

Having acquired a 90% stake in Alanar Meyve ve Gıda Üretim Pazarlama AŞ (Alanar Meyve), a company that grows and markets fruit, in 2018, Tekfen Tarım purchased the remaining shares in May 2019, thereby transforming this important countrywide producer and exporter of stone fruit into a wholly-owned subsidiary. Alara Seedling, a sister company that was also acquired last year, has been merged into Alanar Meyve in order to achieve a more simplified corporate structure.

Owing to the nature of the company's operations, control of Hishtil-Toros Fidecilik ve Sanayi A.Ş., a former Toros Tarım subsidiary that produces regular and grafted seedlings, was transferred to Tekfen Tarım in August 2019. As a result of these reorganizations: plant nutrient production and associated R&D operations are now the responsibility of Toros Tarım while Tekfen Tarım is responsible for the conduct of crop production and its associated R&D operations.

Fruit Cultivation & Exportation

Growing mainly cherries, Bursa black figs, pomegranates, apricots, Japanese plums, Trabzon dates, and chestnuts, Alanar Meyve is one of Turkey's most important producers and exporters of fresh fruit.

In 2019, Alanar Meyve sold a total of 10,700 tons of fresh fruit, of which 1,700 tons were raised in its own orchards and 9,000 tons were procured from other

Tekfen Tarım's Agripark complex, exploits Turkey's rich biodiversity and engages in the production of disease-free seeds and seedlings.

growers. 75% of these sales were made abroad while the remaining 25% went to the domestic market. In 2019, Alanar Meyve shipped fruit to 55 customers in 31 countries. The biggest share of the company's exports goes to Europe, with Germany taking the largest share. In 2019, Alanar Meyve increased its sales to its three most important European chain store customers by 17%.

Alanar Meyve's two most important export items are Bursa black figs and cherries, in which it controls market shares of 8.9% and 5.5% respectively. Having headed the league table as Turkey's biggest exporter of black figs for the previous three years in a row, in 2019 the company slipped to second place. Alanar Meyve's investment in a 1,400-decare grove has made the company Turkey's biggest producer of Bursa black figs. Seeking to make sure that it has access to a year-round supply of Bursa black figs, the company is exploring opportunities to collaborate with growers in other countries like Mexico and Peru. A few preliminary agreements that have already been signed will go into effect in 2020.

In cherries, which are Alanar Meyve's biggest export item in terms of both tonnage and sales revenues, 2019 was witness to vigorous export-market development on the company's part. Last year the Brussels-based International Taste Institute awarded Alanar cherries two gold stars in recognition of their superior flavour and quality. Alanar Meyve's cherries are sold mainly to premium vendors in Europe, the Middle and Far East, and America with only a very limited volume being supplied to the domestic market. Owing to their huge potential, the company has made China and South Korea two prime targets for its cherry exports. Because cherries are subject to the cold-treatment quarantine procedure that China requires of produce coming from Turkey, Turkish cherries used to be competitively disadvantaged in that country. Thanks to intensive efforts on the part of Tekfen Tarım, Turkish cherries were certified for importation into China without having to undergo cold treatment in 2019. Alanar Meyve is one of eight Turkish companies that are now licensed to export cherries to China. The company's first shipment went on sale in Shanghai in July. Last year, Alanar Meyve signed a quarantine protocol with South Korea, another Far Eastern country with substantial export-market potential. With the signing of this agreement, Alanar Meyve is now the first (and still the only) Turkish company licensed to sell cherries in that country.

In 2019, Alanar Meyve continued its orchard investments, increasing the total area of land devoted to fruit cultivation from 4,700 to 6,700 decares. Continuing to pursue its goal of becoming Turkey's biggest fruit-grower and exporter, Alanar Meyve's immediate objective is to increase the land under cultivation to 10,000 decares and total fruit production to 20 thousand tons/year with offerings in at least three different produce categories.

Techno-Agriculture and Crop Seed Operations

Located in Adana, the Tekfen Tarım Agripark complex is one of only a very few high-tech agricultural R&D centres in Turkey. Exploiting Turkey's rich biodiversity, the centre engages in the production of disease-free seeds and seedlings using the plant tissue-culture method.

Awarded Ministry of Industry and Technology R&D-centre certification in 2018, Agripark breeds and exports more than 25 varieties of potato seed as well plum, cherry, and banana saplings. Devoting special attention to research into

"Alanar Meyve is Turkey's largest producer of Bursa black figs."

Alanar Meyve, pursues its goal of becoming Turkey's largest fruit-grower and exporter.

Tekfen Tarım allocated 8.5% of its total revenues to its R&D projects.

the country's endemic plant species, Agripark is currently working on projects aimed at rehabilitating the propagation and cultivation of Anamur bananas, a variety that is unique to Turkey.

As the first–and still the only–registered centre qualified to engage in plant breeding and production in the province of Adana, Agripark is also involved in research projects concerning wheat, a staple foodstuff in Turkey and an essential input in the making of many export goods such as flour, pasta, biscuits, bulgur, and semolina. Work has also begun on breeding high-yield, high-quality durum wheat seed through projects capable of shaping the future of Turkish agriculture by exploiting the unique plant genetic resources that are to be found in Anatolia, historically the original homeland of wheat and its cultivation.

In terms of resources invested, specialist personnel employed, and budget allocated, Agripark ranks among the most important agricultural R&D centres in Turkey. In developed countries, about 3% of GDP is devoted to R&D on average whereas in Turkey it is only 1.16%. Tekfen Tarım by contrast allocated 8.5% of its revenues to its R&D projects, a percentage that puts it ahead of most other comparable operations nationwide. Tekfen Tarım plans to increase the size of its R&D budget to 9.5% of its revenues in 2020.

In 2019, Agripark employed a staff of seventeen agricultural engineers in the conduct of eleven R&D projects. In addition to research work being done in partnership with Sabancı University Nanotechnology Research and Application Centre, Akdeniz University Technology Transfer Office, Çukurova University, and the General Directorate for Agricultural Research and Policies, there are also a number of joint international projects being carried out in Agripark. One of the foremost of these is GENDIBAR, a 36-month project which was initiated in 2018 by the Partnership for Research and Innovation in the Mediterranean Area (PRIMA) and whose aim is to investigate the utilisation of local genetic diversity to understand and exploit barley adaptation to harsh environments and for pre-breeding. Of the eight PRIMA

In 2019, Brussels based International Taste Institute awarded Alanar cherries two gold stars in recognition of their superior flavour and quality.

project partners hailing from seven countries, Tekfen Tarım is the only privately-owned commercial venture.

Agripark also continued to work with Tropic Biosciences, a UK-based startup in Tekfen Ventures' portfolio, and to expand the scope of its involvement in that company's project to improve both the nutritional value and the productivity of bananas, an important food crop which is raised and eaten around the world but which is threatened by disease. Tekfen Tarım supplies Tropic Biosciences with the male banana flowers that are the source of the genetic material for its research. The two companies are currently discussing ways in which their collaboration may be further expanded in a variety of ways ranging from personnel secondments to joint international projects.

The most important of the tissue-culture research and operations taking place at Agripark consist of breeding and growing seed potatoes, a food crop which is suffering from huge productivitylosses owing to disease. In 2019, Tekfen Tarım produced 4,144 tons of high-grade seed potatoes, thus securing a share of 25% in a market into which 16,564 tons of seed potato had to be imported last year. Additional investment in this business line is expected to further increase this percentage in the years ahead.

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 in Turkey today.

Agripark also enjoys a leading position in the production of Turkish agriculture ministry-certified disease-free banana saplings: the 450 thousand saplings that the centre grew last year gave it a 32% share of the overall market. Tekfen Tarım is also an important player in the production of certified summer wheat seed, of which it contributes a 16.3%

25%

Tekfen Tarım produced 4,144 tons of high-grade seed potatoes, thus securing a share of 25% in the market.

The goal for Tekfen Tarım is to increase the production of branded bananas to 5,000 tons in the years ahead.

share of the market's needs. Tekfen Tarım's wheat seed production activities are conducted through contractually-bound growers with an aggregate 68 thousand decares under cultivation. That corresponds to 6.4% of all the land devoted to the raising of bread wheat (Triticum aestivum) seed in Turkey today.

Patenting formalities associated with an R&D project to breed a much less labour-intensive variety of sesame which is suitable for mechanized reaping that was begun at Agripark in 2018 were completed last year and the second year's crop has been grown. This project can be expected in the years ahead to make Tekfen Tarım an important player in a market that is currently largely dependent on imports.

Banana and Potato Breeding

The efforts to grow certified disease-free banana saplings for farmers launched several years ago in trial greenhouses with 17 decares of space in Antalya's Çandır township will continue in 2020 with 80 decares under cultivation.

Annual production of Tekfen Tarım-branded bananas currently weighs in at around 100 tons. The goal is to increase this output to 5,000 in the years ahead. New greenhouse investments are being planned with the intention of gradually expanding the area under cultivation to 700 decares.

In 2019, another project was launched at Agripark, this one to raise Tekfen Tarım-branded high-grade seed potatoes. Carried out on 2,500 decares of land under a contractual agreement with a farm in Karaman, the project's first-year crop has been harvested. Here too the goal is to increase the area under cultivation, in this case to 10,000 decares, in the years ahead.

Seedlings

Tekfen Tarım carries out its seedling operations through Hishtil-Toros Fidecilik (HTF), one of the most important names in this business.

Conducting its operations in high-tech greenhouses at two locations, with 50 decares in Antalya and 26 decares in Adana, Hishtil-Toros Seedling Industry and Trade (Hishtil-Toros Fidecilik Sanayi ve Ticaret) grows high-quality, healthy seedlings that are in compliance with recognised Good Seeds and Plants Practices (GSPP) standards.

Owing to the benefits that they provide, the use of ready-to-plant seedlings is becoming increasingly more popular among farmers and has indeed become the standard practice in greenhouse operations. Strong demand has helped boost the production of seedlings in Turkey to 4.5 billion a year. The expansion in this market however has led more producers to pile into it and their rapid arrival has resulted in very stiff competition and quite disparate price structures. As one of the trailblazers of this business line in Turkey and with its rigorous commitment to quality, Hishtil-Toros is able to avoid having to compete on price but the company nonetheless was hit by the overall contraction in agricultural output observed in 2019.

In 2019, Hishtil-Toros produced a total of 130.7 million (23.4 million grafted and 107.3 million non-grafted) seedlings in the conduct of its operations in Adana and Antalya.

"As part of a reorganisation of the multi-faceted agricultural activities within the Tekfen Group, Hishtil-Toros Fidecilik (Nursery) originally founded under Toros Tarım, continues its operations under Tekfen Tarım since 2019."

Hishtil-Toros, conducts its operations in compliance with Good Seeds and Plants Practices (GSPP) standards.

Torosport Samsun Terminal

Terminal & Free Zone Operations

Toros Tarım's non-fertiliser operations consist of the provision of marine terminal services, which it carries out through two terminals located one each within its Ceyhan and Samsun plants, and the management of Adana Yumurtalık Free Zone (TAYSEB), whose 4.5 million m^2 of grounds make it one of the largest free zones in the world.

Terminal Operations

Having been hit particularly hard by the contraction in the Turkish economy in 2018, the terminal services sector grew–albeit modestly–in response to the partial recovery that took place in 2019: in the course of twelve months, the total volume of cargo handled at all of Turkey's ports increased from 460.1 million tons in 2018 to an estimated 483.0 million tons in 2019. This performance corresponds to a year-on rise on the order of 5%.

Owned and operated by Toros Tarım, the Torosport Ceyhan and Torosport Samsun terminals handle not only their owner's fertiliser cargos but also provide terminal and handling services for non-Tekfen customers as well. However, as the biggest share of those operations is concerned with imports, business at both terminals was markedly slow last year. With Turkey's import trade flatlining and especially owing to the general reduction in import and transit-trade volumes at ports throughout the Gulf of İskenderun, the Torosport terminals were able to fulfill only 75% of their tonnage and 68% of their USD turnover budget targets in 2019. The combined volume of cargo handled at both facilities fell by 7% year-on and amounted to 4.5 million tons. When fuel and petroleum products are excluded however, the total volume of dry bulk, liquid bulk, and general cargo that was handled weighed in at 4.4 million tons, which corresponds to a year-on rise of 5%.

Turning now to the cargo-handling services that the Torosport terminals provide for their owner, Toros Tarım, a total of 2.1 million tons was handled in 2019: about 643 thousand tons of it in Ceyhan and 1.45 million tons of it in Samsun.

Torosport Ceyhan Terminal

A pier that Toros Tarım had constructed in 1981 within the premises of its Ceyhan plant in order to deal with its own logistical requirements was expanded with additional investments and began to serve non-Tekfen customers as well, thereby opening up another business line for the group to pursue. Based on its overall handling capacity, the Torosport Ceyhan Terminal remains an important bulk cargo and general cargo handling facility in the Gulf of İskenderun.

Consisting of two separate jetties with berths for up to eight ships as well as one landing for ro-ro vessels, the Torosport Ceyhan Terminal can accommodate liquid bulk, dry bulk, and general cargo vessels of between 40,000 DWT and 110,000 DWT. The terminal provides customers with loading, unloading, and storage

4.5
million tons

In 2019, the combined volume of cargo handled at both Torosport facilities, was 4.5 million tons.

Torosport Ceyhan and Samsun Terminals' biggest share of operations are concerned with imports.

services for a huge range of goods encompassing everything from general cargo to special-project freight, from petroleum products to liquid chemicals, from bulk grain to animal feedstock, from coal to petroleum coke, and from clinker to industrial ores, minerals, and mining products. Also, on offer at the Torosport Ceyhan Terminal are 24-hour uninterrupted handling services as well as dolphin, agency, garbage collection, solid & liquid waste collection, water supply, and similar services. Owing to a change in the law and in accordance with a ministry regulation published pursuant thereto, in July 2019 the Torosport Ceyhan Terminal ceased to provide mooring, tugboat and piloting services in any ports under the control of BOTAŞ Port Authority, operations in which the terminal had hitherto been engaged since 1996.

Owing both to rapid growth in the demand for storage and warehousing services in the movement of grain and animal feedstock cargos and to newly-opened ports in the Gulf of İskenderun, the region's ports posted record-breaking handling results in 2019. In the highly-competitive grain and animal feedstock cargo group, the Torosport Ceyhan Terminal fulfilled 91% of its budget targets as measured by tonnage. In the case of stone and ore cargos, which were down significantly last year and for which competition is extremely severe, the terminal was unable to achieve its tonnage target. In the case of coal, there was also a substantial reduction in the volume of imports owing to weak manufacturing-sector demand. Because of this, Torosport Ceyhan was only able to achieve 80% of its coal cargo-handling tonnage target.

Iraq-related fuel and petroleum product transit operations ceased all but entirely owing to diplomatic and geopolitical tensions, with the result that their handling volumes ended up quite far below expectations. As a result of these developments, there was a 79% reduction in leased storage capacity while the overall storage tank occupancy rate, which was an already low 42% in 2018, was a mere 9% in 2019.

The Torosport Ceyhan Terminal fulfilled 75% of its budgeted tonnage and 68% of its budgeted USD turnover targets respectively in 2019. Confronted by increasingly stiffer regional competition, a variety of investment projects are being planned that will strengthen the terminal's position and enable the terminal to better respond to customers' changing needs. These projects call for expanding the terminal's existing capacity and competencies. New zones in Ceyhan are currently being planned that will increase the overall area allocated for the conduct of chemical- and petrochemical-sector industrial and manufacturing operations by another 40 thousand decares. New investments designed to meet the future needs of these zones will significantly strengthen the Torosport Ceyhan Terminal's role in the region and thus increase its market share.

Torosport Samsun Terminal

The other location where Toros Tarım conducts its terminal operations is the Torosport Samsun Terminal which, like the Torosport Ceyhan Terminal, is suitable for discharging both dry bulk and liquid chemical cargos. This terminal has two separate berths whose combined handling capacity of dry bulk cargo is 14,000 tons a day. Dolphin, agency, garbage collection, solid & liquid waste collection, water supply, and similar services that vessels may require can be arranged through Toros Gemi Acenteliği Owing to a change in the law and in accordance with a ministry regulation published pursuant thereto, in August 2019 the Torosport Samsun Terminal ceased to provide mooring, tugboat and piloting services in any ports under the control of Samsun Port Authority, operations in which the terminal had hitherto been engaged since 2005.

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 and its seaports' hinterlands currently account 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 other Black Sea countries, the terminal is seen to have significant future potential.

The Torosport Samsun Terminal fulfilled 72% of its budgeted tonnage and 68% of its budgeted USD turnover targets respectively in 2019.

Free Zone Management

With 4,635 thousand m² of fully-installed infrastructure and serving the region in which Toros Tarım's own Ceyhan facilities are located, the Adana Yumurtalık Free Zone (TAYSEB) is one of Turkey's biggest free zones. TAYSEB was the first free zone in Turkey that was set up explicitly to attract and accommodate industrial investments. TAYSEB is managed by Toros Adana Yumurtalık Serbest Bölgesi Kurucusu ve İşleticisi A.Ş. a wholly-owned Toros Tarım subsidiary that is also the zone's original founder and operator.

Owing to its convenient location on the Gulf of İskenderun and its access to a wide range of transportation options, TAYSEB offers substantial benefits for industrial concerns that want to take advantage of Turkey's free-zone incentives regime. TAYSEB tenants who have operations in the zone can be provided with terminal services through the Torosport Ceyhan Terminal.

Due to a surge in petrochemical and chemical industry activities and to its attractiveness to ship and superyacht builders, in recent years TAYSEB has become a preferred investment and production centre to which firms in these sectors are giving priority. TAYSEB's occupancy rate as of year-end 2019 was 24%. With the arrival of two foreign firms last year, the number of tenants has reached 27.

Last year, with the arrival of two foreign firms, the number of tenants has reached 27 in TAYSEB.

About USD21 billion worth of trade and other business moved through Turkey's eighteen free zones in 2018. Owing to last year's economic downturn, that figure fell by 4% to USD 19.6 billion in 2019. Paralleling this general contraction, the value of trade at the Adana Yumurtalık Free Zone managed by TAYSEB also fell by 3% from about USD1.2 billion in 2018 to USD1.16 billion in 2019. There are two other free zones of which TAYSEB is a founding partner and in which it controls about a 10% stake: Mersin, where the volume of trade was down year-on from about USD 3 billion to USD 2.8 billion and Antalya where the volume of trade grew from USD 668.5 million to USD 778 million during the same twelve-month period owing largely to increases in superyacht construction and in exports. Among the eighteen free zones that are in operation in Turkey today, Mersin ranks second, Adana Yumurtalık ranks seventh, and Antalya ranks 9th as measured by business volume.

Under an agreement between Toros Tarım and the Trade Ministry that was reached in 2018, TAYSEB's license as the operator of the Adana Yumurtalık Free Zone, which was to have expired in 2020, was extended to 2030. As required by the terms of this agreement, TAYSEB has begun undertaking the investments which the ministry has asked for and has also initiated others, such as investments that will reduce tenants' energy costs and investments to connect the zone to Turkey's natural gas distribution system. Similarly, in order to modernize the free zone's infrastructure and being mindful of the zone's future needs, project-development and planning work has also largely been completed on a roster of service-building, dining-hall, infirmary, fire-station, automation, and information-system investments.

Tekfen Tower was once again reaffirmed by a 100% year-end occupancy rate even in the face of 2019's tough market conditions.

Tekfen Ventures

Founded in late 2016, Tekfen Ventures is a venture capital fund that seeks out and takes advantage of opportunities in startup companies by investing in them during their early stages. The industries of focus represent a major component of global GDP but represent a much smaller percentage of global R&D spend. The fund is 3 years old and has a portfolio of 10 investment, 3 of which were closed in 2019.

Tekfen Ventures' portfolio companies are pushing the bounds of what's possible in science, robotics, and technology to improve the agriculture, construction, and manufacturing industries.

Working together with other Tekfen Group companies active especially in agriculture, construction, and manufacturing, Tekfen Ventures explores areas that have development potential with the aim of creating competitive advantages for the Tekfen Group. For as long as it has existed as a company, Tekfen (whose name is derived from the Turkish words for "technology" and "science") has always sought to be in the technological forefront and to embrace innovative approaches in every business line in which it is active. By giving fledgling startups the benefit of its own knowledge and experience, Tekfen contributes to their own growth and development.

In 2019, Tekfen Ventures continued its mission of leveraging Tekfen Holding's deep expertise across the Agri-business, Contracting, and Manufacturing verticals, to support disruptive innovation that has the potential to radically improve our industries. In the past year, the fund made three investments in new companies thereby bringing to ten the total number of startups whose business lines it focuses on and three follow-on investments into existing portfolio companies.

"Agriculture offers a vast area for innovative technologies worldwide."

Today, technology and innovation play a key role in raising productivity in a vast array of industries from education to agriculture, from facility management to production, construction or cyber security.

Investments

In 2019, its 3rd year in the business, Tekfen Ventures added 3 new companies to its portfolio and raised the number of its investments to 10.

Arcbyt

Arcbyt is developing the world's first plasma tunneling robot that can go through all geologies at any size diameter. Unlike traditional tunnel boring machines (TBMs), Arcbyt is using plasma technology as a substitute to conventional, contact-based rotary systems, which are extremely slow and susceptible to considerable wear-and-tear. Current TBMs require a lot of care and maintenance, which raises job costs - changing the cutterheads is extremely labor-intensive and dangerous, and it's slow. While a cutterhead is being changed, the multi-million dollar TBM is sitting idle.

Alternatively, Arcbyt uses contactless plasma torches. Wear-and-tear are not an issue, since the drilling bit has no moving parts and works without any contact. Plasma drilling technology has a number of advantages, including: higher drilling energy efficiencyContinuous drilling process without replacement of mechanical parts, ekfen efficient removal of disintegrated soil/rock

There is extremely strong alignment with our focus and broader mission to invest in foundational technologies that are helping build, supply, and power a growing world. As an investor, we are well-positioned to help catalyze the investment by potentially partnering on projects and providing access to new markets/customers.

Claroty

Claroty's mission is to secure and optimize the industrial control networks that run the world. The company's platform enables customers to enjoy the substantial benefits of increasingly networked control systems without compromising operational resiliency or the security of core assets.

The Claroty Platform provides extreme visibility into the widest range of ICS, SCADA and other control system devices, protocols and networks using passive monitoring techniques to safely examine and analyze OT networks. The system employs real-time monitoring, high-fidelity models, and advanced analytics to detect anomalies and to rapidly alert organizations to security and process integrity issues.

In 2019, Claroty grew its team meaningfully, including a number of high-profile hires, and won the "Black Badge" from DEF CON beating out 100 other teams.

Latch

Modern homeowners are increasingly turning to smart-home technology as a way to modernize and simplify their daily lives. Latch has identified a new opportunity in the smart-access (front-door locks/security) segment of the market. Latch's all-in-one hardware and software solves the challenge facing building owners, residents, and service providers that are looking to grant or gain access to a building. Dynamic access credentials enable a new set of services and experiences- such as package and service deliveries, temporary friends and family credentials, cleaning services and pet caretakers— to building owners and operators.

Latch's first target market is large scale residential development projects. By partnering directly with leading real estate developers like, the company is able to access a large and targeted real-estate footprint of new and existing buildings.

Building operators and residents are inconvenienced by the need for a single set of keys for tasks related to leasing, scheduled maintenance activities, and security. Thanks to Latch, residents are assured of both their security and their ability to provide and manage access credentials securely. Providing the ability to share access dynamically has paved the way for new services. Doors remain locked, staff and building operations are constantly monitored, and access can be both provided and revoked; providing the confident elimination of keys and a host of other gained benefits.

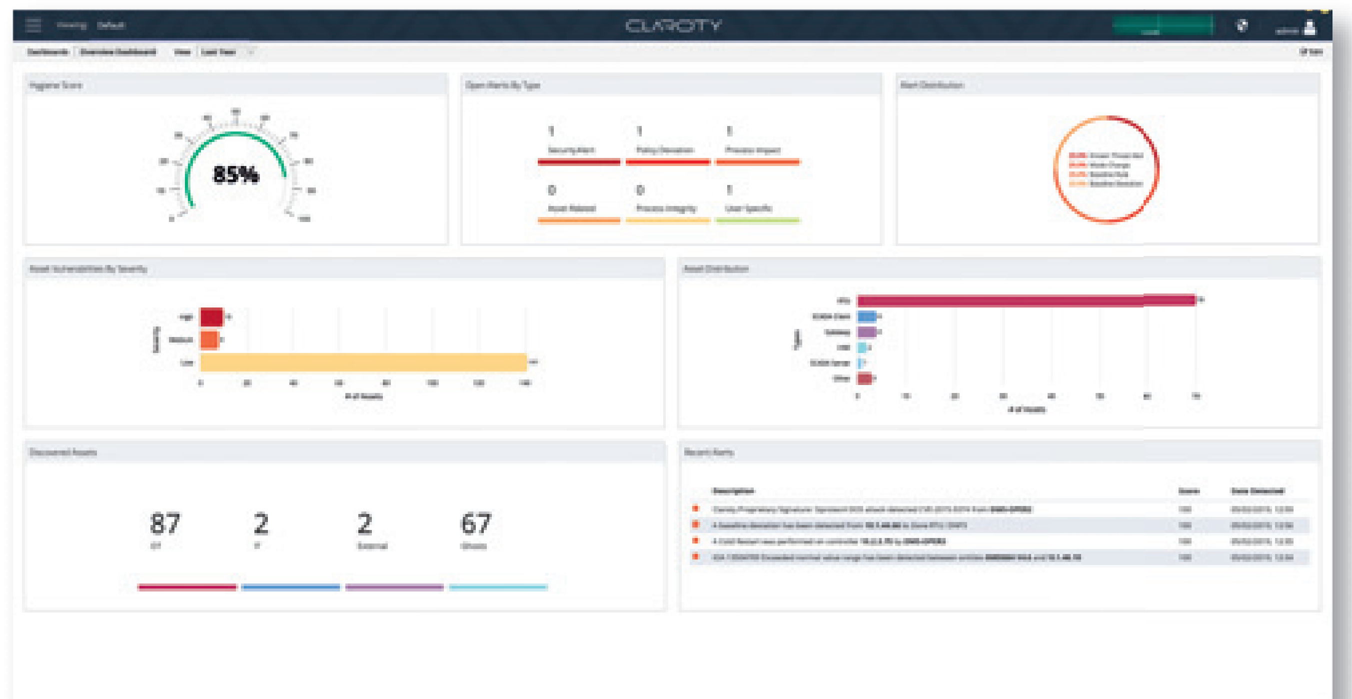
Pivot Bio

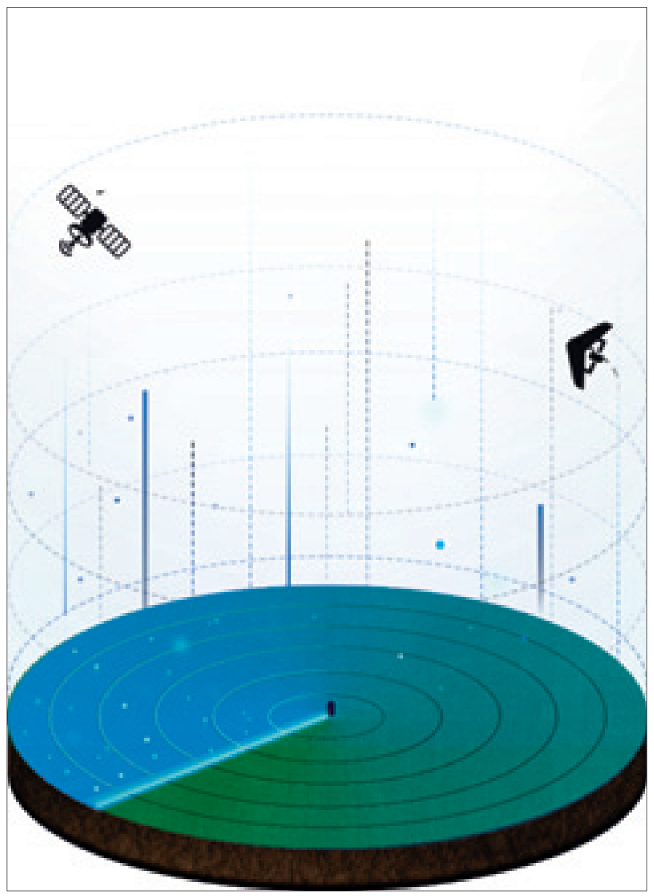
Pivot Bio is utilizing microbes to improve the delivery and production of nitrogen, the key driver of plant growth. Before chemical

CLAROTY
Clarity for OT Networks

LATCH

Latch's all-in-one hardware and software solves the challenge facing building owners, residents, and service providers that are looking to grant or gain access to a building.





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.

After five years of testing in the lab, greenhouse and small plots, Pivot Bio launched its field-scale beta testing program with farmers across the Corn Belt in 2018. In the company's 2018 national trials, Pivot Bio PROVEN™ consistently achieved better ROI and outcomes than chemical nitrogen fertilizer, including harvesting superior yields - a 7.7 bushel per acre advantage - when compared to relying solely on chemical fertilizer.

Nearly 11,000 on-farm and research trials were conducted across multiple states, demonstrating Pivot Bio's microbes can reduce or replace chemical nitrogen, maximize yield potential and provide a strong return on investment for growers. Pivot Bio's microbes recorded even stronger performance under these conditions with nearly a 17 bushel per acre average advantage against comparable fields using only chemical nitrogen fertilizer.

In 2019, Pivot Bio PROVEN™ became the first microbial nitrogen product commercially available and was planted by growers across 10 states.

Prospera

Based in Tel Aviv, Israel, Prospera uses imaging and artificial intelligence (AI) for anomaly detection, irrigation optimization, and pest and disease control in agriculture. The company has a world-class team and a valuable partnership with Valley Irrigation, the largest pivot irrigation company in the world. Prospera is also an established leader in greenhouse digital farming, working with some of the best produce growers globally. The company's specialty is combining machine vision with artificial intelligence and analytics for the agricultural market. Its sole focus is to provide technologies to help growers produce healthier, higher yields.

Prospera is backed by leading investors including Bessemer Venture Partners, Cisco Investments, Qualcomm Ventures, ICV.

Quanergy

Quanergy Systems, Inc. was founded in 2012 and builds on decades of experience of its team in the areas of optics, photonics, optoelectronics, artificial intelligence software and control systems. Headquartered in Sunnyvale, California, in the heart of Silicon Valley, Quanergy offers smart sensing solutions. It is a leading provider of LiDAR sensors and perception software for real-time capture and processing of 3D spatial data and object detection, identification, classification and tracking. Its sensors are disruptive in price, performance, reliability, size, and weight.

We invested in 2017 and the company has grown since then. In 2019, the company hired a new Chief Marking Officer and a new Chief Revenue Officer. It announced numerous partnerships in for autonomous vehicles, smart cities, and security, and it won the Best of Sunnyvale Award for Excellence in Manufacturing.

Sight Machine

Sight Machine's goal is to become the "SAP of industrial data" with its artificial intelligence-based digital manufacturing platform, which can create a digital twin of the entire manufacturing process.

In 2019, after raising a USD30 million Series C round led by South Korean conglomerate LS Group, the San Francisco-based startup attracted an additional investment from Sony Corp.'s venture capital arm, the Sony Innovation Fund, which is investing in IoT and artificial intelligence startups.

By taking hundreds of structured and unstructured data sources from the plant floor and turning them into digital twins, Sight Machine's platform can enable manufacturers to quickly create customized analytics and applications for things like predictive maintenance and root cause analysis. In 2019, Toros Agri became a Sight Machine customer and was named one of the 10 hottest AI and machine learning startups of 2019 by CRN.

PIVOT BIO

QUANERGY

prospera

SIGHT MACHINE
Powering Digital Manufacturing

Raising farmers' productivity through the use of technology is among Tekfen Ventures top priorities thus adding Prospera to its portfolio in June 2019 is a vivid example of this strategic focus.

In 2019, Pivot Bio PROVEN™ was planted by growers across 10 states whereas Prospera combines artificial intelligence and analytics to help growers produce healthier, higher yields.

Soft Robotics

Soft Robotics specializes in designing robotics that mimic the human hand for grasping and manipulating items. Key use cases have included bin picking and sorting for industries such as e-commerce, retail and grocery. In 2019 the company launched its first on-demand modular automation system, the mGrip. The system aims to accelerate the spread of soft robotics, allowing users to quickly create their own production-ready systems. In October, Soft Robotics unveiled its new coDrive offering, which brings the mGrip technology to collaborative robots without the need for tethered pressurized air. The modular system allows mGrip to be deployed where the customer needs it, untethering the system for a variety of collaborative robotic applications such as pick and place, packaging, and machine tending.

In 2019, the company was selected as one of the 10 coolest robotics startups by CRN and announced a partnership with FANUC, a manufacturer of industrial robots, to help FANUC expand into the food and grocery sector. The partnership means FANUC can access Soft Robotics' 'Factor of the Future' technology, which uses AI, while Soft Robotics can take advantage of FANUC's global customers.

StrongArm Tech

One of the largest operational costs to any organization is employee injuries - U.S. companies spend $250B 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 loT sensors to capture risk data about multiple ergonomic and environmental factors to accurately and effectivity 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-saving's, benefits to employers, coupled with a decrease in workers injuries, are compelling and will ensure the health and longevity of today's labour force.

Tropic Biosciences

Tropic Biosciences is a UK-based biotechnology company focused on utilising advanced plant breeding and gene editing technologies to develop high-performing commercial tropical crops, namely coffee and bananas. It employs 50 industry-leading professionals and is headquartered in Norwich's renowned John Innes Centre, where it has access to cutting-edge facilities and a highly qualified workforce.

The company was founded in 2016 by a team of highly experienced entrepreneurs and researchers and in 2019, the company launched its proprietary GEiGS™ technology (Gene Editing induced Gene Silencing) and the computational platform that enables its application, GEiGS-BioCompute.

GEiGS™ builds upon available gene editing tools (e.g. CRISPR, TALEN) to edit existing RNAi genes and direct their silencing functions towards new targets, including insects, viruses, fungi, or even a plant's own genes. The ability to precisely redirect silencing functions in this way has exciting implications for the global agricultural industry, enabling a robust set of new crop protection and crop enhancement applications.

Recognising the immense value GEiGS™ offers the wider industry, Tropic Biosciences made GEiGS™ available to selected companies for use in the development of their own products across a variety of fruit, vegetable and cereal crops. Proceeds from the commercialization of GEiGS™ will be reinvested into the platform and used by Tropic Biosciences to support the development of new varieties of tropical crops.

SOFT ROBOTICS

STRONGARM TECH

Tropic Biosciences

The approach to sustainable agriculture of Tropic Biosciences' team of worldclass scientists and researchers is in parallel with Tekfen Group's vision of agriculture.

Services

In the conduct of its core business activities, Tekfen Holding's approach is to do the best it can while inspiring trust through its ethical stance. Seeking to take the same approach into services as well, Tekfen Holding creates structures capable of supporting its existing operations and through these it provides both internal (Tekfen Group) and external (non-group) customers with services in such areas as real estate management and insurance. Reflecting Tekfen's time-honoured corporate stance, business style, and quality assurance, each of these companies is an acknowledged success in its respective sector.

Tekfen Services

With proven expertise in the provision of property and real estate-management services and conducting its operations under the "Tekfen Services" brand, Tekfen Turizm ve İşletmecilik A.Ş. strives to deliver unconditional customer satisfaction in a rapidly growing market but in which the importance of after-sales services is still not sufficiently appreciated.

Tekfen Services provides operation and management services for a portfolio of properties including Tekfen Tower, Kâğıthane OfisPark, and Tekfen Holding Ulus Campus in the commercial segment and Taksim Residences, Bomonti Apartments, and Yalıkavak Tekfen Homes in the residential segment. Tekfen Services manages these properties, rents them and manages their leases, and identifies portfolio strategies and ways to enhance revenue streams. Besides providing general maintenance, repair, cleaning, and security services for the properties in its portfolio, Tekfen Services also handles the management of spaces such as parking facilities, conference halls, restaurants, and fitness centres.

In the provision of real estate investment services in today's world, firms seek to achieve lasting customer satisfaction by approaching their projects as an integrated whole that includes post-construction property management services. With this long-term vision in mind, Tekfen Services, was originally established in 2003 within the Tekfen Real Estate Group. Since Tekfen Real Estate Development was merged with Tekfen Construction in 2019, Tekfen Services conducts its operations under the Tekfen Investments & Services Group.

As has been the case every year since Tekfen Services was founded, manufacturing, renovation, and rehabilitation work was carried out at the properties under the company's management in order to improve infrastructure and service quality when dealing with technical, security, and general services issues. The energy-conservation investments that have been going on at Tekfen Tower now for several years continued in 2019 with the updating of energy automation and invoicing software and the conduct of a Detailed Energy Study to determine what investments will be needed in the years ahead.

The conventional barriers that used to be located at the entrance of the car park and in the goods-receiving areas were replaced with high-security systems. The building's security infrastructure was further strengthened with the integration of its fire-detection, fire-alarm, fire-fighting, proximity-card access control, and CCTV systems. Commanding a prestigious position among İstanbul's numerous Class A office buildings, tenants' confidence in Tekfen Tower once again reaffirmed by a 100% year-end occupancy rate even in the face of 2019's tough market conditions.

Tekfen Services also continued to undertake service and infrastructure investments at other properties under its management in order to maintain both property value and customer satisfaction.

"With the growth in the use of electrical cars, Tekfen Tower added EV charging stations to its service range and is planning to further expand its capacity in years ahead."

Tekfen Tower boasts a prestigious position among Class A office buildings.

Tekfen Insurance

Tekfen first became involved in insurance in 1982 as an agent of La Suisse Umum Sigorta, a Turkish subsidiary of Swiss Re, and has been conducting its insurance operations since 1989 as Tekfen Sigorta Aracılık Hizmetleri Co. Inc. (Tekfen Insurance). Today the company acts as an agent for 19 of Turkey's and the world's leading insurers and supplies Tekfen Group companies and employees with products and services in every insurance branch.

Experienced in the provision of corporate insurance, Tekfen Insurance continued to provide the most effective comprehensive coverage for Tekfen Group companies' assets and operations both in Turkey and abroad in 2019. Besides offering group health and personal accident insurance policies, Tekfen Insurance provides the same top-notch service when satisfying the individual insurance needs of Tekfen employees. Improving service quality by expanding the integration of its own operations with those of the insurers with which it works, Tekfen Insurance also continued to provide corporate and retail insurance products and services to non-group policyholders as well in 2019.

From “Birds of Anatolia”. Marsh Harrier (Circus aeruginosus) is a raptor occurring widely in Europe, northwest Africa and Asia.

Profile

Choosing to pursue consistent growth while upholding its ethical values since the day it was founded, Tekfen Holding has achieved a respected position in the business world through subsidiary companies whose corporate cultures are informed by the same ethical approach and which have each become a leading brand in their respective business lines. As a deep-rooted company with nearly six and a half decades of experience, Tekfen Holding has built up its approach to sustainability on values such as excellence, diligence, keeping one's word, respect for people and the environment, and ethical behaviour.

In keeping with their motto "The future belongs to those who build it!", Tekfen Holding and its subsidiaries conduct all of their operations with a mindfulness of the future.

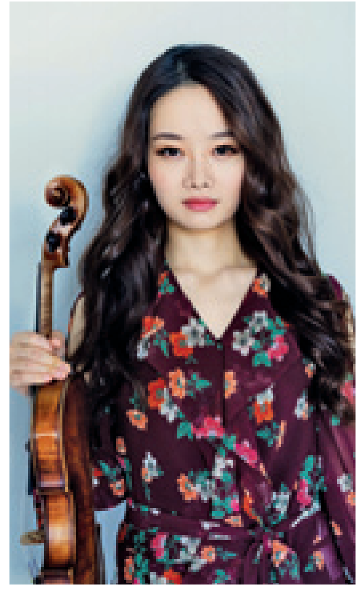
All the members of the Tekfen Group regard the health and safety of their employees as their most fundamental priority, take all necessary measures to minimize the environmental impact of their operations, make transparency and honesty the cornerstones of all their stakeholder relationships, internalise such basic concepts as social gender equality, justice, and adherence to ethical principles, and sincerely embrace the concept of creating added value for society.

While responsibly managing all of their operations within the same framework, Tekfen Group companies also give some of the value that they create back to society through education, culture & art, and social development projects.

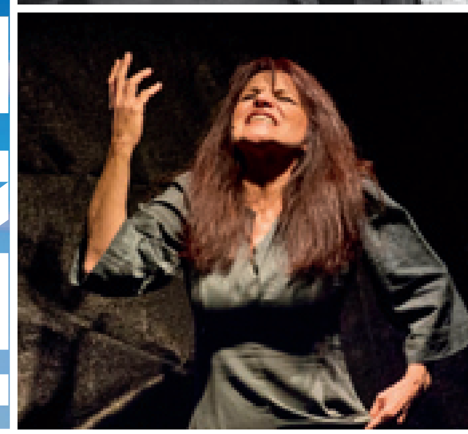
The roles which Tekfen's founding partners played as initiators, administrators, and supporters in numerous non-governmental organizations dedicated to dealing with environmental, educational, and social issues have ensured that consideration for such issues has been a part of Tekfen's business culture and a focal point of all of its activities since the very first day.

Believing also that businesses have important responsibilities to fulfill when addressing serious issues such as climate change, the pressure of rapid population growth on natural resources, and environmental pollution, Tekfen is aware that companies that accept such responsibilities in the context of sustainability and use them to their advantage will be the leaders of the future. Owing to the values and to the sense of responsibility it has embraced since the day it was founded and similarly guided by changes in customer demands, investor expectations, sectoral norms, and rapidly-proliferating global regulations, Tekfen takes steps to be an exemplary actor when dealing with such matters.

Tekfen Holding has built up its approach to sustainability on values such as excellence, diligence, keeping one's word, respect for people and the environment, and ethical behaviour.








In order to create a shared approach and to foster good practices when addressing sustainability issues within the Tekfen Group, in late 2017 Tekfen Holding launched a project to identify the group's sustainability priorities and strategies and then subsequently report its efforts and progress in these areas. As the first step in this project, a Sustainability Committee was set up to serve as the group's sustainability management structure. A workshop was held in 2018 to formulate a collective sustainability vision by means of broad stakeholder participation and external trend analysis. During this workshop, the group's sustainability priorities were also identified. As called for in the ensuing integrated Sustainability Strategy & Roadmap, Tekfen Holding published its first sustainability report on 19 July 2019.

This report, reflecting Tekfen's sustainability strategy via its motto of "Bridging Prosperity", communicates the group's approach to and priorities with regards to sustainability. It also draws attention to how the fulfillment of the Tekfen Group's mission and the conduct of its activities in such areas as agriculture, construction, and real estate development contribute to socioeconomic progress and pave the way to prosperity. The document, which was prepared in conformity with Global Reporting Initiative (GRI) standards, reports three-year figures for Tekfen Holding as well as the seven Tekfen companies that account for about 92% of Tekfen Holding's turnover: Contracting Group companies Tekfen Construction, Tekfen Engineering, and Tekfen Manufacturing; Agri-Industry Group company Toros Tarım; Real Estate Development Group companies Tekfen Real Estate and Tekfen Tourism; and Tekfen Insurance.

In 2019, the Sustainability Committee was enlarged in order to better coordinate management of the realization of the group's sustainability vision within the overall framework of the Sustainability Strategy & Roadmap. As a result of this expansion, five separate delegatory workgroups were created: Stakeholder Relations & Social Responsibility, Employees, Innovation & Digital Transformation, Corporate Governance, and Environment.

In 2019, Tekfen Holding's shares were included in the Borsa İstanbul (BIST) Sustainability Index for the fourth year in a row. Only BIST publicly-traded companies that conform to the highest corporate governance and sustainability standards and performance are included in this index. In a similar vein, four of the members of the Tekfen Holding Board of Directors are women and three of them are independent directors. As such, Tekfen once again received the "Board of Directors Empowered By Women" award at the 4th Independent Women Directors Conference of Turkey.

Tekfen Holding is a signatory to the United Nations Global Compact, the world's biggest corporate sustainability initiative, and has pledged both to abide by the charter's ten principles concerning human rights, labour practices, environment, and anticorruption and to encourage any individuals and organisations over which it has an influence to do the same. In line with this commitment, in 2019 Tekfen Holding finalised its Supply Chain Policy manage the direct impact of Tekfen's own procurements and of those that result indirectly from its suppliers and subcontractors. Under this policy, which addresses environmental, social and economic aspects, Tekfen promises to use resources effectively and in ways that are not environmentally detrimental, to prefer goods and services that are procured from responsible and sustainable sources, and to support local economic endeavours and employment by working with local suppliers and subcontractors wherever this is appropriate. The policy also spells out what Tekfen expects of its supply-chain actors when they deal with such matters. Comparable Tekfen Group human rights and stakeholder policies are currently in development as well.

"As called for in the ensuing integrated Sustainability Strategy & Roadmap, Tekfen Holding published its first sustainability report on 19 July 2019."

Tekfen Holding once again received the "Board of Directors Empowered by Women" award.

Our motto for sustainability of "Bridging Prosperity" duly expresses how our lines of businesses therefore Tekfen as a whole play a pivotal role in creating a better, more liveable future.

People

Tekfen believes that competitive advantage is possible only by employing human resources who are both competent and satisfied. It therefore sees its employees as its most precious asset and their abilities as the greatest assurance of its own product and service quality.

In line with this vision, the painstaking approach with which Tekfen selects its personnel continues in the subsequent stages of their careers as well. A variety of development programmesare conducted to support Tekfen employees in their efforts to act as well-coordinated members of a team, to mobilise their creativity, and to make good and effective decisions.

Making up a huge family of some 20 thousand individuals when both its own and its subcontractors' personnel are taken into consideration, Tekfen's approach to the conduct of business and work is informed by a corporate culture which respects human rights, provides employees with satisfying workplace environments, and is inclusive.

All matters pertaining to strategic recruitment, individual goal-based performance and reward management, talent management, and progression are dealt with in accordance with a single standard that applies to all Tekfen Group companies. 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 coping with the world's constantly shifting requirements. In all projects associated with these efforts, Tekfen Holding works with independent internationally recognised consultants in order to ensure impartiality and consistently high standards.

Performance Evaluation

Tekfen's employee performance management system is designed and managed, so as to be sure that all group companies are behaving consistently when dealing with their employees and are rewarding superior employee performance fairly. Individual company targets are identified based on Tekfen Holding strategies and these targets are successively reduced to the individual-employee level. 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 targets, communicating this to the employee, and coming to an agreement on what needs to be done moving forward.

Competency Model

In 2019, the Competency Model Design Project that had been launched to identify what sorts of behaviour are to be expected not just of leaders but of all employees in the realisation of group companies' strategic priorities was brought to completion. Following this, the newly-identified Tekfen competencies were integrated into the performance management system. The results of 360-degree performance evaluations are used as input both for designing training & development programmes and for supporting employees' career-path planning.

Human Resources Mobile App

TIK, is a mobile app serving as a platform in the conduct of Tekfen Holding's and Tekfen Group companies' recruitment processes such as the announcement of job vacancies, ongoing and planned activities, and news.

Employee Loyalty

Believing that productivity arises fundamentally from their 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 these surveys, which cover the entire Tekfen Group, employees' feedback is solicited on such matters as how loyal they feel towards their company, what are the benefits their company provides them with, and what they think about their company's strategies and leaders.

User-friendly application TIK, facilitates recruitment and hiring processes.

Internal Customer Ratings

Internal customer ratings are carried out in order to understand inter-company and inter-department dynamics within the Tekfen Group and also to determine the impact that employees have on business processes. By revealing any areas that need to be improved or changed and mobilizing efforts to increase service quality and internal communication, these ratings help ensure that teams are aware of and knowledgeable about current conditions.

Tekfen Atelier

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

Tekfen Atelier is constantly being updated and improved in order to satisfy employees' individual needs. Besides providing classroom training, Tekfen Atelier also serves as a conduit for the dissemination of employee e-learning videos through the Learning Management System. The handling of all group companies' training needs has been the sole responsibility of Tekfen Atelier as of the beginning of 2019.

Leadership Programme

Designed for the middle- and top-level managers 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 line-level management personnel of all Tekfen Group companies. The programme helps participants to develop their personal and leadership skills when dealing with such issues as basic management, feedback, and management by objectives.

Employee Development Plans

Personal inventories create awareness among managers about their behaviour and its impact on the advancement of their careers and to add to 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 company strategies and objectives.

Tekfen HR Oracle System

Information about all Tekfen Group companies' personnel is maintained in a single HR Oracle database which allows for generating real time reports. The system is also used to keep track of such matters as hiring approval processes and employees' leave and travel requests.

In 2019, Tekfen HR Oracle System was largely expanded with the integration of group companies' performance, training, and payroll systems. Besides making it possible to query and report personnel data from a single database, the integration of previously stand-alone systems has also made these processes much more user-friendly.

Remuneration Management

Remuneration Management is based on a uniform job description and pay scale. A total of 1,071 individual's have been graded in this pay-scale system, which makes it possible to determine precisely what a market-based salary would be based on an employee's job grading and therefore to make market-based salary offers to candidates. This integrated system ensures the uniformity and fairness of remuneration policy implementation throughout the Tekfen Group.

Payroll System

All payroll information is maintained in a centralized IT Payroll System. The integration of each group companies' payroll systems into this database makes it easy to query the system and generate payroll reports.

TANAP Compressor and Metering Stations, Damal-Ardahan

Environment

Among all the global risks that confront us today, environmental risks are coming increasingly to the fore. The loss of biodiversity reaching worrisome levels, "climate change" turning into a "climate crisis", and far too many natural resources (especially water) being overconsumed are issues that Tekfen is also keeping its eye on with mounting concern. Tekfen regards objectively identifying and managing the environmental risks and opportunities that arise from the conduct of its operations, integrating them into its business strategies, and behaving as a responsible corporate citizen should do when dealing with environmental matters as being among its most fundamental duties.

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 advance its approaches to dealing with environmental issues as well. By subscribing to UNGC, the group commits itself to increasing measures aimed at minimising 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.

Striving not just to have a sustainable world today but also to pass one on to the future, Tekfen Holding joined the ranks of Turkey's Climate & Water Leaders when it qualified for inclusion in the 2019 "A-" lists of the Climate Change and Water Programmes of the Carbon Disclosure Project (CDP), the world's most inclusive Green NGO. Having begun to track, measure, and analyse its climate-impact data in 2010, Tekfen Holding has been transparently reporting its performance to the CDP Climate Change Programme since 2017 and to the CDP Water Security Programme since 2018.

Seeking to reduce the environmental impact of its operations, Tekfen Holding publicly disclosed its strategy for protecting endangered plant and animal species in a Tekfen Biodiversity Policy that was announced in 2019. This policy was formulated to contribute to the protection of biodiversity and ecosystem resources threatened by anthropogenic (human-caused) land loss, urbanization, invasive species, overfishing, pollution, and climate change. In this policy Tekfen commits itself to reduce the impact of any operations which it may have to conduct in localities whose biodiversity is rich and is in need of protection and also to take such measures as may be necessary to prevent future harm to them.

Another important development that took place in 2019 was the creation of an Environmental Working Group whose membership consists of Tekfen Group company personnel who are knowledgeable about environmental issues. The goals of the Tekfen Environmental Working Group are to develop projects to deal with climate-change, energy-efficiency, and water-management issues; steadily reduce operational carbon and water footprints; foster stakeholder awareness about these matters; increase collaborative efforts with NGOs and universities; and come up with environmental practices that are seen as exemplary in the group's operational sectors.

A-

"Tekfen Holding joined the rank of "A-" lists of the Climate Change and Water Programmes of the Carbon Disclosure Project (CDP)."

Information about greenhouse gas emissions and water use arising from Tekfen's operations is provided in the accompanying charts.

Greenhouse Gas Emissions (tCO2e)

Type	2018	2017	2016
Scope 1 emissions	899,828	796,410	1,052,537
Scope 2 emissions	38,821	39,888	45,050
Scope 3 emissions	183,930	148,68514	1,562

Water (megaliters)

Water	2018	2017	2016
Total water taken	126,290	114,605	136,879
Total water consumed	6,495	4,324	4,354
Total water discharged	119,795	110,281	132,525
Reused water	1,576	1,327	1,114

Water taken by source (megaliters)

Water taken by source	2018	2017	2016
Sweet surface water	2,122	667	348
Salt water	115,386	106,111	128,873
Groundwater	4,582	4,223	4,258
Production-supplied water supply	3,891	3,372	3,194
Third-party-supplied water	309	233	206

Tekfen Construction

Similarly to the TANAP Lot 3 Pipeline project completed in 2018, the TANAP Compressor and Metering Stations project that was completed in 2019 provided an opportunity for the company to demonstrate its exemplary practices in dealing with environmental matters. After all project operations had ceased, work began to restore the areas affected to their pre-operational state based on environmental, ecological, and archaeological data that had been recorded beforehand. Through this rehabilitation process, which continued all year long, Tekfen Construction sought to eliminate as much as possible of the environmental impact of the project's operations on farmland, woodland, natural watercourses, etc.

Toros Tarım

A significant portion of Tekfen Holding's total greenhouse gas emissions is the result of the production of nitric acid 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, Toros Tarım began working with the Nitric Acid Climate Action Group on a project to reduce nitrous oxide (N_2O) emissions. The project's plant-specific technology-selection and project-development phases as well as feasibility studies of the investment and operational costs of the system to be installed were completed in 2019. The process of procuring a catalyser suitable for the plant is currently under way and the goal is to have its installation finally completed in a series of stages by the end of 2020.

Work continued as planned all year long in 2019 in order to bring various aspects of Toros Tarım's operations into compliance with the requirements of laws and regulations, international standards, and the findings of Protect & Sustain audits.

In the entirety of its projects, Tekfen Construction takes all the necessary precautions to prevent or minimise the adverse effects of its operations on critical habitats rich in biodiversity.

Occupational Health & Safety

Placing human life above everything else, Tekfen Holding regards ensuring the health and safety of its own employees, the employees of its contractors and subcontractors, and visitors at workplaces under the company's control as being a fundamental principle. Tekfen Group companies make occupational health & safety (OHS) awareness a vital part of their corporate culture in order to create and maintain safe and healthy workplace environments and to constantly improve their working conditions. Efforts to achieve this are supported at the highest level.

Having previously identified a Health, Safety & Environment (HSE) strategy for group companies and set out its minimum requirements, in 2019 Tekfen Holding began conducting compliance audits at its fixed facilities in Turkey that were deemed to be the most exposed to risks. During these audits, checks were made to determine the degree of compliance not only with laws and regulations but also with both Tekfen Holding and individual company HSE requirements. A "report card" issued for each plant and containing the findings of these audits is used to report the results to individual company and holding company senior management. The purpose of these audits is to provide input so that HSE practices at risky facilities and workplaces can be constantly improved year after year.

Of all the activities taking place in group companies, the riskiest involve lifting extremely heavy loads. A safety handbook for lifting operations was prepared in 2019 and is planned for distribution in 2020. The purpose of this handbook is to set out load-lifting practices that are to be complied with in all Tekfen Group companies so as to minimise the risks to which these operations expose them.

Another crucially important issue in the conduct of industrial operations is the matter of process safety. In 2019, a "Tekfen Process Safety Model" was formulated and a "Process Safety Regulation" describing that model was published. The "HSE Culture Transformation" that was launched in 2018 also continued with no loss of momentum in 2019.

Tekfen Holding's Consolidated OHS Performance Results

In 2019, a total of 77,054,705 man-hours was worked at project sites and workplaces deemed to be "Risky" or "High-Risk". The LTIR and TRIR performance results for last year and the year before are presented below for comparison.

During 2019, a total of five fatal work-related accidents occurred at Tekfen Group companies with operations in sectors deemed to be in the "High-Risk" category from the standpoint of occupational health and safety, all of them in the Contracting Group. In response to these accidents, an HSE Improvement Plan was devised and corrective action was taken accordingly.

As of end-2019, a total of 358 HSE and 58 health personnel were in the employ of Tekfen Group companies.These numbers do not include HSE personnel on subcontractors' payrolls.

Metric	2019	2018
LTIR (Lost Time Injury Rate)*	0.597	0.370
TRIR (Total Recordable Incident Rate) **	1.103	0.774

** LTIR: The total number of lost time injuries occurring in a workplace per 1 million hours worked.*
*** TRIR: The total number of incidents occurring in a workplace per 1 million hours worked that require more than first-aid intervention.*

As of end-2019, a total of 358 HSE and 58 health personnel were in the employ of Tekfen Group companies.

Tekfen Construction

Tekfen Construction has been deploying and constantly improving an OHS management system that conforms to the OHSAS 18001 Occupational Health and Safety Management System standard at all of its project sites and workplaces since 2002 while also steadily improving its OHS practices and performance. ISO 45001, a new version of the OHSAS 18001 standard, was published in 2019 and work was begun to change over to the new requirements. The company's HSE documentation has been revised to take this change into account and preparations have been completed for the conduct of an external audit some time before midyear 2020.

In order to increase OHS-awareness among employees and to help foster this awareness as an element of Tekfen corporate culture, a "TEKFEN 9+1 Live-Saving Rules" list was drawn up in 2019. Monthly campaigns highlighting one of these rules are conducted in workplaces and at project worksites as a way of engaging employees' interest and attention.

An OHS Performance Evaluation Workshop attended by all project and operations managers was conducted in 2019 during which opinions were exchanged and decisions were taken on various issues that are in need of improvement. Activities related to these decisions were guided and monitored by the Headquarters HSE Department during the year.

Recognizing the essential role that management has to play in changing OHS culture, a two-day "Manager HSE Training" was conducted in 2019 for mid (foremen and engineers) and upper-mid (section chiefs and department heads) management personnel. A total of 334 people took part in this training, whose aims was to bring all managers together around a single HSE culture and to increase their competencies when dealing with occupational health, occupational safety, and environment-related issues.

Believing in the importance of practical training, Tekfen Construction created an "HSE Practical Training Area" as a prototype at the site of its TurkStream Gas Receiving Terminal Project in Kıyıköy with the idea of implementing it in all of its future projects. In addition to these activities, work was also begun to standardize all the personal protective equipment used at project worksites and in workplaces.

The "Tekfen 4.0 IoT" in-house project that Tekfen Construction itself developed and put into effect earned the company an award in the "Health & Safety" category from IPLOCA, the International Pipe Line & Offshore Contractors Association and one of the most highly-respected professional associations in the international contracting industry. The Tekfen 4.0 IoT system makes it possible to keep track of all machinery, equipment, vehicles, and personnel employed by the company anywhere in the world and thus to be aware of their efficiency, check the training and competencies of operators and drivers, and remotely monitor some occupational safety issues. The ultimate goal of this system is to minimise accidents caused by misapplication of machinery, equipment and vehicles.

The "Tekfen 4.0 IoT" in-house project that Tekfen Construction itself developed and put into effect earned the company an award in the "Health & Safety" category from IPLOCA.

Tekfen Construction OHS Performance

Metric	2019	2018
LTIR: Lost Time Injury Rate *	0.181	0.133
TRIR: Total Recordable Incident Rate	0.6123	0.447

Tekfen Construction's accident-free successes in 2019

- *Qatar North Road Highway Side Roads & Junctions Project (Qatar): 31 million hours worked with no lost time*
- *GATE-FGP Projects (Kazakhstan): 10 million hours worked and 20 million kms driven with no lost time*
- *Al Thumama Stadium Project (Qatar): 10 million hours worked with no lost time*
- *Jeddah-Yanbu Pipeline Project (Saudi Arabia): 7 million hours worked with no lost time*
- *TurkStream Gas Receiving Terminal & Offshore Pipeline Project (Turkey): 5 million hours worked with no lost time*

Toros Tarım

At Toros Tarım, where priority is given to a target-based organisational and operational infrastructure, important progress has been made in recent years in line with the "Zero Accident" target that the company set for its production facility and terminal operations. In the first stage, a situation analysis of the existing OHS Management System was carried out, an improvement roadmap was drawn up, and work was begun on making those improvements.

In the second stage, steps were taken to increase organisational awareness of OHS issues. These consisted of installing an Operational Risk & Process Safety Management System (thereby completing the situation analysis), publishing Toros Tarım's Life-Saving Rules (The Must-Have 12), identifying key performance indicators, and setting up Toros Safety Academy. Sets of hands-on training programme materials were prepared in partnership with an academic institution with the aims of developing all employees basic OHS skills and competencies, of achieving better and more sustainable work-safety results through employee involvement, and finally of making OHS an element of corporate culture that supports both productivity and production.

Toros Safety Academy continued to provide a series of practical training all year long in 2019. Last year a total of 270 white- and blue-collar personnel consisting of workers, line supervisors, and managers employed in the conduct of Toros and subcontractor operations at the Ceyhan, Samsun, and Mersin plants as well as at TAYSEB and fuel stations attended a two-day course of practical "OHS Management Training".

Forty-five people representing all aspects of Toros Tarım's operations who had been designated "OHS Champs" (OHS Training Ambassadors) attended a "Trainer's Training & OHS Leadership

In 2019, Toros Tarım published a set of rules and regulations in line with its "Zero Accident" objective in all its factories and terminals. The "life-saver" guidebook called "The Necessary Twelve" aims toward creating higher awareness about Occupational Health and Safety.

Programme" that was conducted at the Mersin, Ceyhan, and Samsun plants in July and August. OHS Champ training in 2019 focused on the content of the "Zero-Accident Competency Set" of materials that they will be providing to employees in the conduct of "Frontline Employee Training" sessions. Upon completion of this training, the ambassadors were provided with the training sets and trainer's guides that they will be using. In a related development last year, Toros Tarım's "Safety Leading Indicator Notification System" was launched and employees were provided system-awareness and competency training through Toros Safety Academy, which also began gradually expanding so as to include worksite personnel as well.

In recent years, Toros Tarım has been taking important steps to make all multi-stakeholder business processes from procurements to production and from warehousing to distribution simpler, safer for employees, and more sustainable. The company's efforts were recognized in 2018 when Toros Tarım became the first (and still the only) fertiliser maker in Turkey to be awarded the International Fertiliser Association's "Preserve & Sustain" award. Owing both to the efforts which it subsequently made inspired by globally-accepted best practices when dealing with occupational health & safety, environmental management, and energy efficiency issues and to the support which it provided for the "Benchmark & Analysis Platform that IFA set up to promote continuous improvement in the same areas by encouraging comparisons and sharing among firms in the sector, Toros Tarım was also designated an "IFA Industry Stewardship Champion" in 2019. Parallel to this achievement, Toros Tarım's Sustainability & Governance Director Burcu Türkeş was also invited to be a member of the IFA's Technical and Health, Safety & Environment Strategy Consultants Team.

Toros Tarım OHS Performance

Metric	2019	2018
LTIR: Lost Time Injury Rate	8,144	5,495
TRIR: Total Recordable Incident Rate	8,933	8,243

North Road Highway Side Roads & Junctions Project in Qatar, reached 31 million hours worked with no lost time.

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. Mindful of 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".

The Tekfen Foundation for Education, Health, Culture, Art, and Protection of Natural Resources (Tekfen Foundation) was founded in 1999 to provide a more institutional structure for socially beneficial and cultural activities and to help build a liveable future that is in harmony with nature.

Inspired by the wisdom and foresight of Tekfen's founding partners and celebrating its 20th anniversary in 2019, Tekfen Foundation allocates significant resources for the support both of education (Turkey's most vital need) and of endeavours in culture and art (among the most important of indicators of any society's level of development) and has also carried out countless projects in these areas. Tekfen Foundation was officially recognised as a "public service corporation" in 2004.

In addition to the efforts of Tekfen Foundation, the Tekfen Group companies also allocate resources for corporate social responsibility projects that are in line with their own particular goals and strategies. Tekfen Group companies donated a total of TRY887,292 to socially beneficial projects in 2019.

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 high school or undergraduate university students in order to help support their education. To date, close to 3,000 students have graduated with the help of Tekfen Foundation. During the 2018-2019 academic year, the foundation provided scholarships to 550 students. In order that its scholarship recipients may embark upon their careers with a better-informed awareness of what it is that they want to do, the foundation also arranges mentoring for them at Tekfen Group companies. Fifty Tekfen Foundation scholarship recipients worked as trainees at Tekfen Group companies in 2019.

By tradition, Tekfen Foundation hosts a "Tekfen Scholarship Recipients Gathering" every year to give students a chance to become better acquainted with Tekfen and to receive guidance on matters of concern to their future. The 14th annual gathering of Tekfen Foundation scholarship recipients was held in İstanbul on 12 April 2019.

In 2018, Tekfen Foundation forged another link in the chain of its support for education by signing a donation agreement with Darüşşafaka. Established in 1863, Darüşşafaka is Turkey's oldest non-governmental educational institution. Under the agreement, Tekfen Foundation is covering all of the educational expenses of 24 students enrolled in Darüşşafaka's middle school division for a period of four years each. Tekfen also keeps a close

TEKFEN 20 YEAR TEKFEN FOUNDATION

Celebrating its 20th anniversary in 2019, Tekfen Foundation has carried out countless projects towards a better and more sustainable future.

Written and illustrated by the award-winning nature photographer and documentary film-maker Fatih Orbay, "Birds of Anatolia, brings together more than 300 bird species that dwell in or migrate through the Anatolian peninsula.

watch on each student's progress, visits them, and serves as their host at Tekfen events.

Having joined the Education Reform Initiative (ERG) in 2017 as a corporate sponsor, Tekfen Foundation continued to support the initiative's activities in 2019. ERG is an independent and not-for-profit organisation 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

The Tekfen Philharmonic Orchestra is a prominent member of Turkey's cultural and artistic scene. Originally founded in 1992 as a chamber group whose members came from eleven Black Sea countries, the ensemble has since grown into a symphonic orchestra that now brings together musicians 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 that its artists call home adds unique value to this orchestra as a cultural mosaic.

Tekfen Philharmonic's permanent conductor and artistic director Aziz Shokhakimov opened the 2019 programme with spring concerts featuring the young South Korean violinist Bomsori Kim as the soloist. The recipient of numerous international awards and recognised by the world's classical music community as "one of the most dynamic and exciting violinists of today", Bomsori Kim gave her first concerts in Turkey accompanied by the Tekfen Philharmonic in Ankara on March 20th and in İstanbul on March 21st and March 22nd.

In 2019, the Tekfen Philharmonic added another prestigious feather to its cap when it was chosen by the İstanbul Foundation for Culture and Arts (İKSV) to be the orchestra for the opening concerts at the 2019, 2020, 2021, and 2022 İstanbul Music Festivals. On the occasion of the start of the 47th İstanbul Music Festival last year, the orchestra gave a concert at the Lütfi Kırdar International Convention and Exhibition Centre during which it accompanied South Korean Seong-Jin Cho, winner of the XVII International Chopin Piano Competition. On June 17th, the orchestra hosted Daniel Müller-Schott, one of the most celebrated cellists of our day.

In its autumn concerts, the Tekfen Philharmonic showcased Sebastian Manz for audiences in Ankara and İstanbul. Regarded by music authorities as one of the world's most talented clarinetists, Manz also appeared on stage together with the popular Turkish clarinet virtuoso Serkan Çağrı in a duet performance of a Classical Turkish song.

It has become a fall tradition for the Tekfen Philharmonic to give concerts intended to instill a love of classical music among youngsters, on which occasions the orchestra's name is changed to "Tekfen Philhar-Mini". The theme of the 2019 series of Philhar-Mini concerts was "Oyun", a Turkish word that means "game" or "play" in English. Performing works by composers such as Chopin, Paganini, Rachmaninoff, Brahms, the orchestra entertained its young audience with colourful puppets, stories, and a splendid stage performance as it took them on a magical tour through the world of classical music. The programme's soloists were the 11-year-old pianist Yahya Azimoğlu and the 10-year-old violinist Defne Güngör, whose appearance and performances were sources of inspiration for their equally young audience.

Celebrating its 20th anniversary in 2019, Tekfen Foundation added to its support for classical music with the introduction of a music scholarship programme. The programme, whose aim is to help train talented musicians not just for the Tekfen Philharmonic but also for all orchestras in Turkey, provides students who want to pursue a career as a professional orchestra musician with the opportunity to continue

> *In 2019, the Tekfen Philharmonic added another prestigious feather to its cap when it was chosen to be the orchestra for the opening concerts at the 2019-2022 İstanbul Music Festivals.*




Throughout 2019, Tekfen Philharmonic shared the stage with acclaimed soloists such as Sebastian Manz (clarinet), Seong-Jin Cho (piano), Bomsori Kim (violin) and Daniel Müller-Schott (cello).

their undergraduate education abroad. A two-stage selection process was carried out to identify the recipients of the 2019 Tekfen Foundation Music Scholarship. Of the candidates who were auditioned, two were chosen: Yunus Altıkanat (cello), a lycee graduate of the Mimar Sinan University of Fine Arts State Conservatory, was awarded a scholarship for his undergraduate studies at Barenboim-Said Akademie in Berlin; Seyfi Can Dağlar, a graduate of Mersin University State Conservatory Music and Theatrical Arts Lycee (bassoon), will do likewise at Hochschule für Musik Hanns Eisler, also in Berlin.

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. In 2019, the foundation published "Birds of Anatolia", a continuation of the foundation's efforts (which began in 2007 with its publication of "Flowers of Anatolia") to record the extraordinarily rich flora and fauna with which Anatolia is blessed for both the present and posterity. Written and illustrated by the award-winning nature photographer and documentary film-maker Fatih Orbay, the book brings together images, selected from among the many thousands that he has taken during his long career, of more than 300 bird species that dwell in or migrate through the Anatolian peninsula.

Sustainable Development

In the aftermath of the mining disaster which occurred in 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 later the same year under the auspices of the Turkey Grameen Microfinance Programme (TİSVA) with the mission of creating alternative sources of income for local women. In 2017, Tekfen Foundation continued its efforts along these lines by entering yet into another agreement with TİSVA, under which an existing branch in Mersin was included in the same programme. As of end-2019, a total of 1,328 women (774 in Soma and 508 in Mersin) were allocated microfinancing to support their families.

Tekfen Holding

Education

Coming to the support of science, culture, and art at all times, Tekfen Holding made a new addition to the roster of contributions that it makes to society by working in partnership with Tekfen Foundation in joining forces with Boğaziçi University in 2019, in an undertaking to be carried out in memory of Feyyaz Berker, one of Tekfen's founding partners and a Robert College graduate who did much for his alma mater as a Boğaziçi University benefactor. The goal of this "Powered by Tekfen" project is to expand the scope of the university's Boğaziçi Chronicles, Boğaziçi Lectures, and Open Lectures programmes and make them accessible to more people.

As an acknowledgment of the Tekfen Foundation's support, the name of the Boğaziçi Lectures programme has been changed to "Boğaziçi Lectures Feyyaz Berker Series", whose aim is to encourage national and international dialogue on current social and scientific issues by inviting world-recognised thinkers, scholars, and scientists to come to Boğaziçi University and deliver lectures. Having previously hosted important academicians in many different disciplines, the first guest lecturer of the new Boğaziçi Lectures series was Dr Feryal Özel. A Turkish astrophysicist and a professor at the University of Arizona in Tucson, Dr. Özel is a collaborator on the Event Horizon Telescope Project that released the first ever picture of a black hole. On November 7th, Dr Özel gave a lecture entitled "The secret behind Powehi: The first image of a black hole" at Albert Long Hall.

Supported by Tekfen Holding, Boğaziçi Chronicles is an international artist-in-residence programme whose aim is to contribute to Turkey's cultural life and scene. The programme invites and plays host to world-famous theoreticians, artists, and performers who conduct seminars and workshops and/or give performances while residing on the university's campus.

"In 2019, Tekfen Foundation published "Birds of Anatolia", a continuation of the foundation's efforts (which began in 2007 with its publication of "Flowers of Anatolia") to record the extraordinarily rich flora and fauna with which Anatolia is blessed for both the present and posterity."

Carried out in memory of the late Feyyaz Berker, one of Tekfen's founding partners, "Boğaziçi Lectures Feyyaz Berker Series", aims to encourage national and international dialogue on current social and scientific issues by inviting world-recognised thinkers, scholars, and scientists.

powered by TEKFEN

Open Lectures, the third Boğaziçi programme being supported by Tekfen Holding, will continue fulfilling its mission of encouraging scientific curiosity, free thought, and creativity among the public at large. Under this programme, members of Boğaziçi University's faculty deliver lectures that explore a host of subjects and are open to all. Continuing ever since it was launched four years ago, with Tekfen Holding's support the programme extended its reach outside İstanbul for the first time and conducted three seminars in the city of Malatya in Eastern Anatolia: "Earthquakes: What we know and what we don't" (26 November), "What do we have in the fight against cancer?" (4 December), and "Innovative practices in agriculture" (10 December).

Last year Tekfen Holding also sponsored the 2019 European Youth Parliament National Forum conference, the third to be hosted in İstanbul by Robert College. The conference, which was organized by RC's EYP Club and took place on 26-29 October 2019, was attended by Portuguese, Italian, and Turkish students representing a total of twenty schools in their home countries.

Culture & Art

As a member of the Board of Trustees of the İstanbul Foundation for Culture and Arts (İKSV), Tekfen Holding has been supporting the foundation's series of İstanbul Festivals for many years and as such has also been one of the sponsors of the İstanbul Biennial for a long time as well. The company contributed to the 16th İstanbul Biennial held in 2019 as a "Special Project Sponsor".

Every year Tekfen Holding also sponsors the performance of a play during the İstanbul Theatre Festival. For the 23rd İstanbul Theatre Festival that took place in 2019, Tekfen Holding was the performance sponsor of "İo", a play written and directed by Şahika Tekand. As one of the corporate sponsors of the İstanbul State Opera and Ballet Company since 2018, Tekfen Holding was also on hand as a supporter at the 10th International İstanbul Opera Festival last year.

Sport

Having expanded the scope of its many years of support for education and art into the domain of sport by becoming the prime sponsor of the Darüşşafaka "Black Panthers" basketball team in 2018, Tekfen Holding renewed its sponsorship agreement in 2019. The Darüşşafaka Tekfen Basketball A team is competing in both the Basketball Super League's and the EuroCup League's 2019-2020 season.

Tekfen Construction

Culture & Art

Tekfen Construction first supported the archaeological work going on at the Küllüoba mound near Eskişehir with a prefabricated building that it donated to the dig in 2009. That support resumed in 2017 when the company set up a worksite in the area on account of the Trans-Anatolian Natural Gas Pipeline project (TANAP). Located in a cultivated plain 35 kms southeast of Eskişehir city in Seyitgazi county, the Küllüoba mound is important in Anatolian Prehistoric and Bronze Age archaeology: finds reaching back as far as 5,000 years provide evidence of some of the earliest-known urban settlement and architecture. During the 2017, 2018, and 2019 excavation seasons Tekfen Construction provided full meal support for the 35-person team of archaeologists. Last year the company also refurbished the original prefabricated building, which is used as a dig house, donated a second container for storage purposes, erected a protective shed on the mound, and set up a wire fence enclosing the excavation site.

Environment

Conducting all of its operations with a mindfulness of their environmental impact, Tekfen Construction also tries to encourage environmental awareness among people who live in the vicinity of its worksites. While working on the TANAP Compressor and Metering Stations Project in Ardahan's Damal county for example, "zero-waste" and "waste-management" instruction was provided to kindergarten, primary, and middle school pupils attending eight schools

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as well as to the personnel of government agencies.

In Kırklareli's Vize county, Tekfen Construction used about 100 thousand cubic meters of earth left over from TurkStream excavation works in a project to rehabilitate and reforest a 22-decare area containing a disused quarry that had become a garbage dump. Once the area had been cleaned up and its soil enriched with fertiliser, government agencies, civil society groups, schools, and local citizens took part in a tree-planting festival during which a total of 3,000 tree saplings, 2,000 of them cedars, were planted.

Social Welfare

Tekfen Construction engages in many efforts to improve the quality of people's lives in the areas in which it is carrying out its project works. During the TANAP Compressor and Metering Stations Project for example, the company organised a summer school for the children of Sarıcaeli village in Çanakkale to support their development in art, culture, and skills. In 2019, this project received a Corporate Social Responsibility award from the International Pipe Line & Offshore Contractors Association.

Toros Tarım

Education

As it does every year, in 2019 Toros Tarım continued to take care of the maintenance, repair, and general needs of the Toros Tarım Anadolu Lycee and the Toros Tarım Primary School that it opened in the vicinity of its Ceyhan plant.

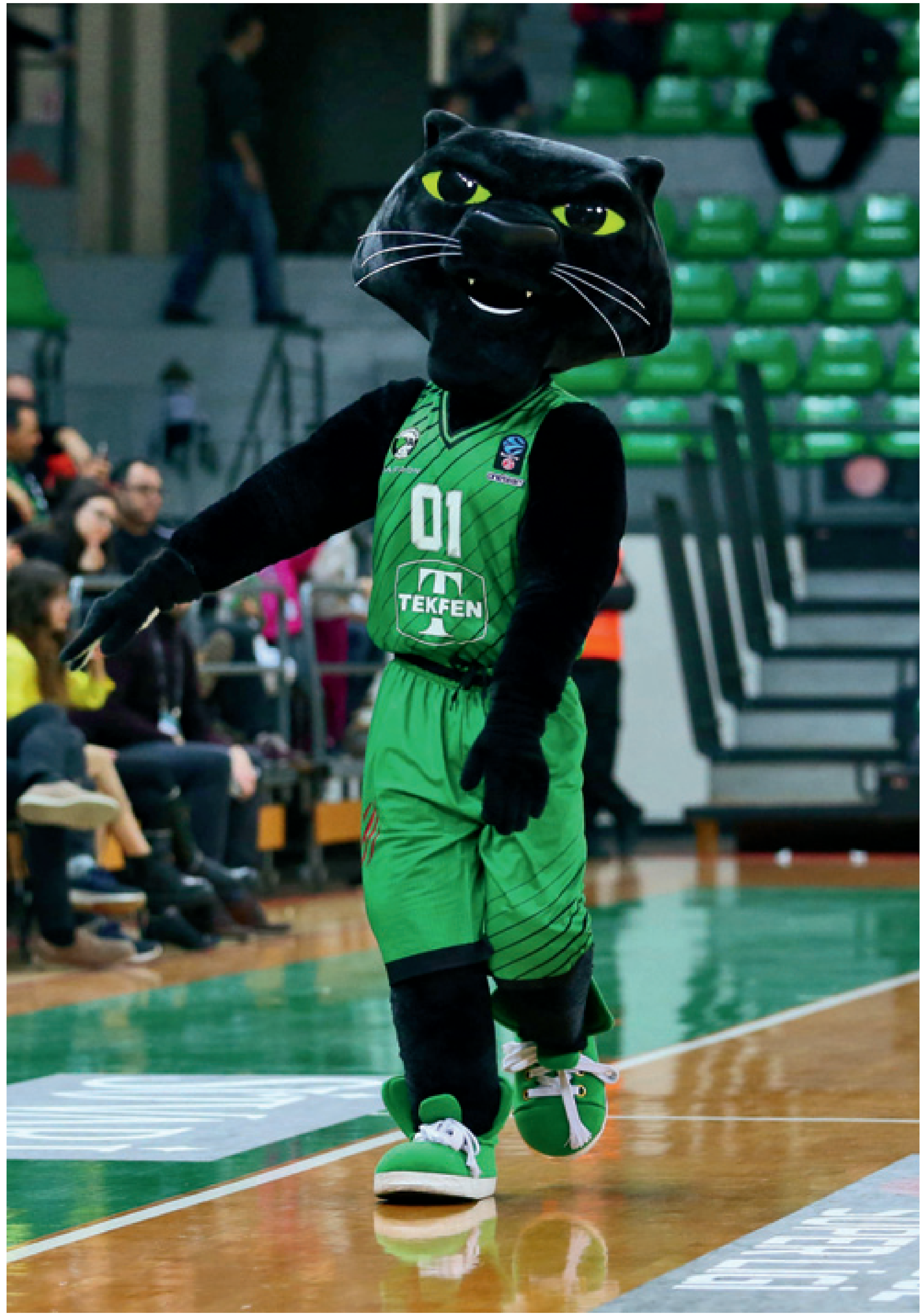
Rural Development

Ever since the company was founded, Toros Tarım and its product offerings have been helping farmers to increase their productivity. Toros Tarım also supports farmers and helps raise their living standards by providing them with information and training on a variety of subjects such as the proper use of fertilisers.

Toros Tarım has been giving farmers free training and soil analysis for many years. To further increase such support, the company also launched its Toros Farmers Academy and Mobile Technical Team projects to additionally increase this support and also strengthen its ties with producers by dealing with them directly. Under the latter project, a specially designed Toros Tarım Bus tours through farming regions and provides farmers with information about how to use correctly. By showing farmers how to use nutrients effectively without causing environmental harm, the project team helps farmers reduce their costs while also increasing both their productivity and their quality.

Teams entirely made up of agricultural engineers employed in Toros Tarım's regional operations also travel from village to village in tech-equipped vehicles and provide their audiences with demonstrations, information, and publications about Toros Tarım products and also advice about dealing with fertiliser issues. These teams listen to farmers' problems and make suggestions 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.

Another innovative way in which Toros Tarım helps farmers benefit from technological progress is a mobile app called "Toros Çiftçi" ("Toros Farmer") that it introduced in 2016. 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 weather, soil, and crop parameters, farmers are given recommendations about what they should do and when. The app allows them to keep track of the weather conditions for each field so that they can make the right operational decisions at the right time. In the twelve months to end-2019, the number of active Toros Farmer users increased by 15% to 9,762. Farmers' use of Toros Farmer has also led to the creation of an extensive database which now includes nearly 10 thousand fields under cultivation.



Darüşşafaka Tekfen's popular mascot "Dado" is an ambassador of goodwill reaching beyond the courts by partaking in a number of CSR projects.

Corporate Governance

Board of Directors Members' CVs

Murat Gigin
Chairman

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

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

Gigin is also the Deputy Chairman of Akmerkez REIC, an associate of Tekfen.

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

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

Cansevil Akçağlılar
Vice Chairwoman

Born in **1930** in Istanbul, Cansevil Akçağlılar graduated from TED College in 1950.

Between **1979-2006,** Akçağlılar was a member of the Board of Directors of Tekfen Holding A.Ş. She has served as a member and Vice-Chairwoman of the Board of Directors since 2007..

Osman Cengiz Birgili
Vice Chairman

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

Having started to work as a civil engineer at Tekfen İnşaat ve Tesisat A.Ş. (Tekfen Construction and Installation) on 15 August 1978, Birgili served in various positions before functioning as a senior executive in HMB (Germany). He was appointed Deputy General Manager of Tekfen Construction on his return to Turkey in 1998. Birgili served as Senior Deputy General Manager of Tekfen Construction between 2005 and 2013, and he played an active role in Tekfen Holding's IPO in 2007.

Having served as President of Tekfen Group Companies between 2013 and 2019, Birgili was elected Vice Chairman of the Board of Tekfen Holding in March 2019. Osman Birgili is also Chairman of HMB and Tekfen Ventures companies, and Vice Chairman of Tekfen Agri.

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

Ali Nihat Gökyiğit
Founding Honorary Chairman and Member

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

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

For 35 years, he has served as chairman of the Advisory Board of AIESEC-Turkey, the world's largest student organisation. A member of the Turkish Industry and Business Association (TÜSİAD) and of the Foreign Economic Relations Board (DEİK), Gökyiğit was a member of the boards of DEİK between 1988 and 2005 and of TÜSİAD between 1985 and 1987. He worked for 10 years as chairman of the Turkish-CIS Business Council, under the auspices of DEİK, and as Turkey's representative on the Black Sea Business Council. Gökyiğit is the Honorary Consul of Georgia and Kyrgyzstan and an honorary citizen of Georgia. He is currently an honorary member of DEİK and a member of TÜSİAD. Gökyiğit is the Founding Honorary Chairman of the Turkish Green Building Council and the Turkish Foundation for Combating Soil Erosion, for Reforestation and Protection of Natural Habitats (TEMA). He helped TEMA launch its first projects, related to the environment, protection of natural resources and rural development. One of these, the Camili Region Sustainable Development Project, won an award at the 2002 Johannesburg World Summit on Sustainable Development.

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

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

Sinan K. Uzan
Member

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

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

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

Assoc. Prof. Ahmet İpekçi
Member and Advisor

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

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

In 1992, Ahmet İpekçi joined the board of HMB (Germany), a company that is part of the Tekfen Contracting Group. In 1994, he was appointed Financial Coordinator of Tekfen Holding. Between 2000 and 2013, he served as Vice- Chairman of Tekfen Holding in charge of Investment and Service Companies. Since 2013, he has been a Tekfen Holding advisor and a board member of many Group companies, such as Tekfen Construction and Toros Tarım. In April 2014, Ahmet İpekçi joined the Board of Tekfen Holding.

M. Ercan Kumcu, PhD.
Member and Advisor

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

He was Vice-Chairman of the Board of Directors and then Chairman of the Board at Tekfenbank (Eurobank Tekfen) between **1995** and **2008.** He is currently a board member at Tekfen Holding and an independent board member at Anadolu Holding A.Ş. and Adel Kalemcilik A.Ş. Kumcu has taught economic policy at Kadir Has University and he has published many articles. He is the author of the books “İstikrar Arayışları” (In Pursuit of Stability), “Krizleri Nasıl Çıkardık?” (How Did We Create Crises?; with Mahfi Eğilmez), “Ekonomi Politikası: Teori ve Türkiye Uygulaması” (Economic Policy: Theory and Practice in Turkey; with Mahfi Eğilmez), “Kadın Matematikçiler” (Women Mathematicians) and “Krizler, Para ve İktisatçılar” (Crises, Money and Economists).

Çiğdem Tüzün
Independent Member

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

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

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

Neriman Ülsever
Independent Member

Neriman Ülsever was born in Bursa in **1951,** and graduated from Boğaziçi University in 1975. Ülsever began her professional career at Turkish Airlines and assumed a growing set of responsibilities until 1986, after which date she served as senior executive in various industries such as banking, manufacture, and retail, until 1994.

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

Ülsever was the Group President of Human Resources at Sabancı Holding between **2011** and **2016** while also serving as Deputy Chairwoman to the Board at Kordsa Global and Temsa Global and member of the Board at Aksigorta, Carrefoursa, Avivasa, and Teknosa. Currently a member of the Board of Autogrill S.p.A. (Italy), Neriman Ülsever became an independent Board member of Tekfen Holding on 23 March 2017.

Gülsüm Azeri
Independent Board Member

Born in Sakarya in **1951,** Gülsüm Azeri is a graduate of Robert College and holds a BA degree in Chemical Engineering and an MS degree from Industrial Engineering, both from Boğaziçi University.

After joining the Şişecam Group of Companies in 1981, Azeri has assumed a wide array of responsibilities in various positions for 30 years and as of 1994, she has been appointed CEO in charge of the chemicals, glass fiber, mining, glassware, retail, paper-cardboard-packaging, flat glass, automotive glass, home appliances glass and solar energy glass divisions. Gülsüm Azeri served as President of the Chemicals Group between 1994-1998, as President of the Glassware Group between 1999-2007, as President of the Flat Glass Group between 2007-2011 and as Executive Board Member of Şişecam Group all throughout these years, between 1994 and 2011. Member of the Board of Turkish Airlines between 2011-2013, Azeri was CEO and Board Member of OMV Petrol Ofisi and OMV Gas and Energy Holding and Chairwoman of the Board of OMV Petrol Ofisi Holding between 2011-2017. Gülsüm Azeri is currently Supervisory Board Member of VIP Turkey Holding B.V.

Chairwoman of the European Glass Federation Glassware Committee between **2004-2008,** Gülsüm Azeri also served as Board Member of ‘Glass for Europe’ (European Flat Glass Producers Association) between 2009-2011.

Gülsüm Azeri was a Board Member of İstanbul Chamber of Industry (ISO), Executive Committee Member of the Turkish Exporters Assembly (TIM), a member of the Board of Directors and Executive Board of Foreign Economic Relations Board of The Union of Chambers and Commodity Exchanges of Turkey (TOBB). Between 2005 and 2011, she also represented the private sector on the Board of Ethics Council of the Prime Ministry of Turkey.

Azeri was listed on top of the “50 Most Powerful Female CEO’s of Turkey” list of the weekly Ekonomist in 2017, and number 2 in the “50 Most Powerful Business Women in Turkey” list of the monthly Fortune Magazine. On 9 October 2018, Gülsüm Azeri was appointed as a member of the Economic Policies Committee of the Presidency of the Republic of Turkey. She has been serving as an independent member on the Board of Directors of Tekfen Holding A.Ş. since 29 March 2018.

Şevki Acuner
Independent Member

Şevki Acuner received his bachelor’s degree in Business Administration from Boğaziçi University in 1976, and pursued further studies in management at Stockholm University, and received his master’s degree in the same field from Concordia University, Montréal.

Acuner began his professional career as a banking professional at the Central Bank of the Republic of Turkey (CBRT), and later worked for the Bank of Montreal (Canada) and then the Royal Bank of Canada undertaking posts in different countries.

Since 1996, he has functioned in various roles within the European Bank for Reconstruction and Development (EBRD). In 2009, he played a key role in the EBRD’s expansion to Turkey. He served as Deputy Country Director for Turkey based in İstanbul until 2013, since when he has been serving as the EBRD’s Director for Ukraine based in Kiev. He has represented the bank as a Board of Directors member in a number of the EBRD’s equity investments. During the course of his professional life in London, he was the President of the Turkish Bankers Association – United Kingdom (TBA) for many years. While in Istanbul, he led the growth of the EBRD in Turkey.

The chief promoter of Ukraine’s economic transformation and one of the leaders of the country’s business and finance community, Acuner was the Chairman of the Board at Ukraine’s Business Ombudsman Council, the Chairman of its Nomination Committee, and the Vice-Chairman of the Board of the American Chamber of Commerce.

Currently an Independent Board Member and Board Chairman of Ukrainian Railways (UkrZaliznytsia) and the Ukraine Power Transmission Network (UkrEnergo) in Ukraine, and an Independent Board Member of Migros and Anadolu Efes companies in Turkey, Şevki Acuner has been named an Independent Board Member of Tekfen Holding in March 2019.

Senior Management CVs

Cahit Oklap
President, Tekfen Group Companies

Born in Geylan, Kosovo (former Yugoslavia) in **1950,** Cahit Oklap graduated from Denizli High School, and obtained his bachelor's degree in chemical engineering from the Middle East Technical University (METU) in 1974, where he completed his postgraduate studies in industrial engineering in 1979. Having worked as a Research Assistant at METU since he was a student, he began his professional career as a Planning Engineer at the Petkim Aliağa Complex during its construction in September 1979.

He joined Tekfen Construction in September 1983, and represented the company in a number of joint ventures and consortiums set up with foreign partners for the purpose of carrying out pipeline and motorway construction projects. In 1995, he was appointed General Manager of HMB (Hallesche Mitteldeutsche Bau A.G.), the Tekfen Holding subsidiary in Germany; in tandem with this post, he was also assigned as Assistant General Manager in charge of Tekfen Construction operations in Kazakhstan and Germany in September 2008.

Between 2016-2017, Cahit Oklap served as Vice President of Tekfen Holding in charge of Strategy, Business Development and Investments. From 2017 until March 2019, he served as member, Acting Chairman and Chairman of the Boards of Directors of Tekfen Construction, Tekfen Engineering, Tekfen Manufacturing, Gate Construction, Azfen and Toros Agri. Currently serving as the General Manager of HMB, Oklap was appointed President of Tekfen Group Companies in March 2019.

Gürbüz Alp Kireç
General Secretary

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

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

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

In March 2017, Gürbüz Alp Kireç was appointed Vice President of Tekfen Holding in charge of the Contracting Group. He was appointed General Secretary of the Holding in 2019.

Assoc. Prof. Osman Reha Yolalan
Vice President, Chief Financial Officer

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

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

Osman Reha Yolalan joined Tekfen Group of Companies first as a member of the Board of Directors at Tekfenbank in 2006, and Tekfen Holding within the same year, in order to assume a key role in the Company's IPO. Having served as Vice President of Tekfen Holding in charge of Corporate Affairs between 2006 and 2019, Reha Yolalan was appointed CFO as of March 2019. Holding seats on the Boards of Directors of several Tekfen Group Companies as Chairman, Vice Chairman or Member, he is also an Independent Board Member of QNB Finansbank since June 2016.

Levent Kafkaslı
Vice President, Contracting Group

Born in Zonguldak in **1963,** Levent Kafkaslı received his bachelor's degree in civil engineering from İstanbul Technical University in 1987 and his master's degree in construction management from İstanbul University in 1988.

Levent Kafkaslı joined Tekfen Construction as a Field Engineer in 1990 and worked in a number of positions until 1999, when he was appointed Vice President of Azfen JV in Azerbaijan. From 2005 to 2013 he served as Vice President of Tekfen Construction

Having functioned as the General Manager of Tekfen Construction from 2013 to 2019, Kafkaslı assumed the position of Vice President responsible for Tekfen Holding's Construction Group, in tandem with which he holds seats on the Boards of Directors of several Group Companies as Chairman, Vice Chairman or Member.

In March 2019, he was appointed Vice President of Tekfen Holding in charge of the Contracting Group, as well as Chairman, Vice Chairman and Board Member in various group companies.

Hakan Göral
Vice President, Agri-Industry Group

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

Between 1990 and 2002, Göral was in charge of coordinating supplier development, purchasing, and central purchasing operations as Group Manager in the Automotive Supply Coordination Group of Koç Holding and was also leading a number of projects within the Koç Automotive Group. He then worked as Deputy General Manager responsible for Sales, Human Resources, Information Technologies, Accounting, and Finance and CFO at Mako Elektrik (Magneti Marelli J. V.) between 2001 and 2004. In 2006, Göral assumed the title of Senior Vice President, Turkey at Componenta, which had acquired Döktaş, and served as Executive Board Member of Componenta Corporation and as the general manager of four business units in Turkey. Göral was also Member of the Board at Componenta Dökümcülük ve Ticaret A.Ş. and Kumsan A.Ş. Between 2012 and 2016, Göral was CEO and Chairman of the Executive Board at İnci Holding, and was chairman or member the board of several İnci Holding Group Companies such as İnci Akü, İncitaş, ISM, İnci Lojistik, Aten Brantner, and Maxion İnci.

In April 2016, Hakan Göral was appointed General Manager of Toros Agri and Tekfen Holding acting Vice President in charge of the Agri-Industry Group, in which position he began serving in full capacity as of March 2017. Göral has become the Chairman of the Board of Toros Agri in May 2019.

Ahmet Okçular
Vice President, Strategy, Business Development and Investments

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

Ahmet Okçular began his professional career as an Associate in the Corporate Finance Department of Finans Yatırım Menkul Değerler A.Ş. and became the Group Manager serving as an advisor on numerous public offerings, M&A transactions, project financing and privatisation projects. In 2005, Okçular joined HSBC Bank as the Head of M&A Advisory & Equity Capital Markets, and successfully facilitated many M&A transactions and public offering projects with HSBC Turkey. Okçular also worked as Executive Member of the Board of Directors at HSBC Yatırım Menkul Değerler A.Ş between 2008 and 2010.

Ahmet Okçular served as Vice President of Strategy, Business Development and Investments, and Acting CFO between 2016 and 2019. In March 2019, he became Vice President of Strategy, Business Development and Investments, in which position he currently serves.

Hakan Dündar

Deputy Chief Financial Officer

Born in İstanbul in **1976**, Hakan Dündar graduated from Marmara University, Department of Economics in 1999 and then completed his master's degree in finance at the University of Baltimore. Having started his professional career at Deloitte, an independent audit firm, Hakan Dündar worked in this company in various roles from 2001 to 2007.

He joined the Tekfen Group as Audit Manager in October 2007, and then served as Coordinator of Financial Control and Reporting, and as Group Companies Director of Financial Control and Reporting In March 2019, he was appointed acting CFO of Tekfen Holding.

Since April 2016, Hakan Dündar has been a Board Member at various group companies, including, in particular, Tekfen Construction among others. He is a Certified Public Accountant (CPA).

Tekfen Group Companies

- Contracting
- Agri Industry
- Other activities
- Companies not included in consolidation

Tekfen Holding

(TRY 370,000,000)

- **TEKFEN TURİZM** (TRY2,000,000) 100%
- **AKMERKEZ LOKANTACILIK** (TRY100,000) 30.50%
- **ÜÇGEN BAKIM VE YÖNETİM** (TRY50,000) 27.45%
- **AKMERKEZ GMYO** (TRY37,264,000) 10.79%
- **TEKFEN ENDÜSTRİ** (TRY200,000) 100%
- **TEKFEN GMY** (TRY45,785,000) 99.98%
  - **FLORYA GMY A.Ş.** (TRY120,500,000) 50%
- **TSKB A.Ş. AKÇANSA TURCAS TOREN GAZ DEPO**
- **TEKFEN SİGORTA** (TRY1,610,000) 100%
- **TEKFEN TARIM** (TRY218,500,000) 100%
  - **ALANAR MEYVE** (TRY78,294,000) 100%
  - **ALANAR FİDAN** (TRY10,600,000) 100%
  - **HISHTIL** (TRY9,733,052) 50%
- **TEKFEN TEKNOLOJİ YATIRIM VE TİC. A.Ş.** (TRY165,000,000) 100%
  - **TEKFEN VENTURES L.P.** ($50,000,000) 100%
  - **TEKFEN VENTURE MANAGEMENT LLC** 100%
- **TEKFEN INT. FIN & INV S.A.** ($256,300,000) 100%
  - **TECHINVESTMENTS** (AZN172,000,000) 100%
  - **TEKFEN CONSTR.** * ($10,003) 100%
  - **BERLIN LIGHT** (€43,700,000) 11.44%
  - **CENUB TİKİNTİ** (AZN1,323,694) 51%
  - **TEKFEN INT'L LTD.** * (GBP7,500) 100%
  - **HMB** (€50,000,000) 100%
    - **DENKMAL in DAHLEM** (€25,000) 80%
- **TOROS TARIM** (TRY700,000,000) 99.98%
  - **TOROS GEMİ** (TRY650,000) 100%
  - **TAYSEB** (TRY2,700,000) 100%
  - **TOROS TERMİNAL** (TRY50,000) 100%
  - **ASBAŞ** (TRY495,000) 10%
  - **GÖNEN ENERJİ** (TRY84,000,000) 70%
    - **ALTACA MERAM YEŞİL ENERJİ** (TRY4,000,000) 9.88%
  - **MESBAŞ** (TRY10,804,320) 9.56%
  - **CFS** (TRY5,000,000) 100%
  - **BLACK SEA** (TRY2,100,000) 30%
  - **TOROS AGROPORT** (RON54,000,000) 100%
- **TEKFEN İNŞAAT** (TRY475,000,000) 99.99%
  - **TEKFEN MÜHENDİSLİK** (TRY20,000,000) 100%
    - **TEKFEN T-ENGINEERING ORTAK GİRİŞİMİ** 85%
  - **AZFEN** (AZN276,885) 40%
  - **TEKFEN TUBİN ÖZDEMİR** 70.65%
  - **TEKFEN İMALAT** (TRY30,000,000) 100%
  - **TEKFEN TML** 66.66%
  - **GATE İNŞAAT** (TRY487,090,000) 100%
  - **TEKFEN - AL JABER ORTAK GİRİŞİMİ** 50%
  - **GAMA TEKFEN TOKAR** 35%
  - **ISTEK CONSTRUCTION** 50%
  - **DOĞUŞ-TEKFEN ADİ ORTAKLIĞI** 50%
  - **CORDING DORTMUND** (€23,850,000) 12.58%
  - **TEKFEN RÖNESANS ADİ ORTAKLIĞI** (TRY50,000) 50%
  - **OOO RUSFEN** (RUB10,000) 100%

*As of 31 December 2019 the liquidation of these companies are accepted and the announcement is in progress.

Section I

Statement of Compliance with Corporate Governance Principles

Having established its management and its relations with shareholders, employees and third parties on the principles of equality, transparency, accountability and responsibility ever since its incorporation, the Tekfen Group espouses compliance to fundamental governance principles as an integral element of its existence in keeping with its deep-rooted values and strong corporate tradition. The Group stringently adheres to the corporate governance concept in order to maintain successful business practices and make Tekfen shares an attractive investment instrument for current shareholders and potential investors.
Having gone public in 2007, the Tekfen Group embraces the "Corporate Governance Principles" set out in the Capital Markets Board of Turkey (CMB) Corporate Governance Communiqué No. II-17.1 (the Communiqué), and exercises the due diligence for their proper implementation. In this framework, the Tekfen Group has achieved full compliance with all compulsory principles, and implements the majority of non-compulsory ones in line with the prudent management philosophy established over the years at Tekfen. The Group continues to work on those aspects with which full compliance is yet to be achieved due to certain hardships arising from market conditions, the characteristics of the Company's business lines, and integration of these principles with the Company's structure. Efforts in this vein will be ongoing also in the future. The CMB Corporate Governance Principles, with which we have yet to achieve compliance as of 2019, are listed below (the numbers assigned refer to the relevant article numbers of the CMB Corporate Governance Principles).
1.3.11 General Assembly meetings are not open to the public, including stakeholders and media, who would be silent in these meetings. Solely shareholders and company employees can attend the General Assembly meetings.
1.5.2 Minority rights are not granted to those holding less than one twentieth of the capital in the Articles of Association, nor the scope of minority rights have been stipulated and expanded therein.
3.1.3 Policies and procedures concerning stakeholder rights are not published on the Company's corporate website.
3.2.1 Employee participation in management has not been set out in the Articles of Association or in any internal guideline.
3.2.2 Questionnaires, probing or similar methods are not implemented to seek the opinions of stakeholders in relation to material decisions bearing a result for stakeholders.
4.3.9 Neither a target, nor a policy has been established setting a minimum target of 25% for women members on the Board of Directors.
4.5.5 Some of the Board of Directors members serve on several committees.
4.6.1 The Board of Directors does not conduct a self-assessment of its performance to evaluate whether it fulfils its responsibilities effectively.
4.6.5 Remunerations paid to the Board of Directors members and executives with administrative responsibility are not disclosed on an individual basis in the annual report. The Group has achieved partial compliance with the following principles:
1.3.10 The amounts of all donations and grants and their beneficiaries are addressed under a dedicated item in the General Assembly agenda, and donations above TRY 5,000 are grouped according to recipient individuals and organisations and disclosed as such.
3.3.1 While the Company has espoused an employment policy providing equal opportunities and succession planning for all key managerial positions, efforts are underway for implementing this policy across all Tekfen Group companies.
3.3.4 From amongst various topics such as the Company's financial position, remuneration, career planning, training and health, information meetings and training programs are carried out specifically in relation to health, training, and occupational health and safety.
4.4.7 There are no restrictions regarding external positions to be held by the members of the Board of Directors. External positions held by the Board members are presented for the information of shareholders in the annual report.
The Company's Corporate Governance Compliance Report and Corporate Governance Information Form for 2019 have been accepted by the Board of Directors and are accessible on our Company's page at the address www.kap.org.tr.

Section II

Board of Directors

2.1. The Structure and Composition of the Board of Directors

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

A Board of Directors consisting of 11 members, each to serve for one year, was decided upon at the Annual Ordinary General Assembly held on 27 March 2019.

Name	Position
Murat Gigin	Chairman
Cansevil Akçağlılar	Vice Chairwoman
Osman Cengiz Birgili	Vice Chairman
Ali Nihat Gökyiğit	Member
Sinan K. Uzan	Member
Assoc. Prof. Ahmet İpekçi	Member
M. Ercan Kumcu, PhD.	Member
Çiğdem Tüzün	Independent Member
Neriman Ülsever	Independent Member
Gülsüm Azeri	Independent Member
Şevki Acuner	Independent Member

Attendance of the Board Members and the Committee Members to the meetings						
Name	Independent Members	Board of Directors (12 meetings)	Audit Committee	Corporate Governance Committee	Risk Committee	Remuneration Committee
Murat Gigin		12/12				3/3
Cansevil Akçağlılar		7/12				
Osman Cengiz Birgili		9/9				
Ali Nihat Gökyiğit		12/12				
Sinan K. Uzan		11/12				
Ahmet İpekçi		12/12				
Mehmet Ercan Kumcu		12/12			6/6	
Neriman Ülsever	•	12/12		4/4		3/3
Çiğdem Tüzün	•	11/12	6/6			
Gülsüm Azeri	•	11/12			6/6	
Şevki Acuner	•	9/9	4/4	3/3		

Four independent members serve on the Board of Directors and each has provided a written statement of independence.

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

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

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

In this regard, Murat Gigin was appointed Chairman of the Board of Directors, Cansevil Akçağlılar was appointed as Vice-Chairwoman, and Osman Cengiz Birgili was appointed as Vice-Chairman following the Annual Ordinary General Assembly held in 2019.

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

In this frame, information on other positions undertaken by the board members at Tekfen Group Companies and non-Group companies in 2019 is provided on the following page.

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

There are four women (36%) on our Company's Board of Directors; however, there is no set target for the number of women to make up the board or specific timeframe that has to be met for any such target.

2.2. Principles of Activity of the Board of Directors

Issues related to the Board's meeting frequency and quorum are defined in the Company's Articles of Association. Accordingly, the Board of Directors must convene as often as business and operations necessitate, but at least four times a year.

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

The Legal Department acts as secretariat of the Board of Directors.

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

During 2019, twelve physically attended meetings were held; throughout the year, 81 decisions were passed and participation rate in meetings and decisions averaged 97%.

Positions of Board Members in Group and Non-Group Companies

Name	Group Companies	Non-Group Companies
Murat Gigin		Agromak Makine İmalat San. ve Tic. A.Ş. Chairman of the Board of Directors & Executive Director Akmerkez Gayrimenkul Yatırım Ortaklığı Vice Chairman of the Board of Directors ANG Yatırım Holding A.Ş. Vice Chairman of the Board of Directors Ekozey Ekolojik ve Organik Tarım Gıda Hayvancılık ve Turizm Taşımacılık İth. İhr. İnş. San. Tic. A.Ş. Chairman of the Board of Directors ENAT Endüstriyel Ağaç Tarımı San. ve Tic. A.Ş. Chairman of the Board of Directors Galipoli Gıda Ürünleri Sanayi ve Ticaret Ltd. Şti. Company Manager İmbroz Tarım Hayvancılık Gıda San. Tur. ve Tic. Ltd. Şti. Company Manager Macahel Arıcılık Turizm Nakliyat ve Tic. A.Ş. Member of the Board of Directors Salda Enerji A.Ş. Member of the Board of Directors Tekzen Ticaret ve Yatırım A.Ş. Chairman of the Board of Directors & Executive Director Viem Ticaret ve Sanayi Yatırımları Ltd. Şti. Company Manager Zen Enerji A.Ş. Chairman of the Board of Directors The Association of Category Merchandising (KMD) Member of the Board of Directors EDRA (European DIY - Retail Association) Member of the Board of Directors GHIN (Global Home Improvement Network) Member of the Board of Directors The Turkish Foundation for Combating Erosion Reforestation and the Protection of Natural Habitats (TEMA) Member of the Board of Trustees
Ahmet İpekçi		Üçgen Bakım ve Yönetim Hizmetleri A.Ş. Vice Chairman of the Board of Directors
Mehmet Ercan Kumcu	Tekfen Sigorta ve Aracılık Hizmetleri A.Ş. Chairman of the Board of Directors Toros Tarım Sanayi ve Ticaret A.Ş. Vice Chairman of the Board of Directors Tekfen Teknoloji Yatırım Ticaret A.Ş. Member of the Board of Directors	Anadolu Grubu Holding A.Ş. Independent Member of the Board of Directors Adel Kalemcilik Ticaret ve San. A.Ş. Independent Member of the Board of Directors
Sinan K. Uzan	Tekfen Ventures LLP Chairman of the Board of Directors Tekfen Venture Management LLC Chairman of the Board of Directors	Akmerkez Gayrimenkul Yatırım Ortaklığı Yönetim Kurulu Üyesi
Ali Nihat Gökyiğit		Ali Nihat Gökyiğit Holding A.Ş. Chairman of the Board of Directors
Osman Cengiz Birgili	HMB AG Chairman of the Board of Directors Tekfen Tarımsal Araştırma Üretim ve Pazarlama A.Ş. Vice Chairman of the Board of Directors Tekfen Teknoloji Yatırım Ticaret A.Ş. Chairman of the Board of Directors	Ofispark Gayrimenkul Ticaret A.Ş. Yönetim Kurulu Üyesi
Gülsüm Azeri	Toros Tarım Sanayi ve Ticaret A.Ş. Member of the Board of Directors	Kaleseramik Çanakkale Kalebodur Seramik Sanayi A.Ş. Vice Chairwoman of the Board of Directors
Şevki Acuner		Anadolu Efes Biracılık ve Malt Sanayii A.Ş. Independent Member of the Board of Directors Migros Ticaret A.Ş. Independent Member of the Board of Directors JSC Ukranian Railways Chairman of the Board of Directors JSC UkrEnergo NPC Chairman of the Board of Directors

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

The board members do not have privileges such as weighted voting rights or a negative right of veto.

There is a “Directors’ and Officers’ Liability” policy for our Company’s board members and senior executives.

2.3. Financial Rights Provided to the Members of the Board of Directors and Executives with Administrative Responsibility

Board members: TRY 3,007,100

Executives with Administrative Responsibility: TRY 24,422,659

(Executives with Administrative Responsibility are the President and Vice Presidents of the Group Companies.)

The above mentioned total remuneration allocated to the Members of the Board consists only of their sessional allowances. Remuneration otherwise paid to some of the Board members for consultancy and/or Board membership in some Group companies amounts to TRY 8,234,156.

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

The Company does not lend money, extend credit, or extend loans under the name personal loan through a third person to any board member or manager, nor does it make available guarantee in their favour such as suretyship.

Section III
Committees

Committees have been set up at the Company to assist the Board of Directors with proper fulfilment of its duties and responsibilities.

Established as per the legislation, these committees are the Audit Committee, Corporate Governance Committee, Early Detection of Risk Committee and Remuneration Committee, and they report to the Board of Directors.

On the other hand, the Nomination Committee required to be set up pursuant to Corporate Governance Principles has been organised within the Corporate Governance Committee that fulfils the duties incumbent upon the former by legislation.

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

From amongst these committees, the Audit Committee and the Corporate Governance Committee meets at least four times a year no further apart than three months, the Risk Committee meets every two months, and the Remuneration Committee meets as and when necessary.

3.1. Audit Committee

Members of the Audit Committee consist of two of our independent board members. During 2019, Çiğdem Tüzün served as the head and Şevki Acuner as the member of the committee.

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

In 2019, the Tekfen Holding Audit Committee convened six times to deliberate recent internal auditing activities. During these meetings, information was provided about the findings and conclusions of both internal and independent auditing.

3.2. Corporate Governance Committee

During 2019, independent board member Neriman Ülsever served as the head of the committee, and board member Şevki Acuner and Tekfen Holding Investor Relations and Corporate Governance Director Çağlar Gülveren served as the committee members.

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

3.3. Early Detection of Risk Committee

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

Since 1 July 2012, when Turkey's new commercial law went into effect, Tekfen's longstanding approach to dealing with such issues has also been informed by newly-introduced rules that mandate certain risk management functions in publicly-traded companies. In line with this, Tekfen Group companies acting under the coordination of Tekfen Holding have developed a common approach and method for managing and reporting the risks that are likely to confront them.

Tekfen Holding and Group Companies have a written document governing, explaining and laying down the rules for managing their respective risks. The periodic reports for monitoring the risks are submitted for the information of the Early Detection of Risk Committee every two months.

The organisational units tasked with the conduct and reporting of risk management activities have also been specified in every Tekfen Group company. Risk reports of every Group Company are submitted to the Holding after being approved by the respective company's Board of Directors.

Tekfen Holding Risk Committee reviews the risk documents received from the companies every two months, and refers the major risks and its own comments and assessments to the Tekfen Holding Board of Directors. Risks are considered by the Tekfen Holding Board of Directors, which may instruct Tekfen Group companies as to how particular risks are to be managed.

In addition, a copy of each Tekfen Holding Consolidated Risk Report is regularly sent to the independent auditor.

During 2019, independent board member Gülsüm Azeri functioned as the head of the Risk Committee, while board member Ercan Kumcu served as the committee member.

3.4. Remuneration Committee

The Remuneration Committee determines the principles, criteria and practices to be employed in the remuneration of board members and executives with administrative responsibility in view of the Company's long-term goals. The committee is charged with monitoring these principles, criteria and practices, and with presenting remuneration suggestions for board members and executives with administrative responsibility to the board of directors, taking into consideration the extent to which the criteria employed in remuneration have been achieved.

Board members Murat Gigin, Sinan Uzan and Neriman Ülsever serve on this committee.

Section IV
Internal Audit

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

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

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

When preparing annual internal audit plans, internal audit units include the audit areas that are identified as risky in the risk assessments in these plans. Internal audit units also make use of the results of enterprise risk management activities when revising the internal audit plans in light of issues that are identified as being risky during the year.

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

The Tekfen Holding Group Internal Audit Directorate compiles the internal audit reports submitted to it by individual Tekfen Group companies and submits its findings and conclusions to the Tekfen Holding Audit Committee. Internal auditing results are reported to this committee at three-month intervals and to the Tekfen Holding Board of Directors at six-month intervals. During 2019, the Internal Audit Directorate presented 30 audit reports to the Audit Committee.

Section V
Legal Disclosures

5.1. Shareholder Structure

At the General Assembly Meetings, each share with a nominal value of TRY 1 entitles its holder to one vote. There are no privileged shares in the Company's capital.

Shareholder	Number of Shares	Share Ratio (%)
Heirs of Feyyaz Berker	64,243,983.06	17.36
Alev Berker	10,830,186.45	2.93
Meltem Berker	4,174,086.92	1.13
Şebnem Berker	4,174,086.92	1.13
Berker - Total	**83,422,343.35**	**22.55**
Cansevil Akçağlılar	24,611,073.57	6.65
Akçağlılar - Total	**24,611,073.57**	**6.65**
Ali Nihat Gökyiğit	29,688,792.17	8.02
Ali Nihat Gökyiğit Yatırım Holding	33,613,879.45	9.08
Ang Vakfı	18,561,944.73	5.02
Gökyiğit - Total	**81,864,616.35**	**22.13**
Others	5,682,901.24	1.54
Publicly held	174,419,065.49	47.14
GRAND TOTAL	**370,000,000.00**	**100.00**

5.2. Lawsuits Brought against the Company with a Potential Impact on the Company's Financial Position and Activities, and Information about their Possible Outcomes

As of 31 December 2019, the aggregate value of lawsuits filed against the group excluding the Libyan arbitration suit amounted to TRY 203,760 thousand (31 December 2018: TRY 186,701 thousand). As of the same date and on the advice of our attorneys, TRY 13,382 thousand (31 December 2018: TRY 12,803 thousand) had been set aside as a provision to cover those suits in which there is deemed to be a high probability of an unfavourable outcome and potential outflow of resources. In the considered opinion of our attorneys, there is no risk of having to make any payments in lawsuits against which provisions have not been set aside.

Libyan Arbitration Suit

Based on the Tekfen Group's decision of 30 January 2015 for going to arbitration for recovering all of its rights, receivables and assets in the Great Man-Made River Project undertaken in Libya by Tekfen-TML Joint Venture (Tekfen TML J.V.), in which the Group controls 67% stake, and which has been suspended for an indefinite period of time because of the unrest that began on 21 February 2011 in that country, a commercial arbitration suit was initiated against the Libyan Man-Made River Authority (MMRA), the employer concerned with the project, and the Libyan government before the International Court of Arbitration of the International Chamber of Commerce (ICC), and this matter was announced in our public disclosure dated 18 June 2015. In our public disclosure of 12 October 2015, it was announced that a second arbitration suit has been initiated against the Libyan government through the ICC on the basis of a treaty between Libya and Turkey concerning the reciprocal promotion and protection of investments in the two countries. Tekfen TML J.V. received the interim award of the arbitration suit based on the treaty initiated before the ICC.

In the interim award, the arbitral tribunal decided that it has jurisdiction over the MMRA but not over the Libyan government; that MMRA will pay an indemnification of USD 40,499 thousand (Group's share USD 27,134 thousand) to Tekfen TML J.V. and that it should reimburse Tekfen TML J.V. for the USD 5,000 thousand (Group's share USD 3,350 thousand) it has incurred for litigation expenses; that additional pleas should be requested from the parties to determine the interest to be applied on the aforementioned amounts; that all cross actions initiated by the respondent MMRA shall be dismissed and that only USD 365 thousand shall be set off from the amount adjudged in favour of Tekfen TML J.V.; that the contract Tekfen TML J.V. has with the MMRA needs to be adapted according to the changed circumstances; and that the material consideration of such things as machinery and equipment that Tekfen TML J.V. needs to carry on shall be evaluated within the scope of the adaptation request.

The award of the ICC is final, and Tekfen TML J.V., claiming that the Libyan government should also be a party to the suit and should be held responsible for the loss, filed a suit before the Federal Court of Switzerland in Switzerland, which is the seat of arbitration, for annulment of that part of the ICC award which ruled otherwise.

The lawsuit filed before the Federal Court was dismissed on the grounds that the arbitration agreement is not extendable to the Libyan government. The settlement negotiations between the parties are in progress for redefining the agreement terms for the rest of the suit based on the award of the arbitral tribunal.

In order to collect the specified indemnification, the award needs to acquire a compulsory enforcement nature as a result of the recognition and annulment suits to be filed for the award given for various countries and in particular for Libya, the elements of the respondent MMRA's assets need to be ascertained, and execution against the same needs to be levied; hence, there will be no impact on the Group's consolidated financial statements at this point.

The arbitration suit detailed above is the contractual judicial remedy between Tekfen TML J.V. and MMRA/ Libya. In addition to this suit, in another arbitration suit in progress, which relies on the treaty between Turkey and Libya for reciprocal promotion and protection of investments which has been filed against the Libyan government, the arbitral tribunal adjudged that it has jurisdiction over the suit but that, as opposed to the demand of Tekfen TML J.V., Libya has not violated its obligation to protect and treat equally under the said treaty or international common law. As part of this award, the arbitral tribunal also adjudged that Tekfen TML J.V. has a liability of GBP 2,700 thousand towards Libya in litigation costs. Tekfen TML J.V. has taken steps to have this amount set off from the indemnification adjudged in its favour, which was disclosed in the Material Event Disclosure dated 5 November 2018.

Other

Economic, financial and social policy changes in the countries where Tekfen pursues operations might impact the operating profitability of the Group.

Fluctuating prices in national and international commodity markets could also impact the Group's operations and profitability.

5.3. Changes in legislation with a potential material impact on the Company's activities

None

5.4. Changes in Management and/or Operations of the Company and Subsidiaries with a Potential Material Impact on the Company's Activities

None. Material event disclosures made by the Company under the applicable legislation can be reached at http://www.kap.org.tr/.

5.5. Conflicts of Interest between the Company and Providers of Consultancy, Rating or Similar Services

The Company is not in a relationship that might lead to a conflict of interest between the organisations from which it procures consultancy services.

5.6. Information about Shareholders' Requests to Add Items to the Meeting Agenda

In cases where requests for adding agenda items that have been submitted in writing by the Company's shareholders to the Investor Relations Department are refused by the Board of Directors, suggested agenda items by shareholders are presented within the information about declined suggestions and the reasons for their refusal. No such requests were presented for the Ordinary General Assembly Meeting where 2019 activities would be discussed.

Section VI

Statements of Independence

I hereby declare that I am a candidate for independent board membership at the Board of Directors of Tekfen Holding A.Ş. ("Company") under related regulations, Articles of Association of the Company and the criteria stated in the Capital Markets Board's ("CMB") Communiqué on Corporate Governance. In that regard I also confirm that;

a) In the last five years, I, my spouse or my up to the second degree blood or affinity relatives is not or has not been; employed by as a key management personnel; has not had ordinary or privileged shareholding exceeding 5% by himself or together with; or has not been involved in any material business dealings with the Company, its subsidiaries and affiliates, or shareholders controlling the Company or having material effect over the Company and all entities controlled by those shareholders.

b) In the last five years, I am not or have not been employed by as an executive having significant duties and responsibilities or have not been a member of the board or did not have a shareholding exceeding 5% of an entity which has had a contractual relationship with the Company for a material business transaction including audit (including tax audit, legal audit, and internal audit) rating or consulting services during the terms in which the goods or services were provided,

c) My CV indicates that I have skills, knowledge and expertise relevant to the Company's business and extensive experience to fulfill my duties as an independent board member,

d) I am deemed to be resident in Turkey according to Revenue Tax Law No.193 dated 31.12.1960

e) After my election I will not work full time in a Turkish governmental or public institution, except for the faculty membership under relevant regulations,

f) I am capable to contribute positively to the operations of the Company, to maintain my objectivity in conflicts of interests between the Company and the shareholders, to have strong ethical standards, professional reputation and experience to freely take decisions by considering the rights of the stakeholders,

g) I will dedicate enough time to follow up the activities of the Company and for the duly fulfillment of my responsibilities,

h) I have not been on the board of the Company for more than six years within last ten years,

i) I am not an independent board member in more than three of the corporations controlled by the Company or its controlling shareholders and in more than five corporations listed on Borsa İstanbul in total.

j) I am not registered in the name of any legal entity elected as a board member.

Neriman Ülsever

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Gülsüm Azeri

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Şevki Acuner

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j) I am not registered in the name of any legal entity elected as a board member.

Cansen Başaran-Symes

Section VII
Tekfen Holding A.Ş. Dividend Policy

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

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

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

General Legal Reserves:

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

First Dividend:

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

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

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

Second Dividend:

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

General Legal Reserves:

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

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

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

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

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

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

Information about the Company's profit distributions within the most recent five years is presented in the table below.

Profit Distribution	2015 (for 2014)	2016 (for 2015)	2017 (for 2016)	2018 (for 2017)	2019 (for 2018)
Consolidated Net Profit (TRY thousand)	55,909	185,446	324,411	771,299	1,403,061
Total Dividends Distributed to Shareholders (TRY thousand)	40,001	60,081	113,545	232,530	421,526
Dividend Ratio	80%	35%	35%	30%	30%
Earnings per Share (TRY)	0.1081	0.1624	0.3069	0.6285	1.1392
Paid on	25.06.2015	13.05.2016	29.03.2017	04.04.2018	02.04.2019

Section VIII
Board of Directors' Annual Report

Esteemed shareholders,

The Tekfen Group booked TRY 14,603 million in turnover and TRY 1,415 million in net profit on a consolidated basis in 2019, and as such, created a significant value not just for its shareholders, but also for the Turkish economy. As we happily share the year 2019 results, we would also like to extend our thanks to our directors, employees, customers and all our stakeholders for their contributions and hard work that made these results possible.

Our Contracting Group posted TRY 10,539 million in turnover and TRY 984 million in profitability in 2019, while also generating a significant amount of foreign currency inflow for the national economy owing to the fact that a substantial portion of its business volume is derived in foreign countries.

Our Agri-industry Group generated TRY 3,983 million in turnover and TRY 386 million in profit in 2019. Accordingly, the Group played an important role in enabling the Turkish farmers to get higher yield from their land and also realised a significant export volume.

While the Tekfen Group carried on with its successful activities financially and operationally in the Contracting and Agri-industry business lines, in which it has specialised, it also continues with its future planning activities passionately and meticulously. In this context, we keep working towards achieving growth or diversification in our existing fields of activity, pursuing vertical integration opportunities, and exploring promising new strategic investment areas. We consider our efforts to this end as part of our understanding to manage sustainable profitability and risks together.

In this framework, as the Board of Directors of Tekfen Holding, we are aiming to keep generating value for our shareholders and our country also in 2020. I would like to take this opportunity to thank you, our valued shareholders, for your unyielding support as we work to achieve this target.

Very truly yours,

Murat Gigin - Chairman of the Board

Section IX
Proposal for Profit Distribution

In 2019, the Company showed a net profit of TRY 1,420,750 thousand (TRY 1,102,103 thousand according to the statutory books of account) excluding non-controlling interests pursuant to Capital Markets Board (CMB) regulations and accounting standards.

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

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

From the amount of TRY 1,421,637,292 which is the basis for calculating ("the Base") a first dividend pursuant to CMB communiqué II-19.1, the amount of TRY 426,491,600 is to be set aside as a first dividend in satisfaction of the requirement, of article 27 of the Company's articles of association, that at least 30% of the Base is to be paid as a dividend;

The amount of TRY 29,827,752 which corresponds to 3% of the remaining Base, is to be set aside as the dividend to which the Tekfen Foundation for Education, Health, Culture, Art and Protection of Natural Resources, is entitled;

Once the net profit for the period in 2019 is allocated as above, TRY 645,783,397 that arises according to the provisions of the Turkish Commercial Code and the tax laws and that remains after the allocation mentioned above is to be set aside as an extraordinary reserve;

The dividends set forth above are to be paid to their respective beneficiaries in cash and that 27 April 2020 will be set as the dividend payment date.

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

BDO

Tel : +90 212 365 62 00
Fax: +90 212 365 62 01
e-mail: bdo@bdo.com.tr
www.bdo.com.tr

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ve Danışmanlık Anonim Şirketi
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No:14 Park Plaza
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CONVENIENCE TRANSLATION INTO ENGLISH OF INDEPENDENT AUDITOR'S REPORT ON ANNUAL REPORT OF THE BOARD OF DIRECTORS

To the General Assembly of Tekfen Holding Anonim Şirketi

1) Opinion

We have audited the annual report of Tekfen Holding Anonim Şirketi ("Company") and its subsidiaries ("Group") for the accounting period1 January 2019 – 31 December 2019.

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

2) Basis of the Opinion

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

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

We have expressed an unqualified opinion about the full set of consolidated financial statements concerning the accounting period 1 January 2019 – 31 December 2019 in our audit report dated 20 February 2020.

4) Responsibility of the Board of Directors about Annual Report

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

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

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

BDO Denet Bağımsız Denetim ve Danışmanlık A.Ş., a Turkish joint stock company, is a member of BDO International Limited, a UK company limited by guarantee, and forms part of the international BDO network of independent member firms.

Garantisi ile sınırlı bir Birleşik Krallık şirketi olan BDO International Limited'in üyesi ve bir Türk anonim şirketi olan BDO Denet Bağımsız Denetim ve Danışmanlık Anonim Şirketi, bağımsız üye kuruluşlardan oluşan BDO ağının bir parçasını teşkil etmektedir.

c) Report further includes following details:

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

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

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

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

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

Auditor who conducted and finalized this independent audit is Taceddin Yazar.

Istanbul,
20 February 2020

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

Taceddin Yazar
Partner in Charge

Tel : +90 212 365 62 00
Fax: +90 212 365 62 01
e-mail: bdo@bdo.com.tr
www.bdo.com.tr

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

To the General Assembly of
Tekfen Holding Anonim Şirketi

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

Responsibility of the Board of Directors

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

Auditor's Responsibility

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

Information on the Early Risk Identification System and its Committee

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

Conclusion

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

İstanbul,
20 February 2020

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

Taceddin Yazar
Partner in Charge

BD[illegible] Danışmanlık A.Ş., a Turkish joint stock company, is a member of BDO International Limited, a UK company limited by guarantee, and forms part of the international BDO network of independent member firms.

Garantisi ile sınırlı bir Birleşik Krallık şirketi olan BDO International Limited'in üyesi ve bir Türk anonim şirketi olan BDO Denet Bağımsız Denetim ve Danışmanlık Anonim Şirketi, bağımsız üye kuruluşlardan oluşan BDO ağının bir parçasını teşkil etmektedir.

TEKFEN HOLDİNG ANONİM ŞİRKETİ
AND ITS SUBSIDIARIES

CONSOLIDATED FINANCIAL
STATEMENTS WITH THE
INDEPENDENT AUDITOR'S REPORT
FOR THE YEAR
ENDED 31 DECEMBER 2019

(Translated into English from the report
originally issued in Turkish)

BDO

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e-mail: bdo@bdo.com.tr
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CONVENIENCE TRANSLATION INTO ENGLISH OF INDEPENDENT AUDITOR'S REPORT ORIGINALLY ISSUED IN TURKISH

Tekfen Holding Anonim Şirketi
To the General Assembly of;

A. Audit of the Consolidated Financial Statements

1. Opinion

We have audited the accompanying consolidated financial statements of Tekfen Holding Anonim Şirketi (the "Company") and its subsidiaries ("the Group"), which comprise the consolidated balance sheet as at 31 December 2019 and the consolidated statement of profit or loss, consolidated statement of other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended and a summary of significant accounting policies and consolidated financial statement notes.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2019, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Turkish Accounting Standards ("TAS").

2. Basis for Opinion

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

3. Key Audit Matters

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

BDO Denet Bağımsız Denetim ve Danışmanlık A.Ş., a Turkish joint stock company, is a member of BDO International Limited, a UK company limited by guarantee, and forms part of the international BDO network of independent member firms.

Garantisi ile sınırlı bir Birleşik Krallık şirketi olan BDO International Limited'in üyesi ve bir Türk anonim şirketi olan BDO Denet Bağımsız Denetim ve Danışmanlık Anonim Şirketi, bağımsız üye kuruluşlardan oluşan BDO ağının bir parçasını teşkil etmektedir.

Key Audit Matters	**How The Matter is Handled**
Revenue recognition	
The accounting policies about revenue recognition and significant accounting judgements, estimates and assumptions used related to Group's fertilizer, real estate and other goods and services sales are presented in Note 2.5. Revenue is recognized in accordance with TFRS 15 "Revenue from Contracts with Customers" as a result of the realization of the Group's performance obligations and accordingly the transfer of control over products and services to the buyer. Revenue has been determined as the key audit matter due to the importance of revenue in the financial statements and the revenue increase compared to the prior year.	Within the scope of our audit works, audit procedures related to revenue recognition are stated below: Evaluating whether the Group's revenue recognition policies and explanations are in line with TFRS. Evaluation of the internal controls over recognition of revenue in order to test whether the completeness and cut-off of revenue has been presented in the consolidated financial statements by the management; Reviewing commercial and shipping terms in contracts with customers, and evaluating whether the performance obligations of the Group are fulfilled for different shipping arrangements and evaluation of the timing of the recognition of the revenue in the consolidated financial statements; Evaluation of whether the control of the invoiced products has been transferred to the customers and completeness and accuracy of recording in the consolidated financial statements; Reviewing of delivery records of real estate sales based on sampling; Evaluation of the adequacy of disclosures related to revenue within the scope of TAS.
Accounting of contract revenue, profit margin, contract assets and liabilities arising from ongoing construction works	
The accounting policies about revenue recognition of the construction contracts of the Group also the significant accounting judgements, estimates and assumptions used are presented in the Note 2.5. The accompanying consolidated financial statements include the assumptions and the future expectations of the management on the evaluation of financial performance of ongoing construction projects as of the balance sheet date and in future.	The audit procedures within the scope of our audit work of revenue from the ongoing construction contracts and the associated assets and liabilities recognized are stated below: Evaluation of key controls determined by the management in relation to the calculation and recognition of revenue from construction contracts;

Key Audit Matters	How The Matter is Handled
Accounting of contract revenue, profit margin, contract assets and liabilities arising from ongoing construction works (continued)	
The financial performance of the construction contracts are reviewed by management on a regular basis. The management evaluates the effects of the contractual changes, additional variation orders and penalty charges if any on the estimated completion cost and the revenue of the contract. In addition the assumptions related to the completion of the contract within the estimated time limits when calculating the project profitability are taken in to account. Revenue and profit margin is recognized for each construction contract as of the reporting date by multiplying the percentage of completion, calculated by the ratio of the cost incurred until the reporting date to the estimated total cost with the contract amount. Since the percentage of completion method includes the expectations, estimates and assumptions of the management regarding the future cost and profitability of the construction contracts, it also includes uncertainties related to the events that will occur during the lifetime of the projects by nature. The recognition of revenue from the construction contracts has been determined as a key audit matter due to the fact that it is considerably based on the estimates and judgements of the management.	Reviewing the judgements expectations and assumptions of the management regarding the contracts; Receiving an opinion of expert civil engineer about the estimated profitability at completion for the significant contracts; Investigation of the projects by sampling method considering the quantitative and qualitative measures among the cost items that constitute the construction contracts in order to evaluate the current and future financial performance of the projects; In the construction projects, the estimated completion cost affecting the revenue accounted by the percentage of completion method and the audit works applied to evaluate whether the management's assumptions, expectations and judgments are reasonable are as follows: - Reviewing the terms and conditions of the contract by reconciliation with the project cost and revenue estimations; - Evaluating whether additional payment and variation orders can be included in the calculations in terms of both contract revenues and project costs; - Discussing the estimations about the future profitability margins of the contracts with the Group's finance and budget managers; - Auditing the related cost accrual and confirmations in order to assure the completeness and integrity of the subcontractor costs; - Assessment of the reasonableness of the estimate for the timely completion of the contract and the penalties that might occur due to late delivery; - Auditing subsequent events after the balance-sheet date to provide a basis for the estimates and judgments used in the year-end reporting. Site visits for the selected contracts; Auditing subsequent collections after the balance-sheet date to ensure the recoverability of receivables of the construction contracts. Evaluation of the adequacy of disclosures within the scope of TAS.

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

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

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

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

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

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

Our aim is to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an independent auditor's report that includes our opinion. Reasonable assurance expressed as a result of an independent audit conducted in accordance with independent auditing standards issued by Capital Markets Board and IAS is a high level of assurance but does not guarantee that a material misstatement will always be detected. Misstatements can arise from fraud or error. Misstatements are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an independent audit conducted in accordance with independent auditing standards issued by Capital Markets Board and IAS, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement in the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Assess the internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our independent auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

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- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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

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

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

B. Other Responsibilities Arising From Regulatory Requirements

1) No matter has come to our attention that is significant according to subparagraph 4 of Article 402 of Turkish Commercial Code ("TCC") No. 6102 and that causes us to believe that the Company's bookkeeping activities concerning the period from 1 January to 31 December 2019 period are not in compliance with the TCC and provisions of the Company's articles of association related to financial reporting.

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

3) In accordance with subparagraph 4 of Article 398 of the TCC, the auditor's report on the early risk identification system and committee was submitted to the Company's Board of Directors on 20 February 2020.

The name of the engagement partner who supervised and concluded this audit is Taceddin Yazar.

Istanbul,
20 February 2020

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

Taceddin Yazar
Partner in Charge

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TEKFEN HOLDİNG ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

AUDITED CONSOLIDATED BALANCE SHEET AS AT 31 DECEMBER 2019

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

ASSETS	Notes	Audited 31 December 2019	Audited 31 December 2018
Current Assets		**9.217.274**	**8.922.623**
Cash and cash equivalents	6	4.094.625	4.581.600
Financial investments	7	12.782	132.101
Trade receivables	9	1.953.336	1.444.284
- Related party receivables		*22.402*	*57.836*
- Trade receivables		*1.930.934*	*1.386.448*
Other receivables	10	62.273	80.137
- Related party receivables		*14.256*	*58.797*
- Other receivables		*48.017*	*21.340*
Contract assets arising from ongoing construction works	12	692.101	348.014
Derivative instruments	35	211	37.639
Inventories	11	1.448.934	1.370.565
Prepaid expenses	18	348.616	506.939
- Prepaid expenses		*348.616*	*506.939*
Assets related with current tax	32	157.615	197.854
Other current assets	23	420.465	189.351
- Other current assets		*420.465*	*189.351*
		9.190.958	8.888.484
Assets classified as held for sale	31	26.316	34.139
Non-Current Assets		**3.445.874**	**3.112.897**
Financial investments	7	393.868	268.519
Trade receivables	9	313.979	194.565
- Trade receivables		*313.979*	*194.565*
Other receivables	10	8.885	6.551
- Other receivables		*8.885*	*6.551*
Investments valued by equity method	13	103.597	144.640
Investment property	14	125.358	108.349
Property, plant and equipment	15	2.135.206	1.989.226
Right-of-use assets	2	55.182	-
Intangible assets		106.459	115.012
- Goodwill	17	*61.424*	*79.896*
- Other intangible assets	16	*45.035*	*35.116*
Prepaid expenses	18	25.561	680
- Prepaid expenses		*25.561*	*680*
Deferred tax assets	32	155.943	127.232
Other non-current assets	23	21.836	158.123
- Other non-current assets		*21.836*	*158.123*
TOTAL ASSETS		**12.663.148**	**12.035.520**

TEKFEN HOLDİNG ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

AUDITED CONSOLIDATED BALANCE SHEET AS AT 31 DECEMBER 2019

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

LIABILITIES	Notes	Audited 31 December 2019	Audited 31 December 2018
Current Liabilities		**6.645.129**	**6.762.257**
Short-term borrowings	8	407.897	740.233
Short-term portion of long-term borrowings	8	212.591	155.621
Trade payables	9	3.330.480	2.863.769
- Related party payables		*24.883*	*29.518*
- Trade payables		*3.305.597*	*2.834.251*
Payables related to employee benefits	22	77.995	89.288
Other payables	10	82.068	81.672
- Related party payables		*108*	*539*
- Other payables		*81.960*	*81.133*
Contract liabilities arising from ongoing construction works	12	1.006.076	1.003.858
Derivative instruments	35	29.939	-
Deferred revenue	18	690.709	1.273.216
- Deferred revenue		*690.709*	*1.273.216*
Current tax liability	32	447.074	236.761
Short-term provisions		357.635	307.941
- Short-term provisions attributable to employee benefits	22	*160.971*	*111.070*
- Other short-term provisions	20	*196.664*	*196.871*
Other short-term liabilities	23	2.665	9.898
- Other short-term liabilities		*2.665*	*9.898*
Non-Current Liabilities		**521.149**	**848.868**
Long-term borrowings	8	215.458	222.327
Trade payables	9	77.448	327.477
- Trade payables		*77.448*	*327.477*
Other payables	10	78.482	86.566
- Other payables		*78.482*	*86.566*
Government incentives and grants	19	1.132	1.132
Deferred revenue	18	332	-
- Deferred revenue		*332*	*-*
Long-term provisions		72.118	73.828
- Long-term provisions attributable to employee benefits	22	*72.066*	*73.741*
- Other long-term provisions	20	*52*	*87*
Deferred tax liabilities	32	76.179	137.538
TOTAL LIABILITIES		**7.166.278**	**7.611.125**
EQUITY		**5.496.870**	**4.424.395**
Equity Attributable To Owners Of The Parent	24	**5.428.680**	**4.367.587**
Paid in capital		370.000	370.000
Capital structure adjustment		3.475	3.475
Premiums in capital stock		300.984	300.984
Accumulated other comprehensive income (loss) that will not be reclassified in profit or loss		2.305	(1.346)
- Gain (loss) on revaluation and remeasurement		*2.305*	*(1.346)*
Accumulated other comprehensive income (loss) that will be reclassified in profit or loss		552.758	474.992
- Currency translation reserve		*488.224*	*352.708*
- Hedging reserve	35	*(23.183)*	*29.353*
- Gain on revaluation and reclassification		*87.717*	*92.931*
Legal reserves		278.423	231.271
Prior years' income		2.499.985	1.585.150
Net profit for the period		1.420.750	1.403.061
Non-controlling Interests		**68.190**	**56.808**
TOTAL LIABILITIES AND EQUITY		**12.663.148**	**12.035.520**

TEKFEN HOLDİNG ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

AUDITED CONSOLIDATED STATEMENT OF PROFIT OR LOSS FOR THE YEAR ENDED 31 DECEMBER 2019

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

	Notes	Audited 1 January - 31 December 2019	Audited 1 January - 31 December 2018
Revenue	25	14.603.354	12.147.171
Cost of revenue (-)	25	(12.201.792)	(10.343.829)
GROSS PROFIT		**2.401.562**	**1.803.342**
General administrative expenses (-)	26	(459.696)	(309.211)
Marketing expenses (-)	26	(309.263)	(211.576)
Research and development expenses (-)	26	(5.197)	(2.948)
Other operating income	28	548.406	795.321
Other operating expenses (-)	28	(576.955)	(994.541)
Share on profit of investments valued by equity method	13	4.534	31.675
OPERATING PROFIT		**1.603.391**	**1.112.062**
Investment income	29	51.908	27.492
Investment expense (-)	29	(109.206)	(6.201)
PROFIT BEFORE FINANCIAL INCOME (EXPENSES)		**1.546.093**	**1.133.353**
Financial income	30	664.724	1.330.173
Financial expense (-)	30	(433.810)	(822.149)
PROFIT FROM CONTINUING OPERATIONS BEFORE TAXATION		**1.777.007**	**1.641.377**
Tax Expense from Continuing Operations (-)	32	**(362.148)**	**(239.850)**
Tax expense for the period (-)		(470.742)	(253.586)
Deferred tax income for the period		108.594	13.736
PROFIT FROM CONTINUING OPERATIONS FOR THE PERIOD		**1.414.859**	**1.401.527**
Distribution of Profit for the Period			
Non-controlling interests		(5.891)	(1.534)
Owners of the parent		1.420.750	1.403.061
Earnings Per Share	33	3,840	3,792

TEKFEN HOLDİNG ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

AUDITED CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2019

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

	Notes	Audited 1 January- 31 December 2019	Audited 1 January- 31 December 2018
PROFIT FOR THE PERIOD		**1.414.859**	**1.401.527**
OTHER COMPREHENSIVE INCOME:			
Items that will not be reclassified to profit or loss		**3.651**	**1.003**
Gain on revaluation of defined benefit plans	24	4.564	1.254
Taxes based on other comprehensive income that will not be reclassified to profit or loss		(913)	(251)
- Deferred tax expense (-)		*(913)*	*(251)*
Items that will be reclassified to profit or loss		**88.598**	**258.358**
Currency translation reserve differences	24	146.348	211.026
Gains (loss) from fair value through other comprehensive income financial assets	7	(5.488)	16.391
Other comprehensive income (expenses) related to cash flow hedging		(67.354)	40.719
Taxes based on other comprehensive income that will be reclassified to profit or loss		15.092	(9.778)
- Deferred tax (expense) income		*15.092*	*(9.778)*
OTHER COMPREHENSIVE INCOME		**92.249**	**259.361**
TOTAL COMPREHENSIVE INCOME		**1.507.108**	**1.660.888**
Distribution of Total Comprehensive Income for The Period			
Non-controlling interests		4.941	11.264
Owners of the parent		1.502.167	1.649.624

TEKFEN HOLDİNG ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

AUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2019

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

				Items not to be reclassified to profit or loss	Items to be reclassified to profit or loss			Retained Earnings					
Audited	Paid in capital	Capital structure adjustment	Premiums in capital stock	Gain (loss) on revaluation and remeasurement	Currency translation reserve	Hedging reserve	Gain (loss) on revaluation and reclassification	Legal reserves	Prior years' income	Net profit for the period	Equity attributable to owners of the parent	Non-controlling interests	Equity
Opening balance as of 1 January 2018	370.000	3.475	300.984	(2.349)	154.480	(2.408)	67.240	197.180	1.115.816	771.299	2.975.717	32.597	3.008.314
Effect of changes in accounting policies	-	-	-	-	-	-	10.120	-	(4.729)	-	5.391	-	5.391
Restated balance as of 1 January 2018	370.000	3.475	300.984	(2.349)	154.480	(2.408)	77.360	197.180	1.111.087	771.299	2.981.108	32.597	3.013.705
Transfers	-	-	-	-	-	-	-	34.091	737.208	(771.299)	-	-	-
Total comprehensive income	-	-	-	1.003	198.228	31.761	15.571	-	-	1.403.061	1.649.624	11.264	1.660.888
- Profit (loss) for the period	-	-	-	-	-	-	-	-	-	*1.403.061*	*1.403.061*	*(1.534)*	*1.401.527*
- Other comprehensive income	-	-	-	*1.003*	*198.228*	*31.761*	*15.571*	-	-	-	*246.563*	*12.798*	*259.361*
Capital increase	-	-	-	-	-	-	-	-	-	-	-	7.807	7.807
Dividends	-	-	-	-	-	-	-	-	(248.693)	-	(248.693)	-	(248.693)
Acquisition of subsidiary	-	-	-	-	-	-	-	-	-	-	-	5.140	5.140
Other changes	-	-	-	-	-	-	-	-	(14.452)	-	(14.452)	-	(14.452)
Closing balance as of 31 December 2018	370.000	3.475	300.984	(1.346)	352.708	29.353	92.931	231.271	1.585.150	1.403.061	4.367.587	56.808	4.424.395
Audited													
Opening balance as of 1 January 2019	370.000	3.475	300.984	(1.346)	352.708	29.353	92.931	231.271	1.585.150	1.403.061	4.367.587	56.808	4.424.395
Transfers	-	-	-	-	-	-	-	47.152	1.355.909	(1.403.061)	-	-	-
Total comprehensive income (loss)	-	-	-	3.651	135.516	(52.536)	(5.214)	-	-	1.420.750	1.502.167	4.941	1.507.108
- Profit (loss) for the period	-	-	-	-	-	-	-	-	-	*1.420.750*	*1.420.750*	*(5.891)*	*1.414.859*
- Other comprehensive income (loss)	-	-	-	*3.651*	*135.516*	*(52.536)*	*(5.214)*	-	-	-	*81.417*	*10.832*	*92.249*
Capital increase	-	-	-	-	-	-	-	-	-	-	-	18.900	18.900
Dividends	-	-	-	-	-	-	-	-	(450.972)	-	(450.972)	-	(450.972)
Increase (decrease) due to changes in the proportion of shares in subsidiaries that doesn't result in loss of control	-	-	-	-	-	-	-	-	4.459	-	4.459	(12.459)	(8.000)
Other changes	-	-	-	-	-	-	-	-	5.439	-	5.439	-	5.439
Closing balance as of 31 December 2019	370.000	3.475	300.984	2.305	488.224	(23.183)	87.717	278.423	2.499.985	1.420.750	5.428.680	68.190	5.496.870

TEKFEN HOLDİNG ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

AUDITED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2019

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

	Notes	Audited 1 January - 31 December 2019	Audited 1 January - 31 December 2018
A. CASH FLOWS FROM OPERATING ACTIVITIES		**771.539**	**2.245.731**
Profit for the Period		1.414.859	1.401.527
Adjustments to Reconcile Net Profit		772.619	449.763
- Depreciation and Amortization	2,14,15,16	289.108	189.906
- Impairment/Reversed Provision	29	92.698	3.557
- Provision Adjustments	9,20,22	143.065	159.957
- Dividend Income and Expenses	29	(10.101)	(8.164)
- Bargain Purchase Gain Adjustments	3,29	(6.900)	(15.631)
- Interest Income and Expense Adjustments	30	(74.466)	(86.984)
- Gain/Loss on Fair Valuation	7,29	(4.140)	(3.140)
- Group's Share on Profit of Investments Valued by Equity Method	13	(4.534)	(31.675)
- Allowance for Taxation	32	362.148	239.850
- Adjustments for Gain/Loss on Sale of Fixed Assets	29	(14.091)	2.172
- Adjustments for Gain/Loss on Sales of Assets Held for Sale	29	-	(85)
- Adjustments for Gain/Loss on Sales of Financial Investments	29	(168)	-
Movements in Working Capital		(1.059.834)	576.191
- Changes in Financial Investments	7	119.319	198.025
- Changes in Trade Receivables	9	(623.228)	402.896
- Changes in Other Assets	10	(51.683)	(65.715)
- Changes in Contract Assets Arising from Ongoing Construction Works	12	(344.087)	(164.377)
- Changes in Inventories	11	108.122	(390.136)
- Changes in Prepaid Expenses	18	160.182	(152.821)
- Changes in Trade Payables	9	176.649	982.744
- Changes in Payables Related to Employee Benefits	22	(11.782)	16.643
- Changes in Contract Liabilities Arising from Ongoing Construction Works	12	2.218	152.918
- Changes in Other Liabilities	10	(12.898)	(10.521)
- Changes in Deferred Revenue	18	(582.646)	(393.465)
Cash Generated by Operating Activities		1.127.644	2.427.481
Interest Paid		(146.867)	(64.487)
Interest Received		146.514	170.704
Provision Paid Related to Employee Benefits	22	(134.825)	(75.479)
Other Provision Paid	20	(736)	(2.571)
Tax Paid/Return	32	(220.191)	(209.917)
B. CASH FLOWS FROM INVESTING ACTIVITIES		**(393.081)**	**(321.616)**
Acquisition of Non-controlling Interests' Shares		(8.000)	-
Payments due to Share Acquisition or Capital Increase of Associates or Joint Ventures	13	(1.957)	(20.814)
Cash Inflows for Sales of Shares in Other Entities or Shares in Funds or Borrowing Instruments		270	-
Cash Outflows for Acquisition of Shares in Other Entities or Shares in Funds or Borrowing Instruments	3,7	(155.694)	(183.816)
Proceeds from Sales of Tangible and Intangible Assets	15,16	49.462	4.888
Acquisition of Tangible and Intangible Assets	15,16	(285.510)	(261.162)
Proceeds from Sales of Investment Properties	14	40	-
Acquisition of Investment Properties	14	(6.274)	(799)
Proceeds from Sales of Assets Held for Sale		-	427
Advances and Debts Given	18	(24.873)	547
Dividend Received	13,29	39.455	139.113
C. CASH FLOWS FROM FINANCING ACTIVITIES		**(946.412)**	**(658.408)**
Proceeds from Borrowings		865.110	698.987
Repayments of Borrowings		(1.307.551)	(1.101.514)
Payments of Lease Obligations		(52.999)	(7.188)
Dividend paid	24	(450.972)	(248.693)
CHANGE IN CASH AND CASH EQUIVALENTS BEFORE CURRENCY TRANSLATION RESERVE EFFECT		**(567.954)**	**1.265.707**
D. CURRENCY TRANSLATION RESERVE EFFECT ON CASH AND CASH EQUIVALENTS		80.979	330.060
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS (A+B+C+D)		**(486.975)**	**1.595.767**
E. CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD		4.581.600	2.985.833
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD (A+B+C+D+E)	6	**4.094.625**	**4.581.600**

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

1. ORGANIZATION AND OPERATIONS OF THE GROUP

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

As of 31 December 2019, the Group has employees 17.094 (31 December 2018: 19.180) including the personnel of subcontractors. Registered address of the Company is Kültür Mahallesi, Budak Sokak, Tekfen Sitesi, A Blok, No: 7, Beşiktaş, İstanbul, Türkiye.

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

As of 31 December 2019 the details of registered names of the subsidiaries, joint ventures and branches, their nature of business, their countries of origin, their business segments and their direct / effective share participation rates are listed below:

Subsidiaries	Nature of Business	Country of Origin	Direct/Effective Share Participation Rate % 2019	2018	Business Segment
Tekfen İnşaat ve Tesisat A.Ş. "Tekfen İnşaat"	Construction	Turkey	100	100	Contracting
Tekfen Mühendislik A.Ş. "Temaş"	Engineering	Turkey	100	100	Contracting
Tekfen İmalat ve Mühendislik A.Ş. "Timaş"	Manufacturing	Turkey	100	100	Contracting
Cenub Tikinti Servis ASC "Cenub Tikinti"	Construction	Azerbaijan	51	51	Contracting
HMB Hallesche Mitteldeutsche Bau-Aktiengesellschaft "HMB"	Trading	Germany	100	100	Contracting
Tekfen International Limited "Tekfen International Ltd" (1)	Investment	United Kingdom	-	100	Contracting
Tekfen Cons. and Inst. Co. Ltd. "Tekfen Construction" (1)	Construction	Ireland	-	100	Contracting
Gate İnşaat Taahhüt San. ve Tic. A.Ş. "Gate "	Construction	Turkey	100	100	Contracting
Denkmal in Dahlem Otto-Hahn-Platz GmbH "Denkmal Dahlem" (2)	Construction	Germany	80	45	Contracting
OOO Rusfen "Rusfen" (3)	Construction	Russia	100	-	Contracting
Toros Tarım Sanayi ve Ticaret A.Ş. "Toros Tarım"	Agriculture-Shipping Agent	Turkey	100	100	Agriculture
Toros Adana Yumurtalık Serbest Bölgesi Kur. ve İşleticisi A.Ş. "Tayseb"	Service	Turkey	100	100	Agriculture
Toros Terminal Servisleri ve Denizcilik A.Ş. "Toros Terminal"	Service	Turkey	100	100	Agriculture
Toros Gemi Acenteliği ve Ticaret A.Ş. "Toros Gemi"	Shipping Agent	Turkey	100	100	Agriculture
Toros Kılavuzluk Römorkör Hizmetleri ve Denizcilik A.Ş. "Toros Kılavuzluk" (4)	Port Services	Turkey	-	100	Agriculture
TST International Limited "TST Ltd." (1)	Trading	United Kingdom	-	100	Agriculture
Industrial Supply and Trading Company Limited "Industrial Supply" (1)	Trading	United Kingdom	-	100	Agriculture

(1) Liquidated during the current year.

(2) Classified to subsidiaries during the year (Note: 3).

(3) Established and registered on 14 August 2019.

(4) Toros Kılavuzluk merged with Toros Tarım by transferring all assets and liabilities on 25 December 2019.

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

Subsidiaries	Nature of Business	Country of Origin	Direct/Effective Share Participation Rate % 2019	2018	Business Segment
Petrofertil Trd. Ltd "Petrofertil Trading" (1)	Trading	United Kingdom	-	100	Agriculture
Petrofertil Shipping S.A. "Petrofertil Shipping" (1)	Service	Panama	-	100	Agriculture/ Contracting/ Other
Tekfen Tarımsal Araştırma Üretim ve Pazarlama A.Ş. "Tekfen Tarım"	Manufacturing	Turkey	100	100	Agriculture
Alanar Meyve ve Gıda Üretim Pazarlama Sanayi ve Tic. A.Ş. "Alanar Meyve" (2)	Fruit Manufacturing	Turkey	100	90	Agriculture
Alanar Fidan Üretim ve Pazarlama Sanayi ve Ticaret A.Ş. "Alanar Fidan" (2)	Sapling Manufacturing	Turkey	100	90	Agriculture
Gönen Yenilenebilir Enerji Üretim A.Ş. "Gönen Enerji" (3)	Agriculture – Electricity	Turkey	70	-	Agriculture
Toros Agroport Romania S.A "Toros Agroport" (3)	Fertilizer Trade	Romania	100	-	Agriculture
Tekfen Turizm ve İşletmecilik A.Ş. "Tekfen Turizm"	Service	Turkey	100	100	Other
Tekfen Emlak Geliştirme Yatırım ve Ticaret A.Ş. "Tekfen Emlak" (4)	Real Estate	Turkey	-	100	Contracting
Tekfen Gayrimenkul Yatırım A.Ş. "Tekfen Gayrimenkul"	Investment	Turkey	100	100	Other
Tekfen Sigorta Aracılık Hizmetleri A.Ş. "Tekfen Sigorta"	Insurance Service	Turkey	100	100	Other
Belpa Belediye Tüketim Malları İthalat İhracat Ticaret ve Yatırım A.Ş. "Belpa" (5)	Trading	Turkey	-	100	Other
Tekfen Endüstri ve Ticaret A.Ş. "Tekfen Endüstri"	Trading	Turkey	100	100	Other
Tekfen International Finance and Investments S.A. "Tekfen Finance"	Investment	Luxembourg	100	100	Other
Tekfen Teknoloji Yatırım ve Ticaret A.Ş. "Tekfen Teknoloji"	Investment	Turkey	100	100	Other
CFS Petrokimya Sanayi A.Ş. "CFS" (3)	Investment	Turkey	100	-	Other
Techinvestments MMC "Techinvestments" (6)	Investment	Azerbaijan	100	-	Other
Tekfen Ventures L.P. "Tekfen Ventures"	Investment	USA	100	100	Other
Tekfen Venture Management LLC "Venture Management"	Management Service	USA	100	100	Other

(1) Liquidated during the current year.

(2) Upon the agreements signed on 2 May 2019, the remaining 10% of the shares of Alanar Meyve and Alanar Fidan (Previous title Alara Fidan Üretim ve Pazarlama Sanayi ve Ticaret A.Ş.) were purchased by Tekfen Tarım, which previously purchased 90% of the shares of the companies on 14 February 2018.

(3) Acquired during the current year (Note: 3).

(4) Tekfen Emlak merged with Tekfen İnşaat by transferring all assets and liabilities on 9 December 2019 (Note: 2).

(5) Belpa merged with Tekfen Endüstri by transferring all assets and liabilities on 23 July 2019 (Note: 2).

(6) Established and registered on 9 August 2019.

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

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

Joint Ventures	Nature of Business	Country of Origin	Direct/Effective Share Participation Rate % 2019	2018	Business Segment
Blacksea Gübre Ticaret A.Ş. "Black Sea"	Fertizilier Trade	Turkey	30	30	Agriculture
Hishtil Toros Fidecilik San. ve Tic. A.Ş. "H-T Fidecilik"	Agriculture	Turkey	50	50	Agriculture
Azfen Birge Müessesi "Azfen"	Construction	Azerbaijan	40	40	Contracting
Florya Gayrimenkul Yatırım İnş. Tur. San. Tic. A.Ş. "Florya Gayrimenkul"	Real Estate	Turkey	50	50	Contracting

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

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

Contracting Group

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

Agricultural Group

Agricultural group has operations in chemical, organic-organomineral fertilizer, ground and vegetable grain, production, distribution and trade of seedling and sapling. In addition to these operations, terminal management, guidance, towage, agency and free zone operations are included in the operations of agricultural group. In the field of agricultural production, plant tissue, banana sapling cultivation, high quality potato seed, sesame, certified wheat germ production and sale activities are carried out. Also production, packaging and export operations of cherry, apricot, pomegranate, plum, persimmon and figs are made. Income provided from the consolidation of H-T Fidecilik and Black Sea by equity method is disclosed in this group.

Other Operations

Operations of Other segment mainly comprise of Tekfen Ventures' investments in innovation-creating initiatives, insurance services and holding operations, Holding operations are executed by the Company and include responding to Group's financial needs when needed. Dividend income and rent income provided constitute Holding's revenue.

Approval of consolidated financial statements

Consolidated financial statements are approved by the Board of Directors and have been granted authorization to be published on the date of 20 February 2020. The General Assembly and other regulatory organs reserve their right to modify and change these consolidated financial statements.

2. BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS

2.1 The Basis of Presentation

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

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

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

Additionally, the consolidated financial statements and notes are presented in accordance with the formats of Examples of Financial Statements and Usage Guide announced by CMB and "Announcement regarding to TAS Taxonomy" which was published by POA on 15 April 2019.

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

Functional and Reporting Currency

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

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

The exchange rates used in the consolidation process as of 31 December 2019 are; 1 USD= 5,9402 TRY, 1 EUR= 6,6506 TRY, 1 AZN= 3,4942 TRY, 1 SAR= 1,5840 TRY, 1 QAR= 1,6274 TRY, 1 RON= 1,3832 (As of 31 December 2018; 1 USD= 5,2609 TRY, 1 EUR= 6,0280 TRY, 1 AZN= 3,0946 TRY, 1 SAR= 1,4029 TRY, 1 QAR= 1,4413 TRY)

Comparative Information and Reclassification of Prior Period Consolidated Financial Statements

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

Consolidation Principles

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

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

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

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

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

2.1 The Basis of Presentation (cont'd)

Consolidation Principles (cont'd)

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

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

Investments in associates and joint ventures

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

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

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

Combination of subsidiaries:

The merger transactions detailed in Note 1 took place within the Group are combination of entities under common control and therefore it is not subject to "TFRS 3 Business Combinations". Since there is no specific guidance in TFRS for the accounting of a combination of entities under common control, POA issued a decree on 17 October 2018 in order to eliminate the differences which may occur in the implementation of the accounting policies. In accordance with the decree, the following accounting principles are applied:

- Pooling of interest method was used and therefore no goodwill recognized in the consolidated financial statements,
- Since the combination took place through exchange of shares, the shares issued by the acquirer, are included in the financial statements at their nominal values. Therefore no share premiums recognized in the consolidated financial statements,
- The difference between the nominal value of the shares issued by the acquirer and the carrying amount of the acquired net assets at the date of the combination was initially reflected in the "Effect of combinations of entities under common control" account,
- Since the existence of the acquired entity is ended as a result of the combination, the amounts in the "Effect of combinations of entities under common control" account were transferred to "Retained Earnings".

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

2.1 The Basis of Presentation (cont'd)

Interests in Joint Operations:

A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control. The details of the joints operations of the Group as of 31 December 2019 are as follows:

Joint Operations	Nature of Business	Country of Origin	Direct/Effective Share Participation Rate % 2019	2018	Business Segment
Tekfen-Tubin-Özdemir J.V. "TÖT J.V."	Construction	Turkey	71	71	Contracting
Tubin-Tekfen-Özdemir J.V. "TTÖ J.V." (*)	Construction	Turkey	-	25	Contracting
Gama-Tekfen-Tokar J.V. "GTT J.V."	Construction	Turkey	35	35	Contracting
Tekfen TML J.V. "Tekfen TML J.V."	Construction	Libya	67	67	Contracting
Doğuş - Tekfen Adi Ortaklığı "Doğuş - Tekfen"	Construction	Turkey	50	50	Contracting
Tekfen - Al Jaber Engineering "Tekfen – Al Jaber J.V."	Construction	Qatar	50	50	Contracting
Tekfen Rönesans Adi Ortaklığı "Tekfen Rönesans"	Construction	Turkey	50	50	Contracting
Tekfen - T Engineering Ortak Girişimi "Tekfen - T Engineering J.V. "	Construction	Turkey	85	85	Contracting
Istek Construction "Istek J.V."	Construction	Kazakhstan	50	-	Contracting

(*) Liquidated during the current year.

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

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

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

2.2 Changes in Accounting Policies

Significant changes in accounting policies have been applied retrospectively and prior period consolidated financial statements are restated. In the current year, except the ones stated in Note 2.4(d) there are not any material changes in accounting policies of the Group.

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

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

2.3 Changes in Accounting Estimates and Errors

If changes in accounting estimates and errors are for only one period, changes are applied in the current year but if the estimated changes affect the following periods, changes are applied both on the current and following years prospectively. In the current year, except the ones stated in Note 2.4(d), there are not any material changes in accounting estimate methods of the Group.

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

2.4 Adoption of New and Amended Standards

New and revised standards and interpretations are presented below:

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

- TFRS 16, "Leases", effective for annual periods beginning after 1 January 2019.

(b) Standards, amendments and interpretations to existing standards that are effective as of the year 2019, but not affecting the consolidated financial statements of the Group:

- TFRS interpretation 23, "Uncertainty over Income Tax Treatments", effective for annual periods beginning after 1 January 2019.
- TFRS 9 (amendments) , "Financial Instruments", effective for annual periods beginning after 1 January 2019.
- Annual Improvements to TFRS 2015-2017 Cycle (TFRS 3, TFRS 11, TAS 12, TAS 23), effective for annual periods beginning after 1 January 2019.
- TAS 28 (amendments), "Long-term Interests in Associates and Joint Ventures", effective for annual periods beginning after 1 January 2019.
- TAS 19 (amendments), "Plan Amendment, Curtailment or Settlement", effective for annual periods beginning after 1 January 2019.

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

- TFRS 17 "Insurance Contracts", effective for annual periods beginning after 1 January 2021.
- TFRS 3 (amendments), "Definition of a Business", effective for annual periods beginning after 1 January 2020.
- TAS 1, TAS 8 (amendments), "Definition of Material", effective for annual periods beginning after 1 January 2020.
- TFRS 9, TAS 39, TFRS 7 (amendments), "Interest Rate Benchmark Reform", effective for annual periods beginning after 1 January 2020.
- Conceptual Framework (amendments), effective for annual periods beginning after 1 January 2020.

The Group evaluates the effects of the standards issued as of 31 December 2019 and the standards not yet effective as of 31 December 2019 on its consolidated financial position and performance.

(d) First Time Adoption of TFRS 16:

The Group adopted TFRS 16 Leases standard for the first time as of 1 January 2019. As of 1 January 2019, for the leases previously classified as operational leases under TAS 17, the Group recognized right-of-use assets in the consolidated financial statements at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments. Since the modified retrospective approach of the standard has been used, implementation of TFRS 16 Leases standard has no effect on retained earnings as of 1 January 2019. Balances of right-of-use assets and depreciation expenses as of 1 January and 31 December 2019 is as follows:

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

2.4 Adoption of New and Revised Turkey Accounting Standards (cont'd)

(d) First Time Adoption of TFRS 16 (cont'd):

Cost value	Land and land improvements	Buildings	Machinery and equipment	Vehicles	Furniture, fixtures and others	Total
Opening balance as at 1 January 2019	20.117	21.765	5.465	33.245	1.373	81.965
Currency translation effect	-	1.256	208	1.332	54	2.850
Additions	1.522	6.586	-	10.134	561	18.803
Closing balance as at 31 December 2019	21.639	29.607	5.673	44.711	1.988	103.618
Accumulated amortization						
Currency translation effect	-	(606)	(151)	(1.030)	(26)	(1.813)
Charge for the year	(1.616)	(13.292)	(3.921)	(26.957)	(837)	(46.623)
Closing balance as at 31 December 2019	(1.616)	(13.898)	(4.072)	(27.987)	(863)	(48.436)
Carrying value as at 31 December 2019	20.023	15.709	1.601	16.724	1.125	55.182

Depreciation expense of 38.058 has been charged to cost of revenue, 7.238 to general administrative expenses, 1.327 to marketing expenses.

Effects of TFRS 16 implementation to the consolidated balance sheet as of 31 December 2019 is as follows:

	31 December 2019		
	Before TFRS 16 Effects	**TFRS 16 Effects**	**After TFRS 16 Effects**
Current Assets	**9.219.627**	**(2.353)**	**9.217.274**
Trade receivables	1.953.336	-	1.953.336
Prepaid expenses	350.969	(2.353)	348.616
Other current assets items	6.915.322	-	6.915.322
Non-Current Assets	**3.390.234**	**55.640**	**3.445.874**
Right-of-use assets	-	55.182	55.182
Prepaid expenses	25.575	(14)	25.561
Deferred tax assets	155.350	593	155.943
Other non-current assets items	3.209.309	(121)	3.209.188
TOTAL ASSETS	**12.609.861**	**53.287**	**12.663.148**
Current Liabilities	**6.620.020**	**25.109**	**6.645.129**
Short-term portion of long-term borrowings	187.482	25.109	212.591
Other short-term liabilities items	6.432.538	-	6.432.538
Non-Current Liabilities	**489.481**	**31.668**	**521.149**
Long-term borrowings	183.790	31.668	215.458
Other long-term liabilities items	305.691	-	305.691
EQUITY	**5.500.360**	**(3.490)**	**5.496.870**
Equity Attributable To Owners Of The Parent	**5.432.170**	**(3.490)**	**5.428.680**
Prior years' income	2.499.985	-	2.499.985
Net profit for the period	1.424.169	(3.419)	1.420.750
Other equity items	1.508.016	(71)	1.507.945
Non-controlling Interests	**68.190**	**-**	**68.190**
TOTAL LIABILITIES	**12.609.861**	**53.287**	**12.663.148**

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

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

2.4 Adoption of New and Revised Turkey Accounting Standards (cont'd)

(d) First Time Adoption of TFRS 16 (cont'd):

Effects of TFRS 16 implementation to the consolidated statement of profit or loss for the year ended 31 December 2019 is as follows:

	1 January - 31 December 2019		
	Before TFRS 16 Effects	TFRS 16 Effects	After TFRS 16 Effects
Revenue	14.603.354	-	14.603.354
Cost of revenue (-)	(12.204.534)	2.742	(12.201.792)
GROSS PROFIT	**2.398.820**	**2.742**	**2.401.562**
General administrative expenses (-)	(460.837)	1.141	(459.696)
Marketing expenses (-)	(309.639)	376	(309.263)
Research and development expenses (-)	(5.197)	-	(5.197)
Other operating income/(expenses),net	(28.549)	-	(28.549)
Share on profit of investments valued by equity method	4.534	-	4.534
OPERATING PROFIT	**1.599.132**	**4.259**	**1.603.391**
Investment income/(expenses),net	(57.298)	-	(57.298)
PROFIT BEFORE FINANCIAL INCOME (EXPENSES)	**1.541.834**	**4.259**	**1.546.093**
Financial income/(expenses),net	239.179	(8.265)	230.914
PROFIT FROM CONTINUING OPERATIONS BEFORE TAXATION	**1.781.013**	**(4.006)**	**1.777.007**
Tax Expense from Continuing Operations (-)	(362.735)	587	(362.148)
PROFIT FROM CONTINUING OPERATIONS FOR THE PERIOD	**1.418.278**	**(3.419)**	**1.414.859**

2.5 Summary of Significant Accounting Policies

Revenue

When the Group meets its performance obligation by transferring a product or service that is committed before, the revenue is recognised in consolidated financial statements. When the the client takes over the control of an asset, the asset is deemed transferred. The Group recognises revenue based on the following five principles:

- Determining client agreements,
- Determining performance obligations in agreements,
- Determining transaction price in agreements,
- Distributing transaction price to performance obligations in agreements,
- Recognising the revenue as each performance obligation is met.

If all of the below-mentioned conditions are met, the Group recognises an agreement made with the client as revenue:

- Parties to the agreement approved the agreement (in writing, orally or in other means in line with commercial practices) and committed to meet their respective obligations,
- Group can define the rights of each party concerning the goods or services to be transferred,
- Group can define payment conditions concerning the goods or services to be transferred,
- The agreement is commercial in essence.
- It is possible that the Group will collect money in return for goods and services to be transferred to the client.

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

2.5 Summary of Significant Accounting Policies (cont'd)

Revenue (cont'd)

At the beginning of the agreement, the Group evaluates the goods or services committed to the client in the agreement and defines each commitment to transfer goods or services as performance obligation. The Group evaluates performance obligations as follows:

- Different goods or service (goods or service packages) or
- A group of different goods or services which are similar in a great extent and transferred to the client with the same method.

A group of different goods or services are subject to the same transfer method if the below conditions are met:

- Each different product or service that the Group committed to transfer to the client must meet required conditions and constitute a performance obligation to be met in time and
- As per the relevant paragraph of the standard, using the same method to measure the progress of the Group in meeting its obligation to transfer each product or service included in the group to the client.

Group takes into account agreement provisions and commercial customs in order to determine transaction price. Transaction price is the price, which the Group expects to deserve in return for goods and services Group committed to provide to client, excluding amounts (eg. some sales taxes) collected on behalf of third parties. A committed price in an agreement with a client can include both the fixed amounts and variable amounts. If the price the Group commits in the agreement is variable, the Group determines the price it deserves in return for goods and services committed to client through estimation. For the Group to include some or all of variable price it estimates in transaction price, it should be very likely that there will not be an important cancellation in cumulative revenue in the financial statements when the uncertainty about variable price is eliminated. When assessing whether or not there will be an important cancellation in cumulative revenue in the financial statements when the uncertainty about variable price is eliminated, the Group must take into account both realisation possibility and impact of revenue cancellation.

The Group recognizes revenue from the following major sources:

Sale of goods:

The Group evaluates the goods promised in each contract with the customers and determines each commitment given for transfer of goods as a separate performance obligation. Afterwards, it is determined that whether the performance obligations will be fulfilled over-time or at a point-in-time. If the Group transfers the control of a good over-time and thus fulfills the performance obligations related to that sales over time, it measures the progress of the fulfillment of the performance obligations in full and recognise revenue over-time in the consolidated financial statements. Revenue related to the performance obligations of goods transfer is recognized when the control of the goods is fully transferred to the customers.

Rental income:

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

Construction Contracts:

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

When the revenue of a construction contract can be estimated reliably, contract revenue associated with the construction contract shall be recognized by reference to the percentage of completion of the contract activity at the balance sheet date. Percentage of completion is measured by the proportion of the contract costs incurred for work performed to date divided by the estimated total contract costs. This calculation does not apply if the percentage of completion cannot be measured reliably.

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

2.5 Summary of Significant Accounting Policies (cont'd)

Revenue (cont'd)

<u>Construction Contracts:</u>

Changes in construction contract, additional receivable claims and incentive payments are included in the project revenue in accordance with the probable consent of the employer if the revenue is measured reliably.

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

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

Contract assets arising from ongoing construction works indicates the revenue recognized on construction contracts in excess of billings, and contract liabilities arising from ongoing construction works indicate the billings in excess of the revenue recognized on construction contracts.

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

<u>Dividend and interest income:</u>

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

Retention Receivables from Contractors

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

Retention Payables to Subcontractors

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

Inventories

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

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

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

2.5 Summary of Significant Accounting Policies (cont'd)

Property, Plant and Equipment

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

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

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

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

Leases

<u>*As a lessee*</u>

At inception of a contract, the Group assesses whether a contract is, or contains a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, The Group assess whether:

a) The contract involved the use of an identified asset – this may be specified explicitly or implicitly,
b) The asset should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, the asset is not identifiedi,
c) The Group has the right to obtain substantially all of the economic benefits from the use of an asset throughout the period of use; and
d) The Group has the right to direct use of the asset. The Group concludes to have the right of use, when it is predetermined how and for what purpose the Group will use the asset. The Group has the right to direct use of asset if either:
    i. The Group has the right to operate (or to have the right to direct others to operate) the asset over its useful life and the lessor does not have the rights to change the terms to operate or;
    ii. The Group designed the asset (or the specific features) in a way that predetermines how and for what purpose it is used.

The Group recognizes a right of use and a rent obligation in the consolidated financial statements at the date of the lease.

<u>*Right-of-use asset*</u>

The right-of-use asset is initially recognized at cost comprising of:

a) Amount of the initial measurement of the lease liability;
b) Any lease payments made at or before the commencement date, less any lease incentives received;
c) Any initial direct costs incurred by the Group.

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

2.5 Summary of Significant Accounting Policies (cont'd)

Leases (cont'd)

Right-of-use asset (cont'd)

To apply a cost model, the Group measure the right-of-use asset at cost:

a) Less any accumulated depreciation and any accumulated impairment losses; and
b) Adjusted for any remeasurement of the lease liability.

The Group applies the straight-line method to depreciate the right of use. If the lease transfers ownership of the underlying asset to the lessee by the end of the lease term or if the cost of the right-of-use asset reflects that the lessee will exercise a purchase option, the Group depreciate the right-of-use asset from the commencement date to the end of the useful life of the underlying asset. Otherwise, the Group depreciate the right-of-use asset from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term.

The Group apply TAS 36 Impairment of Assets to determine whether the right-of-use asset is impaired and to account for any impairment loss identified.

Lease liability

At the commencement date, The Group measure the lease liability at the present value of the lease payments that are not paid at that date. The lease payments are discounted using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, the Group use the lessee's incremental borrowing rate.

At the commencement date, the lease payments included in the measurement of the lease liability comprise the following payments for the right to use the underlying asset during the lease term that are not paid at the commencement date:

a) Fixed payments, less any lease incentives receivable,
b) Variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date,
c) The exercise price of a purchase option if the Group is reasonably certain to exercise that optio, and
d) Payments of penalties for terminating the lease, if the lease term reflects the Group exercising an option to terminate the lease.

After the commencement date, the Group measure the lease liability by:

a) Increasing the carrying amount to reflect interest on the lease liability,
b) Reducing the carrying amount to reflect the lease payments made, and
c) Remeasuring the carrying amount to reflect any reassessment or lease modifications, or to reflect revised insubstance fixed lease payments.

Interest on the lease liability in each period during the lease term is the amount that produces a constant periodic rate of interest on the remaining balance of the lease liability. The Group determine the periodic discount rate as the interest rate implicit in the lease for the remainder of the lease term, if that rate can be readily determined, or the lessee's incremental borrowing rate at the date of reassessment, if the interest rate implicit in the lease cannot be readily determined. After the commencement date, the Group remeasure the lease liability to reflect changes to the lease payments. the Group recognise the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset.

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

2.5 Summary of Significant Accounting Policies (cont'd)

Leases (cont'd)

Lease liability (cont'd)

The Group shall remeasure the lease liability by discounting the revised lease payments using a revised discount rate, if either:

a) There is a change in the lease term. The Group determine the revised lease payments on the basis of the revised lease term; or
b) There is a change in the assessment of an option to purchase the underlying asset.

The Group determine the revised lease payments to reflect the change in amounts payable under the purchase option. The Group determine the revised discount rate as the interest rate implicit in the lease for the remainder of the lease term, if that rate can be readily determined, or the lessee's incremental borrowing rate at the date of reassessment, if the interest rate implicit in the lease cannot be readily determined.

Leases with a lease term of 12 months or less and leases of low-value assets determined by the Group are evaluated in scope of the exemption of the standard and payments associated with those leases are recognised on a straight-line basis as an expense in profit or loss.

Finance leases

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

The main differences between TFRS 16 and TAS 17 with respect to assets formerly held under a finance lease is the measurement of the residual value guarantees provided by the lessee to the lessor. TFRS 16 requires that the Group recognizes as part of its lease liability only the amount expected to be payable under a residual value guarantee, rather than the maximum amount guaranteed as required by TAS 17. Based on an analysis of the finance leases as of 31 December 2019 and on the basis of the facts and circumstances that exist at that date, there isn't any material impact of this amendmend on the Group's consolidated financial statements.

Intangible Assets

Intangible assets acquired separately are reported at cost less accumulated amortization and any accumulated impairment losses. Amortization is charged on a straight-line basis over their estimated useful lives. The estimated useful life and amortization method are reviewed at the end of each annual reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

Impairment of Assets

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

Borrowing Costs

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

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

2.5 Summary of Significant Accounting Policies (cont'd)

Financial Instruments

Financial Assets

At initial recognition, the Group measures a financial asset at its fair value, except for trade receivables that do not contain significant financing component. The Group measure trade receivables at their transaction price if the trade receivables do not contain a significant financing component in accordance with TFRS 15 (or when the entity applies the practical expedient) at initial recognition.

At initial recognition, Group measures a financial asset at its fair value plus or minus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial asset. Financial assets are recorded on transaction date.

The Group reclassifies financial assets as subsequently measured at amortized cost, fair value through other comprehensive income or fair value through profit or loss on the basis of both: a) the Group's business model for managing the financial assets and b) the contractual cash flow characteristics of the financial asset. When, and only when, the Group changes its business model for managing financial assets, it reclassifies all affected financial assets. The Group applies the reclassification prospectively from the reclassification date. The Group does not restate any previously recognized gains, losses (including impairment gains or losses) or interest.

Financial assets measured at amortized cost

A financial asset is measured at amortized cost if both of the following conditions are met:

(a) the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows and

(b) the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Interest revenue of financial assets measured at amortized cost is calculated by using the effective interest method. This is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for:
(a) purchased or originated credit-impaired financial assets. For those financial assets, the Group applies the credit-adjusted effective interest rate to the amortized cost of the financial asset from initial recognition.
(b) financial assets that are not purchased or originated credit-impaired financial assets but subsequently have become credit-impaired financial assets. For those financial assets, the Group applies the effective interest rate to the amortized cost of the financial asset in subsequent reporting periods.

When the contractual cash flows of a financial asset are renegotiated or otherwise modified and the renegotiation or modification does not result in the derecognition of that financial asset, the Group recalculates the gross carrying amount of the financial asset and recognizes a modification gain or loss in profit or loss.

The Group directly reduces the gross carrying amount of a financial asset and derecognizes it when the Group has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof.

Financial assets measured at fair value through other comprehensive income

A financial asset is measured at fair value through other comprehensive income if both of the following conditions are met:

(a) the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets and

(b) the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

2.5 Summary of Significant Accounting Policies (cont'd)

Financial Instruments (cont'd)

Financial assets (cont'd)

Financial assets measured at fair value through other comprehensive income (cont'd)

A gain or loss on a financial asset measured at fair value through other comprehensive income is recognized in other comprehensive income, except for impairment gains or losses and foreign exchange gains and losses, until the financial asset is derecognized or reclassified. When the financial asset is derecognized the cumulative gain or loss previously recognized in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment. If the financial asset is reclassified out of the fair value through other comprehensive income measurement category, the Group accounts for the cumulative gain or loss that was previously recognized in other comprehensive income in consolidated financial statements. Interest calculated using the effective interest method is recognized in profit or loss.

At initial recognition, the Group may make an irrevocable election to present in other comprehensive income subsequent changes in the fair value of an investment in an equity instrument that is not held for trading.

Financial assets measured at fair value through profit or loss

A financial asset shall be measured at fair value through profit or loss unless it is measured at amortized cost or at fair value through other comprehensive income.

Impairment

The Group recognizes a loss allowance for expected credit losses on financial assets that are measured at amortized cost or fair value through other comprehensive income.

The Group applies the impairment requirements for the recognition and measurement of a loss allowance for financial assets that are measured at fair value through other comprehensive income.

At each reporting date, the Group measures the loss allowance for a financial instrument at an amount equal to the lifetime expected credit losses if the credit risk on that financial instrument has increased significantly since initial recognition.

If, at the reporting date, the credit risk on a financial instrument has not increased significantly since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to 12-month expected credit losses except for purchased or originated credit impaired financial assets. For purchased or originated credit-impaired financial assets, the Group only recognizes the cumulative changes in lifetime expected credit losses since initial recognition as a loss allowance at the reporting date.

The Group measures the loss allowance at an amount equal to lifetime expected credit losses for trade receivables, contract assets and lease receivables that do not contain a significant financing component, which is referred as simplified approach.

Financial Liabilities

At initial recognition, the Group measures a financial liability at its fair value plus or minus, in the case of a financial liability not at fair value through profit or loss, transaction costs that are directly attributable to the issue of the financial liability.

The Group classifies all financial liabilities as subsequently measured at amortized cost, except for:
(a) financial liabilities at fair value through profit or loss: Such liabilities, including derivatives that are liabilities, are subsequently measured at fair value.
(b) financial liabilities that arise when a transfer of a financial asset does not qualify for derecognition or when the continuing involvement approach applies. If a transfer does not result in derecognition because the Group has retained substantially all the risks and rewards of ownership of the transferred asset, the Group continues to recognize the transferred asset in its entirety and recognizes a financial liability for the consideration received. In subsequent periods, the Group recognizes any income on the transferred asset and any expense incurred on the financial liability.

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

2.5 Summary of Significant Accounting Policies (cont'd)

Financial Instruments (cont'd)

Financial liabilities (cont'd)

(c) contingent consideration recognized by an acquirer in a business combination to which TFRS 3 applies. Such contingent consideration is subsequently be measured at fair value with changes recognized in profit or loss.

Recognition and Derecognition of Financial Assets And Liabilities

The Group recognizes a financial asset or a financial liability only when the Group becomes party to the contractual provisions of the instrument. The Group derecognizes a financial asset only when the contractual rights to the cash flows from the financial asset expire, or it transfers the financial asset and the transfer qualifies for derecognition. If a transfer of financial asset does not result in derecognition because the Group has retained substantially all the risks and rewards of ownership of the transferred asset, the Group will continue to recognize the transferred asset in its entirety and recognize a financial liability for the consideration received.

In the event that the Group retains all the risks and gains arising from the ownership of a transferred asset, the accounting of the financial asset is continued, and for the income obtained, a guarantee amount payable against the transferred financial asset is also recognized. The Group derecognizes a financial liability from its consolidated balance sheet only when it is extinguished—i.e. when the obligation specified in the contract is discharged or cancelled or expires.

Derivative Financial Instruments and Hedge Accounting

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

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

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

Foreign Currency Transactions

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

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

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

2.5 Summary of Significant Accounting Policies (cont'd)

Foreign Currency Transactions (cont'd)

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

Exchange differences are recognized in profit or loss in the period in which they arise except for which relate to assets under construction for future productive use, which are included in the cost of those assets where they are regarded as an adjustment to interest costs on foreign currency borrowings.

For the purpose of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations are expressed in TRY using exchange rates prevailing on the balance sheet date. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuated significantly during that period, in which case the exchange rates at the dates of the transactions are used. Arising translation differences are recognized in other comprehensive income and transferred to accumulated other comprehensive income (loss) that will be reclassified in profit or loss under equity. Such translation differences are recognized in profit or loss in the period in which the foreign operation is disposed of.

Earnings Per Share

Earnings per share disclosed in the accompanying consolidated statement of income is determined by dividing net income by the weighted average number of shares in existence during the year concerned.

In Turkey, companies can raise their share capital by distributing "bonus shares" to shareholders from retained earnings. In computing earnings per share, such "bonus share" distributions are assessed as issued shares. Accordingly, the retrospective effect for those share distributions is taken into consideration in determining the weighted-average number of shares outstanding used in this computation.

Events After the Reporting Period

Events after the reporting period comprise of events which occur between the reporting date and the date on which the financial statements are authorized for issue, even if they occur after an announcement related with the profit for the year or after public disclosure of any other selected financial information.

The Group adjusts the amounts recognized in its financial statements if adjusting events occur after the balance sheet date.

Provisions, Contingent Assets and Liabilities

Provisions are recognized when the Group has a present obligation as a result of a past event, and it is probable that the Group will be required to settle that obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the balance sheet date, taking into account the risks and uncertainties surrounding the obligation.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

Onerous contracts

Present obligations arising under onerous contracts are recognized and measured as a provision.

An onerous contract is considered to exist where the Group has a contract under which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it.

Warranties

Provisions of warranty costs are recognized at the date of sale of the relevant products, at management's best estimate of the expenditure required to settle the Group's obligation.

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

2.5 Summary of Significant Accounting Policies (cont'd)

Reporting of Financial Information According to Segments

The Group has three operating segments which are Contracting, Agriculture and Other including information in order to monitor performance and to allocate resources. These segments are managed separately because of the risk and benefits attributable to these segments are influenced from different economical environments and different geographical locations.

Government Grants and Incentives

Government incentives are not recognized in the financial statements unless there is a reasonable assurance that Group will comply with the conditions attaching to them and the incentives will be received.

Government incentives are accounted systematically in profit or loss where they are matched with the relevant costs recorded as expenses during the period. Government incentives as a financial instrument should be associated with the balance sheet as unearned revenue to offset the related expense item instead of being recognized in profit or loss and have to be accounted systematically in profit or loss depending on useful lives of the related assets.

Government incentives that become receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognized in profit or loss in the period in which they become receivable.

Investment Property

Investment property, which is property, held to earn rentals and/or for capital appreciation is carried at cost less accumulated depreciation and any accumulated impairment losses. The carrying amount includes the cost of replacing part of an existing investment property at the time that cost is incurred if the recognition criteria are met; and excludes the costs of day to day servicing of an investment property. Depreciation is provided on investment property on a straight line basis.

An investment property is derecognized upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from disposal. Any gain or loss arising on derecognition of the property is included in profit or loss in the period in which the property is derecognized.

Corporate Income Tax

Turkish tax legislation does not permit a parent company and its subsidiary to file a consolidated tax return, therefore, provisions for taxes, as reflected in the accompanying consolidated financial statements, have been calculated on a separate-entity basis.

Tax expense represents the sum of the period tax expense and deferred tax income / (expense).

Controlled foreign corporation income:

Turkish CFC regime was introduced in 2006 by Turkish Corporate Income Tax Act. Due to CFC regulations, Turkish Corporate income tax payer which manages their investments via foreign subsidiaries will need to declare and pay corporate income tax in Turkey under certain conditions regardless of whether or not the income generated through foreign subsidiaries is transferred to Turkey. In other words to gain the profit is forced to be free from the distribution of the generated profit. Corporations which are established in foreign companies directly or indirectly controlled by a Turkish individual or corporation which holds (separately or together) at least 50% of their capital, dividend or voting rights which will be deemed as CFC. The other conditions of CFC are; 25% or more of the income of the foreign subsidiary should be passive income (such as rent, dividend, interest), the foreign subsidiary should be subject to less than 10% effective tax burden over its corporate income and the gross revenue of foreign company should exceed the foreign currency equivalent of TRY 100.000.

If the CFC earnings, which are declared in Turkey and related taxes are paid, will be brought up to scene as dividend in the forthcoming periods; they will not be included into taxable income to prevent double taxation.

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the statement of income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted for each entity included in the consolidation by the balance sheet date.

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

2.5 Summary of Significant Accounting Policies (cont'd)

Corporate Income Tax (cont'd)

Deferred tax

Deferred tax is recognized on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases which is used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognized for all taxable temporary differences and deferred tax assets are recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realized, based on tax rates that have been enacted or substantively enacted by the balance sheet date. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Current and deferred tax for the period

Current and deferred tax are recognized in profit or loss except when they are directly related to a transaction which is accounted under equity. Otherwise they are recognized in equity, along with the related transaction.

Assets Held For Sale

Non-current assets are classified as "assets held for sale" and stated at the lower of carrying amount and fair value less costs to sell if their carrying amount is to be recovered principally through a sale transaction rather than through continuing use. These assets may be a component of an entity, a disposal group or an individual non-current asset.

Employee Benefits

Termination and retirement benefits:

Under Turkish law and union agreements, lump sum payments are made to employees retiring, involuntarily leaving the Group or when the conditions presented in law are met. Such payments are considered as being part of defined retirement benefit plan according to the revised TAS 19 *Employee Benefits* ("TAS 19").

The retirement benefit obligation recognized in the consolidated financial statements represents the net present value of the defined benefit obligation. The calculated actuarial gains and losses are all recognized in other comprehensive income.

The Company and its subsidiaries are liable to pay retirement benefit for its qualified personnel. In addition to this, according to Group's retirement benefit policy, the Group pays retirement benefits to its retirees. The Group and its consolidated subsidiaries, regarding the retirement benefits of its personnel employed abroad, is subject to laws and regulations of the countries its personnel is located within. Regarding the laws mentioned, required provision has been provided for in the consolidated financial statements.

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

2.5 Summary of Significant Accounting Policies (cont'd)

Redeemed Shares

As determined in the articles of association of Tekfen Holding A.Ş., 30 of the registered redeemed shares belong to Tekfen Eğitim Sağlık Kültür Sanat ve Doğal Varlıkları Koruma Vakfı ("Tekfen Vakfı"). The constitutive redeemed shares grant no voting rights or any membership rights to their owners.

According to the articles of association of the Company, 5% of the net profit is reserved as first order legal reserves up to 20% of the paid-up capital. At least 30% but not less than the rate and amount determined by the CMB of the amount that to be found by the addition of donations made within the year to the remaining part of the net profit is distributed as first dividend. Up to 3% of the remaining net profit is devoted to Tekfen Eğitim Sağlık Kültür Sanat ve Doğal Varlıkları Koruma Vakfı which holds redeemed shares.

According to TAS 32, if, as a result of contingent settlement provisions, the issuer does not have an unconditional right to avoid settlement by delivery of cash or other financial instrument, the instrument is a financial liability of the issuer.

Redeemed shares owned by Tekfen Vakfı are considered as negotiable instruments and realized as a financial liability assuming that they will continue to take advantage of the right at upper limit as long as the Group's existing shareholders structure and management remains the same. In assessment of fair values of related constitutive redeemed shares, the Group's market value as of balance sheet date is taken into consideration. Calculated fair value depends on different conditions which may occur in foreseeable future and is therefore discounted and realized as liability in the consolidated financial statements.

Business Combinations

The acquisition of subsidiaries are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognized in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognized at their fair value, except that:

- Deferred tax assets or liabilities and assets or liabilities related to employee benefit arrangements are recognized and measured in accordance with TAS 12 Income Taxes and TAS 19 Employee Benefits respectively,
- Liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with IFRS 2 Share-based Payment at the acquisition date,
- Assets (or disposal groups) that are classified as held for sale in accordance with TFRS 5 are measured in accordance with that Standard.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognized immediately in profit or loss as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognized amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at fair value or, when applicable, on the basis specified in another TAS.

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

2.5 Summary of Significant Accounting Policies (cont'd)

Business Combinations (cont'd)

When the consideration transferred by the Group in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with corresponding adjustments against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the 'measurement period' (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

When a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date (i.e. the date when the Group obtains control) and the resulting gain or loss, if any, is recognized in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognized in other comprehensive income are reclassified to profit or loss where such treatment would be appropriate if that interest were disposed of.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period or additional assets or liabilities are recognized, to reflect new information obtained about facts and circumstances that existed at the acquisition date that, if known, would have affected the amounts recognized at that date.

Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business less accumulated impairment losses, if any.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro rata based on the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognized directly in profit or loss in the consolidated statement of profit or loss. An impairment loss recognized for goodwill is not reversed in subsequent periods.

On disposal of the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

2.6 Critical Accounting Judgments, Key Sources of Estimation Uncertainty and Assumptions

In the process of applying accounting policies, which are described in Note 2.5, management has made the following judgments that have the most significant effect on the amounts recognized in the consolidated financial statements:

Deferred taxes

The Group recognizes deferred tax assets and liabilities based upon temporary differences arising between its financial statements as reported for TAS purposes and its statutory tax financial statements. These differences usually arise from the fact that certain income and expense items are recognized in different reporting periods for TAS and tax purposes. In the subsidiaries of the Group, there are deferred tax assets resulting from tax loss carry-forwards and deductible temporary differences, all of which could reduce taxable income in the future. Based on available evidence, both positive and negative, it is determined whether it is probable that all or a portion of the deferred tax assets will be realized. The main factors which are considered include future earnings potential; cumulative losses in recent years; history of loss carry-forwards and other tax assets expiring; the carry-forward period associated with the deferred tax assets; future reversals of existing taxable temporary differences; tax-planning strategies that would, if necessary, be implemented, and the nature of the income that can be used to realize the deferred tax asset. As a result of the assessment made, the Group recognizes deferred tax assets in certain entities because it is probable that taxable profit will be available sufficient to recognize deferred tax assets in those entities.

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

2.6 Critical Accounting Judgments, Key Sources of Estimation Uncertainty and Assumptions (cont'd)

Income tax

The Group operates in various tax jurisdictions and is subject to applicable tax legislation and tax laws in these countries. The Group requires the use of significant estimates of determining provision of income tax. The Group estimates the usage of financial losses carried forward and the tax provision arising from tax liabilities. When the final tax results are determined, realized amounts may be different than the estimated amounts and as of the balance sheet date an adjustment may be made on the recognized income tax provision.

Change in contract fee

Changes in contract fees are recognized in the consolidated financial statements to the extent that those changes are likely to be approved by the customers, based on the percentage of completion method of the construction projects. Estimates on the collection of those changes are made based on the Group management's past experiences, the related contract terms and the related legislation.

Percentage of completion

The Group uses the percentage of completion method in accounting for its construction contracts. Use of the percentage of completion method requires the Group to estimate the proportion of work performed to date as a proportion of the total work to be performed.

Construction costing estimates

The Group calculates the remaining costs to complete on construction projects through its internally developed projections. Factors such as escalations in material prices, labour costs and other costs are included in these projections based on best estimate as of the balance sheet dates. Any unanticipated escalation in the subsequent periods will require the reassessment of the remaining costs.

Non-current retention receivables

Non-current retention receivable and payable are stated at their fair value each period end by discounting the Group's effective deposit and borrowing rates respectively, which management considers to be the appropriate discount rates for these assets and liabilities.

Fair value of derivatives and other financial instruments

The fair value of financial instruments that are not traded in an active market is determined using valuation techniques based on market-observable data, market comparable approach that reflects recent transaction prices for similar properties and discounted cash flows (Note: 35).

3. BUSINESS COMBINATIONS

(a) Gate

Tekfen İnşaat, which holds %50 of the shares of Gate, purchased %50 of the shares of Gate, which belongs to Gama Endüstri Tesisleri İmalat ve Montaj A.Ş. in accordance with the agreement made on 25 July 2018 worth 127.993 (21.547.000 USD). After the acquisition, direct share participation rate of Tekfen İnşaat in Gate has reached 100%. Goodwill arising from business combination and impairment allowance has been recognized in accordance with TFRS in the consolidated financial statements as of 31 December 2019 (Note 17).

(b) CFS

A share acquisition agreement was signed on 31 May 2019 between the shareholders of CFS and Toros Tarım, a subsidiary of the Group, concerning acquisition of 100% of the paid in capital of CFS. Temporary Goodwill arising from business combination has been recognized in accordance with TFRS in the consolidated financial statements as of 31 December 2019. Call option to Berna Yılmaz ile Albert Özmizrahi given pursuant to share acquisition agreement. Upon the call option, Nezahat Berna Yılmaz and Albert Özmizrahi will have the right to purchase 7,5% and 2,5% of the shares of CFS which is owned by the Group within ten years from the date of the agreement at an exercise price. Exercise price to be applied to the shares that will be subject to the purchase will be determined by the adaptation of the capital payments to be made after the date of purchase in USD (Note: 17).

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3. BUSINESS COMBINATIONS (cont'd)

(c) Gönen Enerji

A share acquisition agreement was signed on 13 May 2019 between the shareholders of Gönen Enerji and Toros Tarım, a subsidiary of the Group, concerning acquisition of 70% of the paid in capital of Gönen Enerji. Share transfer transaction was completed on 31 July 2019. Temporary Goodwill arising from business combination has been recognized in accordance with TFRS in the consolidated financial statements as of 31 December 2019 (Note: 17).

(d) Denkmal Dahlem

A share acquisition agreement was signed on 21 December 2018 between the shareholders of Denkmal Dahlem and HMB, a subsidiary of the Group, concerning acquisition of 80% of the paid in capital of Denkmal Dahlem. Share transfer transaction was completed on 30 July 2019. Temporary Goodwill arising from business combination has been recognized in accordance with TFRS in the consolidated financial statements as of 31 December 2019 (Note: 17).

(e) Toros Agroport

A share acquisition agreement was signed on 29 July 2019 between the shareholders of Toros Agroport and Toros Tarım and Toros Terminal, subsidiaries of the Group, concerning acquisition of 100% of the paid in capital of Toros Agroport. Share transfer transaction was completed on 5 September 2019. Information related to business combination is as follows:

Subsidiary Acquired	**Nature of Business**	**Date of Acquisition**	**Ratio of Shares Acquired**	**Acquisition Price**
Toros Agroport	Agriculture	5 September 2019	100%	4.878

Breakdown of the acquisition price is as follows:

	Toros Agroport
Paid in cash	4.878
Acquisition liability	-
Acquisition price	**4.878**

The identifiable assets and liabilities detailed below are temporarily reported under TFRS provisions. During the measurement period allowed by the standard, the assets and liabilities will be reevaluated. The main items related to assets acquired and liabilities undertaken at the acquisition date are as follows:

	Toros Agroport
Current assets	**38.913**
Cash and cash equivalents	768
Other current assets	38.145
Non-current assets	**8.547**
Tangible and intangible assets	8.474
Other non-current assets	73
Current liabilities	**35.682**
Non-current liabilities	**-**
Net assets	**11.778**

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

3. BUSINESS COMBINATIONS (cont'd)

(e) Toros Agroport (cont'd)

As a result of the acquisition, the Group obtained control of Toros Agroport so that bargain purchase gain arisen. Temporary bargain purchase gain arising from the acquisition is as follows:

	Toros Agroport
Acquisition price	4.878
Non-controlling interest	-
Less: Fair value of net assets of the acquired company	(11.778)
Bargain purchase gain (Note: 29)	**(6.900)**

Net cash outflow concerning the acquisition is as follows:

	Toros Agroport
Paid in cash	4.878
Less: Cash and cash equivalents of the acquired company	(768)
Net cash outflow	**4.110**

4. JOINT OPERATIONS

Group's significant partnerships subject to joint operations are described in Note 2.

Financial information related to these joint operations is as follows:

	31 December 2019	31 December 2018
Current assets	152.684	171.988
Non-current assets	43.904	51.613
Current liabilities	616.041	391.324
Non-current liabilities	484	829
Shareholders' equity	(419.937)	(168.552)

	1 January- 31 December 2019	1 January- 31 December 2018
Revenue	373.413	256.528
Cost of revenue (-)	(581.774)	(302.242)
Loss for the period	(218.770)	(63.337)

Tubin-Tekfen-Özdemir J.V. liquidated during the current year.

5. SEGMENTAL REPORTING

a) Segmental results

	1 January - 31 December 2019			
	Contracting	Agriculture	Other	Total
Revenue	10.539.071	3.983.284	80.999	14.603.354
Cost of revenue (-)	(9.009.317)	(3.153.812)	(38.663)	(12.201.792)
GROSS PROFIT	**1.529.754**	**829.472**	**42.336**	**2.401.562**
General administrative expenses (-)	(267.630)	(61.563)	(130.503)	(459.696)
Marketing expenses (-)	(11.633)	(297.458)	(172)	(309.263)
Research and development expenses (-)	(968)	(4.229)	-	(5.197)
Other operating income	243.379	298.472	6.555	548.406
Other operating expenses (-)	(219.420)	(351.162)	(6.373)	(576.955)
Share on profit of investments valued by equity method	2.845	1.689	-	4.534
OPERATING PROFIT (LOSS)	**1.276.327**	**415.221**	**(88.157)**	**1.603.391**
Investment income	14.768	6.837	30.303	51.908
Investment expense (-)	(93.166)	(12)	(16.028)	(109.206)
PROFIT (LOSS) BEFORE FINANCIAL INCOME (EXPENSES)	**1.197.929**	**422.046**	**(73.882)**	**1.546.093**
Financial income	115.901	156.684	392.139	664.724
Financial expenses (-)	(51.437)	(142.848)	(239.525)	(433.810)
PROFIT FROM CONTINUING OPERATIONS BEFORE TAXATION	**1.262.393**	**435.882**	**78.732**	**1.777.007**
Tax expense from continuing operations (-)	(278.018)	(50.381)	(33.749)	(362.148)
PROFIT FROM CONTINUING OPERATIONS FOR THE PERIOD	**984.375**	**385.501**	**44.983**	**1.414.859**

For the year ended 31 December 2019, revenue amounting 4.951.217 was obtained from a non-related client of construction segment which constitute 34% of the Group's revenue.

The Group has 144.555 of revenue and 86.143 of operating income from terminal operations classified as agricultural operation in 2019.

5. SEGMENTAL REPORTING (cont'd)

a) Segmental results (cont'd)

	1 January - 31 December 2018			
	Contracting	Agriculture	Other	Total
Revenue	9.108.507	2.964.560	74.104	12.147.171
Cost of revenue (-)	(8.120.189)	(2.186.604)	(37.036)	(10.343.829)
GROSS PROFIT	**988.318**	**777.956**	**37.068**	**1.803.342**
General administrative expenses (-)	(167.536)	(55.897)	(85.778)	(309.211)
Marketing expenses (-)	(15.288)	(196.194)	(94)	(211.576)
Research and development expenses (-)	(135)	(2.813)	-	(2.948)
Other operating income	179.367	603.916	12.038	795.321
Other operating expenses (-)	(230.696)	(748.509)	(15.336)	(994.541)
Share on profit (loss) of investments valued by equity method	32.859	(1.184)	-	31.675
OPERATING PROFIT (LOSS)	**786.889**	**377.275**	**(52.102)**	**1.112.062**
Investment income	140	16.100	11.252	27.492
Investment expense (-)	(6.085)	(16)	(100)	(6.201)
PROFIT (LOSS) BEFORE FINANCIAL INCOME (EXPENSES)	**780.944**	**393.359**	**(40.950)**	**1.133.353**
Financial income	127.184	512.684	690.305	1.330.173
Financial expenses (-)	(77.297)	(399.746)	(345.106)	(822.149)
PROFIT FROM CONTINUING OPERATIONS BEFORE TAXATION	**830.831**	**506.297**	**304.249**	**1.641.377**
Tax expense from continuing operations (-)	(114.978)	(42.285)	(82.587)	(239.850)
PROFIT FROM CONTINUING OPERATIONS FOR THE PERIOD	**715.853**	**464.012**	**221.662**	**1.401.527**

For the year ended 31 December 2018, revenue amounting 5.009.253 was obtained from a non-related client of construction segment which constitute 41,2% of the Group's revenue.

The Group has 143.114 of revenue and 103.743 of operating income from terminal operations classified as agricultural operation in 2018.

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5. SEGMENTAL REPORTING (cont'd)

b) Segmental assets and liabilities

	31 December 2019			
Balance sheet	Contracting	Agriculture	Other	Total
Total assets	7.004.906	3.786.449	1.871.793	12.663.148
Current and non-current liabilities	5.029.956	1.968.305	168.017	7.166.278
Equity attributable to owners of the parents	1.668.647	1.976.980	1.783.053	5.428.680
Non-controlling interests	49.819	18.358	13	68.190

	31 December 2018			
Balance sheet	Contracting	Agriculture	Other	Total
Total assets	7.189.327	3.431.421	1.414.772	12.035.520
Current and non-current liabilities	5.756.233	1.631.851	223.041	7.611.125
Equity attributable to owners of the parents	917.483	1.653.408	1.796.696	4.367.587
Non-controlling interests	42.994	13.802	12	56.808

c) Segmental information related to property, plant and equipment, intangible assets, investment property, right-of-use assets and revenue

	1 January - 31 December 2019			
	Contracting	Agriculture	Other	Total
Capital expenditures	107.720	166.967	17.097	291.784
Depreciation and amortization expense for the period (*)	195.626	86.021	7.461	289.108
Intra-segment revenue	144.363	69.938	9.506	223.807
Inter-segment revenue	190	1.170	24.783	26.143

	1 January - 31 December 2018			
	Contracting	Agriculture	Other	Total
Capital expenditures	186.544	71.542	3.875	261.961
Depreciation and amortization expense for the period (*)	117.549	67.397	4.960	189.906
Intra-segment revenue	334.781	65.198	7.199	407.178
Inter-segment revenue	328	1.298	21.784	23.410

(*) Depreciation expense of 1.734 is deducted from the cost of inventory (2018: 1.706 added to the cost of inventory).

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

5. SEGMENTAL REPORTING (cont'd)

d) Geographical segmental information

	Turkey	CIS	Northern Africa	Middle Eastern Countries	Other	Eliminations	Total
Revenue (1 January - 31 December 2019)	6.506.009	1.266.734	-	7.041.187	39.374	(249.950)	14.603.354
Total assets (31 December 2019)	13.772.912	3.686.668	915	4.179.455	1.334.273	(10.311.075)	12.663.148
Capital expenditures (1 January - 31 December 2019)	221.887	29.014	-	40.679	204	-	291.784

	Turkey	CIS	Northern Africa	Middle Eastern Countries	Other	Eliminations	Total
Revenue (1 January - 31 December 2018)	5.697.535	1.103.624	-	5.673.624	102.976	(430.588)	12.147.171
Total assets (31 December 2018)	12.862.220	2.908.298	10.059	3.904.142	277.311	(7.926.510)	12.035.520
Capital expenditures (1 January - 31 December 2018)	123.024	51.600	-	86.429	908	-	261.961

6. CASH AND CASH EQUIVALENTS

	31 December 2019	31 December 2018
Cash on hand	2.347	1.834
Cash at banks		
Demand deposits	498.203	228.175
Time deposits with maturity of three months or less	3.456.260	4.290.273
Other cash equivalents	137.815	61.318
	4.094.625	4.581.600

Explanations about the nature and level of risks related to cash and cash equivalents are provided in Note 36.

7. FINANCIAL INVESTMENTS

Short-term financial investments	31 December 2019	31 December 2018
Time deposits with maturity of longer than three months	12.782	132.101
	12.782	132.101
Long-term financial investments		
Fair value through other comprehensive income financial investments	230.962	197.762
Fair value through profit or loss financial investments	162.906	70.757
	393.868	268.519
Financial investments total	406.650	400.620

Short-term financial investments consists of time deposits with maturity of longer than three months with an annual interest rate of 2,4% amounting to 12.782 (2.152 Thousand USD) (31 December 2018: 132.101 (25.110 Thousand USD) with annual interest rate of 5%).

7. FINANCIAL INVESTMENTS (cont'd)

Long-term financial investments are as follows:

Details	Share %	31 December 2019	Share %	31 December 2018
Fair value through other comprehensive income financial investments				
Traded				
Akmerkez Gayrimenkul Yatırım Ortaklığı A.Ş.	10,79	95.753	10,79	65.925
Türkiye Sınai Kalkınma Bankası A.Ş.	<1	1.629	<1	1.064
Akçansa Çimento Sanayi ve Ticareti A.Ş.	<1	57	<1	41
Turcas Petrolcülük A.Ş.	<1	12	<1	4
		97.451		67.034
Non-traded				
Toren Doğalgaz Depolama ve Madencilik A.Ş.	2,50	51.636	2,50	89.912
Gaz Depo ve Madencilik A.Ş.	2,50	25.509	2,50	39.132
Cording Dortmund Hiltropwall SCSp	12,58	19.240	-	-
Berlin Light JV S.a.r.l	11,44	33.229	-	-
Altaca Meram Yeşil Enerji Üretim A.Ş. (*)	9,88	2.314	-	-
Mersin Serbest Bölge İşleticisi A.Ş.	9,56	898	9,56	898
Akmerkez Lokantacılık Gıda San. ve Tic. A.Ş. (**)	30,50	441	30,50	441
Üçgen Bakım ve Yönetim Hizmetleri A.Ş. (**)	27,45	109	27,45	109
Other		135		236
		133.511		130.728
Fair value through profit or loss financial investments		162.906		70.757
Long-term financial investments total		393.868		268.519

(*) A share acquisition agreement was signed on 18 December 2019 between the shareholders of Gönen Enerji, a subsidiary of Toros Tarım with 70% share participation rate, and Altaca Meram Yeşil Enerji Üretim A.Ş. ("Altaca Meram") concerning acquisition of 99,9% of the paid in capital of Altaca Meram. As of balance sheet date, transfer of 9,88% portion of the share has been completed. EPDK approval for the transfer of the remaining 90.02% shares was received on 20 January 2020 and the transfer was completed on 14 February 2020.

(**) As of 31 December 2019 and 2018, entities classified as financial investment are not included in the consolidation due to the fact that their total assets do not have a significant effect at the accompanying consolidated financial statements.

Cumulative positive difference of 87.717 in the fair value of the fair value through other comprehensive income financial investments is recognized in equity (31 December 2018: 92.931 positive difference). Impairment amount of 15.993 related to fair value through other comprehensive income financial investments is recognized in the statement of profit or loss (Note 29) (31 December 2018: None).

The positive difference of 20.133 in the fair value of the fair value through profit or loss financial investments is recognized in in the statement of profit or loss (Note 29) (31 December 2018: 3.140 positive).

Explanations about the nature and level of risks related to financial investments are provided in Note 36.

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8. SHORT AND LONG-TERM BORROWINGS

	31 December 2019	31 December 2018
Short-term bank loans	407.897	740.233
Short-term portion of long-term bank loans and interest payments	186.851	152.774
Short-term portion of long-term lease payables	25.740	2.847
Total short-term borrowings	620.488	895.854
Long-term bank loans	183.331	221.342
Long-term lease payables	32.127	985
Total long-term borrowings	215.458	222.327
Total borrowings	835.946	1.118.181

The details of bank loans are as follows:

Original currency	Weighted average interest rate % Short-term	Long-term	31 December 2019 Short-term	Long-term	Total
US Dollars	5,88	-	87.689	-	87.689
EUR	2,62	5,54	397.121	28.292	425.413
TRY	17,54	11,94	109.938	155.039	264.977
			594.748	183.331	778.079

Original currency	Weighted average interest rate % Short-term	Long-term	31 December 2018 Short-term	Long-term	Total
US Dollars	5,05	-	316.012	-	316.012
EUR	1,29	2,64	293.837	143.315	437.152
TRY	16,52	17,54	283.158	78.027	361.185
			893.007	221.342	1.114.349

Repayment schedule of bank loans is as follows:

	31 December 2019	31 December 2018
To be paid within 1 year	594.748	893.007
To be paid within 1-2 year	161.921	221.342
To be paid within 2-3 year	21.410	-
	778.079	1.114.349

8. SHORT AND LONG-TERM BORROWINGS (cont'd)

Group's bank loans in the amounts of 14.762 Thousand USD (87.689), 40.141 Thousand EUR (266.962) and 113.316 are subject to fixed interest rates (31 December 2018: 60.068 Thousand USD (316.012), 24.871 Thousand EUR (149.922) and 361.185). Bank loans in the amounts of 23.825 Thousand USD (158.451) and 151.661 are borrowed at floating interest rates thus exposing the Group's cash flow to interest rate risk (31 December 2018: 47.649 Thousand EUR (287.229).

The subsidiary of the Company, Toros Tarım, has borrowed ECA (SACE) and ECA (Hermes) bank loans from Unicredit Bank Austria AG in August 2013 and Deutsche Bank AG in January 2014 for sulfuric acid facility in Samsun factory. The duration of repayments for Unicredit Bank Austria AG loan lasts 7 years, including no principal payment within the first 2 years and 10 equal payments in 5 years where duration of repayments for Deutsche Bank AG loan lasts 6,5 years with 10 equal payments, including no principal payment within first 1,5 years. The interest rates for Unicredit Bank Austria AG and Deutsche Bank AG loans are 6 months Euribor plus 2% and 6 months Euribor plus 0,9% respectively. Toros Tarım fulfilled the financial performance criterias obliged due to the agreement as of 31 December 2019. As of 31 December 2019, remaining balance of the loans used from Unicredit Bank Austria AG and Deutsche Bank AG after principle payments is 73.974 (11.123 Thousand EUR) and 83.698 (12.585 Thousand EUR) respectively. Principle payments made to the loans from Unicredit Bank Austria AG and Deutsche Bank AG for the year ended 31 December 2019 is 73.974 (11.123 Thousand EUR) and 83.698 (12.585 Thousand EUR) respectively. After the balance sheet date, principle payment made to the loan from Deutsche Bank AG is 41.849 (6.293 Thousand EUR).

Details of lease payables are as follows:

	31 December 2019	31 December 2018
Short-term portion of long-term lease liabilities (Note: 2)	25.109	-
Short-term portion of long-term financial lease payables	631	2.847
Long-term lease liabilitiesi (Note: 2)	31.668	-
Long-term financial lease payables	459	985
	57.867	3.832

Details of obligations under finance leases are as follows:

	Minimum Lease Payments		Present Value of Minimum Lease Payments	
	31 December 2019	31 December 2018	31 December 2019	31 December 2018
Obligations under finance leases				
Within one year	676	3.002	631	2.847
Within 2-5 year	469	1.024	459	985
	1.145	4.026	1.090	3.832
Less: finance expenses related to following years	(55)	(194)	-	-
Present value of obligations finance leases	1.090	3.832	1.090	3.832
Less: Payments within 12 months (in short-term payables)			631	2.847
Due beyond 12 months			459	985

It is the Group policy to lease some of its furniture, fixtures and equipment under finance leases. Average lease term is 36 months (2018: 36 months). For the year ended 31 December 2019 effective weighted average interest is 6,50% for USD and 4,20% for EUR (31 December 2018: 15,46% for TRY, 5,04% for USD, 4,20% for EUR).

Explanations about the nature and level of risks related to financial debts are provided in Note 36.

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9. TRADE RECEIVABLES AND PAYABLES

a) Trade Receivables:

As at balance sheet date, details of trade receivables of the Group are as follows:

Short-term trade receivables	31 December 2019	31 December 2018
Receivables from Contracting group operations	1.323.562	837.454
Receivables from Agriculture group operations	336.422	212.235
Receivables from Other group operations	6.704	7.425
Provision for doubtful receivables	(80.609)	(39.568)
Retention receivables (Note: 12)	331.684	361.038
Due from related parties (Note: 34)	22.402	57.836
Other	13.171	7.864
	1.953.336	1.444.284
Long-term trade receivables		
Retention receivables (Note: 12)	302.749	177.941
Receivables from Contracting group operations	11.230	16.624
	313.979	194.565

Postdated cheques amounting to 154.827 (31 December 2018: 79.168), notes receivables amounting to 32.864 (31 December 2018: 44.697), positive foreign currency differences amounting to 1.004 (31 December 2018: Negative foreign currency differences amounting to 2.581) are included in short and long-term trade receivables. There are no due date differences included in short and long-term trade receivables (31 December 2018: None).

Average maturity date for trade receivables varies between the segments. Average maturity date for Contracting group, for projects in abroad is 59 days (31 December 2018: 82 days), for domestic projects is 52 days (31 December 2018: 44 days), for Agriculture group is 44 days (31 December 2018: 47 days) and for other segment is 15 days (31 December 2018: 29 days).

As of 31 December 2019, receivables amounting 596.467 was obtained from a non-related client which constitute 26,6% of the Group's receivables (31 December 2018: 425.220, 27%).

On 5 February 2020, collection amount to 298.075 (183.154.459 QAR) was made regarding the short-term portion of the retention receivables.

As of 31 December 2019, 80.609 of provision for doubtful receivables was determined based on past uncollectible receivable cases encountered and future expectations (31 December 2018: 39.568).

The movement of the Group's provision for doubtful receivables is as follows:

	2019	2018
Provision as at 1 January	(39.568)	(32.998)
Effect of changes in accounting policies (Note 2)	-	(5.685)
Effect of business combinations	(37.841)	(410)
Charge for the year	(2.067)	(1.148)
Collected	2.017	421
Provision released	568	4.049
Write off of bad debt	20	106
Currency translation effect	(3.738)	(3.903)
Provision as at 31 December	(80.609)	(39.568)

1.778 of doubtful receivable expense has been charged to general administrative expenses where 289 has been deducted from short-term deferred revenue (2018: All of doubtful receivable expense has been charged to general administrative expenses respectively).

Explanations about the nature and level of risks related to trade receivables are provided in Note 36.

9. TRADE RECEIVABLES AND PAYABLES (cont'd)

b) Trade Payables:

As at balance sheet date, details of trade payables of the Group are as follows:

Short-term trade payables	31 December 2019	31 December 2018
Payables from Contracting group operations	1.502.463	1.595.527
Payables from Agriculture group operations	1.196.199	1.113.727
Payables from Other group operations	29.492	24.151
Due to related parties (Note: 34)	24.883	29.518
Retention payables (Note: 12)	553.795	100.653
Other trade payables	23.648	193
	3.330.480	2.863.769

Long-term trade payables		
Payables from Agriculture group operations	-	46.416
Retention payables (Note: 12)	71.303	280.281
Trade payables from Contracting group operations	6.145	780
	77.448	327.477

Foreign currency differences amounting to 200.129 (31 December 2018: 520.220) and notes payables amounting to 432 (31 December 2018: 784) are included in short and long-term trade payables. There are not any postdated cheques in the current year (31 December 2018: None).

For Agriculture Group, payables attributable to inventory supplied through imports constitute 90% (31 December 2018: 95%) of trade payables as at balance sheet date and average payable period for these import purchases is 150 days (31 December 2018: 107 days) whereas average payable period for domestic purchases is 30 days (31 December 2018: 30 days). For Contracting group, import purchases through letter of credit constitute 0,01% (31 December 2018: 1%) of trade payables as at balance sheet date. The average payable period for these import purchases is 56 days (31 December 2018: 137 days) whereas the average payable period for other purchases is 91 days (31 December 2018: 79 days). For the other operations of the Group, the average payable period is 63 days (31 December 2018: 64 days).

Explanations about the nature and level of risks related to trade payables are provided in Note 36.

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10. OTHER RECEIVABLES AND PAYABLES

a) Other Receivables:

Other short-term receivables	31 December 2019	31 December 2018
Related party receivables (Note: 34)	14.256	58.797
Deposits and guarantees given	23.328	16.797
Receivables related to business combinations	18.426	-
VAT receivables	4.408	2.523
Other doubtful receivables	571	571
Other doubtful receivable provision (-)	(571)	(571)
Other receivables	1.855	2.020
	62.273	80.137

Other long-term receivables		
Deposits and guarantees given	8.885	6.551
	8.885	6.551

b) Other Payables:

Other short-term payables	31 December 2019	31 December 2018
Taxes and funds payable	78.942	66.837
Deposits and guarantees received	1.551	1.987
Payables related to share acquisitions	-	11.260
Related party payables (Note: 34)	108	539
Other payables	1.467	1.049
	82.068	81.672

Other long-term payables		
Fair value of reedemed shares	75.058	80.497
Deposits and guarantees received	3.424	6.069
	78.482	86.566

Explanations about the nature and level of risks related to other receivables and payables are provided in Note 36.

11. INVENTORIES

	31 December 2019	31 December 2018
Raw materials	138.434	217.894
Work in progress	323.835	358.159
Finished goods	44.135	37.502
Trading goods	191.753	169.888
Goods in transit	39.717	13.817
Inventory at construction sites	642.494	516.565
Other inventories	68.566	56.740
	1.448.934	1.370.565

During the year ended 31 December 2019, there are no borrowing costs added to inventory (31 December 2018: Borrowing costs added 15.990).

The Group does not have any inventories whose net realizable value is less than its current cost (31 December 2018: None). Accordingly, there is not any provision for allowance for impairment on inventory (31 December 2018: None).

12. CONTRACT ASSETS AND LIABILITIES ARISING FROM ONGOING CONSTRUCTION WORKS

	31 December 2019	31 December 2018
Cost incurred on uncompleted contracts	33.981.934	22.386.831
Recognised gain less losses (net)	4.468.406	2.067.774
	38.450.340	24.454.605
Less: Billings to date (-)	(38.764.315)	(25.110.449)
	(313.975)	(655.844)

Costs and billings incurred on uncompleted contracts in consolidated financial statements are follows:

	31 December 2019	31 December 2018
Contract assets arising from ongoing construction works	692.101	348.014
Contract liabilities arising from ongoing construction works	(1.006.076)	(1.003.858)
	(313.975)	(655.844)

	31 December 2019	31 December 2018
Contract assets arising from ongoing construction works		
Contracts undersigned abroad	573.933	295.951
Contracts undersigned in Turkey	118.168	52.063
	692.101	348.014
Contract liabilities arising from ongoing construction works		
Contracts undersigned abroad	(871.608)	(907.743)
Contracts undersigned in Turkey	(134.468)	(96.115)
	(1.006.076)	(1.003.858)
	(313.975)	(655.844)

The Group has 225.123 of advances given to subcontractors and other suppliers for construction projects classified in short-term prepaid expenses (31 December 2018: 389.274). Also, the Group has 561.083 of advances received for contracting projects classified in deferred revenue (31 December 2018: 1.245.147) (Note 18).

As of 31 December 2019, the Group has 625.098 of retention payables to subcontractors (31 December 2018: 380.934). Also, the amount of retention receivables is 634.433 (31 December 2018: 538.979) (Note 9).

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13. INVESTMENTS VALUED BY EQUITY METHOD

The details of the joints ventures of the Group, which are valued by equity method, are as follows:

		31 December 2019		31 December 2018			
Joint Ventures	Location of foundation and operation	Participation Rate	Amount	Participation Rate	Amount	Power to appoint	Industry
H-T Fidecilik	Turkey	50 %	12.627	50 %	10.530	50 %	Agriculture
Azfen	Azerbaijan	40 %	3	40 %	24.597	40 %	Construction
Black Sea	Turkey	30 %	802	30 %	1.077	30 %	Fertilizer Trade
Florya Gayrimenkul	Turkey	50 %	90.165	50 %	88.252	50 %	Construction
Denkmal Dahlem (*)	Germany	-	-	45 %	20.184	-	Construction
			103.597		144.640		

(*) Consolidated as subsidiary during the year (Note 3).

Movement of Group's joint ventures during the year is as follows:

	2019	2018
Opening balance as at 1 January	144.640	194.510
Group's share on profit	4.534	31.675
Capital increases	1.957	630
Currency translation effect	1.915	28.451
Group's share on other comprehensive income	133	156
Effect of joint ventures classified as subsidiaries	(20.184)	-
Dividends	(29.354)	(130.949)
Effect of the joint ventures purchased	-	20.184
Profit eliminations	(44)	(17)
Closing balance as at 31 December	103.597	144.640

Group's share on profit /loss of joint ventures is as follows:

H-T Fidecilik	1.964	(1.169)
Azfen	2.845	32.868
Black Sea	(275)	(15)
Florya Gayrimenkul	-	(9)
Share on profit of investments valued by equity method	4.534	31.675

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13. INVESTMENTS VALUED BY EQUITY METHOD (cont'd)

Information related to financial position:

31 December 2019	H-T Fidecilik	Azfen	Black Sea	Florya Gayrimenkul	Denkmal Dahlem	Total
Cash and cash equivalents	69	155.672	1.821	87	-	157.649
Other current assets	63.996	195.547	946	59.124	-	319.613
Other non-current assets	19.604	87.199	5	123.649	-	230.457
Total Assets	83.669	438.418	2.772	182.860	-	707.719
Short-term financial debts	28.907	-	-	-	-	28.907
Other short-term liabilities	22.071	438.411	83	40	-	460.605
Long-term financial debts	5.000	-	-	-	-	5.000
Other long-term liabilities	2.437	-	16	2.490	-	4.943
Total Liabilities	58.415	438.411	99	2.530	-	499.455
Net Assets	25.254	7	2.673	180.330	-	208.264
Group's Ownership Rate	50%	40%	30%	50%	-	
Group's share on Net Assets	12.627	3	802	90.165	-	103.597

31 December 2018	H-T Fidecilik	Azfen	Black Sea	Florya Gayrimenkul	Denkmal Dahlem	Total
Cash and cash equivalents	95	87.257	2.854	2	319	90.527
Other current assets	54.576	289.362	784	58.342	155.378	558.442
Other non-current assets	21.293	58.207	9	121.766	1.905	203.180
Total Assets	75.964	434.826	3.647	180.110	157.602	852.149
Short-term financial debts	30.814	-	-	-	60.714	91.528
Other short-term liabilities	22.107	362.874	40	1.122	1.039	387.182
Long-term financial debts	138	-	-	-	-	138
Other long-term liabilities	1.846	10.460	17	2.484	50.995	65.802
Total Liabilities	54.905	373.334	57	3.606	112.748	544.650
Net Assets	21.059	61.492	3.590	176.504	44.854	307.499
Group's Ownership Rate	50%	40%	30%	50%	45%	
Group's share on Net Assets	10.530	24.597	1.077	88.252	20.184	144.640

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13. INVESTMENTS VALUED BY EQUITY METHOD (cont'd)

Information related to statement of profit or loss :

31 December 2019	H-T Fidecilik	Azfen	Black Sea	Florya Gayrimenkul	Denkmal Dahlem	Total
Revenue	86.692	510.832	-	-	-	597.524
Depreciation and amortization expense	2.417	30.948	1	-	-	33.366
Operating profit (loss)	12.847	8.890	(1.295)	-	-	20.442
Financial income	157	-	728	7	-	892
Financial expense (-)	(7.823)	-	(349)	-	-	(8.172)
Tax (expense) income	(1.313)	(1.778)	1	(7)	-	(3.097)
Profit (Loss) for the Period	3.927	7.112	(916)	-	-	10.123
Group's Ownership Rate	50%	40%	30%	50%	-	
Group's Share on Profit (Loss) for the Period	1.964	2.845	(275)	-	-	4.534

31 December 2018	H-T Fidecilik	Azfen	Black Sea	Florya Gayrimenkul	Denkmal Dahlem	Total
Revenue	67.136	1.340.853	-	-	-	1.407.989
Depreciation and amortization expense	2.512	34.191	4	-	-	36.707
Operating profit (loss)	4.084	101.296	(1.208)	-	-	104.172
Financial income	4	1.429	1.977	1	-	3.411
Financial expense (-)	(6.462)	-	(815)	-	-	(7.277)
Tax expense (-)	(31)	(20.539)	(6)	(19)	-	(20.595)
Profit (Loss) for the Period	(2.337)	82.169	(51)	(18)	-	79.763
Group's Ownership Rate	%50	%40	%30	%50	%45	
Group's Share on Profit (Loss) for the Period	(1.169)	32.868	(15)	(9)	-	31.675

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

14. INVESTMENT PROPERTY

Cost	Land	Buildings	Total
Opening balance as at 1 January 2019	53.809	88.321	142.130
Currency translation effect	4.972	-	4.972
Additions	1.993	4.281	6.274
Disposals	-	(39)	(39)
Transfers from assets classified as held for sale (Note: 31)	7.645	-	7.645
Transfers from inventory	-	247	247
Closing balance as at 31 December 2019	68.419	92.810	161.229
Accumulated Depreciation			
Opening balance as at 1 January 2019	-	(33.781)	(33.781)
Charge for the year	-	(2.114)	(2.114)
Disposals	-	24	24
Closing balance as at 31 December 2019	-	(35.871)	(35.871)
Carrying value as at 31 December 2019	68.419	56.939	125.358

Cost	Land	Buildings	Total
Opening balance as at 1 January 2018	43.735	91.776	135.511
Currency translation effect	10.074	-	10.074
Additions	-	799	799
Disposals	-	(2.680)	(2.680)
Transfers from inventory	-	272	272
Transfers	-	(1.846)	(1.846)
Closing balance as at 31 December 2018	53.809	88.321	142.130
Accumulated Depreciation			
Opening balance as at 1 January 2018	-	(31.645)	(31.645)
Charge for the year	-	(2.649)	(2.649)
Disposals	-	55	55
Transfers	-	458	458
Closing balance as at 31 December 2018	-	(33.781)	(33.781)
Carrying value as at 31 December 2018	53.809	54.540	108.349

Investment Property includes buildings over rental income earned and lands that are held for the investment purposes. Useful lives of investment properties are within 4 and 50 years.

Depreciation expense has been charged to cost of revenue (2018: Depreciation expense has been charged to cost of revenue)

For the year ended 31 December 2019 total rental income earned from investment properties is 45.313 (31 December 2018: 39.929). Direct operating and depreciation expenses arising on the investment properties in the year amounted to 8.051 (31 December 2018: 7.079).

The fair value of the Group's investment property has been determined based on a valuation carried out by independent expertise which has no connection with the Group and is one of the independent valuers accredited by Capital Market Board. Valuation work has been concluded based on fair value of similar properties. The fair value of the investment properties as of 31 December 2019 is 558.161 (31 December 2018: 493.530) according to the valuation carried out by independent expert. There are not any restrictions on the realizability of investment property or any remittances of income and proceeds of disposal.

15. PROPERTY, PLANT AND EQUIPMENT

Cost Value	Land and land improvements	Buildings	Machinery and equipment	Vehicles	Furniture and fixtures	Construction in progress	Leasehold improvements	Total
Opening balance as at 1 January 2019	842.255	514.370	2.830.973	111.796	186.962	32.760	172.152	4.691.268
Currency translation effect	58.472	25.505	200.708	16.357	18.885	1.868	4.279	326.074
Additions	19.221	1.017	71.705	6.017	24.288	152.707	828	275.783
Acquired through business combination	12.862	11.397	25.388	3.578	2.654	1.852	43	57.774
Disposals	(3.575)	(23.350)	(193.638)	(3.347)	(2.203)	-	(6)	(226.119)
Transfers	23.183	11.625	17.179	886	1.406	(67.154)	6.811	(6.064)
Closing balance as at 31 December 2019	952.418	540.564	2.952.315	135.287	231.992	122.033	184.107	5.118.716
Accumulated Depreciation								
Opening balance as at 1 January 2019	(308.797)	(249.420)	(1.833.149)	(76.847)	(130.446)	-	(103.383)	(2.702.042)
Currency translation effect	(25.460)	(14.309)	(166.986)	(13.339)	(13.943)	-	(2.587)	(236.624)
Charge for the year	(29.125)	(10.509)	(152.516)	(11.374)	(15.089)	-	(11.114)	(229.727)
Allowance for impairment	(1.549)	-	(4.086)	(649)	-	-	-	(6.284)
Disposals	3.035	15.572	167.895	3.313	1.346	-	6	191.167
Closing balance as at 31 December 2019	(361.896)	(258.666)	(1.988.842)	(98.896)	(158.132)	-	(117.078)	(2.983.510)
Carrying value as at 31 December 2019	590.522	281.898	963.473	36.391	73.860	122.033	67.029	2.135.206

For the year ended 31 December 2019, no additional capitalized borrowing costs are included in property, plant and equipment (31 December 2018:None).

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15. PROPERTY, PLANT AND EQUIPMENT (cont'd)

	Land and land improvements	Buildings	Machinery and equipment	Vehicles	Furniture and fixtures	Construction in progress	Leasehold improvements	Total
Cost Value								
Opening balance as at 1 January 2018	513.956	460.272	2.278.253	65.608	117.140	14.106	160.359	3.609.694
Currency translation effect	143.739	57.741	443.776	25.093	38.140	984	6.707	716.180
Additions	62.883	3.899	83.983	8.322	28.517	60.086	4.532	252.222
Acquired through business combination	94.369	466	32.667	4.629	2.198	587	3.083	137.999
Disposals	(66)	(1.201)	(13.368)	(4.405)	(665)	-	(20)	(19.725)
Transfers	27.374	(6.807)	5.662	12.549	1.632	(43.003)	(2.509)	(5.102)
Closing balance as at 31 December 2018	842.255	514.370	2.830.973	111.796	186.962	32.760	172.152	4.691.268
Accumulated Depreciation								
Opening balance as at 1 January 2018	(203.829)	(209.622)	(1.373.800)	(42.380)	(89.202)	-	(93.552)	(2.012.385)
Currency translation effect	(81.216)	(30.048)	(358.749)	(16.930)	(30.976)	-	(1.556)	(519.475)
Charge for the year	(22.804)	(10.672)	(116.207)	(15.662)	(11.391)	-	(8.287)	(185.023)
Disposals	35	397	9.926	4.387	533	-	12	15.290
Transfers	(983)	525	5.681	(6.262)	590	-	-	(449)
Closing balance as at 31 December 2018	(308.797)	(249.420)	(1.833.149)	(76.847)	(130.446)	-	(103.383)	(2.702.042)
Carrying value as at 31 December 2018	533.458	264.950	997.824	34.949	56.516	32.760	68.769	1.989.226

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15. PROPERTY, PLANT AND EQUIPMENT (cont'd)

Property, plant and equipment are depreciated over the following useful lives:

	Useful life
Land and land improvements	2-50 years
Buildings	5-50 years
Machinery and equipment	2-50 years
Vehicles	2-30 years
Furniture and fixtures	2-50 years
Leasehold improvements	3-50 years

Depreciation expense of 220.042 (2018: 176.783) has been charged to cost of revenue, 2.034 (2018: 1.543) to marketing expenses, 8.343 (2018: 4.927) to general administrative expenses, 1.042 (2018: 64) to research and development expenses. Depreciation expense of 1.734 is deducted from the cost of inventory (2018: 1.706 added to the cost of inventory).

16. OTHER INTANGIBLE ASSETS

Cost value	Rights	Other	Total
Opening balance as at 1 January 2019	78.020	6.602	84.622
Currency translation effect	6.853	526	7.379
Additions	9.404	323	9.727
Acquired through business combination	1.495	1	1.496
Disposals	(490)	(148)	(638)
Transfers	6.224	(160)	6.064
Closing balance as at 31 December 2019	101.506	7.144	108.650
Accumulated amortization			
Opening balance as at 1 January 2019	(48.995)	(511)	(49.506)
Currency translation effect	(5.242)	(151)	(5.393)
Charge for the year	(7.135)	(1.775)	(8.910)
Disposals	189	5	194
Closing balance as at 31 December 2019	(61.183)	(2.432)	(63.615)
Carrying value as at 31 December 2019	40.323	4.712	45.035

Cost value	Rights	Other	Total
Opening balance as at 1 January 2018	51.150	3.804	54.954
Currency translation effect	13.768	(188)	13.580
Additions	5.954	2.986	8.940
Acquired through business combination	209	-	209
Transfers	6.939	-	6.939
Closing balance as at 31 December 2018	78.020	6.602	84.622
Accumulated amortization			
Opening balance as at 1 January 2018	(34.319)	(399)	(34.718)
Currency translation effect	(10.738)	(110)	(10.848)
Charge for the year	(3.938)	(2)	(3.940)
Closing balance as at 31 December 2018	(48.995)	(511)	(49.506)
Carrying value as at 31 December 2018	29.025	6.091	35.116

Intangible assets are amortized over useful lives of rights through 2 to 25 years and useful lives of other intangibles through 2 to 5 years.

Amortization expense of 7.357 (2018: 2.669) has been charged to general administrative expenses, 1.553 (2018: 1.271) to cost of revenue.

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

17. GOODWILL

Subsidiaries Acquired	Business Segment	Date of Acquisition	Ratio of Shares Acquired	Acquisition Price
Gate İnşaat Taahhüt San. ve Tic. A.Ş.	Contracting	25 July 2018	50%	127.993
CFS Petrokimya Sanayi A.Ş.	Other	31 May 2019	100%	4.711
Denkmal in Dahlem Otto-Hahn-Platz GmbH	Contracting	30 July 2019	80%	34.797
Gönen Yenilenebilir Enerji Üretim A.Ş.	Agriculture	31 July 2019	70%	42.946
				210.447

Breakdown of the acquisition price is as follows:

	Gate	CFS	Denkmal Dahlem	Gönen Enerji	Total
Paid in cash	127.993	4.711	34.797	42.946	210.447
Acquisition liability	-	-	-	-	-
Acquisition price	**127.993**	**4.711**	**34.797**	**42.946**	**210.447**

The identifiable assets and liabilities of CFS, Denkmal Dahlem and Gönen Enerji detailed below are temporarly reported under TFRS provisions. During the measurement period allowed by the standard, the assets and liabilities will be reevaluated. The main items related to assets acquired and liabilities undertaken at the acquisition date are as follows:

	Gate	CFS	Denkmal Dahlem	Gönen Enerji	Total
Current assets	**243.198**	**113**	**183.190**	**19.361**	**445.862**
Cash and cash equivalents	12.979	13	785	12.132	25.909
Other current assets	230.219	100	182.405	7.229	419.953
Non-current assets	**165.934**	**538**	**2.175**	**42.252**	**210.899**
Tangible and intangible assets	82.634	538	2.175	40.268	125.615
Other non-current assets	83.300	-	-	1.984	85.284
Current liabilities	**323.248**	**932**	**66.772**	**27.746**	**418.698**
Non-current liabilities	**3.873**	**-**	**93.627**	**31.956**	**129.456**
Net assets	**82.011**	**(281)**	**24.966**	**1.911**	**108.607**

17. GOODWILL (cont'd)

As a result of the acquisitions, the Group obtained control of the companies so that goodwill arisen. The goodwill arising from the acquisitions is as follows:

	Gate	CFS	Denkmal Dahlem	Gönen Enerji	Total
Acquisition price	127.993	4.711	34.797	42.946	210.447
Non-controlling interest	-	-	4.993	573	5.566
Fair value of previously-held interest in the acquired company	41.006	-	-	-	41.006
Less: Fair value of net assets of the acquired company	(82.011)	281	(24.966)	(1.911)	(108.607)
Impairment *(Including translation effect)*	(86.988)	-	-	-	(86.988)
Goodwill	**-**	**4.992**	**14.824**	**41.608**	**61.424**

As a result of the impairment test carried out, a provision for impairment has been recognized for the portion of the recoverable value of the goodwill arising from Gate exceeding the carrying amount.

Net cash outflow concerning the acquisition is as follows:

	Gate	CFS	Denkmal Dahlem	Gönen Enerji	Total
Paid in cash	127.993	4.711	34.797	42.946	210.447
Less: Cash and cash equivalents of the acquired company	(6.490)	(13)	(785)	(12.132)	(19.420)
Net cash outflow	**121.503**	**4.698**	**34.012**	**30.814**	**191.027**

Movement of Goodwill is as follows:

	2019	2018
Opening balance as at 1 January	79.896	-
Additions	61.424	79.896
Remeasurement difference	(3.225)	-
Impairment (-) (Note: 29)	(83.049)	-
Currency translation effect	6.378	-
Closing balance as at 31 December	61.424	79.896

18. PREPAID EXPENSES AND DEFERRED REVENUE

Short-term prepaid expenses	31 December 2019	31 December 2018
Advances paid for construction projects (Note: 12)	225.123	389.274
Prepaid expenses	100.631	98.953
Order advances given	21.504	16.846
Business advances given	1.358	1.866
	348.616	506.939
Long-term prepaid expenses		
Prepaid expenses	625	617
Advances given for fixed assets	24.936	63
	25.561	680
Short-term deferred revenue		
Advances received for construction projects (Note: 12)	561.083	1.245.147
Other advances received	121.646	20.258
Income relating to future months	7.980	7.811
	690.709	1.273.216
Long-term deferred revenue		
Income relating to future years	332	-
	332	-

19. GOVERMENT GRANTS AND INCENTIVES

Tekfen Tarım benefits from the certified seed production support according to the support amounts determined in the Communiqué about "Supporting Domestic Certified Seed Production" published in the Official Gazette for its production of certified wheat seeds. In addition, Tekfen Tarım benefits from certified seed/sapling production support for its potato and banana saplings product groups in the amount determined in "Communiqué on Payment of Support to Plant Production".

In the plant production section of Tekfen Tarım, the application made to the Ministry of Industry and Technology has been concluded as positive and as of 22 November 2018, Tekfen Tarım has been granted the Research and Development ("R&D") Center Certificate for Adana-Agripark facilities. In this context, it can benefit from the discounts and supports specified in the Law No. 5746.

Alanar Meyve and Alanar Fidan, benefits from "Good Agricultural Practices" and "Diesel and Fertilizer" supports of Ministry of Agriculture and Forestry.

In order to meet the demands and requirements of the industry, improve the product range, domestically produce fertilizers that are not produced in Turkey and optimize the logistics factors, it's been dediced to establish a R&D center in Mersin factory plant of Toros Tarım. Permission application to the Ministry of Industry and Technology was made on 22 June 2017 and R&D center was approved on 1 August 2017.

In order to meet the demand of the industry by creating new designs for the products in its scope of operation and especially products that are suitable for petroleum refineries, Timaş dediced to establish a Design Center in its İstanbul headquarter. Permission application to the Ministry of Industry and Technology was made on 9 May 2017 and Design Center was approved on 3 August 2017.

Within the scope of Law numbered 5746, various tax (R&D discount) advantages are provided to the firms which provide innovative approaches with R&D and Design Center activities and develop new products and technologies to the industry. Accordingly, the R&D and Design Centers are covered by income tax withholding tax and insurance premium support. In addition, the innovation and design expenditures determined in the law are subject for deduction from the corporate tax base.

The project-based investment support to CFS was announced with the Presidential Decree No. 385 dated 26 November 2018 for the polypropylene production investment planned to be realized in Mersin. As of balance sheet date the process of obtaining the Project Based Investment Incentive Certificate is in progress.

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19. GOVERMENT GRANTS AND INCENTIVES (cont'd)

Project for the development of the welding process for the manufacture of titanium equipment to be used in petrochemical, nuclear power plant and textile industry in line with ASME and PED standards of Timaş in its Derince factory was approved by TÜBİTAK on 4 January 2018. Within the scope of the project's income tax withholding support and insurance employer premium support, incentives for the periods of 2017/1 and 2018/1 were collected in 2018 where incentives for the period of 2018/2 were collected in 2019 for the expenses of the personnel involved in R&D activities.

20. PROVISIONS, CONTINGENT ASSETS AND LIABILITIES

a) Provisions

Short-term other provisons	31 December 2019	31 December 2018
Provision for litigation	13.382	12.803
Other provisions	183.282	184.068
	196.664	196.871
Long-term other provisons		
Other provisions	52	87
	52	87

	Provision for litigation	Other liability provisions	Total Other Provisions
Opening balance as at 1 January 2019	12.803	184.155	196.958
Effect of business combinations	45	9.557	9.602
Currency translation effect	536	21.256	21.792
Charge for the period	2.486	62.439	64.925
Provision paid	(736)	-	(736)
Provision released	(1.752)	(94.073)	(95.825)
Closing balance as at 31 December 2019	13.382	183.334	196.716
Opening balance as at 1 January 2018	17.873	94.653	112.526
Effect of business combinations	180	-	180
Currency translation effect	1.181	39.999	41.180
Charge for the period	3.447	93.862	97.309
Provision paid	(2.571)	-	(2.571)
Provision released	(7.307)	(44.359)	(51.666)
Closing balance as at 31 December 2018	12.803	184.155	196.958

b) Contingent Assets and Liabilities

Contractual Assets and Obligations:

Defects Liabilities

Based on the agreements signed with customers, the Group's subsidiary Tekfen İnşaat ensures to maintain its contract operations until the end of guarantee period and undertake the construction, maintenance, and general maintenance of related assets for the periods and conditions stated on the agreements. In case the customer determines any defects subsequent to the provisional acceptance of the contract, Tekfen İnşaat can be obliged to remedy the defect.

Penalty of Default

Based on the agreements signed with the customers, if Tekfen İnşaat fails to complete in full or partially its contract operations within the determined period, it may pay penalty amount for such defaults to its customers.

20. PROVISIONS, CONTINGENT ASSETS AND LIABILITIES (cont'd)

Litigations:

As of 31 December 2019, except Libya counterclaim, lawsuit filed against the Group is totally 203.760 (31 December 2018: 186.701) and the management has decided to accrue 13.382 (31 December 2018: 12.803) of provision for lawsuits that might have high probability of potential outflow from the Group upon the consultation of legal advisors. Based on the legal advice of lawyers, no significant risks is foreseen regarding of lawsuits filed against the Group.

Libya Arbitration Claim

Within the context of the Group's decision taken on 30 January 2015 to apply for International Arbitration with the aim of claiming all of its rights, receivables and assets connected with The Great Man-Made River Project, which was undertaken in Libya by Tekfen-TML Joint Venture (Tekfen TML J.V.), a joint venture of the Group with 67% participation rate, – that having been halted on 21 February 2011 owing to events taking place in the aforesaid country and the instability thus caused – the Group applied to the International Court of Arbitration of the International Chamber of Commerce (ICC) for commercial arbitration against the Great ManMade River Authority (MMRA) as the 'employer', and against the State of Libya. A statement on this subject was duly made in our Announcement of 18 June 2015. In our subsequent announcement of 12 October 2015, we have further reported that a second arbitration case has been filed at the ICC against the Libyan State on the basis of the Agreement on the Mutual Promotion and Protection of Investments ("AMPPI") signed between the Libyan and Turkish States. The partial award handed down in relation to the contractual arbitration case filed with the ICC on the basis of this Agreement has been notified to the Tekfen TML J.V.

In this partial award, the Arbitration Tribunal has ruled that the MMRA falls within its jurisdiction, but that the State of Libya does not; that the MMRA should pay the Tekfen TML J.V. the sum of 40.499 Thousand USD (of which the Group's share is 27.134 Thousand USD) as compensation; that the MMRA should pay the Tekfen TML J.V. the sum of 5.000 Thousand USD (of which the Group's share is 3.350 Thousand USD) in respect of the Tekfen TML J.V.'s legal expenses; that the parties should be asked to submit additional petitions for the determination of the rates of interest to be charged with respect to the aforementioned figures; that all counter-claims of the defendant (the MMRA) should be dismissed with the exception of a minor one for 365 Thousand USD and that only this amount should be deducted from the sum awarded to the Tekfen TML J.V.; that it was necessary for the agreement between the Tekfen TML J.V. and the MMRA to be readjusted in accordance with the changed conditions now in force; and that provision for matters such as the mechanical equipment needed in order for the Tekfen TML J.V. to continue its work should be evaluated within the framework of the revisions to be requested.

The decision of the ICC is final. Since Tekfen TML J.V. claims the Libyan State is also responsible for the loss, it filed a lawsuit with the Swiss Federal Court, which is the legal arbitration place, for annulment of the decision of the ICC concerning contrary situation. The lawsuit filed at the Swiss Federal Court has been rejected on the grounds that the arbitration agreement could not be extended to the Libyan State. In accordance with the decision of the Arbitral Tribunal, the parties continue conciliation negotiations for the remainder of the proceedings.

The enforcement of the above mentioned partial award may only be done following an enforcement decision of a domestic court. This can only be acquired as a result of a recognition and enforcement lawsuit that can be filed in various countries in connection with the partial award handed down. Furthermore, as the collection of this award is also dependent on the determination of the defendant's (that is, the MMRA's) material assets, and on the actual execution of the award with regard to these assets, at this stage none of the above-mentioned legal processes will have any effect whatsoever on the consolidated financial statements of the Group.

The arbitration case detailed above is the judicial remedy of Tekfen TML J.V.'s contract with MMRA. At an additional ongoing arbitration case filed against Libyan State that is based on the AMPPI between Turkey and Libyan State, the Arbitration Tribunal has ruled that the case falls within its jurisdiction, and contrary to Tekfen TML J.V.'s claim, ruled that Libya did not violate its obligation to protect and act equally under AMPPI and international customary law. As part of this decision, the Arbitration Tribunal has ruled that Tekfen TML J.V. is responsible for an amount of 2.700 Thousand GBP to Libya for trial costs. Tekfen TML J.V. has started initiatives to offset this amount from the amount of compensation awarded in its favor which is announced on 5 November 2018.

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21. COMMITMENTS

Guarantee, pledge and mortgage position of the Group as of 31 December 2019 and 2018 is as follows:

31 December 2019	Equivalent of Thousands TRY	*Thousands of US Dollars*	*Thousands of EUR*	*Other (Equivalent of Thousands TRY)*
A. GPM given on behalf of its own legal entity	-	-	-	-
-Guarantee	-	-	-	-
-Pledge	-	-	-	-
-Mortgage	-	-	-	-
B. GPM given on behalf of subsidiaries that are included in full consolidation	13.214.745	1.415.905	99.405	4.142.886
-Guarantee	*12.888.163*	*1.415.905*	*63.005*	*4.058.386*
-Pledge	-	-	-	-
-Mortgage	*326.582*	-	*36.400*	*84.500*
C. GPM given in order to guarantee third parties' debts for the routine trade operations	30.765	-	-	30.765
-Guarantee	*30.765*	-	-	*30.765*
-Pledge	-	-	-	-
-Mortgage	-	-	-	-
D. Total amounts of other GPM given	-	-	-	-
i. Total amount of GPM given on behalf of parent company	-	-	-	-
ii. Total amount of GPM given on behalf of other group companies that are not included group B and C	-	-	-	-
iii. Total amount of GPM given on behalf of third parties that are not included group C	-	-	-	-
Total as of 31 December 2019	13.245.510	1.415.905	99.405	4.173.651

31 December 2018	Equivalent of Thousands TRY	*Thousands of US Dollars*	*Thousands of EUR*	*Other (Equivalent of Thousands TRY)*
A. GPM given on behalf of its own legal entity	-	-	-	-
-Guarantee	-	-	-	-
-Pledge	-	-	-	-
-Mortgage	-	-	-	-
B. GPM given on behalf of subsidiaries that are included in full consolidation	14.706.497	1.958.995	63.763	4.016.059
-Guarantee	*14.603.258*	*1.958.995*	*47.383*	*4.011.559*
-Pledge	-	-	-	-
-Mortgage	*103.239*	-	16.380	*4.500*
C. GPM given in order to guarantee third parties' debts for the routine trade operations	51.517	-	-	51.517
-Guarantee	*51.517*	-	-	*51.517*
-Pledge	-	-	-	-
-Mortgage	-	-	-	-
D. Total amounts of other GPM given	-	-	-	-
i. Total amount of GPM given on behalf of parent company	-	-	-	-
ii. Total amount of GPM given on behalf of other group companies that are not included group B and C	-	-	-	-
iii. Total amount of GPM given on behalf of third parties that are not included group C	-	-	-	-
Total as of 31 December 2018	14.758.014	1.958.995	63.763	4.067.576

Since there are not any GPMs mentioned in D item, the ratio to the total equity is not presented.

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

22. EMPLOYEE BENEFITS

Employee benefit payables	31 December 2019	31 December 2018
Salary accruals	59.098	66.138
Social security witholding payables	18.897	23.150
	77.995	89.288

Short-term provisions attributable to employee benefits		
Retirement pay provision	45.049	32.897
Unused vacation pay liability provision	52.218	40.841
Premium provision	63.704	37.332
	160.971	111.070

Long-term provisions attributable to employee benefits		
Retirement pay provision	72.066	73.741
	72.066	73.741

Short-term retirement pay provision	45.049	32.897
Long-term retirement pay provision	72.066	73.741
	117.115	106.638

Retirement pay provision:

Retirement pay provision regarding Turkish employees located abroad:

The Group is liable to pay retirement benefit for each qualified personnel abroad according to the legislation of the relevant country. In addition to this, according to Group's retirement benefit policy, the Group pays retirement benefits to its retirees.

Retirement pay provision for Turkish personnel employed in Turkey:

Group is obliged to pay severance pay to each employee who is retiring (58 years for women and 60 years for men) after over 25 years working life by completing at least one year of service, whose business relationship is terminated, who is called for military service or who is died, according to the Turkish Labor Law.

Group has calculated current year's amount by using the upper limit 6.730,15 TRY which is effective on or after 1 January 2020 (31 December 2018: 6.017,60 TRY). The amount payable to the employee is limited to employee's one month worth salary or to the upper limit of retirement pay provision for each period of service as of 31 December 2019.

There is no legal funding requirement for retirement pay liability.

The provision is calculated by estimating the present value of the future probable obligation of the Group arising from the retirement of employees (not applicable for employees who are working in construction projects). TAS 19 ("Employee Benefits") requires actuarial valuation methods to be developed to estimate the Group's obligation under defined benefit plans. Accordingly, the following actuarial assumptions are used in the calculation of the total liability.

22. EMPLOYEE BENEFITS (cont'd)

Retirement pay provision (cont'd):

Retirement pay provision for Turkish personnel employed in Turkey (cont'd):

The principal assumption is that the maximum liability for each year of service will increase parallel with inflation. Thus, the discount rate applied represents the expected real rate after adjusting for the anticipated effects of future inflation. Consequently, in the consolidated financial statements as of 31 December 2019, the provision has been calculated by estimating the present value of the future probable obligation arising from the retirement of the employees. As of 31 December 2019, the provisions have been calculated by taking the real discount rate as approximately 2,87% (31 December 2018: 5,71%). Approximately proportion of voluntarily terminations requiring no payments are also taken into account.

Retirement pay provision of foreign employees located abroad:

The Group and its consolidated subsidiaries are subject to regulations where they operate in. Provisional amounts for the subject matter laws have been provided in the consolidated financial statements.

Retirement pay provision for subcontractor employee:

The Group and the subcontractor companies are conjointly responsible for the retirement pay provision of subcontractor employees at the construction projects. In order to guarantee subcontractors commitment, the Group provides deductions from subcontractor's progress billings and letter of guarantee. Retirement pay provision calculation for subcontractor's personnel is subject to regulations where they operate in and the agreements between the Group and the subcontractors.

	Retirement Pay Provision	Premium Provision	Unused vacation pay liability provision	Total provisions attributable to employee benefits
Opening balance as at 1 January 2019	106.638	37.332	40.841	184.811
Effect of business combinations	229	-	151	380
Currency translation effect	6.284	3.156	3.217	12.657
Charge for the period	47.029	99.094	26.819	172.942
Interest expense	3.753	-	-	3.753
Provision paid	(42.349)	(74.823)	(17.653)	(134.825)
Provision released	-	(1.055)	(1.157)	(2.212)
Actuarial gain	(4.469)	-	-	(4.469)
Closing balance as at 31 December 2019	117.115	63.704	52.218	233.037
Opening balance as at 1 January 2018	76.735	21.534	25.268	123.537
Effect of business combinations	1.788	-	848	2.636
Currency translation effect	11.070	4.467	5.964	21.501
Charge for the period	52.558	38.313	22.997	113.868
Interest expense	2.055	-	-	2.055
Provision paid	(35.507)	(26.982)	(12.990)	(75.479)
Provision released	(1.090)	-	(1.246)	(2.336)
Actuarial gain	(971)	-	-	(971)
Closing balance as at 31 December 2018	106.638	37.332	40.841	184.811

43.848 (2018: 48.078) of current year charge and released provision for retirement pay has been included in cost of revenue, 6.440 (2018: 4.656) has been included in general administrative expenses, 24 (2018: 175) has been included in research and development expenses and 470 (2018: 614) has been included in marketing expenses.

43.400 (2018: 1.844), 53.672 (2018: 34.899), (134) (2018: 151) and 1.101 (2018: 1.419) of current year charge and released provision for premiums have been included in cost of revenue, in general administrative expenses, in research and development expenses and in marketing expenses respectively.

22.662 (2018: 16.825) of current year charge and released provision for unused vacation pay liability has been included in cost of revenue, 2.885 (2018: 4.833) has been included in general administrative expenses and 115 (2018: 93) has been included in marketing expenses.

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

23. OTHER CURRENT/NON-CURRENT ASSETS AND OTHER SHORT-TERM LIABILITIES

Other current assets	31 December 2019	31 December 2018
VAT receivables	222.778	181.754
Witholding tax of ongoing construction contracts	195.740	6.007
Other current assets	1.947	1.590
	420.465	189.351

Other non-current assets		
Witholding tax of ongoing construction contracts	7.752	151.086
VAT receivables	14.084	7.037
	21.836	158.123

Other short-term liabilities		
VAT calculated	1.009	9.293
Other	1.656	605
	2.665	9.898

24. SHAREHOLDERS' EQUITY

a) Share Capital

After the changes in the shareholders' structure during the period, the structure of the paid in capital as of 31 December 2019 and 2018 is as follows:

Shareholders	(%)	31 December 2019	(%)	31 December 2018
Berker family	22,55%	83.422	22,55%	83.422
Gökyiğit family	22,13%	81.865	22,02%	81.480
Akçağlılar family	6,65%	24.611	6,65%	24.611
Other (*)	1,54%	5.683	1,54%	5.683
Publicly traded	47,13%	174.419	47,24%	174.804
Paid in capital	100,00%	370.000	100,00%	370.000
Capital structure adjustments		3.475		3.475
Restated capital		373.475		373.475

(*) Indicates the total of owners with shares less than 5%.

Registered and issued capital comprises 370.000.000 shares at 1 TRY par value (31 December 2018: 370.000.000). All these shares consist of bearer common shares.

According to the articles of association of the Company, 5% of the net profit is reserved as first order legal reserves up to 20% of the paid-up capital. At least 30% but not less than the rate and amount determined by the CMB of the amount that to be found by the addition of donations made within the year to the remaining part of the net profit is distributed as first dividend. Up to 3% of the remaining net profit is devoted to Tekfen Eğitim Sağlık Kültür Sanat ve Doğal Varlıkları Koruma Vakfı which holds redeemed shares.

24. SHAREHOLDERS' EQUITY (cont'd)

b) Accumulated other comprehensive income or loss that will be not reclassified / reclassified in profit or loss

	31 December 2019	31 December 2018
Accumulated other comprehensive income or loss that will not be reclassified in profit or loss		
- Gain (loss) on revaluation of defined retirement benefit plans	2.305	(1.346)
	2.305	(1.346)
Accumulated other comprehensive income or loss that will be reclassified in profit or loss		
- Currency translation reserve	488.224	352.708
- Gain on revaluation and reclassification (Note: 7)	87.717	92.931
- Gain (loss) on hedging (Note: 35)	(23.183)	29.353
	552.758	474.992

Gain (loss) on revaluation and remeasurement:

Gain (loss) on revaluation and remeasurement consists of all actuarial gains and losses, which are calculated in accordance with revised TAS 19 and recognized in other comprehensive income.

Currency Translation Reserve:

Group's consolidated reporting currency is TRY. In accordance with TAS 21 (The Effects of Changes in Foreign Exchange Rates), balance sheet items of the companies, whose functional currencies are differed from TRY, are translated into TRY with the rates prevailing at the balance sheet date and revenue, expenses and cash flows are translated with the exchange rates at the transaction date (historical rates) or yearly average rate in the presentation of Group's consolidated financial statements. Gain or loss arising from the translation is recognized in the foreign currency translation reserve under equity which is 488.224 (31 December 2018: 352.708).

Gain / (loss) on revaluation and reclassification:

Gain (loss) on revaluation and reclassification consists of changes in fair value of fair value through other comprehensive income financial investments. In the event of the disposition of a revalued financial investment at fair value, revalued portion and the sale proceed difference is directly accounted in profit or loss.

Gains (loss) on hedging:

The hedging reserve represents the cumulative effective portion of gains or losses arising on changes in fair value of hedging instruments entered into for cash flow hedges under equity. The cumulative gain or loss arising on changes in fair value of the hedging instruments that are recognized and accumulated under the heading of cash flow hedging reserve will be reclassified to profit or loss only when the hedged transaction affects the profit or loss.

24. SHAREHOLDERS' EQUITY (cont'd)

c) Legal Reserves

	31 December 2019	31 December 2018
Legal reserves	278.423	231.271

The legal reserves consist of first and second legal reserves, appropriated in accordance with the Turkish Commercial Code. The first legal reserve is appropriated out of historical statutory profits at the rate of 5% per annum, until the total reserve reaches 20% of the historical paid-in share capital. The second legal reserve is appropriated after the first legal reserve and dividends, at the rate of 10% per annum of all cash dividend distributions.

Profit Distribution:

Listed companies distribute profit in accordance with the Communiqué No. II-19.1 issued by CMB which is effective from 1 February 2014.

Companies distribute profit in accordance with their dividend payment policies settled and dividend payment decision taken in general assembly and also in conformity with relevant legislations. The communiqué does not constitute a minimum dividend rate. Companies distribute profit in accordance with the method defined in their dividend policy or articles of incorporation. In addition, dividend can be distributed by fixed or variable installments and advance dividend can be paid in accordance with profit on interim financial statement of the Company.

In accordance with TCC, unless the required reserves and the dividend for shareholders as determined in the article of association or in the dividend distribution of the company are set aside, no decision may be made to set aside other reserves, to transfer profits to the subsequent year or to distribute dividends to the holders of usufruct right certificates, to the members of the board of directors or to the employees; and no dividend can be distributed to these persons unless the determined dividend for shareholders is paid in cash.

As of 20 February 2020, Board of Directors offered to pay shareholders 1,15 TRY (2018: 1,14 TRY) gross dividends per share. That dividend payment is subject to approval of the shareholders in General Shareholders' Meeting and so that the amount is not accounted as liability to the consolidated financial statements. Projected gross dividend amount to be paid to shareholders and the holders of the redeemed shares is 426.492 (2018: 421.526) and 29.828 (2018: 29.446), respectively.

Resources That Can Be Subject To Profit Distribution:

Total amount of other resources that may be subject to profit distribution in the statutory records of Tekfen Holding A.Ş. is 2.763.824 (31 December 2018: 2.112.694) 2.420.585 portion of this amount belongs to shares issued and 343.239 portion of this amount belongs to bonus shares issued (31 December 2018: shares issued 1.769.455, bonus shares issued 343.239).

d) Premiums in Capital Stock

Group has done public offering (22,50%) of issued 66.775 shares by increased capital on 23 November 2007. The income from this public offering is 380.618. After 12.859 expenses directly related to the public offering deducted, 300.984 is accounted as premium in capital stock in shareholder's equity.

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

25. REVENUE AND COST OF REVENUE

Revenue	1 January - 31 December 2019	1 January - 31 December 2018
Contract revenue	10.539.071	9.108.507
- Contract revenue – abroad	*7.989.014*	*6.416.060*
- Contract revenue – domestic	*2.176.644*	*2.435.919*
- Joint operations – abroad	*335.269*	*179.660*
- Joint operations – domestic	*38.144*	*76.868*
Good and merchandise sales	3.983.570	2.964.791
- Domestic goods and merchandise sales	*3.499.218*	*2.458.702*
- Export goods and merchandise sales	*501.611*	*515.733*
- Sales returns and discounts from goods and merchandise sales (-)	*(17.259)*	*(9.644)*
Other sales	80.713	73.873
	14.603.354	12.147.171

Cost of revenue (-)	1 January - 31 December 2019	1 January - 31 December 2018
Subcontractor expenses	(4.287.164)	(4.136.337)
Cost of raw materials used	(4.035.757)	(3.324.838)
Personnel expenses	(1.847.539)	(1.215.878)
Machinery, vehicle and other rent expenses	(279.509)	(236.813)
Construction site expenses	(267.826)	(351.749)
Depreciation expenses (Note: 2,14,15,16)	(261.683)	(180.704)
Consultancy expenses	(231.400)	(214.521)
Maintenance expenses	(215.881)	(85.044)
Energy and fuel expenses	(152.706)	(106.030)
Engineering expenses	(96.213)	(79.195)
Insurance expenses	(43.482)	(44.183)
Services obtained from third parties	(43.283)	(29.407)
Traveling expenses	(42.370)	(15.726)
Transportation expenses	(39.449)	(40.275)
Custom expenses	(33.729)	(46.529)
Cost of merchandises sold	(2.974)	(959)
Consumable and other material expenses	(2.126)	(1.934)
Reversal of doubtful receivable provision (Note: 9)	1.112	-
Project loss provisions	13.272	(33.182)
Other	(333.085)	(200.525)
	(12.201.792)	(10.343.829)

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

26. GENERAL ADMINISTRATIVE EXPENSES, MARKETING EXPENSES, RESEARCH AND DEVELOPMENT EXPENSES

	1 January - 31 December 2019	1 January - 31 December 2018
General administrative expenses (-)	(459.696)	(309.211)
Marketing expenses (-)	(309.263)	(211.576)
Research and development expenses (-)	(5.197)	(2.948)
	(774.156)	(523.735)

Details of general administrative expenses		
Personnel expenses	(274.853)	(206.964)
Office and administration expenses	(37.501)	(26.659)
Consultancy expenses	(26.669)	(15.275)
Depreciation and amortization expenses (Note: 2,15,16)	(23.022)	(7.596)
Services obtained from third parties	(12.298)	(812)
Duties, charges and other tax expenses	(9.722)	(2.529)
Communication expenses	(8.192)	(7.763)
Traveling expenses	(5.401)	(3.903)
Bank and notary expenses	(2.735)	(2.041)
Tender preparation expenses	(2.571)	(2.733)
Insurance expenses	(2.510)	(834)
Rent expenses	(2.501)	(7.052)
Hospitality expenses	(2.150)	(1.435)
Provision for doubtful receivables (Note: 9)	(1.778)	(1.148)
Energy and fuel expenses	(1.674)	(1.032)
Maintenance expenses	(1.233)	(768)
Reversal of doubtful receivable provision (Note: 9)	1.473	4.470
Other expenses	(46.359)	(25.137)
	(459.696)	(309.211)

Details of marketing expenses		
Transportation expenses	(172.945)	(118.403)
Services obtained from third parties	(55.916)	(11.033)
Personnel expenses	(22.436)	(30.244)
Custom expenses	(13.495)	(8.444)
Advertisement expenses	(6.165)	(8.075)
Warehouse expenses	(6.134)	(3.725)
Rent expenses	(3.974)	(3.915)
Depreciation and amortization expenses (Note: 2,15)	(3.361)	(1.543)
Traveling expenses	(2.985)	(2.235)
Energy and fuel expenses	(2.660)	(2.477)
Maintenance expenses	(1.308)	(937)
Office and administration expenses	(960)	(527)
Hospitality expenses	(680)	(555)
Consultancy expenses	(519)	(810)
Insurance expenses	(466)	(314)
Duties, charges and other tax expenses	(453)	(1.071)
Communication expenses	(314)	(374)
Other expenses	(14.492)	(16.894)
	(309.263)	(211.576)

26. GENERAL ADMINISTRATIVE EXPENSES, MARKETING EXPENSES, RESEARCH AND DEVELOPMENT EXPENSES (cont'd)

Details of research and development expenses	1 January - 31 December 2019	1 January - 31 December 2018
Payroll expenses and fringe benefits	(3.187)	(2.749)
Depreciation and amortization expenses (Note: 15)	(1.042)	(64)
Other expenses	(968)	(135)
	(5.197)	(2.948)

27. EXPENSES BY NATURE

	1 January - 31 December 2019	1 January - 31 December 2018
Personnel expenses	(300.476)	(239.957)
Transportation expenses	(172.945)	(118.403)
Services obtained from third parties	(68.214)	(11.845)
Office and administration expenses	(38.461)	(27.186)
Depreciation and amortization expenses (Note: 2,15,16)	(27.425)	(9.203)
Consultancy expenses	(27.188)	(16.085)
Custom expenses	(13.495)	(8.444)
Duties, charges and other tax expenses	(10.175)	(3.600)
Communication expenses	(8.506)	(8.137)
Traveling expenses	(8.386)	(6.138)
Rent expenses	(6.475)	(10.967)
Advertisement expenses	(6.165)	(8.075)
Warehouse expenses	(6.134)	(3.725)
Energy and fuel expenses	(4.334)	(3.509)
Insurance expenses	(2.976)	(1.148)
Hospitality expenses	(2.830)	(1.990)
Bank and notary expenses	(2.735)	(2.041)
Tender preparation expenses	(2.571)	(2.733)
Maintenance expenses	(2.541)	(1.705)
Provision for doubtful receivables (Note: 9)	(1.778)	(1.148)
Reversal of doubtful receivable provision (Note: 9)	1.473	4.470
Other expenses	(61.819)	(42.166)
	(774.156)	(523.735)

28. OTHER OPERATING INCOME AND EXPENSES

Other operating income	1 January - 31 December 2019	1 January - 31 December 2018
Foreign exchange gains	354.209	557.513
Hedging income (Note: 35)	52.969	148.764
Due date difference income	84.654	43.144
Discount income	22.476	14.578
Rent income	10.728	5.476
Refundment income of social benefit	3.986	3.308
Government grants and incentives income (Note: 19)	3.940	3.985
Reversal of litigation provision (Note: 20)	1.752	3.738
Scrap sale income	1.446	1.201
Indemnity income	998	1.432
Other income	11.248	12.182
	548.406	795.321
Other operating expenses (-)		
Foreign exchange losses	(451.477)	(867.710)
Due date difference expenses	(46.488)	(27.018)
Hedging expenses (Note: 35)	(26.175)	(11.190)
Discount expenses	(7.199)	(10.156)
Other provision expenses	(4.609)	(1.446)
Penalty and damages expenses	(3.049)	(2.357)
Litigation provision (Note: 20)	(2.486)	(3.447)
Grants and contributions	(887)	(2.019)
Damages subject to litigation	(249)	(102)
Additional tax expenses	(31)	(41)
Written off VAT receivables	-	(46.795)
Other expenses	(34.305)	(22.260)
	(576.955)	(994.541)

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29. INVESTMENT INCOME AND EXPENSES

Investment income	1 January - 31 December 2019	1 January - 31 December 2018
Gain on remeasurement of financial investments (Note: 7)	20.133	3.140
Dividend income	10.101	8.164
Gain on sale of fixed asset	14.606	472
Bargain purchase gain (Note: 3)	6.900	15.631
Gain on sale of financial investments	168	-
Gain on sale of assets classified as held for sale	-	85
	51.908	27.492
Investment expense (-)		
Impairment of goodwill (Note: 17)	(83.049)	-
Impairment of financial investments (Note: 7)	(15.993)	-
Impairment of fixed assets (Note: 15)	(6.284)	-
Impairment of assets classified as held for sale (Note: 31)	(3.365)	(3.557)
Loss on sale of fixed assets	(515)	(2.644)
	(109.206)	(6.201)

30. FINANCIAL INCOME AND FINANCIAL EXPENSES

Financial income	1 January - 31 December 2019	1 January - 31 December 2018
Foreign exchange gains	501.112	1.127.629
Interest income	152.236	186.628
Currency translation reserve gains	11.376	15.916
	664.724	1.330.173
Financial expenses (-)		
Foreign exchange losses	(352.321)	(730.485)
Interest expenses	(71.296)	(98.943)
Other finance expenses	(10.193)	(8.843)
Less: Financial expenses included in costs of inventories	-	16.122
	(433.810)	(822.149)

31. ASSETS CLASSIFIED AS HELD FOR SALE

Assets classified as held for sale consist of Group's assets which are being actively marketed at a price that is reasonable.

	31 December 2019	31 December 2018
Assets classified as held for sale	26.316	34.139
	26.316	34.139

The movement of assets classified as held for sale is as follows:

	2019	2018
Net book value as at 1 January	34.139	28.397
Currency translation effect	3.187	9.641
Transfers to investment property (Note: 14)	(7.645)	-
Allowance for impairment (Note: 29)	(3.365)	(3.557)
Disposals	-	(342)
Net book value as at 31 December	26.316	34.139

32. TAX INCOME AND EXPENSES (INCLUDING DEFERRED TAX ASSETS AND LIABILITIES)

Assets related to current tax	31 December 2019	31 December 2018
Prepaid corporate tax	157.615	197.854
	157.615	197.854
Current tax liability		
Corporate tax provision	447.074	236.761
Less: Prepaid taxes and funds	(157.615)	(197.854)
	289.459	38.907

Tax expense in the statement of profit or loss:

Tax expense comprises as follows:	1 January - 31 December 2019	1 January - 31 December 2018
Current tax provision	470.742	253.586
Deferred tax income	(108.594)	(13.736)
	362.148	239.850

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32. TAX INCOME AND EXPENSES (INCLUDING DEFERRED TAX ASSETS AND LIABILITIES) (cont'd)

Tax legislation in Turkey:

Corporate Tax:

The Group is subject to Turkish corporate taxes. Provision is made in the accompanying consolidated financial statements for the estimated charge based on the Group's results for the year.

Corporate tax is applied on taxable corporate income, which is calculated from the statutory accounting profit by adding back non-deductible expenses, and by deducting dividends received from resident companies, other exempt income and incentives utilized.

The general rate of tax in 2019 is 22% (2018: 22%). There are also Group companies subject to reduced corporate tax application under Article 32/A of the Corporate Tax Law. In Turkey, advance tax returns are calculated, accrued and paid on a quarterly basis. The general advance corporate income tax rate in 2019 is 22% (2018: 22%). Losses can be carried forward for offset against future taxable income for up to 5 years. Losses cannot be carried back for offset against profits from previous periods.

The Group is able to use its fiscal losses occurred in 2019 until 2024.

In Turkey, companies with regular accounting periods file their tax returns between 1-25 April following the close of the accounting year to which they relate (Companies with special accounting periods file their tax returns between 1-25 of the fourth month subsequent to the fiscal year end). In accordance with the Tax Procedure Law Circular no. 115, published in 2019, the time for filing of tax returns was extended to the last day of April for companies with regular accounting period (extended to the last day of the fourth month subsequent to the fiscal year end for Companies with special accounting periods). Tax authorities may, however, examine such returns and the underlying accounting records and may revise assessments within five years.

Income/Corporate Withholding Tax:

In addition to corporate tax, profit distributions made by taxpayers to individuals and institutions specified in the Income Tax and Corporate Tax Law are subject to income/corporate tax deductions. In this context, except full responsible real persons and those who earn dividends through a business or permanent representative in Turkey, profit shares distributed to limited taxpayers are subject to 15% income/corporate tax withholding. In accordance with the avoidance of double taxation treaties, withholding rates may be applied lower to some country residents.

Taxation of Foreign Subsidiaries and Operations:

Subsidiaries and operations included in consolidation in the accompanying consolidated financial statements are subject to corporate tax and withholding tax effective in the relevant country. Effective tax rates in those countries in which the Group operates are summarized below:

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

32. TAX INCOME AND EXPENSES (INCLUDING DEFERRED TAX ASSETS AND LIABILITIES) (cont'd)

Countries	Corporate Tax Rate %	Withholding Tax Rate %
Azerbaijan	20%	10% - 14%
Kazakhstan	20%	15% - 20%
Germany	15% - 33%	0% - 25%
Saudi Arabia	20%	5% - 15%
Luxembourg	15% - 17%	0% - 15%
Morocco	8% - 31%	10%
United Arab Emirates	0%	0%
Qatar	10%	0% - 7%
Turkmenistan	0% - 20%	15%
Russia	13,5% - 20%	15% - 20%
Iraq	15% - 35%	15%

Exemption of Earnings from Construction, Repair, Installation Works and Technical Services Made Abroad:

In accordance with private judgment related with overseas construction earnings in Corporate Tax Law's Article 5/1-h: "Earnings, which are provided from overseas construction, maintenance, installation or technical services, are transferred to income statement in Turkey" are exempted from corporate tax. According to the judgment, the only requirement is transferring of these earnings to income statement in Turkey. It is not obligatory that the earnings to be brought in Turkey.

Reduced Taxation Under the Incentive Certificate:

Various supports can be provided to investors within the framework of Decision on State Aid in Investments numbered 2012/3305 and Communiqué on the Application of the Decision on State Aids in Investments No. 2012/1.The support elements that investors can use within the scope of the decision differ depending on whether the investment is within the scope of regional incentives, priority investment incentives, strategic investment incentives or general incentives. The incentives that can be benefited from are VAT Exemption, Customs Tax Exemption, Income or Corporate Tax Discount, Employer's Share of Social Security Premium Support, Income Tax Withholding Support, Employee's Share of Social Security Premium Support, Interest and Profit Share Support, Investment Location Allocation and VAT Refunds.

In addition to above mentioned incentive practices, there is a project-based incentive system in effect within the framework of Law on the Support of Investments on the Project Basis and the Amendment of Certain Laws and Decrees with Power of Law No. 6745 and the Decision No. 2016/9495 on Providing Project-Based State Aid to Investments. The incentives that can be benefited from this practice are Customs Tax Exemption, VAT Exemption, VAT Refund, Tax Discount or Exemption, Employer's Share of Social Security Premium Support, Income Tax Withholding Support, Qualified Employee Support, Interest and Profit Share Support, Capital Contribution, Energy Support, Public Procurement Guarantee, Investment Location Allocation, Infrastructure Support, Grant Support, and facilitating arrangements can be provided to investors in permits, allocations, licenses, licenses and registrations and other legal and administrative processes brought by law.

The investment contribution amount is calculated over the investment expenditures that can be benefited from Article 32/A of the Corporate Tax Law with an incentive certificate. Declared earnings can be subject to Corporate Tax at a reduced rate until the contribution to the calculated investment is reached. In other words, the investment is supported by the State by not taking the corporate tax from the investoras much as the contribution to the investment. Discounted corporate tax can be applied to earnings from other activities during the investment period, provided that the amount of investment spending and the contribution to the investment to be calculated is not exceeding 80% of the total investment contribution amount.With the legal amendment made in 2016, it was made possible to increase the part of the contribution to the total investment within the scope of incentive certificate until the end of the accounting period that the investment is completed in the revaluation rate determined for these years in accordance with the provisions of the Tax Procedure Law.

32. TAX INCOME AND EXPENSES (INCLUDING DEFERRED TAX ASSETS AND LIABILITIES) (cont'd)

Reduced Taxation Under the Incentive Certificate (cont'd):

The following additional advantages for investment expenditures between 1 January 2017 and 31 December 2017 within the scope of US-97 Code: 15-37: investment incentive certificates issued for the manufacturing industry with the Provisional Article 8 added to the Decree No. 2012/3305 on State Aids in Investments have been introduced:

- Within the scope of regional, large-scale and strategic incentive practices increase of contribution rate by 15 points in all regions
- Increase of corporate tax or income tax rate to 100% in all regions
- Investment contribution ratio is to be applied 100% to the investor's income from other activities in the investment period.

With the amendment made at the end of 2017, the phrase 31 December 2017 stated in the Provisional Article 8 of this Decision has been changed as 31 December 2018 and this advantageous incentive application has been enabled for the 2018 investment expenditures in the scope mentioned above. With Presidental Decision No. 798, the phrase 31 December 2018 stated in the Provisional Article 8 of this Decision has been changed as 31 December 2019 and this advantageous incentive application has been enabled for the 2019 investment expenditures in the scope mentioned above.

Concerning the sulfuric acid, phosphoric acid and NPK investments undertaken relating to Samsun Facility, Toros Tarım has obtained Investment Incentive Certificate as of 3 April 2013 in the scheme of "Large Scale Investment" from the Ministry of Economy. The features of this incentive are employer's share of social security premium support, VAT exemption, and customs duty exemption and this incentive provides a tax exemption of 60% in the taxation of the income arising from the investment within the framework of 35% investment contribution ratio. Additionally, Toros Tarım has obtained 5th Area Investment Incentive Certificate (investments priority subject) for electricity investment as of 7 July 2014 from Ministry of Economy. The features of this incentive are employer's share of social security premium support, VAT exemption, and customs duty exemption and this incentive provides a tax exemption of 80% in the taxation of the income arising from the investment within the framework of 40% investment contribution ratio. 3rd Area Investment Incentive Certificate for Dyke Enclosure and Insulation Drainage System for Tanks investment was obtained as of 25 April 2018 from Ministry of Economy. The features of this incentive are VAT exemption, and customs duty exemption and this incentive provides a tax exemption of 60% in the taxation of the income arising from the investment within the framework of 25% investment contribution ratio. 3rd Area Investment Incentive Certificate for Tank for Anti-Caking Material and Automation System for Dosing investment was obtained as of 21 May 2018 from Ministry of Economy. The feature of this incentive is VAT exemption and this incentive provides a tax exemption of 60% in the taxation of the income arising from the investment within the framework of 25% investment contribution ratio. 3rd Area Investment Incentive Certificate for Outdoor Silo Investment was obtained as of 31 October 2019 from Ministry of Economy. The features of this incentive are employer's share of social security premium support and VAT exemption and this incentive provides a tax exemption of 30% in the taxation of the income arising from the investment within the framework of 70% investment contribution ratio. 3rd Area Investment Incentive Certificate for Ammonia Tank Investment was obtained as of 10 December 2019 from Ministry of Economy. The features of this incentive are employer's share of social security premium support, interest support and VAT exemption and this incentive provides a tax exemption of 30% in the taxation of the income arising from the investment within the framework of 60% investment contribution ratio.

Toros Tarım has obtained 2nd Area Investment Incentive Certificate as of 1 June 2015 from Ministry of Economy for its crane investment in Ceyhan. The features of this incentive are employer's share of social security premium support, VAT exemption, and customs duty exemption and this incentive provides a tax exemption of 55% in the taxation of the income arising from the investment within the framework of 20% investment contribution ratio.

32. TAX INCOME AND EXPENSES (INCLUDING DEFERRED TAX ASSETS AND LIABILITIES) (cont'd)

Reduced Taxation Under the Incentive Certificate (cont'd):

Toros Tarım has obtained 3rd Area Investment Incentive Certificate as of 24 December 2015 from Ministry of Economy for its prilling tower chimney gas washing investment in Mersin. The features of this incentive are employer's share of social security premium support, VAT exemption, and customs duty exemption and this incentive provides a tax exemption of 60% in the taxation of the income arising from the investment within the framework of 25% investment contribution ratio. 4th Area Investment Incentive Certificate for Special Fertilizer Plant investment was obtained as of 8 May 2018 from Ministry of Economy. The feature of this incentive is VAT exemption and this incentive provides a tax exemption of 70% in the taxation of the income arising from the investment within the framework of 30% investment contribution ratio. 5th Area Investment Incentive Certificate for R&D center investment was obtained as of 22 June 2018 from Ministry of Economy. The features of this incentive are employer's share of social security premium support and VAT exemption and this incentive provides a tax exemption of 80% in the taxation of the income arising from the investment within the framework of 40% investment contribution ratio.

In the scope of incentive, deferred tax asset has been created arising from timing differences in the amount of 84.078 on the basis of two years over Toros Tarım's profit projections. (2018: 76.944).

Deferred Tax:

The Group recognizes deferred tax assets and liabilities based upon temporary differences arising between its financial statements as reported for TAS purposes and its statutory tax financial statements. These differences usually result in the recognition of revenue and expenses in different reporting periods for TAS and tax purposes and shown below. Tax rate used in calculating deferred tax assets and liabilities is the effective tax rate in the relevant countries where the Group undertakes its operations.

Tax rate used in the calculation of deferred tax assets and liabilities was %22 over temporary timing differences expected to be reversed in 2020, and %20 over temporary timing differences expected to be reversed in 2021 and the following years.

Due to entities in Turkey are not allowed to declare consolidated tax returns, subsidiaries titled to deferred assets may not be netted of with their subsidiaries titled to deferred tax liabilities; hence are required to declare separately.

Components of deferred tax (assets) liabilities bases:	31 December 2019	31 December 2018
Remeasurement and depreciation / amortization differences of tangible and intangible assets	275.401	290.736
Provision for retirement benefits and vacation liability	(66.586)	(71.873)
Investment incentive undertaken	(382.173)	(349.745)
Contract costs and progress billings (net)	(2.185)	460.968
Undistributed profits of joint operations	(105.088)	(84.002)
Lease liabilities	(2.749)	-
Provision for doubtful receivables	(11.749)	(14.581)
Effect of valuation	93.754	-
Tax losses carried forward	(118.388)	(111.787)
Provision for litigation	(12.000)	(11.436)
Fair value differences of financial assets	76.341	97.823
Provision for premium payments	(23.332)	(35.975)
Derivative instruments	(29.728)	37.639
Other	(68.775)	(63.385)
Deferred tax liabilities / (assets)	(377.257)	144.382

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32. TAX INCOME AND EXPENSES (INCLUDING DEFERRED TAX ASSETS AND LIABILITIES) (cont'd)

Deferred Tax (cont'd):

Components of deferred tax (assets) liabilities:	31 December 2019	31 December 2018
Remeasurement and depreciation / amortization differences of tangible and intangible assets	49.871	54.363
Provision for retirement benefits and vacation liability	(14.096)	(15.265)
Investment incentive undertaken	(84.078)	(76.944)
Contract costs and progress billings (net)	13.703	108.770
Undistributed profits of joint operations	(22.899)	(18.425)
Lease liabilities	(587)	-
Provision for doubtful receivables	(2.918)	(2.642)
Effect of valuation	28.292	-
Tax losses carried forward	(24.223)	(28.479)
Provision for litigation	(2.642)	(2.516)
Fair value differences of financial assets	3.817	4.891
Provision for premium payments	(5.131)	(7.915)
Derivative instruments	(6.540)	8.281
Other	(12.333)	(13.813)
Deferred tax liabilities / (assets)	(79.764)	10.306
Deferred tax assets	(155.943)	(127.232)
Deferred tax liabilities	76.179	137.538
	(79.764)	10.306

Movement of deferred tax assets and liabilities for the year ended 31 December 2019 is as follows:

Movement of deferred tax liabilities (assets)	2019	2018
Opening balance as at 1 January	10.306	(16.127)
Effect of changes in accounting policies	-	(1.354)
Deferred tax (income) expense	(108.594)	(13.736)
Effect of changes in fair value of financial assets	(274)	1.357
Effect of actuarial gain (loss) in comprehensive income	874	175
Effect of business combinations	26.618	12.554
Hedge effect	(14.821)	8.960
Currency translation effect	6.127	18.477
Closing balance as at 31 December	(79.764)	10.306

32. TAX INCOME AND EXPENSES (INCLUDING DEFERRED TAX ASSETS AND LIABILITIES) (cont'd)

Deferred Tax (cont'd):

Reconciliation of tax expense for the year with the profit for the year:

Reconciliation of taxation:	1 January - 31 December 2019	1 January - 31 December 2018
Profit before tax	1.777.007	1.641.377
Expected taxation (*)	672.433	462.561
Reconciliation of expected tax to actual tax:		
- Undeductable expenses	1.239	5.580
- Dividend and other non-taxable income	(238.457)	(148.480)
- Carryforward tax losses deducted in current year	(50)	(445)
- Effects of unrealizable tax (losses) income (net)	(28.342)	(16.366)
- Investment incentive undertaken	(40.815)	(60.911)
- Effects of joint ventures	(811)	(201)
- Effect of change in tax rates and consolidation adjustments	(5.335)	780
- Other	2.286	(2.668)
Income tax expense recognized in statement of profit or loss	362.148	239.850

(*) Different rates are applied for different countries where the foreign companies and joint ventures are located.

33. EARNINGS PER SHARE

Calculation of earnings per share for the current year is made in accordance with TAS 33 considering the effects of shares and bonus shares issued.

As of 31 December 2019 and 2018, the Group's weighted average number of shares and computation of earnings per share (which corresponds to per share amounting to 1 TRY) set out here are as follows:

	1 January - 31 December 2019	1 January - 31 December 2018
Average number of ordinary shares outstanding during the period (in full)	370.000.000	370.000.000
Net profit for the period attributable to owners of the Parent (Thousands TRY)	1.420.750	1.403.061
Earnings per share from operations (TRY)	3,840	3,792

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34. RELATED PARTY TRANSACTIONS

The Group has various transactions with related parties during the course of its operations. Transactions between the Company and its subsidiaries, which are related parties of the Company, have been eliminated in consolidation and are not disclosed in this note.

Receivables and payables balances are unsecured and will be settled in cash. No bad debt provision is made for receivables from related parties in the current year.

Transactions with related parties are distinct and measurable.

	31 December 2019		31 December 2018	
	Receivables	Payables	Receivables	Payables
Balances with related parties	Short-term	Short-term	Short-term	Short-term
Trade				
Azfen [(1)]	13.841	-	43.205	-
Altaca Meram [(2)]	4.622	-	-	-
Tekzen	1.267	406	1.158	400
H-T Fidecilik [(1)]	124	26	61	24
Agromak	28	4	11	3
Florya Gayrimenkul [(1)]	-	-	139	-
Turquiose Construction [(3)]	-	24.169	-	27.218
Other	82	76	45	841
Shareholders and key management	355	177	177	68
Joint operations [(4)]	2.083	25	13.040	964
	22.402	24.883	57.836	29.518
Other				
Altaca Meram [(3)]	14.256	-	-	-
Denkmal Dahlem [(5)]	-	-	50.997	-
Yavuz Taner [(4)]	-	-	7.800	539
Diğer	-	108	-	-
	14.256	108	58.797	539
	36.658	24.991	116.633	30.057

(1) Includes the balances of goods and services purchases resulting from the commercial activities of the Group with the partnerships disclosed in Note 13.

(2) Includes the balances resulting from the transactions of the Group with the partnership disclosed in Note 7.

(3) Includes balances of subcontracting services received by the Group in various projects.

(4) Includes the balances from the Group's joint arrangement participants in various contracting works.

(5) Consolidated as subsidiary during the year (Note 3).

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34. RELATED PARTY TRANSACTIONS (cont'd)

	1 January - 31 December 2019						
Transactions with related parties	Purchases	Sales	Interest income	Dividend income	Rent income	Other income	Other
Black Sea	-	1	-	-	-	-	-
Azfen	-	5.569	-	29.354	113	-	-
Agromak	-	300	-	-	-	-	-
H-T Fidecilik	-	347	-	-	-	-	-
Florya Gayrimenkul	-	-	40	-	-	-	-
Akmerkez Lokantacılık	1	-	-	-	-	-	-
Tekzen	1.026	1.210	-	-	-	-	-
Üçgen Bakım	60	247	-	172	-	-	188
Akmerkez Gayrimenkul	-	-	-	9.768	-	-	899
Tekfen Vakfı	-	19	-	-	3	-	-
Turquiose Construction	76.634	-	-	-	-	-	-
Altaca Meram	-	4.412	-	-	-	-	-
Other	163	168	-	161	-	-	15
Shareholders and key management	-	430	-	-	3	-	-
Joint operations	-	1.427	-	-	-	-	-
	77.884	14.130	40	39.455	119	-	1.102

	1 January - 31 December 2018						
Transactions with related parties	Purchases	Sales	Interest income	Dividend income	Rent income	Other income	Other
Black Sea	-	1	-	-	-	-	-
Azfen	-	10.766	-	130.949	2.952	-	-
Agromak	-	246	-	-	-	-	-
H-T Fidecilik	-	65	-	-	-	12	-
Florya Gayrimenkul	-	143	4	-	-	-	-
Akmerkez Lokantacılık	-	-	-	1.052	-	-	-
Tekzen	4.500	1.071	-	-	-	-	-
Üçgen Bakım	51	176	-	179	-	-	98
Akmerkez Gayrimenkul	-	4	-	6.753	-	-	943
Pelit Yapı	836	-	-	-	-	-	-
Tekfen Vakfı	-	4	-	-	2	-	-
Turquiose Construction	52.438	-	-	-	-	-	-
Other	288	143	-	180	-	-	-
Shareholders and key management	-	149	-	-	2	-	-
Joint operations	-	2.919	-	-	-	-	-
	58.113	15.687	4	139.113	2.956	12	1.041

34. RELATED PARTY TRANSACTIONS (cont'd)

Compensation of key management personnel:

The remuneration of key management during the year is as follows:

	31 December 2019	31 December 2018
Salaries and other short-term benefits	35.664	17.775
	35.664	17.775

35. DERIVATIVE INSTRUMENTS

	31 December 2019		31 December 2018	
	Assets	Liabilities	Assets	Liabilities
Forward foreign exchange contracts	211	29.939	37.639	-
Current	211	29.939	37.639	-
Non-current	-	-	-	-
	211	29.939	37.639	-

Currency derivatives:

The subsidiary of the Group, Toros Tarım utilizes currency derivatives to hedge significant future transactions and cash flows. Toros Tarım is party to a variety of foreign currency forward contracts in the management of its exchange rate exposures. The instruments purchased are primarily denominated in the currencies of the Toros Tarım's principal markets.

At the end of the reporting period, the total notional amount of outstanding forward foreign exchange contracts to which Toros Tarım is committed are as follows:

	31 December 2019	31 December 2018
Forward foreign exchange contracts	609.791	446.476
	609.791	446.476

As of 31 December 2019, the fair value of the Toros Tarım's currency derivatives is estimated to be 211 assets and 29.939 liabilities which is negative 29.728 (31 December 2018: assets 37.639, positive 37.639). These amounts are based on quoted market prices for equivalent instruments at the balance sheet date and fair value hierarchy classificaion of derivative instruments is Level 2 (31 December 2018: Level 2). There have been no changes in the purpose or use of derivative instruments.

The fair value of currency derivatives that are designated and effective as cash flow hedges amounting to negative 23.183 has been deferred in equity (31 December 2018: positive 29.353). During the period, there is not any ineffective cash flow hedges (31 December 2018: There is not any ineffective cash flow hedges). Gains amounting to 52.969 and losses amounting to 26.175 concerning matured derivative contracts during the period have been recognized in profit or loss (31 December 2018: 148.764 gain, 11.190 loss).

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

36. NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS

a) Capital Risk Management

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximizing the return to stakeholders through the optimization of the debt and equity balance.

The capital structure of the Group consists of financial debts as explained in Note 8 and equity items comprising paid in capital, premiums in capital stock, restricted profit reserves and retained earnings.

Within the framework of risk management activities, Group defines the undertaken risks, estimates the loss amounts caused by these risks and defines the capital base amount related to these loss amounts. Thus, Group aims to minimize its capital risk.

After the capital base is defined, the steadily management of funding structure is aimed by obtaining new debts, repayment of existing debts, and dividend payments.

Net cash position as of 31 December 2019 and 2018 are as follows:

	31 December 2019	31 December 2018
Borrowings	(779.169)	(1.118.181)
Less: Cash and cash equivalents	4.095.410	4.582.426
Less: Time deposits with maturity of longer than three months	12.782	132.101
Net Cash Position (*)	3.329.023	3.596.346

(*) Lease obligations recognized in borrowings in accordance with TFRS 16 and expected credit losses recognized in cash and cash equivalents in accordance with TFRS 9 are not included in net cash position calculation.

b) Financial Risk Factors

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, cash flow interest rate risk and price risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

Management provides services to the business, coordinates access to domestic and international markets, monitors, and manages the financial risks relating to the operations of the Group through internal risk reports, which analyses exposures by degree and magnitude of risk. These risks include market risk (including currency risk, fair value interest rate risk, and price risk) credit risk, liquidity risk, and cash flow interest rate risk.

The Group does not obtain any kind of financial instruments, including those of which derivative financial instruments for speculative purposes and is not associated with the trading of these financial instruments.

36. NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS (cont'd)

b) Financial Risk Factors (cont'd)

b.1) Credit risk management

Credit risk exposure based on financial instrument categories	Receivables				
	Trade Receivables		Other Receivables		
31 December 2019	Related Party	Third Party	Related Party	Third Party	Bank Deposit (***)
Minimum credit risk exposure at balance sheet date (*)	22.402	2.244.913	14.256	56.902	3.967.245
- Secured portion of minimum credit risk via guarantee or etc. (**)	-	116.755	-	-	-
A. Net book value of not due or not impaired financial assets	14.344	1.705.114	14.256	56.902	3.967.245
B. Net book value of assets that are due but not impaired	8.058	539.799	-	-	-
- Secured portion via guarantee or etc.	-	-	-	-	-
C. Net book value of impaired assets	-	-	-	-	-
- Over due (gross book value)	-	80.545	-	571	-
- Impairment (-)	-	(80.545)	-	(571)	-
- Secured net value via guarantee or etc.	-	-	-	-	-
- Not due (gross book value)	-	64	-	-	785
- Impairment (-)	-	(64)	-	-	(785)
- Secured net value via guarantee or etc.	-	-	-	-	-
31 December 2018					
Minimum credit risk exposure at balance sheet date (*)	57.836	1.581.013	58.797	27.891	4.650.549
- Secured portion of minimum credit risk via guarantee or etc. (**)	-	59.408	-	-	-
A. Net book value of not due or not impaired financial assets	50.720	1.066.744	58.797	27.891	4.650.549
B. Net book value of assets that are due but not impaired	7.116	514.269	-	-	-
- Secured portion via guarantee or etc.	-	-	-	-	-
C. Net book value of impaired assets	-	-	-	-	-
- Over due (gross book value)	-	38.978	-	571	-
- Impairment (-)	-	(38.978)	-	(571)	-
- Secured net value via guarantee or etc.	-	-	-	-	-
- Not due (gross book value)	-	590	-	-	826
- Impairment (-)	-	(590)	-	-	(826)
- Secured net value via guarantee or etc.	-	-	-	-	-

(*) In determining the amounts, elements providing increase in loan credibility such as warrants received are not considered.
(**) Warrants consist of collateral bills, letters of guarantees and mortgages.
(***) Bank deposits include the times deposits classified under financial investments.

36. NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS (cont'd)

b) Financial Risk Factors (cont'd)

b.1) Credit risk management (cont'd)

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group has adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral where appropriate, as a means of mitigating the risk of financial loss from defaults. The Group's exposure and the credit ratings of its counterparties are continuously monitored. Credit exposure is controlled by counterparty limits that are reviewed and approved by the board of directors of the Group companies the risk management committee annually.

Trade receivables consist of a large number of customers, spread across diverse industries and geographical areas. Ongoing credit evaluation is performed on the financial condition of accounts receivables.

31 December 2019	Trade Receivables	Other Receivables	Total
Not due receivables	1.719.522	71.158	1.790.680
Overdue by 1-30 days	62.172	-	62.172
Overdue by 1-3 months	5.254	-	5.254
Overdue by 3-12 months	54.291	-	54.291
Overdue 1-5 years	484.853	-	484.853
Overdue by more than 5 years	21.832	571	22.403
Total receivables	2.347.924	71.729	2.419.653
Total overdue receivables	628.402	571	628.973
Secured portion via guarantee or etc.	-	-	-
Total provision provided for overdue receivables	(80.545)	(571)	(81.116)
Total provision provided for undue receivables	(64)	-	(64)
Secured portion of all impaired receivables via guarantee or etc.	-	-	-

31 December 2018	Trade Receivables	Other Receivables	Total
Not due receivables	1.118.054	86.688	1.204.742
Overdue by 1-30 days	30.322	-	30.322
Overdue by 1-3 months	4.151	-	4.151
Overdue by 3-12 months	28.120	-	28.120
Overdue 1-5 years	476.199	-	476.199
Overdue by more than 5 years	21.571	571	22.142
Total receivables	1.678.417	87.259	1.765.676
Total overdue receivables	560.363	571	560.934
Secured portion via guarantee or etc.	-	-	-
Total provision provided for overdue receivables	(38.978)	(571)	(39.549)
Total provision provided for undue receivables	(590)	-	(590)
Secured portion of all impaired receivables via guarantee or etc.	-	-	-

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36. NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS (cont'd)

b) Financial Risk Factors (cont'd)

b.1) Credit risk management (cont'd)

As at balance sheet date, there are no collaterals held for the past due trade receivables which are not impaired (2018: None). There are no collaterals held for the past due trade receivables which are impaired (2018: None).

b.2) Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the Board of Directors, which has built an appropriate liquidity risk management framework for the management of the Group's short, medium and long-term funding and liquidity management requirements. The Group manages liquidity risk by maintaining adequate reserves and reserve borrowing facilities by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

The following tables detail the Group's remaining contractual maturity for its derivative financial instruments and its non-derivative financial liabilities. The tables below have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows. The liquidity analysis for its derivative financial instruments has been drawn up based on the undiscounted net cash inflows/ (outflows) on the derivative instrument that settle on a net basis and the undiscounted gross inflows and (outflows) on those derivatives that require gross settlement. When the amount payable or receivable is not fixed, the amount disclosed has been determined by reference to the projected interest rates as illustrated by the yield curves existing at the reporting date.

Liquidity risk table:

31 December 2019

Due date on agreement	Carrying Value	Cash outflows according to agreements (I+II+III+IV)	Less than 3 months (I)	Between 3-12 months (II)	Between 1-5 years (III)	More than 5 years (IV)
Financial liabilities						
Bank loans	778.079	820.584	342.809	274.710	203.065	-
Lease liabilities	57.867	92.163	13.455	19.713	32.241	26.754
Trade payables (due to related parties included)	3.407.928	3.428.760	1.683.294	1.668.018	77.448	-
Employee benefit payables	77.995	77.995	77.995	-	-	-
Other payables (due to related parties included)	160.550	160.550	80.774	1.294	78.069	413
Total liabilities	4.482.419	4.580.052	2.198.327	1.963.735	390.823	27.167

Due date on agreement	Carrying Value	Cash outflows according to agreements (I+II+III+IV)	Less than 3 months (I)	Between 3-12 months (II)	Between 1-5 years (III)	More than 5 years (IV)
Derivative instruments						
Cash inflows	(29.728)	562.239	237.548	324.691	-	-
Cash outflows	-	609.791	253.170	356.621	-	-

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

36. NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS (cont’d)

b) Financial Risk Factors (cont’d)

b.2) Liquidity risk management (cont’d)

31 December 2018

Due date on agreement	Carrying Value	Cash outflows according to agreements (I+II+III+IV)	Less than 3 months (I)	Between 3-12 months (II)	Between 1-5 years (III)	More than 5 years (IV)
Financial liabilities						
Bank loans	1.114.349	1.119.269	496.389	399.666	223.214	-
Lease liabilities	3.832	4.026	1.067	1.935	1.024	-
Trade payables (due to related parties included)	3.191.246	3.200.213	2.089.868	782.868	327.477	-
Employee benefit payables	89.288	89.288	89.288	-	-	-
Other payables (due to related parties included)	168.238	168.238	74.928	6.744	86.190	376
Total liabilities	4.566.953	4.581.034	2.751.540	1.191.213	637.905	376

Due date on agreement	Carrying Value	Cash outflows according to agreements (I+II+III+IV)	Less than 3 months (I)	Between 3-12 months (II)	Between 1-5 years (III)	More than 5 years (IV)
Derivative instruments						
Cash inflows	37.639	466.921	308.706	158.215	-	-
Cash outflows	-	446.476	284.540	161.936	-	-

b.3) Market risk management

The Group’s activities expose it primarily to the financial risks of changes in foreign exchange rates (refer to section b.3.1) and interest rates (refer to section b.3.2).

There has been no change to the Group’s exposure to market risks or the manner which it manages and measures the risks.

b.3.1) Foreign currency risk management

The Group undertakes certain transactions denominated in foreign currencies. Hence, exposures to exchange rate fluctuations arise.

The details of the Group’s foreign currency denominated monetary and non-monetary assets and liabilities as of balance sheet date are shown below:

36. NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS (cont’d)

b) Financial Risk Factors (cont’d)

b.3) Market risk management (cont’d)

b.3.1) Foreign currency risk management (cont’d)

31 December 2019	Equivalent of Thousands of TRY	Thousands of USD	Thousands of EUR	Thousands of GBP	Other (Equivalent of Thousands of TRY)
1. Trade Receivables	499.376	8.309	52.376	191	100.202
2. Monetary Financial Assets	1.749.575	181.557	88.977	15	79.223
3. Other	70.561	5.916	1.345	12	26.380
4. CURRENT ASSETS	2.319.512	195.782	142.698	218	205.805
5. Trade Receivables	15	-	-	-	15
6. Monetary Financial Assets	594	2	-	-	582
7. Other	24.831	12	3.723	-	-
8. NON-CURRENT ASSETS	25.440	14	3.723	-	597
9. TOTAL ASSETS	2.344.952	195.796	146.421	218	206.402
10. Trade Payables	1.217.676	172.076	11.825	27	116.657
11. Financial Liabilities	232.456	2	34.775	-	1.170
12. Monetary Other Liabilities	186.055	120	5.308	-	150.041
12b. Non-Monetary Other Liabilities	4.805	716	83	-	-
13. CURRENT LIABILITIES	1.640.992	172.914	51.991	27	267.868
14. Trade Payables	2.089	-	55	-	1.723
15. Financial Liabilities	28.292	-	4.254	-	-
16. Monetary Other Liabilities	22.109	353	4	-	19.986
17. NON-CURRENT LIABILITIES	52.490	353	4.313	-	21.709
18. TOTAL LIABILITIES	1.693.482	173.267	56.304	27	289.577
19. Off-balance sheet derivative instruments net position (19a-19b)	562.240	94.650	-	-	-
19a. Derivative assets	562.240	94.650	-	-	-
19b. Derivative liabilities	-	-	-	-	-
20. Net foreign currency assets / liabilities position	1.213.710	117.179	90.117	191	(83.175)
21. Monetary items net foreign currency assets / liabilities position (1+2+5+6-10-11-12-14-15-16)	560.883	17.317	85.132	179	(109.555)
22. Fair value of derivative instruments held for hedging	(29.728)	(5.005)	-	-	-

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

36. NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS (cont'd)

b) Financial Risk Factors (cont'd)

b.3) Market risk management (cont'd)

b.3.1) Foreign currency risk management (cont'd)

31 December 2018	Equivalent of Thousands of TRY	Thousands of USD	Thousands of EUR	Thousands of GBP	Other (Equivalent of Thousands of TRY)
1. Trade Receivables	311.151	17.525	17.795	281	109.816
2. Monetary Financial Assets	1.841.640	240.541	91.838	8	22.525
3. Other	13.273	1.144	741	13	2.701
4. CURRENT ASSETS	2.166.064	259.210	110.374	302	135.042
5. Trade Receivables	647	-	-	-	647
6. Monetary Financial Assets	594	-	-	-	594
7. Other	113	10	10	-	-
8. NON-CURRENT ASSETS	1.354	10	10	-	1.241
9. TOTAL ASSETS	2.167.418	259.220	110.384	302	136.283
10. Trade Payables	1.570.204	199.239	20.100	17	400.752
11. Financial Liabilities	167.735	1.509	26.509	-	-
12. Monetary Other Liabilities	160.182	101	3.079	-	141.090
12b. Non-Monetary Other Liabilities	11.669	1.453	558	78	142
13. CURRENT LIABILITIES	1.909.790	202.302	50.246	95	541.984
14. Trade Payables	17.135	-	714	-	12.831
15. Financial Liabilities	143.810	-	23.857	-	-
16. Monetary Other Liabilities	26.815	1.058	4	-	21.225
17. NON-CURRENT LIABILITIES	187.760	1.058	24.575	-	34.056
18. TOTAL LIABILITIES	2.097.550	203.360	74.821	95	576.040
19. Off-balance sheet derivative instruments net position (19a-19b)	466.921	88.753	-	-	-
19a. Derivative assets	466.921	88.753	-	-	-
19b. Derivative liabilities	-	-	-	-	-
20. Net foreign currency assets / liabilities position	536.789	144.613	35.563	207	(439.757)
21. Monetary items net foreign currency assets / liabilities position (1+2+5+6-10-11-12-14-15-16)	68.151	56.159	35.370	272	(442.316)
22. Fair value of derivative instruments held for hedging	37.639	7.155	-	-	-

36. NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS (cont'd)

b) Financial Risk Factors (cont'd)

b.3) Market risk management (cont'd)

b.3.1) Foreign currency risk management (cont'd)

Foreign currency sensitivity

The Group is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the US Dollars and Euro.

The following table details the Group's sensitivity to a 5% increase and decrease in the US Dollars and Euro. 5% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated items and adjusts their translation at the period end for a 5% change in foreign currency rates. The sensitivity analysis includes external loans as well as loans to foreign operations within the Group where the denomination of the loan is in a currency other than the currency of the lender or the borrower. A positive number indicates an increase in profit or loss.

	31 December 2019	
	Profit / Loss	
	Appreciation of foreign currencies	Depreciation of foreign currencies
	If US Dollars changes 5% against TL	
US Dollars net assets / liabilities	34.803	(34.803)
	If Euro changes 5% against TL	
Euro net assets / liabilities	29.967	(29.967)
	If other foreign currencies changes 5% against TL	
Other foreign currency net assets / liabilities	(4.084)	4.084
TOTAL	60.686	(60.686)

	31 December 2018	
	Profit / Loss	
	Appreciation of foreign currencies	Depreciation of foreign currencies
	If US Dollars change 5% against TL	
US Dollars net assets / liabilities	38.040	(38.040)
	If Euro changes 5% against TL	
Euro net assets / liabilities	10.719	(10.719)
	If other foreign currencies change 5% against TL	
Other foreign currency net assets / liabilities	(21.920)	21.920
TOTAL	26.839	(26.839)

Forward foreign exchange contracts

The Group enters into forward foreign exchange contracts to manage the risk associated with anticipated sales and purchase transactions the exposure generated. The following table details the forward foreign currency contracts outstanding as at reporting date:

Foreign currency contracts

Outstanding contracts	**Average rate**		**Foreign currency**		**Contract value**		**Fair value**	
	2019	**2018**	**2019**	**2018**	**2019**	**2018**	**2019**	**2018**
Buy USD (Thousand USD / Thousand TRY)								
Less than 3 months	6,33	4,85	39.990	58.679	253.170	284.540	(12.747)	21.804
3 to 12 months	6,52	5,38	54.660	30.074	356.621	161.936	(16.981)	15.835
							(29.728)	37.639

As of 31 December 2019, 23.183 of unrealized loss arising from changes in fair values of forward foreign exchange contracts is classified as hedging reserve under shareholders' equity (2018: Unrealized gain 29.353).

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

36. NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS (cont'd)

b) Financial Risk Factors (cont'd)
b.3) Market risk management (cont'd)
b.3.2) Interest rate risk management

Interest rate sensitivity

Detail of the Group's financial instruments exposed to interest rate sensitivity is as follows:

	31 December 2019	31 December 2018
Financial liabilities - Fixed Interest Rate Instruments	525.835	831.107
Financial liabilities - Floating Interest Rate Instruments	310.111	287.074

At 31 December 2019 if the interest rates had been 50 basis points higher/lower and all other variables held constant, profit before tax and non-controlling interest would decrease/increase by 1.551 (31 December 2018: 1.435).

b.3.3)Other price risks

Equity pricing sensitivity

The sensitivity analyses below have been determined based on the exposure to price risks for listed stocks.

At reporting date, if variables used in valuation methods had been 10% higher/lower and all other variables held constant:

- There will be an increase/decrease of 9.258 (31 December 2018: 6.369 increase/decrease) in gain on revaluation and reclassification. This is mainly caused as a result of changes in fair values of fair value through other comprehensive income listed stocks.

37. FINANCIAL INSTRUMENTS

Classes and fair values of financial instruments

31 December 2019	Financial assets at amortized cost	Financial investments measured at fair value	Financial liabilities at amortized cost	Fair value of derivative instruments	Carrying value (*)	Note
Financial assets						
Cash and cash equivalents	4.094.625	-	-	-	4.094.625	6
Trade receivables (due from related parties included)	2.267.315	-	-	-	2.267.315	9, 36
Financial investments	12.782	393.868	-	-	406.650	7
Other current and non-current assets (due from related parties included)	71.158	-	-	-	71.158	10, 36
Derivative instruments	-	-	-	211	211	35, 36
Financial liabilities						
Borrowings	-	-	835.946	-	835.946	8, 36
Trade payables (due to related parties included)	-	-	3.407.928	-	3.407.928	9, 36
Employee benefit payables	-	-	77.995	-	77.995	22, 36
Other short and long-term liabilities	-	-	160.550	-	160.550	10, 36
Derivative instruments	-	-	-	29.939	29.939	35, 36
31 December 2018						
Financial assets						
Cash and cash equivalents	4.581.600	-	-	-	4.581.600	6
Trade receivables (due from related parties included)	1.638.849	-	-	-	1.638.849	9, 36
Financial investments	132.101	268.519	-	-	400.620	7
Other current and non-current assets (due from related parties included)	86.688	-	-	-	86.688	10, 36
Derivative instruments	-	-	-	37.639	37.639	35, 36
Financial liabilities						
Borrowings	-	-	1.118.181	-	1.118.181	8, 36
Trade payables (due to related parties included)	-	-	3.191.246	-	3.191.246	9, 36
Employee benefit payables	-	-	89.288	-	89.288	22, 36
Other short and long-term liabilities	-	-	168.238	-	168.238	10, 36
Derivative instruments	-	-	-	-	-	35, 36

(*) The Group believes that the carrying values of its financial instruments reflect their fair values.

37. FINANCIAL INSTRUMENTS (cont'd)

Fair Value of Financial Instruments

The fair values of financial assets and financial liabilities are determined and grouped as follows:

• Level 1: The fair value of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market prices.

• Level 2: The fair value of financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on using prices from direct or indirect observable current market transactions.

• Level 3: The fair value of the financial assets and financial liabilities are determined where there is no observable market data.

The fair values of financial assets are as follows:

Financial instruments	31 December 2019	Fair value level as of reporting date: Level 1	Level 2	Level 3
Fair value through other comprehensive income financial investments	230.962	97.451	133.511	-
Fair value through profit or loss financial investments	162.906	-	162.906	-
Derivative instruments	(29.728)	-	(29.728)	-
Total	364.140	97.451	266.689	-

Financial instruments	31 December 2018	Fair value level as of reporting date: Level 1	Level 2	Level 3
Fair value through other comprehensive income financial investments	197.762	67.034	130.728	-
Fair value through profit or loss financial investments	70.757	-	70.757	-
Derivative instruments	37.639	-	37.639	-
Total	306.158	67.034	239.124	-

38. OTHER MATTERS MATERIALLY AFFECTING FINANCIAL STATEMENTS

Upon the agreements signed on 2 May 2019, the remaining 10% of the shares of Alanar Meyve and Alanar Fidan (Previous title Alara Fidan Üretim ve Pazarlama Sanayi ve Ticaret A.Ş.) were purchased by Tekfen Tarım, which previously purchased 90% of the shares of the companies on 14 February 2018.

Tekfen Emlak merged with Tekfen İnşaat by transferring all assets and liabilities on 9 December 2019. Since the existence of Tekfen Emlak is ended as a result of the combination, the reporting of the Real Estate segment in segmental reporting has been ended.

On 13 December 2019, an agreement signed by Techinvestments MMC, a subsidiary of the Group with 100% share participation rate, concerning the purchase of 10% shares of SOCAR Polymer Investments LLC. As of the reporting date, share transfer transactions have not been completed.

Rusfen, a subsidiary of Tekfen İnşaat with 100% share participation rate, and Kharampurneftegaz LLC have signed a contract worth 1.865.254 (19.527.364 RUB) within the framework of the construction of the first 90 km of Gas Transport Pipeline between Kharampur Gas Field and Gazprom Main Pipeline in Russian Federation. The duration of the project is 16 months.

TEKFEN HOLDİNG ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

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

39. SUBSEQUENT EVENTS

A share acquisition agreement was signed on 18 December 2019 between the shareholders of Gönen Enerji, a subsidiary of Toros Tarım with 70% share participation rate, and Altaca Meram Yeşil Enerji Üretim A.Ş. ("Altaca Meram") concerning acquisition of 99,9% of the paid in capital of Altaca Meram. As of balance sheet date, transfer of 9,88% portion of the share has been completed. EPDK approval for the transfer of the remaining 90.02% shares was received on 20 January 2020 and the transfer was completed on 14 February 2020.

On 5 february 2020, collection amount to 298.075 (183.154.459 QAR) was made regarding the short-term portion of the retention receivables.